IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") OR (2) ARE OUTSIDE THE UNITED STATES PURSUANT TO "OFFSHORE TRANSACTIONS" IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT (AND, IN THE EUROPEAN ECONOMIC AREA ("**EEA**") OR IN THE UNITED KINGDOM (THE "**UK**"), THAT ARE NOT RETAIL INVESTORS AS DEFINED BELOW).

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum (the "**Offering Memorandum**") following this notice, whether received by e-mail or otherwise received as a result of electronic communication. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Offering Memorandum. In accessing the attached Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications thereto each time you receive any information from us as a result of such access.

This Offering Memorandum has been prepared in connection with the proposed offer and sale of the securities described herein (the "**Offering**"). This Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE PUBLISHED, FORWARDED OR DISTRIBUTED OR OTHERWISE MADE AVAILABLE IN WHOLE OR IN PART TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation of your representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) Qualified Institutional Buyers ("**QIBs**") within the meaning of Rule 144A under the U.S. Securities Act ("**Rule 144A**") or (2) persons that are outside the United States and, in the EEA or in the UK, that are not retail investors as defined below. This Offering Memorandum is being sent at your request. By accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to us that:

(1) you consent to delivery of such offering memorandum by electronic transmission, and

(2) either you and any customers you represent are:

(a) QIBs; or

(b) outside the United States and the e-mail address that you gave us and to which the e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia;

(c) if you are a resident in a Member State of the EEA, you are a qualified investor as defined in the Prospectus Regulation; and

(d) if you are a resident in the United Kingdom, you are a qualified investor as defined in the UK Prospectus Regulation.

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act pursuant to Rule 144A under the U.S. Securities Act.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person.

The materials relating to the Offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall this Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Prohibition of Sales to EEA Retail Investors. The notes described in this Offering Memorandum are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For the purposes of this provision, the expression retail investor means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended from time to time, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended from time to time, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended from time to time, the "**EU PRIIPs Regulation**") for offering, selling or distributing the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering, selling or distributing the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

This Offering Memorandum has been prepared on the basis that any offer of the notes referred to therein in any Member State of the EEA will be made pursuant to an exemption under Regulation (EU) 2017/1129 (as amended from time to time, the "**Prospectus Regulation**") from the requirement to publish a prospectus for offers of the notes referred to therein. Accordingly, any person making or intending to make an offer in a Member State of notes which are the subject of the offering contemplated in this Offering Memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for the Issuer or the Initial Purchasers to publish a prospectus for such offer.

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the notes has led to the conclusion that: (i) the target market for the notes is eligible counterparties and professional customers only, each as defined in MiFID II; and (ii) all channels for distribution of the notes to eligible counterparties and professional customers are appropriate. Any person subsequently offering, selling or recommending the notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of sales to UK retail investors. The notes described in this Offering Memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"), or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling such notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

UK MiFIR product governance / Professional investors and ECPs only target market. Solely for the purposes of the product approval process of any relevant initial purchaser that considers itself a manufacturer pursuant to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") (each a "**UK Manufacturer**" and, together, the "**UK Manufacturers**"), the target market assessment in respect of the notes has led to the conclusion that: (i) the target market for the notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional customers, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the notes to eligible counterparties and professional customers are appropriate. Any person subsequently offering, selling or recommending the notes (a "**UK distributor**") should take into consideration the UK Manufacturers' target market assessment; however, a UK distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the UK Manufacturers' target market assessment) and determining appropriate distribution channels.

***Financial Promotion Order*.** The attached Offering Memorandum has not been approved by an authorized person in the UK and is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("**high net worth companies, unincorporated associations, etc.**") of the Financial Promotion Order, (iii) are outside the UK, or (iv) are persons to whom an invitation or inducement to engage in investment activity within the meaning of Section 21 of the FSMA in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). The attached Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Relevant persons should note that all, or most, of the protections offered by the UK regulatory system will not apply to an investment in the notes and that compensation will not be available under the UK Financial Services Compensation Scheme.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes other than in circumstances in which Section 21(1) of the FSMA does not apply to us.

This Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, any person who controls any Initial Purchaser, or any of their respective directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between this Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

OFFERING MEMORANDUM **NOT FOR GENERAL DISTRIBUTION**

STRICTLY CONFIDENTIAL **IN THE UNITED STATES**

€500,000,000 10⅝% Senior Secured Notes due 2029

Eroski, S. Coop., a cooperative organized under the laws of Spain (the "**Issuer**" or the "**Company**"), is hereby offering (the "**Offering**") €500 million aggregate principal amount of 10⅝% Senior Secured Notes due 2029 (the " **Notes**"). The proceeds from the Notes, together with the proceeds of the Term Loan A and from the Disposal Properties (each as defined herein) as well as cash on balance sheet, will be used for the refinancing of the existing Syndicated Loan (as defined herein) (the "**Refinancing**") and payment of fees, commissions and expenses relating to the Transactions (as defined herein). The Notes will mature on April 30, 2029; *provided that* if the OSEs (as defined herein) have not been refinanced or repaid by July 31, 2027, the Notes will mature on July 31, 2027 (the "**Maturity Date**").

The Notes will bear interest at the rate of 10.625% per annum, payable semi-annually in arrear on each May 30 and November 30, commencing on May 30, 2024. Prior to November 30, 2025, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes, by paying a "make-whole" premium, as described in this offering memorandum (this "**Offering Memorandum**"). The Notes may be redeemed at any time on or after November 30, 2025 at the redemption prices set forth in this Offering Memorandum. In addition, prior to, 2025, the Issuer may also redeem, at its option, up to 40% of the aggregate principal amount of the Notes (including any Additional Notes) with the net cash proceeds from certain equity offerings at the redemption price set forth in this Offering Memorandum, if at least 50% of the original principal amount of the Notes (including any Additional Notes) remains outstanding.

Upon certain events constituting a change of control, the Issuer may be required to make an offer to purchase the Notes at 101% of the principal amount thereof, plus accrued and unpaid interest to the date of the repurchase. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the Notes.

The Notes will be senior secured obligations of the Issuer, will rank senior in right of payment to all of the Issuer's existing and future indebtedness that are subordinated or subordinated by operation of law in right of payment to the Notes, including the AFSEs and the OSEs, and will rank *pari passu* in right of payment with the Issuer's existing and future obligations that are not so subordinated, including the Term Loan A, the Bridge to Disposal Facility, and the Confirming and Guarantee Facilities (each as defined herein). The Notes will be guaranteed (the "**Guarantees**" and each, a "**Guarantee**") on a senior secured basis by Cecosa Hipermercados, S.L., Equipamiento Familiar y Servicios, S.A., Desarrollos Comerciales y de Ocio Algeciras, S.L., Cecosa Institucional, S.L., Cecogoico, S.A., Newcobeco, S.A., Peninsulaco, S.L.U., Sociedad de Franquicias Eroski Contigo, S.L.U., Forum Sport, S.A. and Cecosa Diversificación, S.L. (together, the "**Guarantors**" and each, a "**Guarantor**"). The Guarantees will be subject to certain limitations under applicable law as described under "*Limitations on Validity and Enforceability of the Guarantees and Certain Insolvency Law Considerations*" and may be released in certain circumstances. See "*Description of the Notes—Guarantees*." The Guarantee of each Guarantor will rank senior in right of payment with all existing and future obligations of such Guarantor that are subordinated in right of payment to such Guarantor's Guarantee, and *pari passu* in right of payment to all of the existing and future indebtedness of such Guarantor that are not so subordinated, including the Term Loan A, the Bridge to Disposal Facility, the Confirming and Guarantee Facilities and, with respect to Cecosa Hipermercados, S.L., its obligations under Loan 15.

The Notes and Guarantees will be secured by the Collateral (as defined herein) on or about Issue Date. The Collateral also secures the obligations of the Issuer and the Guarantors under the Term Loan A, the Bridge to Disposal Facility and the Confirming and Guarantee Facilities (each as defined herein). The validity and enforceability of the Guarantees and the Collateral and the liability of each Guarantor will be subject to the limitations described in "*Limitations on Validity and Enforceability of the Guarantees and Certain Insolvency Law Considerations.*" The Collateral and Guarantees may be released in certain circumstances. The Notes will be structurally subordinated to all obligations of the Issuer's subsidiaries that do not guarantee the Notes and effectively subordinated to any existing and future indebtedness of the Issuer and the Guarantors that is secured by property or assets that do not secure the Notes, to the extent of the value of such property or assets.

This Offering Memorandum includes information on the terms of the Notes and the Guarantees, including redemption and repurchase prices, covenants and transfer restrictions.

There is currently no public market for the Notes. Application will be made to list the Notes on the Official List (the "**Official List**") of the Luxembourg Stock Exchange (the "**Exchange**") and for such Notes to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market (the "**Euro MTF Market**"). The Euro MTF Market is not a regulated market for purposes of the Markets in Financial Instruments Directive (2014/65/EU). This Offering Memorandum constitutes a prospectus for the purpose of Part IV of the Luxembourg Law of July 16, 2019 on Prospectuses for Securities but does not constitute a prospectus for purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") or Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (as amended or superseded, the "**UK Prospectus Regulation**"). There can be no assurance that the Notes will be listed on the Official List of the Exchange, that they will be admitted to trading on the Euro MTF Market or that such listing will be maintained.

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 32.

Issue Price of the Notes: 100% plus accrued interest, if any, from the Issue Date.

None of the Notes or the Guarantees have been, or will be, registered under the U.S. federal securities laws or the securities laws of any other jurisdiction. The Notes are being offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and to persons outside the United States in reliance on Regulation S (the "**Regulation S**") under the U.S. Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. None of the Notes or the Guarantees are transferable except in accordance with the restrictions described under "*Plan of Distribution*" and "*Transfer Restrictions*."

The Notes will be issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be represented upon issuance by one or more global notes. The Initial Purchasers expect to deliver the Notes in book-entry form through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") on or about November 30, 2023 (the "**Issue Date**"). See "*Book-Entry, Delivery and Form*."

Joint Global Coordinators and Joint Bookrunners

Deutsche Bank **BNP PARIBAS**

Joint Bookrunners

Banco Sabadell **BBVA** **CaixaBank** **Norbolsa** **Santander**

The date of this Offering Memorandum is November 16, 2023.

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IMPORTANT INFORMATION

Prospective Investors should rely only on the information contained in this Offering Memorandum. None of the Issuer, the Guarantors or any of the Initial Purchasers has authorized anyone to provide you with different information. If you receive any other information, you should not rely on it. Prospective Investors should not assume that the information contained in this Offering Memorandum is accurate at any date other than the date on the front of this Offering Memorandum. Our business, financial condition, results of operations and prospects may have changed since the relevant date. None of the Issuer, the Guarantors or any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where this offer is not permitted.

This Offering Memorandum is confidential and has been prepared by us solely for use in connection with the proposed Offering described in this Offering Memorandum and should be used solely for the purposes for which it has been produced. Distribution of this Offering Memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to the purchase of Notes is unauthorized and any disclosure of any of the contents of this Offering Memorandum without our prior written consent is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and agrees to not make copies of this Offering Memorandum or any documents referred to in this Offering Memorandum.

In making an investment decision, prospective investors must rely solely on the information contained in this Offering Memorandum and their own examination of the Issuer and its subsidiaries and businesses and the terms of the Offering, including the merits and risks involved. Neither we, nor any of the Initial Purchasers nor any of their respective representatives has authorized any other person to provide different information to any investor or potential investor and we do not take responsibility for any information that others may give to you. In addition, neither we, nor any of the Initial Purchasers, nor the Trustee, nor any of their respective representatives, are making any representation to prospective investors regarding the legality of an investment in the Notes, and prospective investors should not construe anything in this Offering Memorandum as legal, business, investment, tax or other advice. Prospective investors should consult their own advisers as to legal, tax, business, financial and related aspects of an investment in the Notes. Prospective investors must comply with all laws applicable in any jurisdiction in which they buy, offer or sell the Notes or possess or distribute this Offering Memorandum. Neither we nor the Initial Purchasers, nor the Trustee, shall have any responsibility for any of the foregoing legal requirements. See "*Transfer Restrictions*." We are offering the Notes in reliance on an exemption from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. If you purchase the Notes, you will be deemed to have made certain acknowledgments, agreements, representations and warranties as detailed under "*Transfer Restrictions*." This Offering Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, nor may this Offering Memorandum be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer, the Guarantors or the Initial Purchasers, the Trustee, the Paying Agent, the Registrar, the Transfer Agent and the Security Agent shall have any responsibility therefor.

We reserve the right to withdraw this offering at any time. We are making this offering subject to the terms described in this Offering Memorandum and the purchase agreement relating to the Notes entered into between us and the Initial Purchasers. We and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed. The Initial Purchasers and certain of their related entities may acquire, for their own accounts, a portion of the Notes.

The information contained in "*Summary*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry and Market Overview*" and "*Business*" includes extracts from information and data, including industry and market data and estimates, released by publicly available resources in Europe and elsewhere. Although we accept responsibility for the accurate extraction and summarization of such information and data, we have not independently verified the accuracy of such information and data and we accept no further responsibility in respect of such information and data.

The Initial Purchasers, the Trustee, the Paying Agent, the Security Agent, the Transfer Agent and the Registrar make no representation or warranty, express or implied, as to, and assume no responsibility for, the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by any of the Initial Purchasers, the Trustee, the Paying Agent, the Security Agent, the Transfer Agent and the Registrar as to the past or the future.

By receiving this Offering Memorandum, you acknowledge that you have had an opportunity to ask questions of us, and that you have received all answers you deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. You also acknowledge that you have not relied on any of the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

Investing in the Notes involves substantial risks. See "*Risk Factors*."

Interests in the Notes will be available initially in book-entry form only. We expect that the Notes sold will be issued in the form of one or more global notes. The Notes will be deposited and registered in the name of a nominee of the Common Depositary for the accounts of Euroclear and Clearstream. Transfers of interests in the Notes will be effected through records maintained by Euroclear and Clearstream and their respective participants. The Notes will not be issued in definitive registered form except under the circumstances described in the section "*Book-entry, Delivery and Form*." The information set out in relation to sections of this Offering Memorandum describing clearing arrangements, including in the section entitled "*Book-entry, Delivery and Form*" is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing such information, we accept no further responsibility in respect of such information. Euroclear and Clearstream are not under any obligation to perform or continue to perform under such clearing arrangements and such arrangements may be modified or discontinued by any of them at any time. We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of Euroclear or Clearstream or their respective participants, nor will we or our agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book-entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of these arrangements.

There is currently no public market for the Notes. Application will be made to list the Notes on the Official List of the Exchange, which is not a regulated market within the meaning of Directive 2014/65/EU on markets in financial instruments, and the Issuer will submit this Offering Memorandum to the Exchange in connection with the listing application. In the course of any review by the Exchange, the Issuer may be requested to make changes to the financial and other information included in this Offering Memorandum in producing listing particulars for such listing. Comments by the Exchange may require significant modification to or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information. The Issuer may also be required to update the information in this Offering Memorandum to reflect changes in its business, financial condition or results of operations and prospects. The Issuer cannot guarantee that its application to the Official List of the Exchange for the Notes to be listed will be approved as of the date of issuance of the Notes or any date thereafter, and settlement of the Notes is not conditioned on obtaining this listing. Any investor or potential investor should not base any investment decision relating to the Notes on the information contained in this Offering Memorandum after publication of the listing particulars and should refer instead to those listing particulars.

Neither the U.S. Securities and Exchange Commission (the "**SEC**"), any U.S. state securities commission nor any non-U.S. securities authority (including the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores* or "**CNMV**")) nor other authority has passed upon or endorsed the merits of the Offering, approved or disapproved of the Notes or determined whether this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense in the United States.

In connection with this new issue of Notes, the Initial Purchasers do not act for or provide services, including providing any advice, in relation to this new issue of Notes to any person other than the Issuer. The Initial Purchasers will not regard any person other than the Issuer, including actual or prospective holders of the Notes, as its client in relation to this new issue of Notes. Accordingly, the Initial Purchasers will not be responsible to anyone other than the Issuer for providing the protections (regulatory or otherwise) afforded to its customers. If you are in any doubt about the contents of this Offering Memorandum, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. It should be remembered that the price of securities and the income from them can decrease as well as increase.

STABILIZATION

IN CONNECTION WITH THE OFFERING, DEUTSCHE BANK AKTIENGESELLSCHAFT (THE "**STABILIZING MANAGER**") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT SERIES OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT SERIES OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO U.S. INVESTORS

The Offering is being made in the United States in reliance upon an exemption from registration under the U.S. Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. See "*Transfer Restrictions*." This Offering Memorandum is being provided (1) to a limited number of U.S. investors that the Issuer reasonably believes to be "**qualified institutional buyers**" under Rule 144A for informational use solely in connection with their consideration of the purchase of the Notes and (2) outside the United States in connection with offshore transactions complying with Regulation S. Prospective investors are hereby notified that the sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. The Notes described in this Offering Memorandum have not been registered with, recommended by or approved by the SEC, any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC or any state securities commission in the United States or any such other securities commission or authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

NOTICE TO UK INVESTORS

This Offering Memorandum is being distributed only to and is directed only at: (i) persons who have professional experience in matters relating to investments and are "investment professionals" as defined within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) high net worth companies, unincorporated associations and any other person falling within Article 49(2)(a) to (d) of the Order, (iii) persons outside the United Kingdom and (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) in connection with the issue or sale of any Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**").

This Offering Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Recipients of this Offering Memorandum are not permitted to transmit it to any other person. The Notes are not being offered to the public in the United Kingdom. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

Each Initial Purchaser has represented and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA in respect of anything done by it in relation to any Notes in, from or otherwise involving, the United Kingdom.

This Offering Memorandum has been prepared on the basis that any offer of the Notes referred to herein in the United Kingdom will be made pursuant to an exemption under the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**") from the requirement to publish a prospectus for offers of the securities referred to herein. Accordingly, any person making or intending to make an offer in the United Kingdom of Notes which are the subject of the Offering contemplated in this Offering Memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any of the Initial Purchasers to publish a prospectus for such offer.

The Notes described in this Offering Memorandum are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

NOTICE TO INVESTORS IN SPAIN

Neither the Notes nor this Offering Memorandum have been registered with the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Notes may not be offered, sold or distributed, nor may any subsequent resale of Notes be carried out in Spain, except in circumstances which do not require the registration of a prospectus in Spain or without complying with all legal and regulatory requirements under Spanish securities laws.

The Notes may only be offered or sold in Spain by institutions authorised under the Spanish Law 6/2023, of 17 March, on the Securities Markets and the Investment Services (*Ley 6/2023, de 17 de marzo, de los Mercados de Valores y de los Servicios de Inversión*) (the "**Spanish Securities Markets and Investment Services Law**"), Royal Decree 217/2008 of 15 February on the legal regime applicable to investment services companies (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión*), as amended or replaced from time to time, and related legislation to provide investment services in Spain and in accordance with the provisions of the Spanish Securities Markets and Investment Services Law and further developing legislation.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available, any Notes that are the subject of the Offering contemplated by this Offering Memorandum to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended from time to time, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended from time to time, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by the PRIIPS Regulation for offering, selling or distributing the Notes or otherwise making them available to retail investors in the

EEA has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation. This Offering Memorandum has been prepared on the basis that any offer of the Notes in any Member State of the EEA will be made pursuant to an exemption under Regulation (EU) 2017/1129 (as amended from time to time, the "**Prospectus Regulation**") from the requirement to publish a prospectus for offers of notes. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation.

Each subscriber for or purchaser of the Notes in the Offering located within a Member State of the EEA will be deemed to have represented, acknowledged and agreed that it is not a retail investor. The Issuer, the Initial Purchasers and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

MiFID II Product Governance / professional investors and eligible counterparties only target market: Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is "**eligible counterparties**" and "**professional customers**" only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional customers are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum 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 Offering Memorandum 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 Offering Memorandum and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this Offering Memorandum. 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 Offering Memorandum.

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 Offering Memorandum. 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;
- investigations or challenges with respect to our tax liabilities or changes in tax legislation; and
- other risks associated with our indebtedness and the Transactions.

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*." Other sections of this Offering Memorandum describe additional factors that could adversely affect our business, results of operations, financial condition and prospects. 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.

INDUSTRY AND MARKET DATA

The market and competitive position data in the sections "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry and Market Overview*" and "*Business*" of this Offering Memorandum are based on industry publications, surveys or studies conducted by management, third-party industry consultants and market research firms, or publicly available information from sources that are generally believed to be reliable. In particular, certain information has been sourced from internal studies conducted by Euromonitor, Alimarket, Nielsen, INE and IHS.

The accuracy and completeness of such information is not guaranteed and has not been independently verified. Additionally, industry publications, surveys or studies generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed and in some instances the sources do not assume liability for such information. We cannot assure you of the accuracy and completeness of such information, and we have not independently verified such market data.

Some of the information herein has also been extrapolated from market data, reports, surveys and studies using our experience and internal estimates. Elsewhere in this Offering Memorandum, statements regarding the industry in which we operate and our position in this industry are based solely on our experience, internal studies, estimates and surveys, and our own investigation of market conditions. We believe that the sources of such information in this Offering Memorandum are reliable, but there can be no assurance that any of these assumptions are accurate or correctly reflects our position in our industry, and none of our internal surveys or information has been verified by any independent sources.

Market data and statistics, including consumer trends, market shares and brand awareness, are generally based on market research, interviews and surveys conducted by us and third-party industry consultants. Such market research is largely based on sampling and subjective judgments by both the researchers and the respondents, and there is no assurance that the responses received are reflective of actual market conditions or sentiment. Furthermore, be aware that the data and statistical information in this Offering Memorandum may differ from information provided by our competitors or from information found in current or future studies conducted by market research institutes, consultancy firms or independent sources.

While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "*Risk Factors*" in this Offering Memorandum. As a result, neither we nor the Initial Purchasers make any representation as to the accuracy or completeness of any such information in this Offering Memorandum.

TRADEMARKS

We own or have rights to certain trademarks, trade names or service marks that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum belongs to its holder. Solely for convenience, the trademarks, trade names and copyrights referred to in this Offering Memorandum are listed without the ©, ® and TM symbols, but we will assert, to the fullest extent under applicable law, our rights to these trademarks, trade names and service marks.

TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of U.S. federal tax laws and Spanish tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price in the Offering. See "*Certain Tax Considerations*."

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical Financial Information

This Offering Memorandum includes the English translations of the audited consolidated annual accounts of the Issuer as of and for each of the years ended January 31, 2021 ("**FY 2020**" or "**the fiscal year 2020**"), January 31, 2022 ("**FY 2021**" or "**the fiscal year 2021**") and January 31, 2023 ("**FY 2022**" or "**the fiscal year 2022**") and the related notes thereto (the "**Audited Consolidated Annual Accounts**") and the English translation of the unaudited condensed consolidated interim financial statements of the Issuer as of and for the six-month period ended July 31, 2023 which include comparative figures for the six-month period ended July 31, 2022 (the "**Interim Financial Statements**" and, together with the Audited Consolidated Annual Accounts, the "**Consolidated Financial Statements**"). The Consolidated Financial Statements contained in the F-pages to this Offering Memorandum should be read in conjunction with the relevant notes thereto.

The Spanish language original versions of the Audited Consolidated Annual Accounts were audited by KPMG Auditores, S.L. ("**KPMG**") and were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). The Spanish language original version of the Interim Financial Statements were prepared on the basis of the accounting records of the Group in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board, as adopted by the European Union ("**IAS 34**"). The Spanish language original versions of the Audited Consolidated Annual Accounts and the Spanish language original versions of the Interim Financial Statements of the Issuer and its subsidiaries can be found on the Issuer's website at corporativo.eroski.es. The information included in or linked to on our website is not a part of this Offering Memorandum and this website address is not an active hyperlink.

The summary unaudited financial data for the twelve months ended July 31, 2023 presented herein has been derived mathematically by adding the financial data for the six-month period ended July 31, 2023 to the financial data for the fiscal year 2022 and subtracting the financial data for the six-month period ended July 31, 2022. The unaudited financial information for the twelve months ended July 31, 2023 has been prepared solely for the purpose of this Offering Memorandum, is for illustrative purposes only and is not necessarily indicative of our results of operations for any future period or our financial condition at any future date.

The financial information included in this Offering Memorandum was not prepared in accordance with generally accepted accounting principles in the United States ("**U.S. GAAP**"). There could be significant differences between IFRS, as applied by us, and U.S. GAAP. Accordingly, such information is not available to investors, and investors should consider this in making their investment decision and are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and U.S. GAAP and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Memorandum and (ii) the impact that future additions to, or amendments of, IFRS may have on our results of operations or financial condition, as well as on the comparability of the prior periods. The financial information included in this Offering Memorandum is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification, reformulation or exclusion of certain financial measures, and changes would be required in the presentation of certain other information. In addition, we have included certain non-IFRS financial measures and ratios in this Offering Memorandum. See "*—Other Non-IFRS Measures*" below. The non-IFRS financial measures we present may also be defined differently than the corresponding terms under the Indenture (as defined herein).

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Issuer's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in the Consolidated Financial Statements. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical accounting policies, judgements, estimates and assumptions.*"

Pro Forma Financial Information

This Offering Memorandum includes unaudited condensed consolidated *pro forma* financial data which have been adjusted to reflect certain effects of the Transactions (i) on interest expense as if the Transactions were completed on August 1, 2022, and (ii) on cash and cash equivalents, senior secured net debt and total net debt as if the Offering was completed on July 31, 2023. The unaudited condensed consolidated *pro forma* financial data have been prepared for illustrative purposes only and do not purport to represent what the actual interest expense, cash and cash equivalents, senior secured net debt and total net debt of the Company would have been if the Offering had occurred (i) on August 1, 2022 for the purposes of the calculation of interest expense and (ii) on July 31, 2023 for the purposes of the calculation of cash and cash equivalents, senior secured net debt and total net debt nor do they purport to project the Company's interest expense, cash and cash equivalents, senior secured debt and total debt at any future date. The unaudited adjustments and the unaudited *pro forma* financial data set out in this Offering Memorandum are based on available information and certain assumptions and estimates that we believe are reasonable and may differ materially from the actual adjusted amounts.

Other Non-IFRS Measures

In this Offering Memorandum, we present certain financial measures and related ratios, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBITDA pre-IFRS 16, Adjusted EBITDA pre-IFRS 16 margin, EBITDAR, EBITDAR margin, Change in adjusted working capital, Adjusted operating cash flow, Adjusted cash flow, Gross margin, Net financial debt, Adjusted net financial debt, Capital expenditures, Maintenance capex and Expansion capex (the "**Non-IFRS Metrics**") that are not recognized by IFRS and may not be permitted to appear on the face of primary financial statements or footnotes thereto and may not be permitted to be included in filings under the U.S. Securities Act.

The following are the primary Non-IFRS Metrics that are used in this Offering Memorandum:

- "**EBITDA**" means profit/(loss) for the period or year before income tax expense, interest expense (net) and amortization and depreciation.
- "**Adjusted EBITDA**" means EBITDA adjusted for net finance expenses, net impairment expenses, net losses(gains) on sales of assets, share of profit/(loss) of equity-accounted investees, other special project expenses and costs that management considers not reflective of our core operations.
- "**Adjusted EBITDA margin**" means Adjusted EBITDA divided by revenue.
- "**Adjusted EBITDA pre-IFRS 16**" means Adjusted EBITDA less amortizations of leases, which before the implementation of IFRS 16 would not have been capitalized on our statement of financial position.
- "**Adjusted EBITDA pre-IFRS 16 margin**" means Adjusted EBITDA pre-IFRS 16 divided by revenue.
- "**EBITDAR**" means Adjusted EBITDA pre-IFRS 16 before rental expense.
- "**EBITDAR margin**" means EBITDAR divided by revenue.
- "**Adjusted operating cash flow**" means Adjusted EBITDA pre-IFRS 16 less Maintenance capex, change in adjusted working capital and Expansion capex.
- "**Adjusted cash flow**" means Adjusted operating cash flow less cash flow attributed to partners.
- "**Change in adjusted working capital**" means the change in reported working capital adjusted for changes in the use of reverse factoring lines, float between the periods and changes in supplier terms to reduce days payable outstanding.
- "**Gross margin**" means the difference between revenues/revenue and raw materials and other consumables used divided by revenues/revenue, expressed as a percentage.
- "**Net financial debt**" means financial liabilities from issuing bonds and marketable securities, financial liabilities from loans and borrowings and third party loans less cash and cash equivalents. Net financial debt does not include leases, which before the implementation of IFRS 16 would not have been capitalized on our statement of financial position.

- "**Adjusted net financial debt**" means net financial debt, adjusted to remove equity-like instruments, such as the AFSEs, and to reflect the OSEs, Loan 15 and Syndicated Loan at nominal value rather than at amortized cost with accrued interest, and less current financial assets.

- "**Capital expenditures**" or "**capex**" means expenditures used for acquiring and maintaining property, plant and equipment, other intangible assets, goodwill, investment properties and property inventories.

- "**Maintenance capex**" means capital expenditures for the refurbishments required to enable the Company's stores and locations to operate and the substitution of obsolete equipment (tangible assets) in its stores and locations.

- "**Expansion capex**" means capital expenditures required for the opening of new stores or locations and remodeling of existing stores and locations.

The Non-IFRS Metrics are not required by, or presented in accordance with, IFRS.

We present the Non-IFRS Metrics because we believe they assist investors and analysts in comparing our results to other operators and reviewing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance.

The Non-IFRS Metrics have limitations as analytical tools. Some of these limitations are:

- they do not reflect our cash expenditures, future requirements for cash expenditures or contractual commitments;

- they do not, or may not fully, reflect changes in, or cash requirements for, our working capital needs;

- they do not reflect the interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and the Non-IFRS Metrics and similar non-IFRS financial measures do not reflect any cash requirements that would be required for such replacements;

- certain expenses are eliminated in calculating the Non-IFRS Metrics and similar non-IFRS financial measures reflect cash payments that were made, or will be made in the future; and

- the fact that other companies in our industry may calculate these non-IFRS financial measures differently than we do limits their usefulness as comparative metrics.

None of the Non-IFRS Metrics are IFRS measures and you are encouraged to evaluate any adjustments to IFRS measures yourself, along with the reasons we consider them appropriate for supplemental analysis. Because of these limitations, as well as further limitations discussed above, the Non-IFRS Metrics presented should not be considered in isolation or as a substitute for performance measures calculated in accordance with IFRS. We compensate for these limitations by relying primarily on our results in accordance with IFRS and using non-IFRS measures only supplementally.

Non-Financial Operating Data

Certain key performance indicators and other non-financial operating data included in this Offering Memorandum are derived from management estimates, are not part of our financial statements or financial accounting records, and have not been audited or otherwise reviewed by external auditors, consultants or experts. Our use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these terms should not be considered in isolation or as an alternative measure of performance under IFRS.

Restatement and Reclassification of Prior Periods' Financial Statements

Our Audited Consolidated Annual Accounts for fiscal year 2022 include comparative figures for the prior year, which differ from those approved by the members of our General Assembly (as defined herein) at its meeting held on May 26, 2022. The comparative figures for the prior year were restated as a result of the following actions:

Our shareholders' agreement with EP Bidco, A.S., signed in September 2021 for a duration of 25 years, which regulates Supratuc's governance, includes a clause stipulating that the parties therein undertake to vote in favor of a dividend distribution, *provided that* (i) there is sufficient liquidity to effect such distribution, (ii) such distribution is compatible with the Group's cash needs and (iii) such distribution is also comparable with the budget approved by Supratuc's board of directors. The intention of both parties in including this clause was to set a dividend policy that maximizes the distribution of surplus cash under the control of the board of directors, the body which approves the business plans and yearly budgets. Our understanding of such clause, which is also endorsed by EP Bidco, A.S., led the directors to consider the non-controlling interest as an equity instrument, and therefore, it was deemed unnecessary to recognize a financial liability in the prior year's consolidated annual accounts. However, with input from the Spanish National Securities Market Commission, given that one potential interpretation of this clause could be that there is an obligation to distribute a dividend, Supratuc recognized a financial liability at its estimated fair value as of the fiscal years 2021 and 2022 of €107,629 thousand and €117,521 thousand, respectively.

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

These reclassifications were performed in order to conform to changes in presentation in the fiscal year 2021 consolidated financial statements and are not material to the consolidated financial statements for the fiscal year 2021. They are set out in the table below:

	FY 2021	Adjustments	FY 2021 (restated)
		(€ in thousands)	
Non-controlling interests	312,711	(107,629)	205,082
Equity	425,921	(107,629)	318,292
Non-current financial liabilities	2,286,496	107,629	2,394,125
Non-current liabilities	2,518,181	107,629	2,625,810
Total liabilities	**3,650,525**	**107,629**	**3,758,154**

Our condensed consolidated interim income statement for the six-month period ended July 31, 2022 presented for comparative purposes has been restated to reflect the financial expense accrued in that period in respect of the liabilities described above.

	For the six-month period ended July 31,		
	2022	Adjustments	2022 (restated)
		(€ in thousands)	
Finance costs	(40,393)	(4,946)	(45,339)
Profit/(loss) before tax from continuing operations	55,096	(4,946)	50,150
Profit for the period from continuing operations	46,804	(4,946)	41,858
Profit for the period attributable to equity holders of the Parent company	15,417	(4,946)	10,471

On June 1, 2023, the shareholders of Supratuc amended the shareholders' agreement, which now states that the distribution of dividends of Supratuc is a discretionary rather than compulsory distribution and, therefore, the financial liability, which at such date had a value of €120,221 thousand, was transferred to external shareholders.

Currency Presentation

In this Offering Memorandum, unless otherwise indicated, all references to "**Euro**" and "**€**" are to the single currency of the Member States of the European Union participating in European Monetary Union. Unless otherwise indicated, financial information relating to the Issuer is presented in Euro.

Other Information

Pursuant to Spanish regulatory requirements, "directors' reports" are required to accompany our consolidated annual accounts. The directors' reports are included in this Offering Memorandum only in order to comply with such regulatory requirements. Investors are strongly cautioned that the directors' reports contain information as of various historical dates and do not contain a current description of our business, affairs or results of operations. The information contained in the directors' reports has been neither audited nor prepared for the specific purposes of an offering of the Notes. Accordingly, the directors' reports should be read together with the other sections of this Offering Memorandum, particularly in the sections entitled "*Risk Factors*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and any information contained in the directors' reports is deemed to be modified or superseded by any information contained elsewhere in this Offering Memorandum that is subject to or inconsistent with it. Further, the directors' reports include certain forward-looking statements that are subject to inherent uncertainty. Please see "*Forward-Looking Statements*." Accordingly, investors are cautioned not to rely upon the information contained in such directors' reports.

Rounding

Certain numerical figures set out in this Offering Memorandum, including financial information presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the unrounded numerical data in the Consolidated Financial Statements or the tabular presentation of other information contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof.

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires otherwise in this Offering Memorandum references to:

"**Bridge to Disposal Facility**" refers to the bridge to disposal facility agreement, dated November 16, 2023, among, *inter alios*, the Issuer, as borrower, the Guarantors, Deutsche Bank AG, London Branch, as agent, the lenders as described therein and other parties named therein from time to time, as amended and restated from time to time, and loans made thereunder;

"**CAGR**" refers to compound annual growth rate;

"**Clearstream**" refers to Clearstream Banking, S.A.;

"**Confirming and Guarantee Facilities**" refers to the confirming and guarantee facilities and COMEX lines documented by means of a framework agreement dated November 16, 2023, among, *inter alios*, the Issuer, certain of the Guarantors, Kutxabank, S.A. as agent, the lenders as described therein and other parties named therein from time to time and, if requested by any lenders therein due to operational reasons, any bilateral agreement (*póliza bilateral*), as amended and restated from time to time;

"**COVID-19**" refers to the Coronavirus disease first identified in Wuhan, China (declared a pandemic by the World Health Organization on March 11, 2020);

"**DCO**" refers to Desarrollos Comerciales y de Ocio Algeciras, S.L.;

"**EU**" refers the European Union;

"**Euro**" or "**€**" refers to the lawful currency of the European Monetary Union;

"**Euroclear**" refers to Euroclear Bank SA/NV;

"**Exchange**" refers to The Luxembourg Stock Exchange;

"**Exchange Act**" refers to the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;

"**Group**," "**us**," "**our**" and "**we**" refer to the Issuer and its consolidated subsidiaries, as applicable;

"**Guarantees**" has the meaning ascribed to it in "*The Offering—Guarantees*";

"**Guarantors**" refers to Cecosa Hipermercados, S.L., Equipamiento Familiar y Servicios, S.A., DCO, Cecosa Institucional, S.L., Cecogoico, S.A., Newcobeco, S.A., Peninsulaco, S.L.U., Sociedad de Franquicias Eroski Contigo, S.L.U., Forum Sport, S.A. and Cecosa Diversificación, S.L.;

"**IFRS**" refers to International Financial Reporting Standards as adopted by the European Union;

"**Indenture**" refers to the indenture governing the Notes, to be dated the Issue Date, by and among, *inter alios*, the Issuer, the Guarantors and the Trustee;

"**Initial Purchasers**" refers to, collectively, Banco Bilbao Vizcaya Argentaria, S.A., Banco de Sabadell, S.A., Banco Santander, S.A., BNP Paribas, CaixaBank, S.A., Deutsche Bank Aktiengesellschaft and Norbolsa S.V., S.A.;

"**Issue Date**" refers to November 30, 2023, the date of the issuance of the Notes;

"**Issuer**," "**Company**," and "**Parent**" refer to Eroski, S. Coop;

"**Member State**" refers to a member state of the European Economic Area;

"**Notes**" refers to the €500 million aggregate principal amount of 10⅝% Senior Secured Notes due 2029 offered hereby;

"**Offering**" refers to the offering of the Notes as described in this Offering Memorandum;

"**Regulation S**" refers to Regulation S under the U.S. Securities Act;

"**Security Agent**" refers to Banco Santander, S.A.;

"**Security Documents**" has the meaning ascribed to it under "*Description of the Notes—Certain Definitions*";

"**Supratuc**" refers to Supratuc2020, S.L., an entity in which we own 50% of its equity and EP Bidco, A.S., a subsidiary of EP Company Group, owns the remaining 50% and which is consolidated into our financial results, and its consolidated subsidiaries;

"**Syndicated Loan**" refers to loans made pursuant to a facilities agreement dated July 16, 2019, among *inter alios*, the Issuer, as borrower, certain of the Guarantors, Banco Santander, S.A. as security agent, the lenders as described therein and other parties named therein from time to time, as amended and restated from time to time;

"**Term Loan A**" refers to the term facility agreement, dated November 16, 2023, among, *inter alios*, the Issuer, as borrower, the Guarantors, Kutxabank, S.A. as agent, the lenders as described therein and other parties named therein from time to time, as amended and restated from time to time, and loans made thereunder;

"**Transactions**" refers to:

- the issuance by the Issuer of €500.0 million aggregate principal amount of Notes offered hereby;
- the entrance by the Issuer and Guarantors into the Term Loan A and the borrowing by the Issuer of €112.8 million thereunder;
- the entrance by the Issuer and certain of the Guarantors into the Confirming and Guarantee Facilities;
- the adjustment with the existing lenders that will decrease the nominal aggregate principal amount due under the Syndicated Loan by €152.3 million which will become effective on or about the Issue Date and the remaining balance will be repaid and cancelled, subject to the closing of the Offering; and
- the use of proceeds from the Notes, along with proceeds from the Term Loan A, the Disposal Properties and cash on balance sheet used (a) for the refinancing of the balance of the existing Syndicated Loan after the decrease referred to in the preceding bullet and (b) for the payment of fees, commissions and expenses relating to the Offering and the Refinancing.

"**Trustee**" refers to Deutsche Trustee Company Limited;

"**U.S.**" and "**United States**" refers to the United States of America;

"**U.S. dollars**" or "**$**" refers to the lawful currency of the United States;

"**U.S. GAAP**" refers to accounting principles generally accepted in the United States;

"**U.S. Securities Act**" refers to the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder; and

"**Vegalsa**" refers to Vegonsa Agrupación Alimentaria, S.A., an investment in which we own 50% of its equity and which is consolidated into our financial results, and its consolidated subsidiaries.

SUMMARY

The following summary highlights selected information from this Offering Memorandum. The following summary does not contain all of the information you should consider before you invest in the Notes and should be read in conjunction with, and is qualified in its entirety by, the more detailed information included elsewhere in this Offering Memorandum. Before making an investment decision, you should carefully read this entire Offering Memorandum to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the more detailed information in the Consolidated Financial Statements and the related notes included elsewhere in this Offering Memorandum. See the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional factors that you should consider before investing in the Notes.

Overview

We are a leading multi-format and omni-channel food retailer operating as a consumer cooperative company in Spain. Our business model is focused on supermarkets, but we operate through a multi-format approach. This allows us to respond to customer needs through a wide range of formats, including supermarkets, hypermarkets, Cash & Carry stores, gas stations and sports equipment stores. Our omni-channel business model refers to our consolidated platform and ability to offer our customers our whole suite of products from our trusted private label with significant heritage through several channels and platforms, weaving together physical stores and our online supermarket and phone app to create a seamless shopping experience for customers. We have over 50 years of history and offer a wide range of locally and nationally produced and internationally sourced food products from our trusted suppliers.

We conduct our business through two main categories of operations – food and non-food, diversified businesses. We present our food business to customers through several formats, including supermarkets, hypermarkets, and Cash & Carry stores. As of July 31, 2023, our food business operations included 731 EROSKI-operated and 615 franchise supermarkets, 36 EROSKI-operated hypermarkets and 17 EROSKI-operated Cash & Carry establishments. For the fiscal year 2022, our food businesses generated approximately €4,474 million in revenue. Within our non-food, diversified businesses, we operated 40 gas stations and 66 sports equipment stores as of July 31, 2023. For the fiscal year 2022, our non-food, diversified businesses generated approximately €354 million in revenue.

Our business operates under formats that aim to adapt to current consumer trends while delivering high quality products. Our array of retail formats offers a variety of experiences to our customers, from high-end and high-value products to cost-effective and competitive everyday essentials, all designed to meet the expectations of customers seeking quality, authenticity and customer service. Further, we employ a multi-banner strategy and offer a variety of brands, including our private label, to best reflect local characteristics in the regions where we operate. Our private label represents our values and allows us to feature quality products with an emphasis on health, sustainability and commitment to local producers while catering to a range of customer price points. Our network of approximately 1,500 physical stores as of July 31, 2023, including over 600 franchises, allows us to maintain a national, diversified footprint across mainland Spain, which helps us maintain and promote nationwide brand awareness. Based on sales, we are the number one food retailer in Basque Country and Navarra ("**Northern Spain**") and the number four food retailer across Spain, with a particular market presence in the Basque Country, Navarra, the Balearic Islands, Galicia, Cataluña, Aragon and La Rioja (our "**Core Regions**") as of the fiscal year 2022. For the twelve months ended July 31, 2023, over 90% of our Adjusted EBITDA pre-IFRS 16 was generated from our Core Regions, which we believe makes us particularly resilient in mature markets. In the fiscal year 2022, 41% 24% 22% and 13% of our revenue came from Northern Spain, Catalonia and the Balearic Islands, Galicia and other regions, respectively. By comparison, in the fiscal year 2009, 53%, 24%, 12% and 10% of our net sales came from other regions, Catalonia and the Balearic Islands, Northern Spain and Galicia, respectively. This change has been driven by our efforts to refocus growth and expansion in our key geographical and business competencies. From the fiscal year 2009 to the fiscal year 2022, the percentage of our revenue coming from our Core Regions grew from 47% to 87%. Growth took place largely in Northern Spain, which grew from 12% of net sales to 41% of our revenue.

At our supermarkets, hypermarkets and Cash & Carry stores, we offer a wide range of products with a focus on fresh, local and seasonal items at affordable prices, and in the fiscal year 2022, private label products represented 51% of our fresh food revenue. As of July 31, 2023, 95% of our commercial suppliers were based in Spain, 60% of which were local agri-food producers. We believe that investment throughout our product ranges creates top quality product offerings for each price category, and that our focus on high quality, healthy and fresh, local products is an optimal strategy given current consumer trends. Consumers are increasingly sensitive to the effects their food decisions have on the environment and sustainability. As of July 31, 2023, we offered over 1,400 organic food products, and of our own-brand products, 70% of items have received an A, B or C rating according to Nutri-Score, a nutritional rating system that assigns products a rating letter from A (best) to E (worst). Our refocus of our growth in Northern Spain and expansion targets drove investment in our successful supermarket format. For example, the percentage of our revenues from our supermarkets, hypermarkets, Cash & Carry and diversification formats changed from 56%, 37%, 1% and 15% in fiscal year 2009 to 74%, 16%, 3% and 7% in fiscal year 2022, respectively.

Our retail presence is comprised of both EROSKI-operated and franchised stores. Our dual store operating model increases our flexibility, cost-effectiveness and ability to scale. EROSKI-operated stores provide us with control over operations, full right to profits and a streamlined decision-making structure, while our franchises allow us to scale more easily with lowered capital expenditure requirements, increase our brand recognition in our non-Core Regions and lower our operational risk in line with our conservative financial policies. Further, our franchise network (in particular our franchisee partners located outside our Core Regions or in rural areas) help us grow our presence across mainland Spain. They complement the geographic reach of our own store network, can meet specific demands of the local market and allow us to target smaller catchment areas with lower population densities that might not fit our investment profile. Our franchised stores are a source of significant profit. Franchisees must purchase 90% of their inventory from us and have 10% freedom to purchase the remainder of their inventory from other suppliers, provided they are not our competitors. This applies to all franchises except Aliprox. As such, the Adjusted EBITDA pre-IFRS 16 margin from our franchised stores is typically higher than the corresponding margin from our own stores. Additionally, our franchisee partners also pay a recurring royalty fee on their purchases from us. In the fiscal year 2022, our franchisees purchased €503 million in inventory, comprising 10% of our total annual revenues. In the fiscal year 2022, our franchised stores generated €41 million in their Adjusted EBITDA pre-IFRS 16, more than tripling the €13 million of EBITDA generated by our franchises for the fiscal year January 31, 2014. We have over 45 years of experience working with franchisees and currently hold a 97% franchisee satisfaction rate.

We have a strong focus on innovation and have developed an omni-channel offering that we believe has positioned us well to respond to evolving consumer trends. In addition to approximately 1,500 physical stores across Spain, we offer mobile applications and other e-commerce functionality and are engaging with artificial intelligence technology that will allow us to offer targeted and personalized promotions to our customers and provide customers with the flexibility to shop at their convenience wherever they prefer.

We are committed to customer satisfaction. As of July 31, 2023, more than 5 million customers have joined our loyalty program, EROSKI Club, most of whom are based in our Core Regions. In the fiscal year 2022, membership in the program grew by 200,000 customers. During the same period, 70% of our recurrent sales were by EROSKI Club members. We also offer a gold card subscription program, which further promotes brand loyalty by providing a 4%-6% discount on all purchases at our supermarkets, hypermarkets, gas stations, opticians and online store. Sales through this subscription program amounted to more than €800 million in the fiscal year 2022, providing us with a superior customer spending compared to a non-subscribing customer. Our increasing online presence and membership program provide our business with stability and recurring revenues. We continue to focus on promoting brand loyalty through our diverse range of food products, sensitivity to our customer preferences and growing online platform.

Our business is a cooperative owned and controlled by certain consumers and employees who opt to become members of our cooperative. This model aligns employee and consumer interests with management interests, and increases profitability as we operate with a long-term view and a conservative financial policy. As of July 31, 2023, approximately 30% of our workforce were cooperative members. Our cooperative model creates a community for all members, high employee retention rates and greater autonomy to negotiate and manage our labor costs. For example, in the fiscal year 2022, we had a 98.5% employee retention rate and a 19-year average tenure among our members. We have consistently expanded on this model in a mature environment and have increased our cooperative membership by over 795 members between 2013 and 2022.

Our governance structure allows us to embrace independent, unified and business-oriented decision-making. A general assembly ("**General Assembly**") oversees the governing council (*Consejo Rector*) ("**Governing Council**") which hosts the executive, nomination and remuneration, investments and audit and compliance committees. The Governing Council oversees the management board of our Group

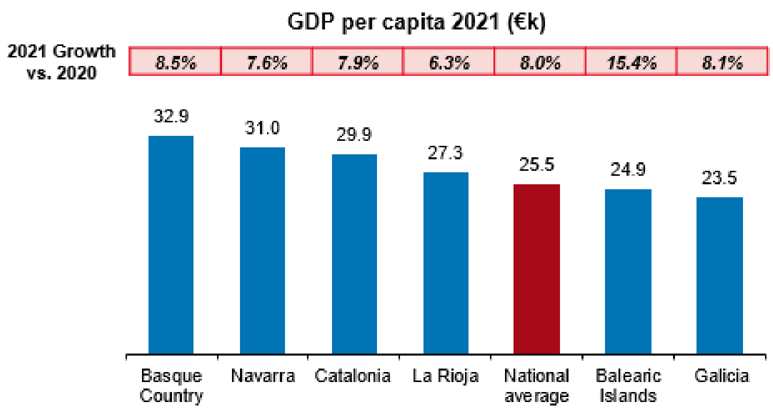
(*Consejo de Dirección*) ("**Management Board**"). The General Assembly consists of 250 employee cooperative members and 250 consumer cooperative members and the Governing Council consists of six employee members and six consumer members, allowing for equal representation in corporate governance. Our Management Board comprises ten executive members who propose, design and oversee the organization's policies, strategies and business. Our Management Board has a strong and personal commitment to the business, and a proven track record of execution with an average of more than 25 years of industry experience. Every member of the Management Board has more than 17 years of leadership experience at our Group.

We are committed to promoting environmental, social and governance ("**ESG**") practices, and our ESG-related programs and campaigns focus on local economic development, solidarity, environmental sustainability and the promotion of safe, sustainable and healthy food. Since 2017, we have reduced our Scope 1 and Scope 2 greenhouse gas emissions by 40%, and we are committed to being carbon neutral by 2050. Additionally, we are aiming to achieve 100% recyclable, compostable or reusable packaging in our private label products for food, beverage, drugstore, perfume and hygiene products by 2025. As of July 31, 2023, we had donated over 14 million meals via our Zero Waste program and contributed a total of €23 million to a variety of social programs, including events based on promoting local culture or environmentalism, including the Musikaire festival, ikastolas parties at the Basque Country public schools and the Durango Fair. We are also committed to continuing to promote gender equality policies throughout our managerial ranks; as of fiscal year 2022, women account for 74% of our senior management positions. For the twelve months ended July 31, 2023, we generated €5,041 million in revenue, €314 million in Adjusted EBITDA pre-IFRS 16 and profit before finance items and taxes of €232 million.

Our Competitive Strengths

One of the leaders in the stable Spanish grocery retail market, focused on growth in one of the wealthiest regions in the country

We are the fourth largest food retailer in Spain, with a four percent market share by retail sales value of all grocery merchandise sales as of fiscal year 2022. The food retail market in our Core Regions grew from €33,808 million in 2019 to €35,511 million in 2022 at a CAGR of 1.7%. We are one of the leaders in the Spanish market based on revenue and store surface area and have solidified our position as a preferred choice among customers in our Core Regions, with 37% market share in the Basque Country (#1), 28% market share in Navarra (#1), 21% market share in the Balearic Islands (#1) and 19% market share in Galicia (#1), in each case based on supermarket sales as of fiscal year 2022. Our Core Regions are some of the most affluent in the country, presenting an above average national GDP per capita growth in 2021 compared to 2020 as shown in the chart below:

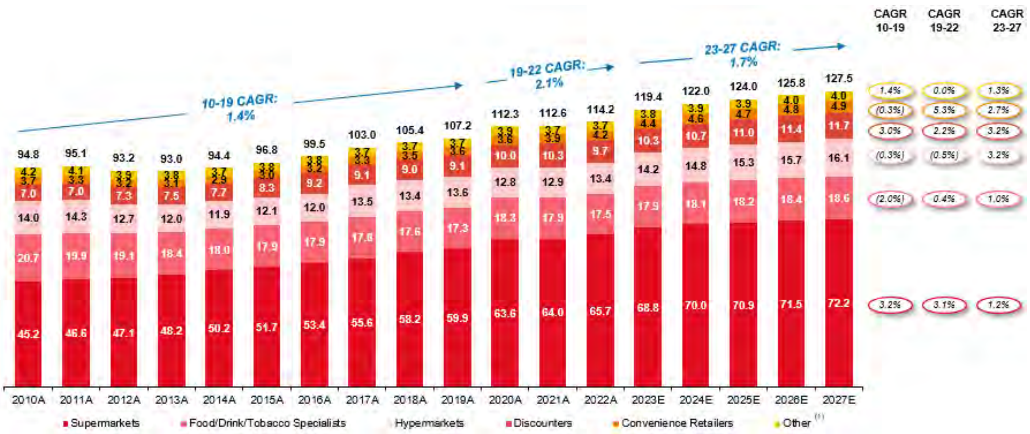


Source: INE

With an extensive network of approximately 1,500 physical stores, including both owned and franchised stores, a diversified footprint and 23 logistics platforms that we own, we benefit from economies of scale and believe our market leadership is robust. This leading position cements our reputation as a trusted and influential industry player, driving our continued success and market leadership.

The Spanish grocery retail market has demonstrated resilience over the economic cycle, showing limited sensitivity to macro-economic conditions. Demand for food products has been relatively inelastic, historically allowing food distributors to pass a significant portion of price increases to customers, especially during inflationary periods. For example, since the beginning of January 2022, we have seen an increase in the consumer price index (CPI) in Spain of fresh food and general food from approximately 5% and 4% respectively, to approximately 9% and 11% at the end of July 2023. During this same period, our retail sales price for our food products has generally increased at slightly higher levels than inflation, which indicates our margins have adjusted favorably to rising inflation. We believe that market growth and resilience have been driven primarily by favorable demographic and sociological trends, such as an increased focus on price, discounts and proximity of stores to the customer. From 2013 to 2022, the Spanish grocery retail market consistently grew at a rate averaging approximately 2.3% per annum, with minimal cyclical impact, demonstrating long-term stability through the cycle. Even during periods of macroeconomic contraction, the Spanish retail market has shown to be resilient. For example, during the last global financial crisis, the supermarket retail market grew at approximately 2.7% from 2010 to 2014, and during COVID-19 in 2020, the total retail market grew by 4.7%. The chart below shows this trend along with continued expectations for stable growth over the next four years:

Spanish food retail market size evolutions (€ *billions*)

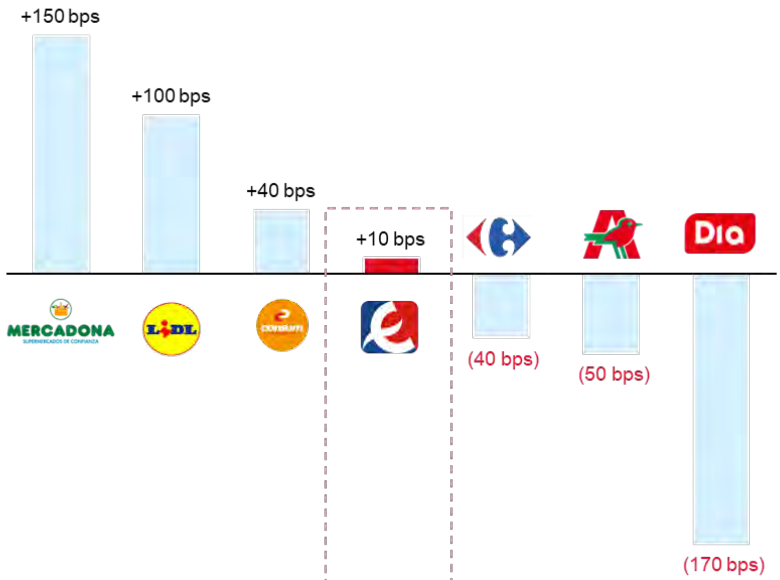


(1) Includes small local grocers and warehouse clubs.

Source: Euromonitor

Our strong brand awareness, broad customer base and multi-format and omni-channel offering have also allowed us to resist pressure and competition from discount food retailers, primarily Mercadona and Lidl, which have disrupted the performance of traditional grocery retailers in Spain in recent years. For example, during the period from 2018 to 2022, we actually gained 10 basis points in grocery retail market share relative to other traditional food retailers in Spain, who all lost market share to discount competitors as shown in the table below:

Change in market share 2018-2022, Grocery Retail



								Other
2018	20.5%	3.8%	2.4%	3.6%	9.0%	4.6%	4.4%	51.7%
2022	22.0%	4.8%	2.8%	3.7%	8.6%	4.1%	2.7%	51.3%
Δ 18-22A	+150 bps	+100 bps	+40 bps	+10 bps	(40 bps)	(50 bps)	(170 bps)	(40 bps)

Source: Euromonitor

While we believe that discounters will continue to add pressure to the market, we believe that we are less exposed to these disruptions as we have already overcome the market entries of the discount food retailers in the geographies in which we operate. Further, we believe that discounters pose a greater challenge to other traditional food retailers who are more focused on areas where discounters are likely to focus in the near-term.

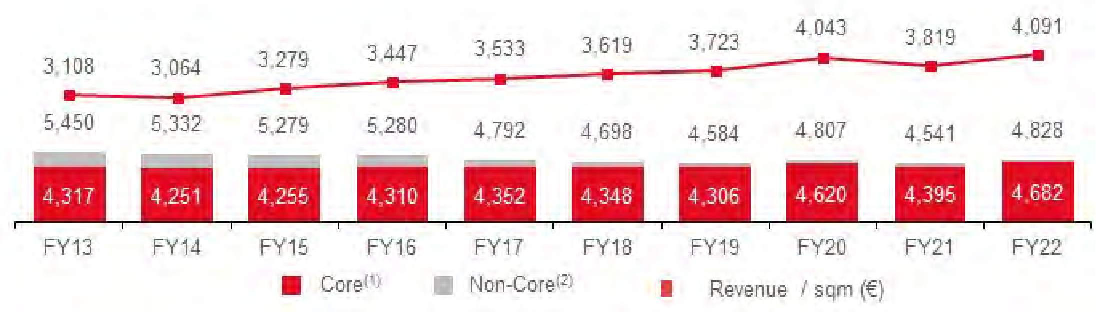
We believe that we are currently better positioned than our competitors to capture future market growth in our Core Regions, allowing us to consolidate our leadership position by benefiting from evolving grocery retail market trends.

Resilient financial profile underpinned by a robust track record of stable top line evolution, sustainable and expanding margins and a diligent focus on deleveraging

Over the last decade, we have actively transformed our portfolio by focusing on our core business activities, which include focusing our efforts on the following business formats: supermarkets, hypermarkets and gas stations in Core Regions, Cash & Carry and franchising across all of Spain. Additionally, we have always aimed to deliver a broad range of quality products at competitive prices. To achieve this goal while seeking larger profit margins, we have divested approximately €1.5 billion of non-core assets from the start of fiscal year 2009 to the fiscal year 2022, primarily to delever our business. We plan to continue to divest such non-core assets and other assets that might not fit our investment profile, while aiming to grow in our key formats, primarily supermarkets, as well as expanding our franchising operations and our presence in our Core Regions.

Our revenues decreased from €5,450 million in the fiscal year 2013 to €5,041 million in the twelve-month period ended July 31, 2023. However, this decrease was reflective of our commitment to our strategic vision, with changes to our perimeter and a refocus on our core businesses by divesting our travel and perfume businesses, while simultaneously investing in the expansion of our profitable food segment in our Core Regions. This repositioning has led to a significant increase of our core revenue (which mainly includes our food businesses in our Core Regions) from €4,317 million for the fiscal year 2013 to €4,682 million for the fiscal year 2022, and an increase in our revenue per square meter, which grew by 31.6%

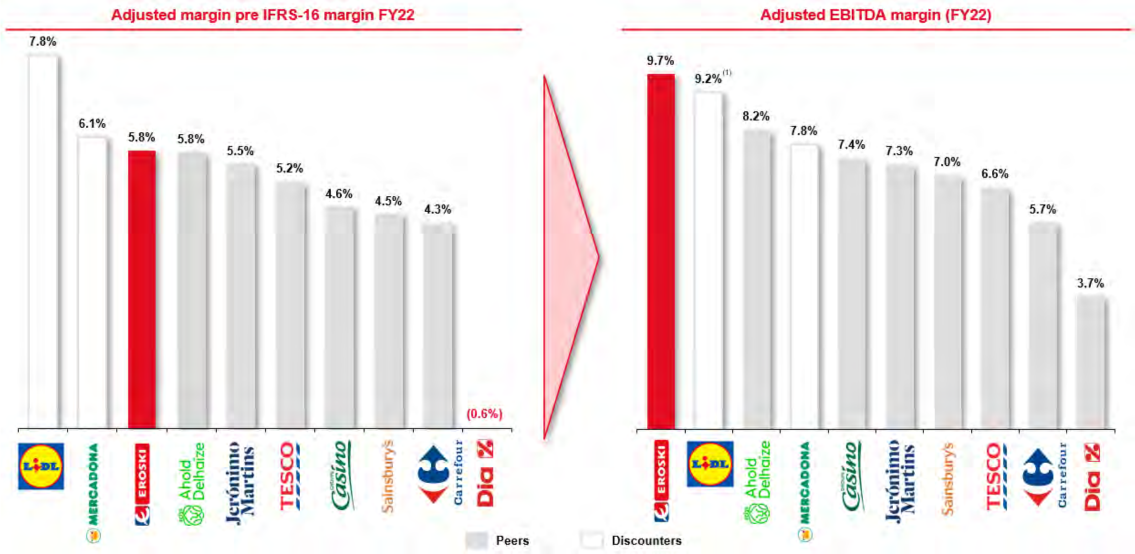
over the same period, from €3,108 to €4,091. Our shift towards our core businesses showcased consistent organic growth, resulting in increased profitability at store level. The following chart shows our revenue split by core- and non-core businesses and revenue per square meter from the fiscal years 2013 to 2022:



(1) Includes mainly our food businesses in our Core Regions.

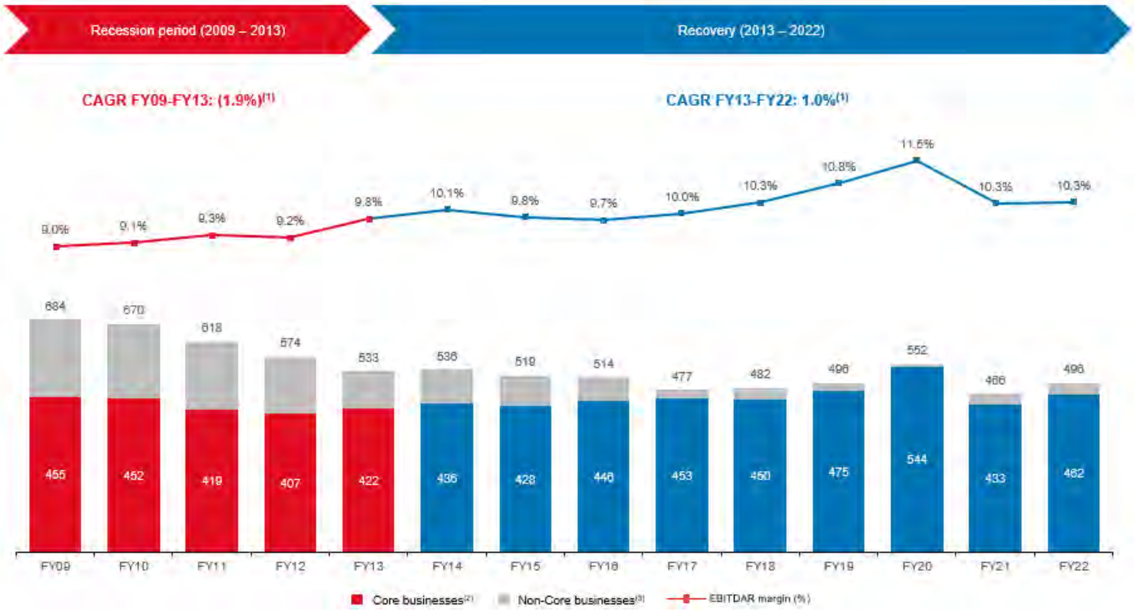
(2) Includes all business other than food businesses in our Core and non-Core Regions and the remaining food business in non-Core Regions.

The refocusing of our portfolio to assets in our Core Regions also allowed us to substantially expand our Adjusted EBITDA pre-IFRS 16 margin, from 4.4% for the fiscal year ended January 31, 2014 to 5.8% for fiscal year 2022, with an increase in Adjusted EBITDA pre-IFRS of our core businesses from €239 million for the year ended January 31, 2013 to €276 million for the fiscal year 2022, which compares favorably against other large European peers. The chart below shows our Adjusted EBITDA pre-IFRS 16 margin and our Adjusted EBITDA margin in relation to our competitors, including both peers and discount retailers. We note that the calculation of Adjusted EBITDA pre-IFRS 16 margin and Adjusted EBITDA margin may be defined and calculated differently as among our peers and with respect to how we define such metrics, so the table below may not be directly comparable.



(1) Lidl figures correspond to fiscal year 2021.

The following chart shows the resilience of our EBITDAR and EBITDAR margin in our core and non-core businesses:

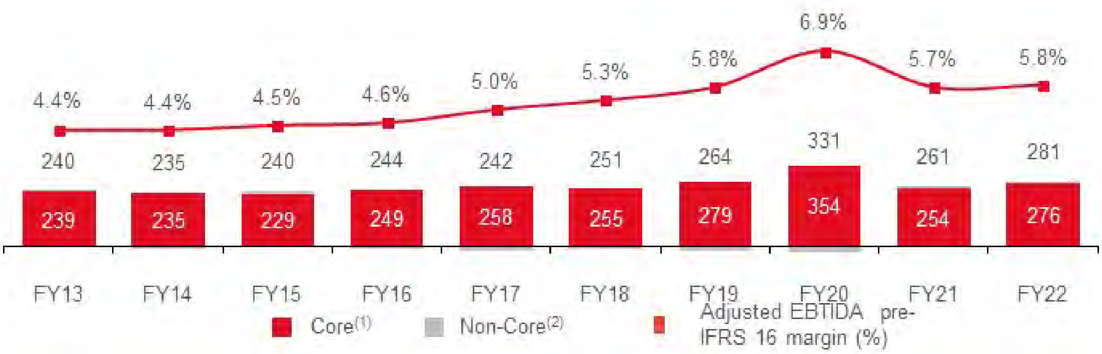


(1) Includes our core businesses.

(2) Includes mainly our food businesses in our Core Regions.

(3) Includes all business other than food businesses in our Core and non-Core Regions and the remaining food business in non-Core Regions.

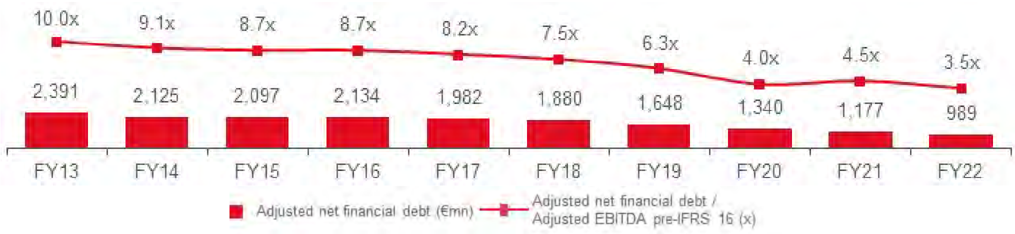
We also believe that our financial growth highlights our strong commitment to operational efficiency. In addition, our investments in hedging against inflation have been successful, as shown by the increases in EBITDA even during periods of high inflation. Although Spain continues to experience inflation, in the past we have been able to manage our prices such that they are consistent with inflationary trends while lowering our costs of raw materials, thus increasing our overall margin. For example, our Adjusted EBITDA pre-IFRS 16 and Adjusted EBITDA pre-IFRS 16 margin increased from €261 million and 5.7%, respectively, for the fiscal year 2021 as compared to €314 million and 6.2% for the last twelve months ended July 31, 2023 in the context of a high inflationary period. The following chart shows the evolution of our Adjusted EBITDA pre-IFRS 16 and Adjusted EBITDA pre-IFRS 16 margin for our core and non-core businesses for the fiscal years 2013 to 2022:



(1) Includes mainly our food businesses in our Core Regions.

(2) Includes all business other than food businesses in our Core and non-Core Regions and the remaining food business in non-Core Regions.

Furthermore, we demonstrated our commitment to delever our business by the reducing our Adjusted net financial debt to Adjusted EBITDA pre-IFRS 16 Ratio from 10.4x in 2013 to 3.5x in the fiscal year 2022, as a result of the debt repayments related to the fiscal year 2019 as well as sales of non-core assets and business lines and continued cash flow generation. Our disciplined approach to deleveraging shows our strength in delivering strong financial performance while maintaining a sustainable balance sheet, resulting in a healthy balance between debt reduction and business growth. The following chart shows our Adjusted net financial debt and the ratio of Adjusted net financial debt to Adjusted EBITDA pre-IFRS 16 for the fiscal year from 2013 to July 31, 2023:



Overall, our capacity to delever successfully, coupled with the strategic portfolio transformation, increasing profitability, and resilience in the core businesses, demonstrates what we believe is a robust foundation for stable long-term growth.

Differentiated omni-channel platform with a multi-format and flexible operational business model focused on supermarkets

We are a prominent competitor in the Spanish grocery industry, with a robust and innovative omni-channel strategy, which refers to our consolidated platform and ability to offer our whole suite of products through several channels and platforms, weaving together physical stores and our online supermarket and phone app to create a seamless shopping experience for customers. With approximately 1,500 physical stores strategically located across key regions as of July 31, 2023, we boast an extensive network that offers convenience and accessibility to our customers. Our wide reach enhances our brand visibility, fostering trust and loyalty among our large customer base. In Northern Spain, we have 302 stores and 301 franchises under the multiple EROSKI brands during the same period. As of July 31, 2023, the majority of our 40 gas stations under the EROSKI gas stations brand are also in Northern Spain. In Catalonia and the Balearic Islands, we had 288 stores and 193 franchises under the Caprabo and other EROSKI brands as of July 31, 2023. In Galicia, we have 194 stores and 121 franchises under the Vegalsa and other brands as of July 31, 2023.

We run a multi-format strategy, where 74% of our revenues for the fiscal year 2022 is generated from food sales made at our 731 supermarkets, which is our leading format. This business format is complemented by 36 strategically located hypermarkets, which accounted for 16% of our revenues for the fiscal year 2022. Our hypermarkets provide logistics support to our online orders and enhance customer experience by offering a one-stop shop for all the needs of our customers. Our 17 Cash & Carry stores account for 3% of our revenues for the fiscal year 2022 and provide us with financial benefits through lean inventory management and cost savings. Finally, 7% of our revenues for the fiscal year 2022 comes from our diversified businesses, such as our gas stations and opticians, that provide an incremental revenue stream and drive footfall to our supermarkets and hypermarkets.

We operate flexibly with two retail models, owned and franchise stores. For over 40 years, we have been able to create efficiencies and grow by combining the success of our approximately 900 EROSKI-operated stores with a large network of more than 600 franchise stores, both online and physical. Our retail models are complementary and allow us to adapt quickly to market developments and strategically grow and manage our store footprint. For example, while we are strongly geographically focused in Northern Spain, we are a national retailer and make targeted investments in select areas outside our Core Regions, where we believe there are attractive market opportunities through the franchise model.

While the franchise model is a key complementary format which supports our strategic goals, it is also more profitable, with approximately a 3% higher Adjusted EBITDA pre-IFRS 16 margin than our EROSKI-operated stores. Our franchisees pay annual royalty fees as well as buy supplies from us at prices we set, which typically include a margin. Franchisees also cover all costs other than distribution costs. In our Core Regions, franchises complement the geographic reach of our EROSKI-operated store network and can efficiently manage and meet specific demands of the local market better through small stores that are familiar with the local market. For instance, franchises can complement our EROSKI-operated stores during holidays or outside core business hours, as franchises have the freedom to dictate their own business hours. The franchise network also allows us to target smaller catchment areas with lower population densities that might not fit our investment profile for an EROSKI-operated store. Outside of our Core Regions, franchises allow us to grow our presence without significant capital investments, which further enhances our brand recognition and national presence. Currently, our franchise format accounts for 10% of our revenue and 15% of our Adjusted EBITDA pre-IFRS 16 and both metrics have been growing at a CAGR of 8.3% and 12.9%, respectively, in the fiscal years from 2012 to 2022. We expect this trend to continue in the short to medium term.

Diversified and well-recognized portfolio of private label products complemented with top market supplier brand offering that maximizes customer experience and loyalty

Our company has a unique product proposition, combining the attractiveness of our private label products with renowned supplier brands. As one of the first grocers to develop private label products, we have an extensive portfolio of over 10,000 private label stock-keeping units ("**SKUs**"), over a total product range of more than 115,000 SKUs, offering a selection tailored to meet diverse customer preferences and demands. We believe our broad product range allows us to offer the best value for money to customers compared to our competitors, by offering a variety of price points within each of our product categories.

Our private label products represented 34.8% of our total food sales for the fiscal year 2022, highlighting our customers' trust and preference for our offerings. Over time, we have continually strengthened our commitment to our private label's offerings. We invest heavily across our product range and deliver top quality products for each price category. Our increase from 32.7% of total revenue in the fiscal year 2020, to 34.8% in the fiscal year 2022, reflects the continuing appeal and success of our private label program. In the fiscal year 2022, 89% of our total revenue was food, of which 34.8% was from our private label.

Our unique product offerings are also a result of our network of supplier relationships at both the national and international level. As of July 31, 2023, we had more than 9,000 commercial and service companies, with a clear focus on the local economy and producers that allow us to provide a set of local and international products not offered by our competitors. As of July 31, 2023, we had 3,745 commercial suppliers, over 95% were Spanish and approximately 60% were local agri-food producers. Moreover, our dominant position in our Core Regions makes us highly relevant to local supplier brands.

Our supplier relationships allow us an advantage at addressing recent consumer trends for fresh and organic/biodynamic foods; 38% of our total food revenue for the fiscal year 2022 is attributable to fresh products. Our supply chain means we are uniquely able to bring fresh, local foods from smaller producers who otherwise could not access the general market to our customers, which solidifies our reputation as a go-to destination for premium food offerings and develops consumer loyalty.

Large and loyal customer base providing a recurring revenue stream supported by our fast-growing online, franchise and other channels

Driven by our robust loyalty program, the Eroski and Caprabo Clubs, which thrive on innovation, personalization and customer satisfaction, we have a large and devoted customer base. With approximately 5.1 million members as of July 31, 2023, the Eroski and Caprabo Clubs have proven their effectiveness in building enduring relationships with our customers.

Embracing trends like subscription services and personalized experiences, our total revenue attributed to loyalty club members was 70% as of the fiscal year 2022. We have also improved our customer retention rate from 79% as of the fiscal year 2020 to 85% as of the fiscal year 2022. In addition, our subscription model has been very successful, as of the end of the fiscal year 2022 we had over 160,000 Gold Card holders. Gold Card holders are EROSKI Club members who pay a monthly subscription fee in exchange for additional benefits, such as a 4%-6% discount on all purchases at our supermarkets, hypermarkets, gas stations, opticians and online stores. Gold Card holders accounted for approximately €802 million in revenues during the fiscal year 2022, growing at a CAGR of 10.8% from the fiscal year 2018 to the fiscal year 2022. Further, our subscription service offers our business stability by providing us with consistent and recurring revenue.

EROSKI Club is based on offering customized commercial proposals, according to the needs of our customers. A high level of coverage of consumers' interests is directly related to increasing loyalty. Offering each customer savings proposals and relevant information and training on the content they consume is directly related to long-term loyalty. To this end, advanced personalization and customer relationship management tools are available to generate the best experience. A more loyal relationship captures more of the customer's wallet share.

We have also shown our dedication to enhancing customer engagement by the development of our online channel through both our online supermarket and our proprietary and user-friendly phone app, which was downloaded 411,544 times in the fiscal year 2022. Our app is highly rated, achieving a score of 4.5/5.0 for customer satisfaction on both the App Store and Google Play. Our dynamic online presence has led to the number of customers who make these online purchases increasing by 42.5% month over month from January to the fiscal year 2022. We believe this increase reflects the success of our omni-channel approach in captivating and retaining a growing online audience. We have reached a milestone in building a strong digital customer base, with over 1 million digital customers and 500,000 active users as of the Issue Date. We take pride in our trailblazing spirit, being the first to offer online sales within the Spanish grocery retail market, which has positioned us as a market leader with a first mover advantage. In our Core Regions, we are market leading and are one of the most popular online grocery retailers in the Basque Country, Navarra and Galicia with online market shares of 42%, 29% and 21%, respectively, for the fiscal year 2022. As of July 31, 2023, we had a 46% household penetration in our Core Regions, and 90% penetration in the Basque Country and Navarra.

Reinforcing our commitment to customer convenience and online experience, we have developed a very efficient logistics platform and already offer 30 Click & Drive locations, 63 Click & Collect locations and four smart locker locations allowing customers to effortlessly retrieve their online purchases through efficient and contactless methods. Additionally, we have 143 strategically located preparation centers that makes our online order fulfilment more efficient. These centers are dedicated to filling online orders promptly, ensuring a swift and satisfactory shopping experience for our valued digital customers.

As well as increasing engagement and loyalty, our online sales have also proven profitable, with online sales accounting for €4.6 million in online Adjusted EBITDA pre-IFRS 16 and 4.9% Adjusted EBITDA pre-IFRS 16 margin for the fiscal year 2022, and €95 million in online revenue reached in fiscal year 2022 with a CAGR of 12.2% over the fiscal years 2019 to 2022.

We have also invested heavily in advanced analytics, which has allowed us to better deliver value to customers in three key areas: price management, smart product investment and product assortment. Our price management programs allow us to identify the key references in setting prices, adapting to different regions according to their competitive environment. Predictive models allow us to model different scenarios for sales, profitability and purchase frequency, maximizing in each case the desired variable. In terms of product investment, we have advanced analytics for the effective and efficient management of each of the commercial levers; a comprehensive view of customer data management allows us to achieve a comparative attribution and profitability model for each of them, which allows us to optimize our investment decisions. In terms of product assortment, our analytics allows us to judge the level of interest customers have in our products which informs our decision-making in terms of stocking range and number of products.

We believe our omni-channel capabilities demonstrate our unwavering commitment to meeting customer expectations and staying ahead of competitors. By seamlessly integrating our physical establishments, online platforms and advanced technology such as analytics, we offer unparalleled convenience, engagement and growth opportunities. As a pioneer in the Spanish grocery retail market, our omni-channel strength fortifies our position as a customer-centric and forward-looking industry leader.

Cooperative business model providing a clear competitive advantage, ensuring long-term commitment to our financial and ESG targets

We are a legal entity managed and operated by our members, leading to more involvement at the company, alignment of values with a higher sense of belonging, and higher employee retention rates. As of July 31, 2023, we had more than 29,000 employees of which approximately 8,800 were cooperative members. Furthermore, we are committed to promoting gender equality throughout our managerial ranks and, as of January 31, 2023, women accounted for 74% of our senior ranking positions. As of January 31, 2023, our cooperative member employees have been working with us for an average tenure of 19 years.

Our cooperative structure shares many similarities with more traditional corporate structures in respect of governance, having similar committees, but also provides many competitive advantages. We run a highly independent governance strategy focused on the long-term financial sustainability of our business through a conservative financial profile rather than maximizing short-term profits for shareholders.

Additionally, as a cooperative we have strong brand awareness and high levels of consumer loyalty as well as unique ties to local communities and suppliers that we believe provide us with an advantage compared to our competitors.

As a cooperative we also have a demonstrable commitment to the environment, consumer health and well-being, as well as the sustainable development of society. Since 2018, we have focused on our Ten Commitments to Health and Sustainability, which are our guiding principles and roadmap for adequately meeting consumer and society demands and expectations. In respect of our community, we have focused on fostering the local economy by increasing the number of local products and local farmers in our portfolio. As of July 31, 2023, 60% of our suppliers were local agri-food producers. We also donate to social programs; we allocated 22 million during the fiscal year 2022 to programs aimed at fostering communities together with our stakeholders. These programs include our Zero Waste program for those in need of basic groceries and proper nutrition, events based on promoting local culture or environmentalism such as the Musikaire festival, ikastolas parties at the Basque Country public schools, and the Durango Fair. Additionally, we operate the EROSKI Foundation, which runs programs such as the Food and Healthy Habits Education Program.

We have made the ambitious commitment to becoming a company with net zero greenhouse gas emissions by 2050 in an effort to fight climate change. Our commitments include: (1) reducing our carbon dioxide emissions by 25% by 2025, which we intend to accomplish by improving the efficiencies of our equipment and processes as well as increasing our usage of renewable versus conventional energy; (2) reducing conventional plastic packaging that we use in our private label products by 20% by 2025; (3) orientating our processes towards circular economy and achieving zero waste generated in our facilities; our goal is to use 100% recyclable plastics by 2025; and (4) promoting more environmentally and animal-friendly products by bolstering our offerings under our *EROSKI BIO and EROSKI VEGGIE* brands and by obtaining certain environmental certifications under our *EROSKI Nature* brand.

In addition, in November 2021, we opened our Lakua-Arriaga supermarket, the flagship store for our energy transition towards a new physical store model designed to meet the challenges of climate change. This supermarket was constructed in compliance with LEED Gold certifications, uses 100% renewable energy, natural refrigerants, smart LED lighting and energy-efficient automation to achieve a 50% reduction in energy use, and recovers over 80% of waste generated through our circular waste management program. Additionally, it has 12 charging points for electric vehicles to promote a safer and more sustainable mobility. In 2022, we received the Euskadi Commerce Award, as well as a runner-up prize in the Green Pact Award from the Vitoria-Gasteiz City Council, for this new physical store model.

Experienced management team with strong industry track record and proven commitment to Eroski

We have a senior Management Board composed of ten experienced retail executives. Our team is led by our Chief Executive Officer Rosa Carabel. Rosa joined Eroski in 2004 and has 28 years of professional experience in the retail industry and 19 years of experience at Eroski. Rosa is supported by the other members of our Management Board, some of whom have been with us for more than 30 years. We believe that the collective industry knowledge and leadership of our Management Board and their record of accomplishment in responding to challenging economic conditions and achieving profitable sales growth will enable us to continue to deliver strong financial results in the future. See "*Management*".

Our Strategies

The following is a summary of the activities we are currently undertaking in pursuit of our strategic objectives.

Sustainable growth as the key pillar of our strategic plan, with a clear commitment towards continuous deleveraging

The core of our strategic plan centers on achieving continued and sustainable growth. We aim to achieve these goals by improving our positioning in healthy and local product assortment through a competitive private label offering while also improving our customer experience. We believe that by so improving our positioning we would achieve footprint and brand expansion and further improve our financial profile and cost efficiency.

We aim to achieve this by tailoring our offerings to meet regional preferences and efficiently increase market share, with a particular emphasis on strengthening our presence in our Core Regions.

Additionally, we see substantial potential for growth in our franchised stores, which require low capital expenditure to open. Our management team identifies potential owned and franchised store sites based on experience and factors such as demographics, the availability of suitable retail space, local economic conditions and other factors that we believe are relevant to the successful expansion of our store network and that should enable us to capitalize on the anticipated increased traffic and sales volume of our new stores. We believe that our new stores will benefit from strong brand awareness and existing marketing campaigns, and consequently require only limited incremental marketing support.

We are committed to continue our deleveraging trajectory through both continuing our targeted disposals of non-core real estate as well as through organic cash flow generation, which we believe is essential to continue on our sustainable growth journey.

By maintaining financial success alongside responsible business practices, we aim to create a thriving and enduring enterprise that positively impacts the communities where we operate.

Maximize customer experience and loyalty through a wide and highly attractive product offering with an optimal price-to-quality ratio

In our strategic plan, customer experience is a key priority, and we aim to differentiate ourselves through price competitiveness, active customer communication and a focus on our loyalty club. By prioritizing exceptional service to our customers, we seek to create a unique and positive customer experience. Our commitment to competitive pricing, combined with engaging and personalized communication, strengthens customer loyalty and fosters lasting relationships. The emphasis on our loyalty member club further enhances customer benefits and satisfaction with discounts and promotions, positioning us as a company that prioritizes and values its customers.

In our strategic plan, we also prioritize brand footprint and growth, with a key focus on our private label. Leveraging the power of private label products, we aim to enhance brand recognition and build customer loyalty. Our objective is to increase private label penetration by offering high-quality products with an optimal price to quality ratio, appealing to value-conscious customers. We will invest in marketing, optimize shelf space, and collaborate closely with our suppliers to ensure the success of our private label strategy. By positioning our private label as a trusted and competitive alternative to national and international brands, we envision driving sustained growth, expanding our market presence, and solidifying our brands' reputation for excellence while expanding and strengthening customer loyalty.

Focus on digitalization as driver of efficiencies and cost savings

In our strategic plan, technology, digitalization and efficiency play a central role in achieving cost savings and operational excellence. By investing in cutting-edge technology such as process automation and robotization, advanced analytics and artificial intelligence, our goal is to continue to optimize processes and increase our use of digital technology. We also seek to improve the shopping experience both in our physical stores and in the digital environment.

Advanced analytics has allowed us to better deliver value to customers in three key areas: price management, smart product investment and product assortment. Our price management programs allow us to identify the key references in setting prices, adapting to different regions according to their competitive environment. Predictive models allow us to model different scenarios for sales, profitability and purchase frequency, maximizing in each case the desired variable. In terms of product promotional investment, we have advanced analytics for the effective and efficient management of each of the commercial levers; a superior view of customer data management allows us to achieve a comparative attribution and profitability model for each of them, which allows us to optimize our investment decisions. In terms of product assortment, our analytics allows us to judge the level of interest customers have in our products which informs our decision-making in terms of stocking range and number of products.

In terms of our digital and online offering, we continue to expand delivery models in more regions across Spain (in addition to our "Capraboacasa" pilot delivery service in the Barcelona metropolitan area) and are developing other innovative, low-cost delivery options for our customers. For instance, we have expanded our Click & Collect, Click & Drive and smart locker network and features, and we are continuing to upgrade and maintain the features of our online supermarket platform to adapt to our customers' changing needs, such as by using certain algorithms to suggest similar products in the event a customer's preferred product is out of stock and improving filters and personalized offers for our customers. By using certain algorithms, we are able to suggest similar products in the event a customer's preferred product is out of stock and improve filters and personalized offers for our customers. Our online grocery store and phone App offer features to allow our customers to make faster purchases by providing personalized shopping lists based on their frequent purchases.

Additionally, our commitment to continuous improvement and innovation ensures that we stay ahead in the market, providing value and seamless customer experience. Embracing an omni-channel business model and leveraging a robust logistic platform, we offer a unique and integrated experience across various channels, enhancing convenience and customer satisfaction while fostering loyalty.

Clear and continued commitment to key customer demand trends for healthy and local foods

An increased customer focus on health has resulted in a growing demand for fresh and locally farmed products.

Our supplier relationships allow us an advantage at addressing recent consumer trends for fresh and organic foods; 38% of our total food revenue for the fiscal year 2022 is attributable to fresh products. As of July 31, 2023, we had 3,745 commercial suppliers, over 95% were Spanish and approximately 60% were local agri-food producers. Our sustainable supply chain of local suppliers means we are uniquely able to bring fresh, local foods to customers, which solidifies our reputation as a go-to destination for premium food offerings and develops consumer loyalty.

We also cater to the growing demand for health-conscious alternatives by curating a diverse selection of healthy food through our private labels, such as Veggie, Bio and Nature brands and providing clear and transparent nutritional information. We launched our Nutritional Traffic Light program in 2007 and the Nutri-Score label in 2019. In fact, we were one of the first food retailers to introduce the Nutri-Score standard in the Spanish market.

The development of our private label coupled with our focus on sustainability and well-being distinguishes us in the market and appeals to both health and non-health-conscious consumers and fosters long-term customer loyalty. We aim to become a trusted destination for healthy and locally sourced food, aligning with the values of the communities we serve.

Recent Developments

Current Trading

Based on preliminary results derived from unaudited monthly management accounts and other information currently available, we estimate that our revenue (i) for the eight-month period from February 1, 2023 to September 30, 2023 increased to €3,431 million from €3,148 million for the eight-month period from February 1, 2022 to September 30, 2022, representing an estimated increase of 9%, or €283 million, and (ii) for the last twelve months ended September 30, 2023 increased to approximately €5,112 million from €4,695 million for the last twelve months ended September 30, 2022, representing an estimated increase of approximately 9%, or €417 million. This increase was primarily driven by an increase in consumer activity in response to the Group's pricing policy, including discount promotions and price containment in response to food inflation.

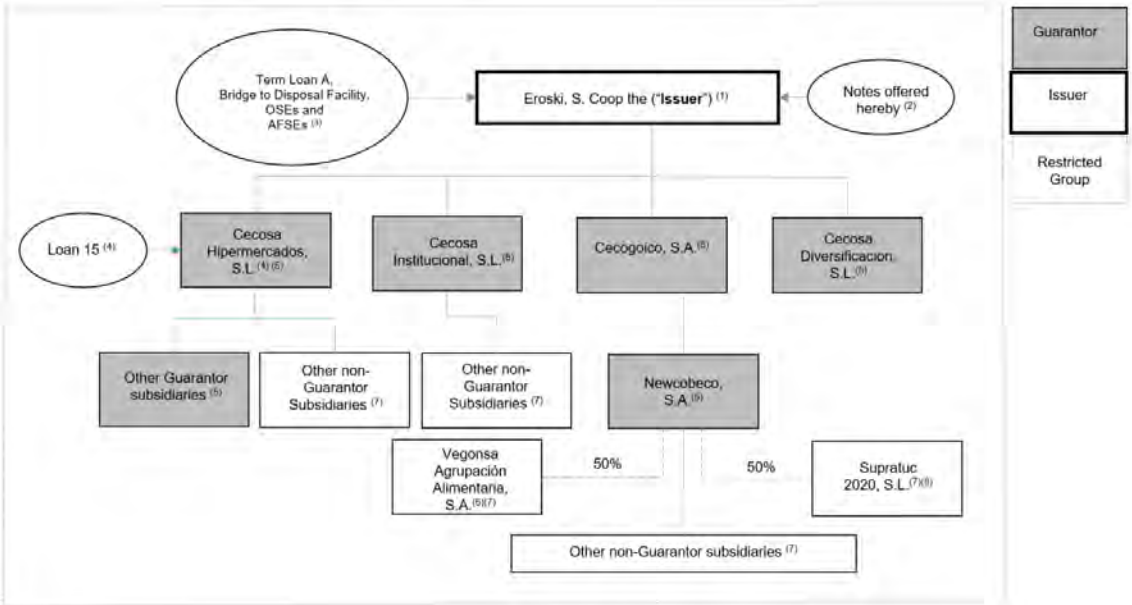
Based on preliminary results derived from unaudited monthly management accounts and other information currently available, we estimate that our Adjusted EBITDA pre-IFRS 16 (i) for the eight-month period from February 1, 2023 to September 30, 2023 increased to approximately €226 million from €179 million for the eight-month period from February 1, 2022 to September 30, 2022, representing an estimated increase of approximately 26%, or €47 million, and (ii) for the last twelve months ended September 30, 2023 increased to approximately €328 million from €260 million for the last twelve months ended September 30, 2022, representing an estimated increase of approximately 26% or €68 million. This was primarily attributable to increased revenues for the reasons detailed above and our continued effort to improve cost efficiency.

The unaudited preliminary financial results for the periods presented above are derived from estimates contained in our unaudited management accounts, which have not been and will not be audited or reviewed *in accordance with any generally accepted auditing standards and are subject to change. The unaudited preliminary financial results presented above reflect certain estimates of our management but involves a number of risks and uncertainties which could cause our actual results to differ materially from those set forth above and from past results, performance or achievements and are not intended to be a comprehensive statement of the Group's financial or operational results for the periods presented and is based on a number of assumptions and management estimates that are subject to inherent uncertainties and risks. In the course of preparing and finalizing unaudited financial statements for the nine months ended October 31, 2023, the preliminary financial information for August and September 2023 will be subject to change and we may identify items that will require us to make adjustments to our preliminary estimates described above. For these and other reasons, you should not place reliance on them when making an investment decision. See "Forward-Looking Statements" and "Risk Factors" for a more complete discussion of certain of the factors that could affect our future performance and results of operation. In addition, such preliminary financial information does not purport to indicate our results of operations for any future period beyond September 30, 2023.*

The financial information above of the Group has been prepared by, and is the responsibility of, management. This information has not been prepared in accordance with IAS 34 and our current independent auditors, KPMG Auditores, S.L., have not compiled, examined or performed any procedures with respect to the unaudited financial information contained above, nor have they expressed any opinion or any other form of assurance on such information and assume no responsibility for, and disclaim any association with, the unaudited financial information. The auditor reports included in this Offering Memorandum relate to the Group's previously issued financial statements. The unaudited financial information above of the Group should not be viewed as a substitute for full unaudited interim financial statements prepared in accordance with IAS 34 and reviewed by our auditors. In light of the foregoing, prospective purchasers of the Notes are strongly cautioned not to place undue reliance on the above estimates and such estimates should not be regarded as an accurate prediction of actual financial results. See "Forward-Looking Statements," "Presentation of Financial and Other Information—Other Non-IFRS Measures" and "Risk Factors."

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following diagram summarizes certain aspects of our corporate and financing structure, as of the date of this Offering Memorandum on an adjusted basis after giving effect to the Transactions and the use of proceeds therefrom. This chart is provided for illustrative purposes only and does not include all legal entities of the Issuer, or all of the debt obligations of the entities presented thereof. All entities shown below are directly or indirectly wholly-owned, unless otherwise mentioned. For a summary of the debt obligations identified in this diagram, refer to the sections entitled "*Capitalization*," "*Description of the Notes*" and "*Description of Certain Indebtedness Financial Arrangements*."



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(1) For a description of the Issuer's legal structure, see "*Principal Shareholders*."

(2) The Notes will be senior obligations of the Issuer. On or about Issue Date, the Notes will be secured, subject to certain perfection requirements and any Permitted Collateral Liens, by security interests granted on an equal and ratable first-priority basis (i) (a) over 86.99% of the issued Capital Stock of Forum Sport S.A. (a Guarantor) (the share indirectly owned by the Issuer); (b) over 50% of the issued Capital Stock (the share indirectly owned by the Issuer) of DCO (a Guarantor); (c) over 100% of the issued Capital Stock of the remaining Guarantors, which are listed below; (d) over 60% of the issued Capital Stock (the share indirectly owned by the Issuer) of Aportaciones Financieras Eroski, S.A., a non-Guarantor which is a holding company we use to hold AFSEs; and (e) over 50% of the issued Capital Stock (the share indirectly owned by the Issuer) of two non-Guarantors, Vegalsa and Supratuc (the "**Pledged Companies**"); (ii) receivables under certain intercompany loans made to the Guarantors and the Pledged Companies; and (iii) the material bank accounts of the Issuer and the Guarantors (collectively, the "**Collateral**"). On the Issue Date, the Security Documents will be executed pursuant to a notarial deed (a "**zero deed**"). Under this zero deed, effectiveness of the granting of the Collateral and the release of the security granted under the Syndicated Loan and certain existing working capital lines will be subject to the Syndicated Loan's agent confirmation of receipt of the prepayment amount, which may occur on or promptly following the Issue Date. The Collateral will also secure the Term Loan A, the Bridge to Disposal Facility and the Confirming and Guarantee Facilities on a *pari passu* basis. In addition, the Bridge to Disposal Facility will be secured on a first-priority basis with mortgages over certain commercial premises constituting the Disposal Properties, such as supermarkets, hypermarkets and one site currently under development, two gas stations and three real estate properties, which cover 196,814 square meters in aggregate, which shall not form part of the Collateral. The Issuer intends to use the proceeds from the sale of the Disposal Properties to repay the Bridge to Disposal Facility. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security.*" On or about the Issue Date, as part of the Transactions, we will enter into the Confirming and Guarantee Facilities. The Confirming and Guarantee Facilities are treated as trade payables under IFRS and will be secured on the Collateral. The Confirming and Guarantee Facilities are not considered to be Indebtedness for the purposes of the covenants governing the Notes. See "*Description of Certain Financing Arrangements—Confirming and Guarantee Facilities.*"

(3) The Issuer is also the issuer of the AFSEs and the OSEs. As of the Issue Date, €280,041,025 of AFSEs were outstanding, out of which the Issuer owns €47,197,600. The AFSEs have a perpetual maturity and rank, for credit priority purposes, after all the common creditors or ordinary creditors of the Issuer, and are subordinated by operation of law pursuant to Article 60.6 of the Basque Cooperative Law. As of the Issue Date, €208,977,436.25 of OSEs were outstanding and they mature on February 1, 2028. The OSEs are fixed income securities (*valores de renta fija*) issued by the Issuer which are subordinated to the Issuer's ordinary loans (including the Notes) and have the same ranking as the AFSEs. The AFSEs owned by the Issuer are held in Aportaciones Financieras Eroski, S.A., which is a holding company that has the sole function of holding the AFSEs and of which the Issuer indirectly owns 60% of the issued Capital Stock with the remainder held by the Mondragon Corporation. See "*Description of Certain Financing Arrangements—AFSEs*" and "*Description of Certain Financing Arrangements—OSEs*" for a description of these instruments.

(4) Cecosa Hipermercados, S.L. is the borrower under Loan 15, which was granted for a maximum amount of €91,920,359.98, with an availability period ending on February 1, 2016. As of July 31, 2023, the amount due on this loan was €70,349,000. Pursuant to the terms of Loan 15, we are required to repay the entire capitalized interest cost on Loan 15 of €13.4 million upon repayment of the Syndicated Loan at the next interest payment date which is expected to be January 31, 2024. See "*Description of Certain Financing Arrangements—Loan 15"* for a description of this facility.

(5) On the Issue Date, the Notes will be jointly and severally guaranteed on a senior basis by Cecosa Hipermercados, S.L., Equipamiento Familiar y Servicios, S.A., DCO, Cecosa Institucional, S.L., Cecogoico, S.A., Newcobeco, S.A., Peninsulaco, S.L.U., Sociedad de Franquicias Eroski Contigo, S.L.U., Forum Sport, S.A. and Cecosa Diversificación, S.L. (together, the "**Guarantors**"). As of and for the twelve months ended July 31, 2023, the Issuer and the Guarantors (excluding the respective contributions to revenue, assets and Adjusted EBITDA pre-IFRS 16 of Supratuc and Vegalsa, two joint ventures that are not wholly owned, and accounting for the contributions of Inmobiliaria Recare, S.A., a subsidiary that is not a Guarantor but is expected to merge into a Guarantor or on before the Issue Date) would have held 96.6% of corresponding total assets and generated 99.5% of corresponding revenue, and 100.7% of corresponding Adjusted EBITDA pre-IFRS 16. The Collateral will contain pledges over 60% of the issued Capital Stock (which is the share indirectly owned by the Issuer) of Aportaciones Financieras Eroski, S.A. and 50% of the issued Capital Stock (which is the share indirectly owned by the Issuer) of each of Supratuc and Vegalsa which collectively (including their relevant subsidiaries) represent 25.5% of our revenue, 21.1% of our total assets and 24.3% of our Adjusted EBITDA pre-IFRS 16 as of and for the twelve months ended July 31, 2023. As of and for July 31, 2023, our non-guarantor restricted subsidiaries had €31,830 thousand of debt outstanding.

(6) The Issuer indirectly owns 50% of the shares of Vegalsa. Vegalsa is fully consolidated with the Group. See "*Business—Material Agreements—Vegalsa Agreement*."

(7) Not all of our subsidiaries will guarantee the Notes. As of July 31, 2023, the total borrowings of our non-Guarantor restricted subsidiaries, on a *pro forma* basis, after giving effect to the Offering, including the use of proceeds therefrom as described under "*Use of Proceeds*," were €31,830 thousand. The Notes will be structurally subordinated to the liabilities of the non-Guarantor restricted subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor restricted subsidiaries, the non-guarantor restricted subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer. See "*Risk Factors—Risks Relating to the Notes and Guarantees—The Notes will be structurally subordinated to indebtedness of non-guarantor restricted subsidiaries and, to the extent of the limitations on enforceability of the Guarantees, also to indebtedness of Guarantors that is not subject to such limitations.*"

(8) The Issuer indirectly owns 50% of the shares of Supratuc and EP Bidco, A.S. owns the remaining 50%. Supratuc is fully consolidated with the Group. See "*Business—Material Agreements—Supratuc Agreement.*"

SUMMARY OF THE OFFERING

The following summary of the Offering contains basic information about the Notes, the Guarantees and the Collateral. It is not intended to be complete and it is subject to important limitations and exceptions. It may therefore not contain all the information that is important to you. For a more complete understanding of the Notes, the Guarantees and the Collateral, including certain definitions of terms used in this summary, refer to the sections of this Offering Memorandum entitled "Description of the Notes" and "Description of Certain Financing Arrangements."

Issuer	Eroski, S. Coop.
Notes Offered	€500.0 million aggregate principal amount of 10⅝% Senior Secured Notes due 2029.
Maturity Date	The Notes will mature on April 30, 2029; *provided that* if the OSEs (as defined herein) have not been refinanced or repaid by July 31, 2027, the Notes will mature on July 31, 2027 (the "**Maturity Date**").
Issue Date	November 30, 2023 (the "**Issue Date**").
Issue Price	100%, plus accrued and unpaid interest from the Issue Date, if any.
Interest Rate	10.625% per annum.
Interest Payment Dates	Semi-annually in arrear on each May 30 and November 30, commencing on May 30, 2024.
Form and Denomination of Notes	The Issuer will issue the Notes on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.
Ranking of the Notes	The Notes will: • be general senior obligations of the Issuer, secured as set forth under "—*Security*"; • rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including the Term Loan A, the Bridge to Disposal Facility and the Confirming and Guarantee Facilities; • rank senior in right of payment to any future indebtedness of the Issuer that is expressly subordinated or subordinated by operation of law to the Notes, including the AFSEs and the OSEs; • be effectively subordinated to any existing or future indebtedness of the Issuer and its Subsidiaries that is secured by property or assets that do not secure the Notes, to the

	extent of the value of the property and assets securing such indebtedness, including the Bridge to Disposal Facility; • be structurally subordinated to any existing or future indebtedness or obligations (including obligations to trade creditors) of the Subsidiaries of the Issuer that are not Guarantors; and • will be guaranteed on a senior basis by the Guarantors, subject to the limitations herein and in "*Risk Factors—Risks Related to the Notes and our Structure—Each Guarantee and security may be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Limitations on Validity and Enforceability of the Guarantees and Certain Insolvency Law Considerations.*"
Security..	The Notes and the Guarantees thereof will be secured on a first-ranking basis by: • (i) (a) over 86.99% of the issued Capital Stock of Forum Sport, S.A. (a Guarantor) (the share indirectly owned by the Issuer); (b) over 50% of the issued Capital Stock (the share indirectly owned by the Issuer) of DCO (a Guarantor); (c) over 100% of the issued Capital Stock of the remaining Guarantors, which are listed below; (d) over 60% of the issued Capital Stock (the share indirectly owned by the Issuer) of Aportaciones Financieras Eroski, S.A., a non-Guarantor which is a holding company we use to hold AFSEs; and (e) over 50% of the issued Capital Stock (the share indirectly owned by the Issuer) of two non-Guarantors, Vegalsa and Supratuc (the "**Pledged Companies**"); • receivables under certain intercompany loans made to the Guarantors and the Pledged Companies; and • the material bank accounts of the Issuer and the Guarantors, (collectively, the "**Collateral**"). The Collateral will also secure the Term Loan A, the Bridge to Disposal Facility and the Confirming and Guarantee Facilities on a *pari passu* basis. In addition, the Bridge to Disposal Facility will be secured on a first-priority basis with mortgages over certain real estate constituting the Disposal Properties including commercial premises such as

	supermarkets, hypermarkets and one site currently under development, two gas stations and three real estate properties, which cover 196,814 square meters in aggregate (the "**Disposal Properties**"), which shall not form part of the Collateral. The Issuer intends to use the proceeds from the sale of the Disposal Properties to repay the Bridge to Disposal Facility. On the Issue Date, the Security Documents will be executed pursuant to a notarial deed (a "**zero deed**"). Under this zero deed, effectiveness of the granting of the Collateral and the release of the security granted under the Syndicated Loan and certain existing working capital lines will be subject to the Syndicated Loan's agent confirming receipt of the prepayment amount, which may occur on or about the Issue Date.
Guarantees..	On the Issue Date, the Notes will be guaranteed on a senior secured basis by Cecosa Hipermercados, S.L., Equipamiento Familiar y Servicios, S.A., DCO, Cecosa Institucional, S.L., Cecogoico, S.A., Newcobeco, S.A., Peninsulaco, S.L.U., Sociedad de Franquicias Eroski Contigo, S.L.U., Forum Sport, S.A. and Cecosa Diversificación, S.L. (together, the "**Guarantors**"). The obligations of the Guarantors will be subject to contractual and legal limitations described under "*Limitations on Validity and Enforceability of the Guarantees and Certain Insolvency Law Considerations"* and *"Description of the Notes*." As of and for the twelve months ended July 31, 2023, the Issuer and the Guarantors (excluding the respective contributions to revenue, assets and Adjusted EBITDA pre-IFRS 16 of Supratuc and Vegalsa, two joint ventures that are not wholly owned, and accounting for the contributions of Inmobiliaria Recare, S.A., a subsidiary that is not a Guarantor but is expected to merge into a Guarantor or on before the Issue Date) would have held 96.6% of corresponding total assets and generated 99.5% of corresponding revenue, and 100.7% of corresponding Adjusted EBITDA pre-IFRS 16. The Collateral will contain pledges over 60% of the issued Capital Stock (which is the share indirectly owned by the Issuer) of Aportaciones Financieras Eroski, S.A. and 50% of the issued Capital Stock (which is the share indirectly owned by the Issuer) of each of Supratuc and Vegalsa which collectively (including their relevant subsidiaries) represent 25.5% of our revenue, 21.1% of our total assets and 24.3% of our Adjusted EBITDA pre-IFRS 16 as of and for the twelve months ended July 31, 2023.

Ranking of the Guarantees..................................	Each of the Guarantees will be a senior obligation of the respective Guarantor. Accordingly, each of the Guarantees will: • be a general senior obligation of the applicable Guarantor secured by first-ranking interests in the Collateral as set forth under "*Description of the Notes—Security*"; • rank *pari passu* in right of payment with any existing or future indebtedness of the applicable Guarantor that is not subordinated in right of payment to the applicable Guarantee, including such guarantor's obligations under the Term Loan A, the Bridge to Disposal Facility and the Confirming and Guarantee Facilities and with respect to Cecosa Hipermercados, S.L., its obligations under Loan 15; • rank senior in right of payment to any existing or future indebtedness of the applicable Guarantor that is subordinated or subordinated by operations of law, in right of payment to the applicable Guarantee; • be effectively subordinated to any existing or future indebtedness or obligation of the applicable Guarantor that is secured by property or assets that do not secure the Guarantee, to the extent of the value of the property and assets securing such indebtedness or obligation, including the Bridge to Disposal Facility; • be structurally subordinated to any existing or future indebtedness or obligations (including obligations to trade creditors) of the Subsidiaries of the Issuer that are not Guarantors; and • be subject to the limitations described herein and in "*Risk Factors—Risks Related to the Notes and the Guarantees—Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*," " *Risk Factors—Risks Related to the Notes and the Guarantees —The insolvency laws of Spain may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes*" and "*Limitations on Validity and*

Enforceability of the Guarantees and Certain Insolvency Law Considerations."

Additional Amounts	All payments the Issuer or a Guarantor makes with respect to the Notes will be made without withholding or deduction for, or on account of, any present or future taxes in any relevant taxing jurisdiction unless required by applicable law. If withholding or deduction for such taxes is required to be made with respect to a payment on the Notes or Guarantees, subject to certain exceptions, the payor will pay the additional amounts necessary so that the net amount received by the holders of the Notes after the withholding or deduction is not less than the amount that they would have received in the absence of the withholding or deduction. See "*Description of the Notes—Withholding Taxes*."
Optional Redemption	Prior to November 30, 2025, the Issuer will be entitled at its option to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the applicable "make-whole" premium described in this Offering Memorandum plus accrued and unpaid interest to, but excluding, the redemption date. On or after November 30, 2025, the Issuer will be entitled at its option to redeem all or a portion of the Notes at the applicable redemption prices set forth under the heading "*Description of the Notes—Optional Redemption—Redemption of the Notes*" plus accrued and unpaid interest, to, but excluding, the redemption date. Prior to November 30, 2025, the Issuer will be entitled at its option on one or more occasions to redeem the Notes in an aggregate principal amount not to exceed 40% of the aggregate principal amount of the Notes (including any Additional Notes) with the net cash proceeds from certain equity offerings at a redemption price equal to 110.625% of the principal amount outstanding in respect of the Notes redeemed, plus accrued and unpaid interest to, but excluding, the redemption date, *provided that* at least 50% of the original principal amount of the Notes (including any Additional Notes) remains outstanding immediately after each such redemption. See "*Description of the Notes—Optional Redemption—Redemption of the Notes.*"
Optional Redemption for Tax Reasons	In the event of certain developments imposing certain withholding taxes on amounts payable on the Notes, the Issuer may redeem the affected series of Notes, in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to but

	excluding the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*."
Tender Offers	In connection with any tender offer or other offer to purchase the Notes, if holders of not less than 90% of the aggregate principal amount of the then-outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer or offer to purchase, the Issuer shall have the right to redeem all Notes that remain outstanding at a price equivalent to the price offered to each holder of the applicable series of Notes in such tender offer or offer to purchase plus accrued and unpaid interest, if any, thereon. See "*Description of the Notes—Optional Redemption—General*."
Change of Control	Upon certain events defined as constituting a change of control, the Issuer may be required to make an offer to purchase the outstanding Notes at a purchase price equal to 101% of their principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to but excluding the date of purchase. See "*Description of the Notes—Change of Control*."
Certain Covenants	The Indenture, among other things, will restrict the ability of the Issuer and its restricted subsidiaries to: • pay dividends on or redeem capital stock and make certain other restricted payments and restricted investments; • incur certain indebtedness; • create or permit to exist certain liens; • transfer or sell certain assets; • merge or consolidate with other entities; • enter into certain transactions with affiliates; • agree to certain restrictions on dividends and other intercompany payments by restricted subsidiaries; and • impair the security interests created for the benefit of the holders of the Notes. Certain of the covenants will be suspended if the Notes obtain and maintain an investment-grade rating. Each of these covenants is subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants.*"
Listing	Application will be made to list the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be, or will remain,

	listed on the Official List of the Exchange or that such listing will be maintained. The Notes might also be admitted to trading on any other multilateral trading system or other non-regulated domestic or foreign organized market.
Transfer Restrictions	The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transferability and resale. See "*Transfer Restrictions*." We have not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer).
Use of Proceeds..	We intend to use the gross proceeds from the Offering, along with proceeds of the Term Loan A, the Disposal Properties and cash on balance sheet for the Refinancing and payment of fees, commissions and expenses relating to the Transactions. See "*Use of Proceeds.*"
Absence of a Public Market for the Notes.........	The Notes will be new securities for which there will be no established trading market. Accordingly, we cannot assure you as to the development or liquidity of any market for the Notes. Furthermore, the Notes will not have registration rights under the U.S. Securities Act.
Governing Law..	The Indenture, the Notes and the Guarantees will be governed by the laws of the State of New York. The Intercreditor Agreement and the Bridge to Disposal Facility will be governed by English law and the Term Loan A, Confirming and Guarantee Facilities and the Security Documents will be governed by Spanish Law.
Trustee..	Deutsche Trustee Company Limited.
Security Agent	Banco Santander, S.A.
Paying Agent and Transfer Agent	Deutsche Bank AG, London Branch.
Registrar...	Deutsche Bank Luxembourg S.A.
Listing Agent..	Deutsche Bank Luxembourg S.A.

Risk Factors

Investing in the Notes involves substantial risks. You should consider carefully all of the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section before making a decision whether to invest in the Notes.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following tables present our summary financial information as of and for each of the fiscal years 2020, 2021 and 2022 and as of and for the six-month period ended July 31, 2022 and 2023 and should be read in conjunction with the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the English translation of the audited consolidated annual accounts and unaudited condensed consolidated interim financial statements included elsewhere in this Offering Memorandum (from which the summary financial information is derived from). The original Spanish language audited consolidated annual accounts for each of the fiscal years 2020, 2021 and 2022 were audited by KPMG Auditores, S.L., as set forth in its audit reports, and were prepared in accordance with IFRS. The unaudited condensed consolidated interim financial statements for the six-month period ended July 31, 2023, with comparative financial information for the six-month period ended July 31, 2022, were prepared in accordance with IAS 34. The Spanish language original versions of the audited consolidated annual accounts as of and for each of the fiscal years 2020, 2021 and 2022, and the Spanish language original versions of the unaudited condensed consolidated interim financial statements of the Issuer and its subsidiaries as of and for the six-month period ended July 31, 2023, with comparative financial information for the six-month period ended July 31, 2022, can be found on the Issuer's website.

The summary unaudited financial data for the twelve months ended July 31, 2023 presented in this Offering Memorandum has been derived mathematically by adding the financial data for the six-month period ended July 31, 2023 to the financial data for the fiscal year 2022 and subtracting the financial data for the six-month period ended July 31, 2022. The unaudited financial information for the twelve months ended July 31, 2023 has been prepared solely for the purpose of this Offering Memorandum, is for illustrative purposes only and is not necessarily indicative of our results of operations for any future period or our financial condition at any future date.

This section includes certain financial measures that are not required by or presented in accordance with IFRS because we believe they provide investors with useful additional information to measure our performance, liquidity or capital expenditures. These non-IFRS financial measures have important limitations as analytical tools. In addition, while certain of the financial data set forth below has been derived on the basis of historical financial information prepared in accordance with IFRS, such financial data contains financial measures other than those in accordance with IFRS and should not be considered in isolation from or as substitutes for our historical financial information. Non-IFRS financial data should not be considered to be alternative to any measure of liquidity or performance derived in accordance with IFRS for the applicable periods. See "*Presentation of Financial and Other Information—Other Non-IFRS Measures*."

This section also includes unaudited condensed consolidated *pro forma* financial data which has been adjusted to reflect certain effects of the Transactions (i) on interest expense as if the Transactions were completed on August 1, 2022, and (ii) on cash and cash equivalents, senior secured net debt and total net debt as if the Offering was completed on July 31, 2023. The unaudited condensed consolidated *pro forma* financial data has been prepared for illustrative purposes only and does not purport to represent what the actual interest expense, cash and cash equivalents, senior secured net debt and total net debt of the Issuer would have been if the Offering had occurred (i) on August 1, 2022 for the purposes of the calculation of interest expense and (ii) on July 31, 2023 for the purposes of the calculation of cash and cash equivalents, senior secured net debt and total net debt nor do they purport to project the Issuer's interest expense, cash and cash equivalents, senior secured net debt and total net debt at any future date. The unaudited adjustments and the unaudited *pro forma* financial data set out in this Offering Memorandum is based on available information and certain assumptions and estimates that we believe are reasonable and may differ materially from the actual adjusted amounts.

The results of operations for prior years are not necessarily indicative of the results to be expected for any future period. The following tables should be read in conjunction with, and are qualified in their entirety by reference to, the audited consolidated annual accounts and the accompanying notes thereto of the Issuer as of, and for the fiscal years, 2020, 2021 and 2022, prepared in accordance with IFRS and the unaudited condensed consolidated interim financial statements of the Issuer as of, and for the six-month period ended, July 31, 2023, as well as the summary data presented below in conjunction with the sections entitled "*Presentation of Financial and Other Information,*" "*Use of Proceeds,*" "*Capitalization*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" our audited consolidated annual accounts and the related notes, and our unaudited condensed consolidated interim financial statements and the related notes included elsewhere in this Offering Memorandum.

Summary Consolidated Income Statement

	For the fiscal year			For the six-month period ended July 31		For the twelve months ended July 31
	2020	2021	2022	2022[(1)]	2023	2023
			(€ in thousands)			
Revenues/Revenue	4,807,439	4,541,380	4,828,195	2,313,533	2,526,702	5,041,364
Other income	249,577	252,033	264,720	125,603	142,977	282,094
Self-constructed non-current assets	–	–	56	-	124	180
Raw materials and other consumables used	(3,498,119)	(3,295,186)	(3,549,110)	(1,696,132)	(1,860,486)	(3,713,464)
Personnel expenses	(673,810)	(655,849)	(675,569)	(327,843)	(346,641)	(694,367)
Amortization and depreciation	(224,195)	(220,529)	(264,888)	(114,778)	(134,548)	(284,658)
Impairment of non-current assets/(Provisions)/reversals for impairment of non-current assets	(195,423)	(49,332)	(10,458)	1,694	1,546	(10,606)
Other expenses	(412,022)	(450,955)	(410,878)	(209,702)	(187,725)	(388,901)
Profit/(loss) before finance items and taxes/Profit before finance items and taxes	53,447	121,562	182,068	92,375	141,949	231,642
Finance income	6,461	149,407	4,976	3,053	5,992	7,915
Finance costs	(110,964)	(116,260)	(102,224)	(45,339) [(1)]	(64,506)	(121,391)
Share in profit/(loss) for the year of equity-accounted investees/Share of profit/(loss) of equity-accounted investees	233	221	81	61	1,272	1,292
Profit/(loss) before tax from continuing operations	(50,823)	154,930	84,901	50,150[(1)]	84,707	119,458
Income tax expense	(26,740)	(50,316)	(20,987)	(8,292)	(14,821)	(27,516)
Profit/(loss) from continuing operations	(77,563)	104,614	63,914	41,858[(1)]	69,886	91,942
Profit/(loss) from discontinued operations	–	–	–	–	–	–
Profit/(loss) for the year/period	**(77,563)**	**104,614**	**63,914**	**41,858**	**69,886**	**91,942**
Profit/(loss) for the year/period attributable to equity holders of the Parent						
Continuing operations	(96,457)	107,719	41,974	31,387	48,676	59,263
Discontinued operations	–	–	–	–	–	–
Profit/(loss) for the year/period attributable to non-controlling interests						
Continuing operations	18,894	(3,105)	21,940	10,471[(1)]	21,210	32,679
Discontinued operations	–	–	–	–	–	–
Profit/(loss) for the year/period	**(77,563)**	**104,614**	**63,914**	**41,858**	**69,886**	**91,942**
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	2,270	1,882	1,649	1,655	(706)	(712)
Tax effect	–	–	–	–	–	–
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	(50)	–	–	–	–	–
Other comprehensive income	2,220	1,882	1,649	1,655	(706)	(712)
Total comprehensive income for the year/period	**(75,343)**	**106,496**	**65,563**	**43,513**	**69,180**	**91,230**
Total comprehensive income attributable to:						

	For the fiscal year			For the six-month period ended July 31		For the twelve months ended July 31
	2020	2021	2022	2022[(1)]	2023	2023
			(€ in thousands)			
Equity holders of the Parent	(94,237)	109,597	43,621	33,040	47,969	58,550
Non-controlling interests	18,894	(3,101)	21,942	10,473	21,211	32,680

(1) A restatement was made to the unaudited condensed consolidated interim financial statements at and for the six-month period ended July 31, 2022. Please refer to "*Restatement and Reclassification of Prior Periods' Financial Statements*" section for further detail.

Summary Consolidated Statement of Financial Position

	As of the fiscal year			As of July 31
	2020	2021[(1)]	2022	2023
		(€ in thousands)		
Total non-current assets	3,512,909	3,317,022	3,135,065	2,916,151
Total current assets	888,378	759,424	802,500	892,801
Total assets	**4,401,287**	**4,076,446**	**3,937,565**	**3,808,952**
Total equity	**119,250**	**318,292[(1)]**	**359,458**	**518,291**
Total non-current liabilities	2,842,880	2,625,810[(1)]	2,407,520	1,584,117
Total current liabilities	1,439,157	1,132,344	1,170,587	1,706,544
Total liabilities	**4,282,037**	**3,758,154[(1)]**	**3,578,107**	**3,290,661**
Total equity and liabilities	**4,401,287**	**4,076,446**	**3,937,565**	**3,808,952**

(1) As a result of a change in interpretation of a clause in a long-term contract, we recognized a financial liability at its estimated fair value for fiscal years 2021 and 2022 of €107,629 thousand and €117,521 thousand, respectively. Please refer to "*Restatement and Reclassification of Prior Periods' Financial Statements*" section for further detail.

Summary Consolidated Statement of Cash Flows

	For the fiscal year			For the six-month period ended July 31		For the twelve months ended July 31
	2020	2021	2022	2022[(1)]	2023	2023
			(€ in thousands)			
Net cash from operating activities	538,176	297,980	425,679	274,190	237,201	388,690
Net cash used in investing activities	(2,166)	(101,179)	(115,977)	(69,374)	(54,238)	(100,841)
Net cash used in financing activities	(347,564)	(301,005)	(298,635)	(119,901)	(174,597)	(353,331)
Net increase/(decrease) in cash and cash equivalents	188,446	(104,204)	11,067	84,915	8,366	(65,482)
Cash transferred to non-current assets held for sale	-	-	(8,393)	-	-	(8,393)
Cash and cash equivalents at the beginning of the year/period	129,717	317,563	213,359	213,359	216,033	298,274
Cash and cash equivalents as at end of year/period	**317,563**	**213,359**	**216,033**	**298,274**	**224,399**	**224,399**

(1) A restatement was made to the unaudited condensed consolidated interim financial statements at and for the six-month period ended July 31, 2022. Please refer to "*Restatement and Reclassification of Prior Periods' Financial Statements*" section for further detail.

Key Performance Indicators

Revenue by geography

	For the fiscal year			For the six-month period ended July 31		For the twelve months ended July 31
	2020	2021	2022	2022	2023	2023
			(€ in thousands)			
Northern Spain[1]	1,999,668	1,901,588	1,964,846	943,851	981,958	2,002,953
Galicia	945,503	964,519	1,081,839	511,632	667,016	1,237,223
Catalonia	740,643	633,092	657,691	316,226	346,124	687,589
Balearic Islands	438,200	448,762	506,821	248,459	286,161	544,523
Other	683,425	593,419	616,998	293,365	245,443	569,076
Total Revenue/Revenues	**4,807,439**	**4,541,380**	**4,828,195**	**2,313,533**	**2,526,702**	**5,041,364**

(1) Northern Spain includes Basque Country and Navarra.

Revenue by format

	For the fiscal year			For the six-month period ended July 31		For the twelve months ended July 31
	2020	2021	2022	2022	2023	2023
			(€ thousands)			
Supermarkets	3,573,003	3,365,642	3,577,763	1,717,860	1,939,339	3,799,242
of which:						
Own	3,117,203	2,925,845	3,074,560	1,478,865	1,657,678	3,253,373
Franchises[1]	455,800	439,797	503,203	238,995	281,661	545,869
Hypermarkets	889,620	751,400	756,766	353,947	382,342	785,161
Cash & Carry	102,860	114,449	139,710	66,503	75,878	149,085
Diversification[2]	241,956	309,889	353,956	175,223	129,143	307,876
Total	**4,807,439**	**4,541,380**	**4,828,195**	**2,313,533**	**2,526,702**	**5,041,364**

(1) Franchises refers to the revenue generated through the sales of inventory to our franchise partners.
(2) Including gas stations, Viajes Eroski and sports apparel.

Store metrics

	As of and for the fiscal year			As of and for the twelve months ended July 31
	2020	2021	2022	2023
Number of locations (in units)	1,590	1,615	1,624	1,505
Sales area (in square meters)[1]	1,189,010	1,189,244	1,180,072	1,169,041
Revenue per square meter (€ thousand per square meter)	4,043	3,819	4,091	4,312

(1) As at the end of the fiscal year period.

Other Financial and Operational Data

	For the fiscal year			For the six-month period ended July 31		For the twelve months ended July 31
	2020	2021	2022	2022	2023	2023
			(€ in thousands, except percentages)			
EBITDA[1][2]	252,223	448,791	429,358	200,814	272,097	500,641
Adjusted EBITDA[1][2]	477,954	406,152	470,412	209,767	266,582	527,228
Adjusted EBITDA pre-IFRS 16[1][2]	330,828	260,811	280,591	132,828	166,497	314,260
Adjusted EBITDA pre-IFRS 16 margin[1][2]	6.88%	5.74%	5.81%	5.74%	6.59%	6.23%
Adjusted operating cash flow[3]	268,918	84,204	132,347	115,641	168,584	185,289
Adjusted cash flow[3]	249,618	84,204	114,347	115,641	156,584	155,289
Gross margin[4]	27.24%	27.44%	26.49%	26.69%	26.37%	26.34%

	As of the fiscal year			As of July 31
	2020	2021[1]	2022	2023
	(€ in thousands)			
Net financial debt[5].	1,226,374	923,399	906,688	882,723
Adjusted net financial debt[6]	1,339,619	1,176,590	988,747	915,563

(1) We use EBITDA, Adjusted EBITDA and Adjusted EBITDA Pre-IFRS 16 as an internal measure of performance to benchmark and compare performance, both between our own operations and as against other companies. Adjusted EBITDA represents EBITDA as adjusted for certain items which our management believes to be non-representative of the underlying operations. Adjusted EBITDA pre-IFRS 16 represents Adjusted EBITDA less amortizations of leases, which before the implementation of IFRS-16 would not have been capitalized on our statement of financial position. These measures are used, together with measures of performance under IFRS, to compare the relative performance of operations in planning, budgeting and reviewing the performance of our business. We believe EBITDA-based and other measures are useful and commonly used measures of financial performance in addition to profit/(loss) for the period and other profitability measures under IFRS because they facilitate operating performance comparisons from period to period and company to company. By eliminating potential differences in results of operations between companies caused by factors such as depreciation and amortization methods, historic cost and age of assets, financing and capital structures and taxation positions or regimes, we believe EBITDA-based and other measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe EBITDA-based and other measures are regularly used by the investment community as a means of comparison of companies in our industry.

EBITDA and Adjusted EBITDA or other EBITDA-based measures, are not a measure of performance under IFRS and you should not consider EBITDA or Adjusted EBITDA or other EBITDA-based measures, as substitutes to: (i) profit from operations as a measure of our operating performance; (ii) cash flow from operating, investing and financing activities as a measure of our ability to meet our cash needs; or (iii) any other measures of performance under IFRS.

We encourage you to evaluate each adjustment and the reasons we consider it appropriate as a method of supplemental analysis. See "*Presentation of Financial and Other Information—Other Non-IFRS Measures*."

(2) The following table sets forth EBITDA, Adjusted EBITDA and Adjusted EBITDA pre-IFRS 16 for the periods indicated, as well as a reconciliation to profit/(loss) for the year/period. See "*Presentation of Financial and Other Information—Other Non-IFRS Measures*."

	For the fiscal year			For the six-month period ended July 31,		For the twelve months ended July 31,
	2020	2021	2022	2022	2023	2023
	(€ thousands)					
Profit/(loss) for the year/period	(77,563)	104,614	63,914	41,858	69,886	91,942
Income tax expense	26,740	50,316	20,987	8,292	14,821	27,516
Interest expense (net)	78,851	73,332	79,569	35,886	52,842	96,525
Amortization and depreciation	224,195	220,529	264,888	114,778	134,548	284,658
EBITDA	**252,223**	**448,791**	**429,358**	**200,814**	**272,097**	**500,641**
Share of profit/(loss) of equity-accounted investees[A]	(233)	(221)	(81)	(61)	(1,272)	(1,292)
Financial income – amortized cost income[B]	-	(145,823)	-	-	-	-
Net finance expenses[C]	13,296	20,018	13,527	5,560	3,844	11,811
Net impairment expense[D]	207,792	63,686	15,227	(854)	282	16,363
Net losses (gains) on sales of assets[E]	3,540	14,582	11,488	3,646	(822)	7,020
Gain due to loss of control of a subsidiary[F]	-	-	-	-	(7,665)	(7,665)
Other special project expenses[G]	1,336	5,119	893	662	118	350
Adjusted EBITDA	**477,954**	**406,152**	**470,412**	**209,767**	**266,582**	**527,228**
Lease amortizations[H]	(147,126)	(145,341)	(189,821)	(76,939)	(100,085)	(212,967)
Adjusted EBITDA pre-IFRS 16	**330,828**	**260,811**	**280,591**	**132,828**	**166,497**	**314,260**
Full year impact of sale of Viajes Eroski, S.A.[I]						1,085
Full year impact from disposal of real estate assets[J]						(2,663)
***Pro forma* Adjusted EBITDA pre-IFRS 16**						**312,682**

(A) Share of profit/(loss) of equity-accounted investees represents share of the profit or loss of our investments in associates.

(B) Financial income – amortized cost income represents waivers of €157 million in principal amount of indebtedness from our creditors in connection with our compliance with certain contractual conditions. These conditions were met as of January 31, 2022 when we recognized finance income corresponding to the effect of the waiver discounted at the original interest rate.

(C) Net finance expenses represents finance income *less* finance costs not otherwise included as interest expense (net) or net impairment expense.

(D) Net impairment expense represents non-cash impairments, including (i) impairment of non-current assets, (ii) impairment losses of financial assets and (iii) inventory impairments.

(E) Net losses (gains) on sales of property, plant and equipment and other intangible assets represents the difference between book value and fair market value for assets sold.

(F) Gain due to loss of control of a subsidiary represents the impact of the sale to a third party of 100% of the shares of Viajes Eroski, S.A. in February 2023, which led to a gain of €7,665 thousand, recognized under other income in the Interim Financial Statements.

(G) Other special project expenses mainly include expenses related to store closures, principally severance pay to employees.

(H) Lease amortizations represents amortizations of leases which, before the implementation of IFRS-16 would not have been capitalized on our statement of financial position.

(I) Full year impact of sale of Viajes Eroski, S.A. refers to a *pro forma* adjustment to remove the Adjusted EBITDA pre-IFRS 16 impact of Viajes Eroski, S.A., which was sold in February 2023.

(J) Full year impact of disposal of real estate assets refers to a *pro forma* adjustment to remove the Adjusted EBITDA pre-IFRS 16 impact of the real estate properties sold since May 1, 2023 and the future sale of the Disposal Properties.

(3) The following table sets forth Adjusted operating cash flow and Adjusted cash flow for the periods indicated, as well as a reconciliation to Adjusted EBITDA pre-IFRS 16 for the period. See "*Presentation of Financial and Other Information—Other Non-IFRS Measures*."

	For the fiscal year			**For the six-month period ended July 31**		**For the twelve months ended July 31**
	2020	**2021**	**2022**	**2022**	**2023**	**2023**
			(€ thousands)			
Adjusted EBITDA pre-IFRS 16	**330,828**	**260,811**	**280,591**	**132,828**	**166,497**	**314,260**
Maintenance capex(A)	(46,662)	(49,581)	(44,170)	(12,996)	(17,227)	(48,401)
EBITDA pre-IFRS 16 less maintenance capex......................	**284,166**	**211,230**	**236,421**	**119,832**	**149,270**	**265,859**
Change in adjusted working capital(B)..	67,700	(50,544)	(34,403)	22,332	38,791	(17,944)
Expansion capex(C)	(82,948)	(76,482)	(69,630)	(26,523)	(19,477)	(62,584)
Adjusted operating cash flow	**268,918**	**84,204**	**132,388**	**115,641**	**168,584**	**185,331**
Cash flow attributed to partners(D)....	(19,300)	-	(18,000)	-	(12,000)	(30,000)
Adjusted cash flow	**249,618**	**84,204**	**114,388**	**115,641**	**156,584**	**155,331**

(A) Maintenance capex means capex for the refurbishments required to enable the Company's stores and locations to operate and the substitution of obsolete equipment (tangible assets) in its stores and locations.

(B) The following table sets forth Change in adjusted working capital for the periods indicated.

	For the fiscal year			**For the six-month period ended July 31**		**For the twelve months ended July 31**
	2020	**2021**	**2022**	**2022**	**2023**	**2023**
			(€ thousands)			
Increase/decrease in trade and other receivables.......................................	1,947	(18,036)	46	2,065	(9,761)	(11,780)
Increase/decrease in inventories	9,325	18,164	(33,014)	(59,048)	(40,628)	(14,594)
Increase/decrease in trade and other payables	56,715	(87,950)	(2,067)	122,190	22,784	(101,473)
Increase/decrease in provisions	(151)	(224)	(676)	(322)	(111)	(465)
Increase/decrease in other non-current assets and liabilities	631	(103)	1,394	937	599	1,056
Change in operating assets and liabilities / Changes in working capital...	**68,467**	**(88,149)**	**(34,317)**	**65,822**	**(27,117)**	**(127,256)**
Reverse-factoring lines(x)................	55,700	(4,750)	(22,300)	14,120	76,566	40,146
Float(y)	(52,986)	39,248	6,106	(69,269)	(21,858)	53,517
Supplier DPO change(z)	(3,481)	3,107	16,108	11,659	11,200	15,649
Change in adjusted working capital...	**67,700**	**(50,544)**	**(34,403)**	**22,332**	**38,791**	**(17,944)**

(x) Reverse-factoring lines represents working capital facilities utilized to balance supplier financing and adjusted to our cash needs.

(y) Float represents (i) cash on balance sheet to be imminently used for payments to suppliers or (ii) cash temporarily held in our stores but not yet considered as cash on balance sheet.

(z) Supplier DPO change represents a voluntary change in supplier terms to reduce days payable outstanding ("**DPOs**").

(C) Expansion capex represents capex required for the opening of new stores or locations and remodeling of existing stores and locations.

(D) Cash flow attributed to partners represents dividends paid out to our partners in our Supratuc and Vegalsa investments, which are voluntary and subject to liquidity and equity thresholds.

(4) The following table sets forth Gross margin, which is derived from the difference between revenues/revenue and raw materials and other consumables used divided by revenues/revenue, expressed as a percentage.

	For the fiscal year			For the six-month period ended July 31		For the twelve months ended July 31
	2020	2021	2022	2022	2023	2023
	(€ in thousands, except percentages)					
Revenues/Revenue	4,807,439	4,541,380	4,828,195	2,313,533	2,526,702	5,041,364
Raw materials and other consumables used	3,498,119	3,295,186	3,549,110	1,696,132	1,860,486	3,713,464
Gross margin	27.24%	27.44%	26.49%	26.69%	26.37%	26.34%

(5) The following table sets forth Net financial debt. Net financial debt does not include leases, which before the implementation of IFRS 16 would not have been capitalized on our statement of financial position.

	As of the fiscal year			As of July 31
	2020	2021	2022	2023
	(€ in thousands)			
Financial liabilities from issuing bonds and marketable securities	304,896	308,541	313,046	316,477
Financial liabilities from loans and borrowings	1,214,386	807,987	781,242	756,988
Third party loans	24,655	20,230	28,433	33,656
Less Cash and cash equivalents	(317,563)	(213,359)	(216,033)	(224,398)
Net financial debt	**1,226,374**	**923,399**	**906,688**	**882,723**

(6) The following table sets forth a reconciliation of Net financial debt to Adjusted net financial debt for the periods indicated.

	As of the fiscal year			As of July 31
	2020	2021	2022	2023
	(€ in thousands)			
Net financial debt	1,226,374	923,399	906,688	882,723
Less AFSEs[(A)]	(124,836)	(124,836)	(124,836)	(124,836)
Less OSEs at amortized cost and accrued interest	(180,060)	(183,705)	(188,210)	(191,641)
Plus OSEs at nominal value	208,977	208,977	208,977	208,977
Less financial liabilities from loans and borrowings at amortized cost and accrued interest	(1,214,386)	(807,987)	(781,242)	(756,988)
Plus financial liabilities from loans and borrowings at nominal value:				
Syndicated Loan	1,394,259	1,105,460	908,675	873,627
Loan 15	66,247	68,272	70,349	70,349
Less third party loans accrued interest	(2,158)	(2,277)	(790)	(872)
Less current financial assets	(34,799)	(10,713)	(10,864)	(45,777)
Adjusted net financial debt	**1,339,619**	**1,176,590**	**988,747**	**915,563**

(A) As of the Issue Date, €280,041,025 of AFSEs were outstanding, out of which the Issuer owns €47,197,600. The amount included here includes the amount recognized as a liability on the statement of financial position of the Issuer as of the date indicated.

Pro Forma Financial Data

Pro Forma **Financial Data**	**As of and for the twelve months ended July 31, 2023 (unless otherwise stated)**
	(€ in millions, unless otherwise stated)
Pro forma Adjusted EBITDA pre-IFRS 16[(1)]	312.7
Pro forma cash and cash equivalents[(2)]	143.3
Pro forma senior secured net debt[(3)]	469.6
Pro forma total net debt[(4)]	781.7
Ratio of *pro forma* senior secured net debt[(3)] to Adjusted EBITDA pre-IFRS 16[(1)]	1.5x
Ratio of *pro forma* total net debt[(4)] to Adjusted EBITDA pre-IFRS 16[(1)]	2.5x
Pro forma interest expense[(5)]	84.5

***Pro Forma* Financial Data**	**As of and for the twelve months ended July 31, 2023 (unless otherwise stated)**
	(€ in millions, unless otherwise stated)
Ratio of Adjusted EBITDA pre-IFRS 16[(2)] to *pro forma* interest expense[(5)]..	3.7x

(1) *Pro forma* Adjusted EBITDA pre-IFRS 16 represents Adjusted EBITDA pre-IFRS 16 adjusted to remove (i) the full year impact of Viajes Eroski, S.A., which was sold in February 2023 and (ii) the full year impact of the disposal of real estate assets sold since May 1, 2023. For additional information and a full reconciliation of Adjusted EBITDA and Adjusted EBITDA pre-IFRS 16, see footnotes (1) and (2) to the tables presented under "*—Other Financial and Operational Data*" above.

(2) *Pro forma* cash and cash equivalents is defined as cash and cash equivalents as of the date indicated, as adjusted to give *pro forma* effect to the Transactions as if the Transactions had occurred on July 31, 2023.

(3) *Pro forma* senior secured net debt is defined as the outstanding amount of indebtedness secured on the Collateral including the Term Loan A and the Notes offered hereby, as adjusted to give *pro forma* effect to the Transactions as if the Transactions had occurred on July 31, 2023, *less pro forma* cash and cash equivalents. This table excludes the Confirming and Guarantee Facilities which are treated as trade payables under IFRS and will be secured on the Collateral. The Confirming and Guarantee Facilities are not considered to be Indebtedness for the purposes of the covenants governing the Notes. See "*Description of Certain Financing Arrangements—Confirming and Guarantee Facilities*."

(4) *Pro forma* total net debt is defined as sum of total financial liabilities from issuing bonds and marketable securities and loans with credit institutions less pro forma cash and cash equivalents as of the date indicated and excludes (i) €35.0 million to be drawn under the Bridge to Disposal Facility on or about the Issue Date, which we intend to repay with the proceeds from the sale of the Disposal Properties, and (ii) the Confirming and Guarantee Facilities which are treated as trade payables under IFRS, adjusted to give *pro forma* effect to the Transactions as if the Transactions had occurred on July 31, 2023. For further information, see "*Capitalization*." *Pro forma* total net debt does not include leases, which before the implementation of IFRS 16 would not have been capitalized on our statement of financial position.

(5) *Pro forma* interest expense represents our interest expenses, as adjusted to give effect to the Transactions as if they had occurred on August 1, 2022, which is based on a coupon of 10.625% for the Notes and assuming, with respect to the Term Loan A, a constant EURIBOR rate for the twelve month period ended July 31, 2023 based on the current spot twelve-month EURIBOR rate (with a 0% floor). As adjusted interest expense is presented for illustrative purposes only and does not purport to represent what our interest payments would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest payments for any future period or our financial condition at any future date.

RISK FACTORS

An investment in the Notes involves a high degree of risk. You should carefully consider the following risks, together with other information provided to you in this Offering Memorandum, in deciding whether to invest in the Notes. 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 Notes could decline, and we may not be able to pay any or part of the interest or principal on the Notes, 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 the Notes, which in turn would affect your investment in the Notes.

This Offering Memorandum 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 Offering Memorandum. See "Forward-Looking Statements."

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 9,300 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 €85 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.

As of the date of this Offering Memorandum, the European Commission forecasts a 1.9% GDP increase for Spain in 2024, which remains below the Spanish government's previous forecast that set GDP growth at 2.3% for 2024, creating uncertainty about the strength of the Spanish economy and the pace of recovery. 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. For instance, in July 2023, a case of botulism was identified in a number of packaged tortilla products by a certain supplier in the Basque Country and Navarra, where we operate ("**Northern Spain**"). Our risk management processes were followed and we immediately recalled all contaminated products. 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 July 31, 2023, 615 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 fiscal year 2022 was €44.4 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 (including COVID-19); and (v) 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, 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.

In particular, COVID-19 had a significant impact on our operations, including by, among other things, requiring us to manage customer numbers at our premises, reduce the operation of certain stores depending on the guidelines or orders of the relevant government, invest in protective and other safety equipment, accelerate the deployment of automated check-outs, increase our capacity for home delivery and Click & Collect purchase options, build up our inventory of consumer staples and undertake a transition to a remote work environment for our corporate offices in response to new regulatory requirements. A renewed COVID-19 outbreak or any other future pandemic, particularly in regard to any disease outbreaks involving a pathogen that is food-borne, or that is perceived to be food-borne, could result in disruptions to our supply chain, increased diversion of management's attention, adversely affect the price of, availability of and demand for certain food products, an inability to profitably operate our smaller convenience formats due to limitations on the total number of customers that may be in the store at any one time. Any of the foregoing impacts of COVID-19 or any other future pandemic could have a material adverse effect on our business, financial condition, results of operations and prospects. The duration of any such impacts cannot be predicted because of the unprecedented nature of COVID-19 or similar events.

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. For example, between the fiscal year 2020 and July 31, 2023, we have successfully disposed of real estate assets, providing us with €121.2 million in proceeds, and intend to continue such disposals in the future in line with our deleveraging strategy. When we decide to sell assets, we may encounter difficulty in finding buyers in a timely manner and on acceptable terms in accordance with the restrictions set forth in the Bridge to Disposal Facility, 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 July 31, 2023, 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 Issue Date, 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 2022, 65% 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 has been 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.

Risks Related to Legal and Regulatory Matters

We may be subject to complaints and litigation which may adversely affect our business.

We may be the subject of complaints and litigation from our customers, employees and other third parties, alleging intellectual property infringement, injury, breaches of data protection or health, environmental, safety, privacy, tax or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations. These claims, even if successfully defended, could have a material adverse effect on our reputation and divert the attention of our Management Board (as defined below). In addition, if we were to be found liable under any such claims, our business, financial condition, results of operations and prospects could be materially adversely affected.

Our intellectual property rights may be infringed or challenged. Intellectual property claims by third parties or our failure or inability to protect our intellectual property rights could diminish the value of our brand and weaken our competitive position.

We own or use intellectual property rights, including trademarks, logos and domain names. We cannot be certain that third parties will not infringe, misappropriate or terminate these rights. We own nearly all the intellectual property rights over the trademarks, trade signs and copyrights that we use. We also own some of the intellectual property rights over the software and technologies that we use, including software for executing and organizing the contracts we enter into with suppliers, warehouse management technology and enterprise research planning and point of sale systems. However, such use may be challenged by third parties. If we are unable to protect and maintain our own intellectual property rights or our use of the intellectual property rights owned by others, the value of our brands could be diminished and our competitive position could weaken. In addition, if we are unable to renew our intellectual property rights when they expire, the value of our brands could also be diminished and our competitive position could weaken.

In addition, our products, services, websites or other acts conducted in the ordinary course of our business may violate, or be perceived to violate, intellectual property rights of third parties (in particular, copyrights, trademarks, design rights, patents and software) and we may be subject to infringement claims. We may also be involved in claims raised by third parties against our licensors, suppliers, licensees or franchisees. For example, we may be involved in claims regarding products or services supplied by our suppliers or franchisees that are perceived as infringing intellectual property rights of third parties.

Third parties may assert intellectual property claims against us as we expand our business to include new services and continue to develop our e-commerce channel. We may also face claims from our suppliers or licensors if they consider that their intellectual property rights are being misused, especially where those suppliers or licensors have a strong brand image and reputation. Our defense of any claim, regardless of its merit, could be expensive and time consuming, and could divert management resources. Successful infringement claims against us could result in significant monetary liability and prevent us from selling some of our products and/or services. In addition, the resolution of claims may require us to abandon the sale or provision of the litigious product or service, redesign our own private-label products or acquire license rights from third parties, which could have a significant impact on our business, financial condition and results of operations.

We are subject to extensive, increasingly stringent and frequently changing laws and regulations and increased scrutiny from regulators and enforcement authorities, including in relation to advertising, food and product safety, health and safety matters and the environment, and both compliance and non-

compliance therewith could impose substantial liabilities and costs and have a material adverse effect on our business, financial condition and results of operations.

In the ordinary course of our business, our operations and properties are subject to increasingly stringent laws and regulations relating to, among other things, labor, competition, imports and exports, advertising, customer protection, alcohol licensing, supplier relations, planning approvals for the opening of new stores, business operations, product safety, intermediation in customer credit and insurance, information technology, store safety and accessibility and health, safety and environment. Moreover, some of our businesses are subject to specific regulations, compliance with each of which can be complex and costly or can result in significant cash outflows. These include compliance with marketing laws and regulations, compliance with pharmaceutical laws and regulations, compliance with e-commerce laws and regulations and compliance with real estate laws and regulations. Additionally, we are subject to, among other things: (i) telecommunications regulation, both directly and indirectly; (ii) regulations that govern our relationships with our suppliers, limiting our operational flexibility; and (iii) labor and employment laws that regulate the human resources implications of any proposals to restructure our business, our employees' working conditions, maximum working hours per week and the ability to have stores open 24 hours a day or work on Sundays. We may be subject to audits and/or inquiries into our labor law practices by competent authorities and enforcement costs and penalties can be significant.

Further, we are subject to various environmental, health and safety requirements, including those governing discharges to water and air, waste disposal, the clean-up of contaminated sites, product content and labeling and worker health and safety. In particular, our diversified businesses such as our gas stations require various licenses to operate and must continue to comply with the applicable rules and regulations related to environmental protection and health and safety. We could incur substantial costs, including clean-up obligations, fines, penalties and other sanctions, and third-party claims for personal injury or property damage, as a result of violations of our liabilities under these requirements. As a result, we may face liability for any violations of such requirements and for any environmental impacts from current or historical operations at such locations (including those that are identified in the future). Our operations and facilities also require permits and authorizations under environmental, health and safety requirements, which are subject to renewal, modification and rescission by issuing authorities. We also may be required to incur substantial capital or other costs to comply with such requirements or those that are promulgated in the future.

Additionally, as a retailer of food products for human consumption, we are subject to stringent packing, health, quality, labeling and distribution standards. Each of our stores and our suppliers' facilities is subject to licensing, reporting requirements and official quality controls by numerous governmental authorities, including European, national and local health, environmental, labor relations, sanitation, building, zoning, fire and safety departments. Difficulties in obtaining or failure to obtain the necessary licenses or approvals could delay or prevent the development or operation of a given retail location or distribution center. Our stores, our outsourced distribution centers and our suppliers' production facilities are subject to regular inspection by authorities for compliance with hygiene regulations applicable to the sale, storage and manufacturing of foodstuffs and the traceability of genetically modified organisms, meats and other raw materials. Despite the precautions we undertake or require our suppliers to undertake, should any non-compliance with such regulations be discovered during an inspection, authorities may temporarily shut down the store, distribution center or facility concerned and levy a fine for such non-compliance which could have a material adverse effect on our business, financial condition and results of operations. See "*Business—Regulatory*."

From time to time, we may be notified of or otherwise become aware of additional laws and regulations that governmental organizations or others may claim should be applicable to our business. Compliance with future requirements could result in substantial costs to us (for example, future regulation may require complying with certain terms on payments to suppliers). Failure to comply with any such laws or regulations could subject us to sanctions which could have a material adverse effect on our financial condition or results of operations. Future changes in such laws and regulations could also have a material adverse effect on our financial condition or results of operations.

The laws and regulations to which we are subject frequently change, which may materially impact our business operations, and our failure to comply with such laws can result in significant fines and other penalties. As a general matter, legal requirements are subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. Failure to define clear roles and responsibilities or to regularly communicate with and train our colleagues may result in non-compliance with applicable laws and regulations. As is the case for other retailers of our size, we may from time to time be subject to inquiries or investigations from regulatory bodies by local authorities, competition authorities or financial regulators, in the ordinary course of our business. Such authorities may take the view that we have not conducted or are not conducting our business fully in compliance with applicable laws and regulations and, consequently, we may be required to make significant expenditures to defend against allegations of wrongdoing or modify our business practices to comply with differing interpretations of existing laws and regulations or with future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

Increases in labor costs and social charges and changes to wage regulations could adversely affect our business, financial condition and results of operations.

Our businesses are labor-intensive. We employed 29,221 people as of July 31, 2023. Consequently, our success depends in part on our ability to manage our labor costs and its impact on our margins. We may in the future be forced to raise our wages due to new labor laws or regulations, pressure exerted by trade unions or general wage increases across the industry or in any particular region in which we operate. These may increase over time or the laws and regulations setting forth any exonerations or other exemptions from payment of such charges from which we currently benefit may change, increasing our liabilities. Any of the foregoing may affect our profitability and may have an adverse effect on our business, financial condition and results of operations. If we are not able to pass on such higher costs to our customers, these higher labor costs could adversely affect our profitability.

We face a risk of misappropriation of customer and employee data from our information systems.

In the ordinary course of our business, we receive and maintain certain personal financial and other information about our customers and employees, which may be subject to misappropriation or data breaches. We also rely on third-party service providers to process customer payments made using bank cards and credit cards. Our online operations depend heavily upon the secure transmission of confidential information over public networks, including the use of cashless payments. The use and handling of this personal information is regulated by evolving and increasingly demanding laws and regulations at the sub-national, national and international levels, as well as by certain third party contracts. If we or any of our third-party service providers fail to transmit customer information in a secure manner, if our security and information systems are compromised as a result of data corruption or loss, a cyberattack or a network security incident, or if our employees, franchisees or vendors fail to comply with data protection laws and regulations (and as a result, information about our customers and employees is obtained by unauthorized persons or used inappropriately), we could be subject to liabilities and penalties, damage to our reputation, litigation or government enforcement actions, substantial costs and a loss of consumer confidence, all of which may significantly adversely affect our business, financial conditions and results of operations.

In the European Union, the General Data Protection Regulation ("**GDPR**") entered into force on May 25, 2018. The GDPR implements more stringent operational requirements for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements and higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities. Although we have taken all action required in order to be compliant with the guidelines, we operate in an industry in which we process a considerable amount of personal data and therefore are inevitably more exposed to the risk of being penalized for failing to comply with the regulations imposed. If we fail to maintain compliance with applicable data collection and privacy laws or with credit card industry standards or other applicable data security standards, we could be exposed to fines, penalties, restrictions, litigation or other expenses, which could adversely affect the reputation of us and our brands. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability to us, damage our reputation, and adversely affect our business.

We are exposed to payments risks, including processing risks, increases in transaction fees, actions taken by third parties that could disrupt our operations, failure by us or third parties on whom we rely to fully comply with rules and standards governing payment processing, and system failures and security breaches.

We are reliant on electronic payment methods. We accept payments using credit and debit cards, gift cards, contactless, PayPal, Android Pay and Apple Pay. As we offer new payment options to customers, we and our customers may be increasingly exposed to fraud. For existing and future payment options we offer our customers, we may become subject to additional regulations and compliance requirements (including obligations to implement enhanced authentication processes that could result in significant costs and reduce the ease of use of our payments products). We pay interchange and other fees for these card payments, which may increase over time and raise operating costs and lower margins. Interchange fees on Visa and MasterCard are regulated and are therefore currently subject to an effective minimum amount, which is beyond our control. Interchange fees on American Express payments are negotiated with American Express on an arm's-length basis. We rely on third parties to provide payment processing services, and it could disrupt our operations if these companies become unwilling or unable to provide these services. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted, making them difficult or impossible to comply with. If we fail to comply with these rules or requirements, we may be subject to fines and/or higher transaction fees and, in extreme cases, may lose our ability to accept payments from customers, process electronic funds transfers or facilitate other types of online payments.

Any failure of our payment processing systems, whether caused by a systems failure or otherwise, will adversely affect our income in the short-term and may result in us losing customers which may have a material adverse effect on our financial condition and prospects. In addition, there can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments will not result in a compromise or breach of the processes we use to protect customer transaction data. If any such compromise or breach were to occur, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

In certain circumstances, our contracts with credit card companies may require us to adhere to certain payment rules that could make us liable to payment card issuers and others if information in connection with payment cards and payment card transactions that we process is compromised. In such cases, resulting liabilities could be substantial.

We are exposed to risks related to taxation in Spain.

We are subject to many different forms of national, regional and local taxation, both direct and indirect, including, but not limited to, income tax, withholding tax, value added tax, sales tax and other payroll taxes in Spain. Tax laws and administration criteria are not a clear-cut area, are subject to changes and often require us to make subjective interpretations. In this respect, as a result of any future audit, additional taxes could be identified, which could lead to a substantial increase in our tax obligations (including any accrued interest and penalties). For example, in Spain, economic instability and difficult economic conditions have resulted in a decline in tax revenue obtained by the Spanish public administration, which has resulted in the past and may result in the future in higher effective tax rates. In the event of an increase of our tax burden, our profit may be reduced or we may need to increase prices to our customers which could reduce demand for our products.

Spain is divided into different jurisdictions for tax matters. A General Tax Administration is responsible for most of the Spanish Regions in the Mainland Territory, but there are also four specific administrations in certain regions, including three in Basque Country and one in Navarra. The Issuer is a tax resident of Biscay, one of the three regions in the Basque Country and thus may be taxed according to the legislation of Biscay and audited by the tax authorities of this territory.

Further, as of the fiscal year 2022, we recognized deferred tax assets totaling €86,569 thousand, mainly corresponding to the recognition of the tax effect of tax loss carry forwards and unused deductions. Deferred tax assets recognized for tax loss carry forwards are based on our assumptions of future taxable earnings and these may not occur as planned, which may cause the deferred tax asset to be reduced. There can be no assurances that an unexpected reduction in deferred tax assets will not occur. There may also be unforeseen tax expenses which may have an unfavorable impact on us. As a result and given the inherent unpredictable nature of taxation, there can be no assurance that our estimated long-term tax rate will remain at current levels or that cash flows regarding taxes will be stable.

We are subject to various legal and regulatory compliance risks, including those involving antitrust, anti-money laundering, anti-bribery or anti-corruption laws and regulations and sanctions.

We are subject to various legal and regulatory requirements and risks, involving compliance with antitrust, anti-money laundering, anti-bribery and anti-corruption laws and regulations, including sanctions imposed by international organizations or individual nations, such as the sanctions imposed as a result of the military conflict in Ukraine, and restrictions regarding transactions with certain companies and individuals identified on lists maintained by the United Nations, the U.S. federal government, the European Union, various EU member states, the United Kingdom and other local governments. We may be unaware of, or unable to timely anticipate and prepare for, developments in such laws, regulations and sanctions, and cannot be certain that any of our employees, agents, third-party providers or any other representatives involved in our business may, without our knowledge, take actions in violation of such laws and regulations, any of which may subject us to legal or regulatory action by governments or regulators.

Despite our best efforts, there remains a possibility that our existing policies, procedures, training, whistleblower hotline, technology tools, internal controls and risk management in relation to antitrust, anti-money laundering, anti-bribery or anti-corruption laws and regulations and sanctions, may not be successful in preventing or detecting inadequate practices, fraud and violations of law by the Issuer's employees, agents, third-party providers or any other representatives. For example, in the case that any employees, agents, third-party providers or any other representatives with whom we cooperate receives or grants inappropriate benefits or use corrupt, fraudulent or other unfair business practices, we could be confronted with legal sanctions, penalties, loss of orders, termination of supply relations or distribution agreements, as well as harm to our reputation. As a result, our policies, procedures, internal controls and risk management may not be effective. Failure to comply with antitrust, anti-money laundering, anti-bribery or anti-corruption laws and regulations, sanctions laws and regulations could expose us and our officers, directors and employees to civil and criminal prosecution and penalties, enforcement actions, the imposition of fines or export or economic sanctions, loss of business or reputational damage, any of which could materially and adversely affect our business, financial condition, results of operations and prospects.

Risks Related to the Notes and our Structure

The Notes will be structurally subordinated to indebtedness of non-guarantor restricted subsidiaries and, to the extent of the limitations on enforceability of the Guarantees, also to indebtedness of Guarantors that is not subject to such limitations.

Some, but not all, of the subsidiaries of the Issuer will guarantee the Notes. In the event of a liquidation, winding-up or dissolution or a bankruptcy, administration, reorganization, insolvency, receivership or similar proceeding of any subsidiary that does not provide a guarantee in favor of the Notes, such non-guarantor restricted subsidiaries will pay the holders of their own debt (including holders of third-party debt which such subsidiaries have guaranteed), their trade creditors and any preferred shareholders before they would be able to distribute any of their assets to the Issuer or the Guarantors. As a result of the foregoing, the Issuer and the Guarantors may not have sufficient assets to make payments on the Notes or the Guarantees, respectively.

Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes.

We have, and upon completion of the Transactions will continue to have, a substantial amount of debt and other interest-bearing obligations and significant debt service obligations. We cannot guarantee that we will be able to generate enough cash flow from operations to service our debt obligations. As of July 31, 2023, on a *pro forma* basis after giving effect to the Transactions, we would have had total financial indebtedness of €925.0 million. Our mid-term leverage target is less than 2.0x on a total consolidated net leverage basis, not including the AFSEs. In addition, we have issued perpetual instruments, the AFSEs, which are remunerated annually. For further details, see "*Description of Certain Financing Arrangements*" and "*Description of the Notes*."

We anticipate that our leveraged position will continue to be in place for the foreseeable future. Our leverage could have significant consequences to holders of the Notes offered hereby and our business and operations, including, but not limited to:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities;
- negatively impacting credit terms with our creditors;

- making us vulnerable to, and reducing our flexibility to respond to, general adverse economic and industry conditions;

- requiring us to dedicate a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, and our other obligations, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, or other general corporate purposes;

- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and industry in which we operate;

- placing us at a competitive disadvantage as compared to our competitors that are not as highly leveraged; and

- limiting our ability to borrow additional funds or raise equity capital in the future and increasing the cost of any such additional financings.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including obligations under the Notes. Our working capital varies due to seasonality factors in our business and due to regularly scheduled payments on our debt and other obligations, including on the AFSEs, our trade creditors and our employees. Our ability to make payments on and refinance our indebtedness and to fund working capital expenditures and other expenses will depend on our future operating performance and ability to generate cash from operations. Our ability to generate cash from operations is subject, in large part, to general economic, competitive, legislative and regulatory factors and other factors that are beyond our control. We may not be able to generate sufficient cash flow from operations nor obtain enough capital to service our debt or fund our planned capital expenditures.

We may still be able to incur more debt under the Indenture, which could further exacerbate the risks described above. The Intercreditor Agreement provides that with respect to a distressed disposal of, or an enforcement of the security interests over, the Collateral, holders of the Notes will receive proceeds from such Collateral *pro rata* with the creditors under the Term Loan A, the Confirming and Guarantee Facilities, the Bridge to Disposal Facility and certain other future indebtedness permitted under the Indenture to be secured in priority until the Notes have been repaid in full. Additionally, we could raise additional debt that could be secured or could mature prior to the Notes. Although the Indenture will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. In addition, the Indenture will not, and our other debt facilities will not, prevent us from incurring obligations that do not constitute indebtedness under those agreements.

We will require a significant amount of cash to meet our obligations under our indebtedness and AFSEs and to sustain our operations, which we may not be able to generate or raise, and certain of our indebtedness matures earlier than the Notes, which may create refinancing risks.

Our ability to make principal or cash interest payments when due on our indebtedness, including our obligations under the Term Loan A, Bridge to Disposal Facility, Confirming and Guarantee Facilities, OSEs, Loan 15 and the AFSEs, and our obligations under the Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*," many of which are beyond our control.

In particular, each of the OSEs and Loan 15 mature on February 1, 2028, and the Bridge to Disposal Facility matures on May 30, 2025, which dates all occur before the maturity of the Notes. In addition to general risks to you if these significant portions of indebtedness are not refinanced in a timely manner, if the OSEs are not refinanced or repaid prior to July 31, 2027, the springing maturity date on the Notes will be triggered, and the Bridge to Disposal Facility will require, by its terms, that certain named assets are sold to repay the loans made thereunder.

If we do not have sufficient cash flows from operations and other capital resources to pay these and other debt obligations at the maturity of any of outstanding indebtedness, we may be required to refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us (or, in the case of the Bridge to Disposal Facility, consummate such asset sales), we may be forced to sell additional assets, or raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of the Indenture and our other debt instruments may limit our ability to pursue any of these measures.

We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

The Indenture will contain covenants that impose, subject to certain exceptions and qualifications, significant operating and financial restrictions on us. These arrangements limit our ability to, among other things:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends on, or redeem or repurchase, capital stock and make certain other restricted payments;
- make certain investments;
- create or permit to exist certain liens;
- agree to restrictions on dividends by restricted subsidiaries;
- transfer, lease or sell certain assets including subsidiary stock;
- enter into certain transactions with affiliates;
- merge or consolidate with other entities;
- engage in certain activities;
- amend certain documents; and
- impair the security interests for the benefit of the holders of the Notes.

The covenants to which we are subject under the Indenture could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

In addition, some of our financing arrangements require us to maintain or to meet at prescribed times certain financial and portfolio ratios. See "*Description of Certain Financing Arrangements—Term Loan A*" and "*Description of Certain Financing Arrangements—Bridge to Disposal Facility*." Any future indebtedness may include similar or other restrictive terms. As a result of these restrictions, we will be limited in the manner in which we can conduct our business and may be unable to engage in favorable business activities or finance future operations.

In addition to limiting our flexibility to operate our business, a failure to comply with the restrictions contained in our financing arrangements, or to maintain the financial and loan portfolio ratios required by its financing arrangements, could lead to a default under their terms that could result in an acceleration of the Indebtedness. We cannot assure you that our future results of operations will be sufficient to enable compliance with the covenants in our financing arrangements or to remedy a default. Moreover, our ability to maintain or to meet the financial and operational ratios under the Term Loan A and Bridge to Disposal Facility or other prospective financing arrangements can be affected by events beyond our control and we cannot assure you that we will meet them. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under the Term Loan A and Bridge to Disposal Facility. Upon the occurrence of any event of default under the Term Loan A and Bridge to Disposal Facility, subject to applicable cure periods and other limitations on acceleration or enforcement, our creditors could elect to declare all amounts outstanding under the Term Loan A and Bridge to Disposal Facility together with accrued interest, immediately due and payable. A failure to pay such amounts would also result in an event of default under the Notes and our other debt instruments. In addition, an event of default or declaration of acceleration under a financing arrangement could also result in an event of default under one or more of its other financing arrangements. If our creditors, including those under the Term Loan A and Bridge to Disposal Facility, accelerate the payment of amounts due thereunder, we cannot assure you that we would have sufficient assets to repay in full those amounts, to satisfy all other liabilities of the group that would be due and payable and to repay the Notes in full or in part.

The insolvency laws of Spain may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.

The Issuer and all of the Guarantors are incorporated under the laws of Spain. In the event that the Issuer, the Guarantors and future guarantors, if any, or any other of our subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Any enforcement of the security after bankruptcy or an insolvency event will be subject to the insolvency laws of the relevant entity's jurisdiction of organization or other jurisdictions. The insolvency and other laws of Spain and other applicable jurisdictions may be materially different from, or in conflict with, U.S. bankruptcy laws, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. For instance, certain provisions of the Spanish Insolvency Act (as defined below) could affect the ranking of the Notes or claims relating to the Notes on an insolvency proceeding of the Issuer or the Guarantors, as the case may be. In particular, under Spanish law, a creditor's claim will be subordinated to the preferential and ordinary debts of a debtor in an insolvency proceeding if such creditor is determined to be a "specially related party" (*persona especialmente relacionada*) to the debtor. Under Spanish law, one factor considered in determining if a party is "specially related" is (i) whether such party is a stockholder who is personally liable for the debts of the company or those who, at the time when the debt was originated, hold, directly or indirectly, 10% or more of the share capital of the debtor (for companies that do not have listed securities in a secondary official market) or 5% (for companies that have securities listed in a secondary official market, as in the case of the Issuer) at the time the creditor's claim was created; (ii) directors (include *de facto* directors), insolvency liquidators and general managers holding general powers of attorney from the insolvent company (including those people that have held these positions during two years prior to the insolvency declaration); and (iii) a company belonging to the same group as the insolvent debtor and their common shareholders; *provided that* when the credit right is originated such shareholders meet, directly or indirectly, with respect the company belonging to the same group as the insolvent debtor, the minimum shareholding requirements set out in clause (i) above. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Notes in these jurisdictions and limit any amounts that you may receive. See "*Limitations on Validity and Enforceability of the Guarantees and Certain Insolvency Law Considerations—Spain*."

Creditors under the Bridge to Disposal Facility will have access to collateral that is not shared with the Notes, and certain future indebtedness may be incurred under the terms of the Indenture that may be secured by collateral that is not shared with the Notes.

The Bridge to Disposal Facility is secured on a *pari passu* basis with the Collateral securing the Term Loan A, the Confirming and Guarantee Facilities and the Notes and by first-ranking mortgages over the Disposal Properties. In addition, the Indenture will permit certain indebtedness to be secured by collateral that does not also secure the Notes.

Claims of lenders under our Bridge to Disposal Facility and any other secured creditors that are secured by assets that do not also secure the Notes will have priority with respect to such assets over the claims of holders of the Notes. As such, the claims of the holders of the Notes will be effectively subordinated to the rights of such secured creditors to the extent of the value of the assets securing such indebtedness.

The Issuer and the other Collateral providers will have control over the Collateral, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents relating to the Notes will allow the Issuer and the other Collateral providers to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral to the extent that it relates to their assets. So long as no acceleration event has occurred and subject to certain conditions, the Issuer and the other Collateral providers may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of the Collateral and making ordinary course cash payments, including repayments of indebtedness.

Each Guarantee and security may be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

Each Guarantee provides the holders of the Notes with a claim against the relevant Guarantor that may be exercised under certain conditions. However, the Indenture provides that each Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor without rendering the relevant Guarantee, as it relates to that Guarantor, voidable or otherwise ineffective or limited under applicable law, and enforcement of each Notes' Guarantee would be subject to certain generally available defenses. See "*Limitations on Validity and Enforceability of the Guarantees and Certain Insolvency Law Considerations.*" The same limitations may apply to security interests (other than the Guarantees) that will be provided by the Guarantors in certain jurisdictions.

Enforcement of any of the Guarantees or security against any Guarantor will be subject to certain defenses available to Guarantors in the relevant jurisdiction. These laws and defenses generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, the preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its Guarantee or other security depending on the amounts of its other obligations and applicable law. Limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of any Guarantee against any Guarantor.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) void or invalidate all or a portion of a Guarantor's obligations under its Guarantee, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, to hinder, delay or defraud creditors or shareholders of the Guarantor; or, in certain jurisdictions, when the granting of the Guarantees has the effect of giving a creditor a preference or when the recipient was aware that the Guarantor was insolvent when it granted the relevant Guarantee;

- the Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee and the Guarantor: (i) was insolvent or rendered insolvent because of the relevant Guarantee; (ii) was undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the relevant Guarantee was held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or

- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future guarantee granted by any of our subsidiaries pursuant to the Indenture or other securities pursuant to the Security Documents.

We cannot assure you which standard a court would apply in determining whether a Guarantor was "insolvent" at the relevant time or that, regardless of the method of the valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Notes Guarantee was issued, that payments to holders of the Notes constituted preferences, fraudulent transfers or conveyances on other grounds.

The liability of each Guarantor under its Guarantee or other security will be limited to the amount that will result in such Guarantee not constituting a preference, fraudulent conveyance or improper corporate distribution, or otherwise being set aside. However, there can be no assurance as to what standard a court will apply in making a determination of the maximum liability of each Guarantor. It is possible that the entire Guarantee or other security may be set aside, in which case the entire liability may be extinguished.

If a court decided that a Guarantee was a preference, fraudulent transfer or conveyance and voided such Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the relevant Guarantee that has not been declared void. In the event that any Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Guarantee obligations apply, they would be effectively subordinated to all liabilities of the applicable Guarantor, and if we cannot satisfy our obligations under the Notes or any Notes Guarantee is found to be a preference, fraudulent transfer or conveyance, or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes.

The payment of dividends to the Issuer will reduce the distributable profits and reserves available to satisfy the obligations under the Guarantees and Security Documents. We are under no obligation to maintain a specific level of distributable profits and reserves, and, if we have distributable profits and reserves, we may make dividend payments or payments of principal and interest on an intercompany loan that reduce our distributable profits and reserves to zero. There can be no assurance that we will have distributable profits and reserves available to satisfy the obligations under the Guarantees and Security Documents, whether or not we distribute dividends or enter into intercompany loans. In addition, the payment under the Guarantees and the enforcement of security interests under the relevant Security Documents may require certain prior corporate formalities to be completed, including, but not limited to, obtaining an audit report, shareholders' resolutions and board resolutions. See "*Limitations on Validity and Enforceability of the Guarantees and Security Interests and Certain Insolvency Law Considerations*" for further information.

The Notes will be secured only to the extent of the value of the Collateral that will be granted as security for the Notes and future secured indebtedness may be secured by certain assets that do not secure the Notes.

The Notes will be secured only to the extent of the value of the Collateral. See "*Description of the Notes—Security*." In addition, the Collateral will also secure the Term Loan A, the Bridge to Disposal Facility and the Confirming and Guarantee Facilities. Not all of our assets will secure the Notes and the Indenture will allow the Issuer and its restricted subsidiaries to secure certain future Indebtedness permitted to be incurred under the Indenture (which may be structurally senior to the Notes) with property and assets of the Issuer and the restricted subsidiaries that do not secure the Notes. The value of such assets and property could be significant. If an event of default occurs and the obligations under the Notes are accelerated, the Notes will not benefit from the assets securing such secured debt and will rank equally with the holders of other unsecured indebtedness of the Issuer and its restricted subsidiaries with respect to any property or assets excluded from the Collateral securing the Notes.

While the Indenture will create certain obligations to provide additional guarantees and grant additional security over assets, or a particular class of assets, whether as a result of the acquisition or creation of future assets or subsidiaries or otherwise, such obligations are subject to the Agreed Security Principles. The Agreed Security Principles (that will be set forth in the Indenture) will set out a number of limitations on the rights of the holders of the Notes to be granted security or guarantees in certain circumstances. The operation of the Agreed Security Principles may result in, among other things, the amount recoverable under any Collateral provided being limited or security not being granted over a particular type or class of assets. Accordingly, the Agreed Security Principles may affect the value of the security or guarantees provided by the Issuer.

The value of the Collateral securing the Notes may not be sufficient to satisfy our obligations under the Notes and other debt secured by the Collateral and such Collateral may be reduced or diluted under certain circumstances.

If we default on the Notes, holders of the Notes will be secured only to the extent of the value of the assets underlying the security interests granted in favor of holders of the Notes. In the event of an enforcement of the security interests in respect of the Collateral, the proceeds from the sale of the assets underlying the Collateral may not be sufficient to satisfy the Issuer's obligations with respect to the Notes, the Term Loan A, the Confirming and Guarantee Facilities and/or the Bridge to Disposal Facility. No appraisal of the value of the Collateral has been made in connection with the Offering. The value of the assets forming part of the Collateral will also depend on many factors, including, among other things, whether or not the business is sold as a going concern, regulatory restrictions that could affect such sale, the ability to sell the assets in an orderly sale and the condition of the economies in which operations are located and the availability of buyers.

The shares and other Collateral that will be pledged or assigned for the benefit of the holders of the Notes may provide for only limited repayment of the Notes, in part because most of such Collateral may not be liquid and its value to other parties may be less than their value to us. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in the liquidation thereof. Industry regulations in which we operate may include restrictions on the persons who may hold certain of our licenses, authorizations and consents that are necessary to operate our business. In the event of foreclosure, the transfer of our business operations may be prohibited or only permitted to a limited group of investors eligible to hold such assets, thereby decreasing the pool of potential buyers. Furthermore, entry into the Security Documents, enforcement of the Collateral and any transfer of our operations may require governmental or other regulatory consents, approvals or filings or might otherwise be challenged. Such consents, approvals or filings may take time to obtain or may not be obtained at all. As a result, enforcement may be delayed, a temporary shutdown of operations may occur and the value of the Collateral may be significantly decreased. The capital stock of the Issuer will not secure the Notes or our other secured indebtedness. As such, it is possible that the value of the Collateral will not be sufficient to cover the amount of indebtedness secured by such Collateral. With respect to any shares of the Issuer's subsidiaries pledged to secure the Notes and the Guarantees, in addition to any applicable legal restrictions (including, without limitation, due to financial assistance and corporate benefit reasons), such shares may also have limited value in the event of bankruptcy, insolvency or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, the value of the Collateral may decline over time. If the proceeds of the Collateral are not sufficient to repay all amounts due on the Notes, the holders of the Notes (to the extent not repaid from the proceeds of the sale of the Collateral) would have only a senior unsecured, unsubordinated claim against the Issuer's remaining assets.

The Indenture will also permit the granting of certain liens other than those in favor of the holders of the Notes on the Collateral. To the extent that holders of other secured indebtedness or third parties enjoy liens, including statutory liens, whether or not permitted by the Indenture or the Security Documents, such holders or third parties may have rights and remedies with respect to the Collateral which, if exercised, could reduce the proceeds available to satisfy the Issuer's obligations under its secured obligations, including the Notes. Moreover, if the Issuer issues additional Notes under the Indenture or other indebtedness that is secured on a *pari passu* basis with the Notes, holders of such Notes or other indebtedness that is secured on a *pari passu* basis with the Notes would benefit from the same Collateral as the holders of the Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Collateral.

The granting of the security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening or voidance periods for such security interests in accordance with the laws applicable jurisdictions.

The granting of the security interests to secure the Notes may create hardening or voidance periods for such Note security interests. The granting of security interests to secure future permitted debt may restart or reopen such hardening or voidance periods in particular, as the Indenture will permit the release and retaking of security granted in favor of the Notes in certain circumstances including in connection with the incurrence of future debt secured on the Collateral. The applicable hardening or voidance period for these new security interests can run from the moment each new security interest has been granted, created, perfected, confirmed, amended or recreated. At each time, if the security interest granted, recreated or perfected were to be enforced before the end of the respective hardening or voidance period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See *"Limitations on Validity and Enforceability of Guarantees and the Security Interests and Certain Insolvency Law Considerations."* The same rights also apply following the issuance of the Notes in connection with the accession of further subsidiaries as guarantors and the granting of security interest over their relevant assets and equity interests for the benefit of holders of the Notes, as applicable.

Rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the provider of the security, as applicable. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we fail or are unable to take the actions necessary to perfect any of these liens. Any failure to perfect any security interest in the Collateral may result in the invalidity of the relevant security interest or adversely affect the priority of such security interest in favor of the Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. Neither the Trustee nor the Security Agent will be under any obligation or responsibility to take any steps or action to perfect, or ensure the perfection of, any such liens.

On the Issue Date, the Security Documents will be executed pursuant to a zero deed. Under this zero deed, effectiveness of the granting of the Collateral and the release of the security granted under the Syndicated Loan and certain existing working capital lines will be subject to the Syndicated Loan's agent confirming receipt of the prepayment amount, which may occur on or about the Issue Date.

There are circumstances other than the repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically without your consent or the Trustee or the Security Agent obtaining your further consent.

Under a variety of circumstances, the Collateral securing the Notes will be released automatically, including a sale, transfer or other disposal of such Collateral in a transaction that does not violate the asset sale covenant of the Indenture and in connection with an enforcement sale permitted under the Intercreditor Agreement. See "*Description of Certain Financing Arrangements*."

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

Because the Notes have not been, and will not be, and are not required to be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction, they may not be offered or sold in the United States except to QIBs in accordance with Rule 144A, in offshore transactions in accordance with Regulation S or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit the ability of investors to resell the Notes. It is the obligation of investors in the Notes to ensure that all offers and sales of the Notes in the United States and other countries comply with applicable securities laws. See "*Transfer Restrictions*."

The Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until definitive Notes are issued in exchange for book-entry interests in the Notes (which will only occur in very limited circumstances), owners of the book-entry interests will not be considered owners or holders of Notes. The common depositary (or its nominee) for the accounts of Euroclear and Clearstream will be the registered holder of the Notes. After payment to the common depositary, the Issuer and the Trustee will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. See "*Book-Entry, Delivery and Form.*"

Unlike holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

The Notes may not become, or remain, listed on the Exchange.

Application will be made to list the Notes on the Exchange in accordance with the rules and regulations of the Luxembourg Stock Exchange. The Issuer cannot assure you that the Notes will become or remain listed. If the Notes are listed on the Exchange, and the Issuer can no longer maintain such listing or if it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Exchange; *provided, however, that* it will use its commercially reasonable efforts to obtain and maintain in the listing of the Notes on another "recognized stock exchange," although there can be no assurance that the Issuer will be able to do so.

In addition, although no assurance is made as to the liquidity of the Notes as a result of listing the Notes on the Exchange or another recognized stock exchange in accordance with the Indenture, failure to obtain approval for the listing or the delisting of the Notes from the Exchange or another recognized stock exchange, as applicable, may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited.

We cannot assure you as to the liquidity of any market in the Notes, your ability to sell your Notes, or the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities.

Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. Any such disruption may have a negative effect on you, as a holder of Notes, regardless of our prospects and financial performance. The Initial Purchasers have advised that they intend to make a market in the Notes after completing the Offering. However, they have no obligation to do so and may discontinue market making activities at any time without notice. In addition, such market making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. As a result, there may not be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

In addition, the Indenture will allow us to issue additional Notes in the future, which could adversely impact the liquidity of the Notes.

Spanish tax legislation may restrict the deductibility, for Spanish tax purposes, of all or a portion of the interest on our indebtedness, thus reducing the cash flow available to service our indebtedness.

The Spanish Corporate Income Tax ("**CIT**") Law contains a general limitation on the deductibility of certain net financial expenses incurred by a Spanish CIT taxpayer (or by the CIT consolidated group to which such entity belongs) exceeding 30% of its annual operating profit (defined as EBITDA subject to certain adjustments); for mainland Spain, €1 million will be deductible in any case, but for Biscay, this limit is extended to €3 million. Deductible interest after the application of these limitations are referred to as the "Maximum Threshold."

The apportionment of non-deducted interest in a given fiscal year may be deducted in the following fiscal years, subject to the Maximum Threshold in each subsequent fiscal year. If the amount of net financial expenses in a given fiscal year is below the Maximum Threshold, the difference between the net financial expenses deducted in that year and the Maximum Threshold may increase such Maximum Threshold in the immediate subsequent 5 years.

The impact of these rules on our ability to deduct interest paid on indebtedness could increase our tax burden and therefore negatively impact our business, financial position, results of operations and prospects.

There are risks related to Spanish withholding tax, including in conjunction with the collection of certain documentation from the Paying Agent.

The Issuer considers that, pursuant to the provisions of the Royal Decree 1065/2007 (which is applicable to companies subject to Mainland Territory's CIT) and Foral Decree 205/2008 (which is applicable to companies subject to Biscay CIT, as the Issuer), it is not obliged to withhold taxes in Spain on any interest paid under the Notes to any noteholder, irrespective of whether such noteholder is tax resident in Spain or not. The foregoing is subject to the fulfillment of certain information procedures described in "*Certain Tax Considerations—Spanish Tax Considerations—Disclosure of Information in Connection with the Notes*" below.

According to Royal Decree 1065/2007 and Foral Decree 205/2008, any interest paid by the Issuer under securities that (i) can be regarded as listed debt securities issued under Law 10/2014, of June 26, on organization, supervision and solvency of credit institutions ("**Law 10/2014**") or under Foral Law 1/2012, of February 29, approving the transitional measures for 2012 and 2013 and other Tax measures of the territory of Biscay ("**Foral Law 1/2012**") and (ii) are initially registered at a foreign clearing and settlement entity that is recognized under Spanish regulations or under those of another OECD member state, will be made free of Spanish withholding tax; *provided that* the relevant paying agent fulfills the information procedures described in "*Certain Tax Considerations—Spanish Tax Considerations—Disclosure of Information in Connection with the Notes*" below. The Issuer considers that the Notes meet the requirements referred to in (i) and (ii) above and that, consequently, payments made by the Issuer to noteholders should be paid free of Spanish withholding tax subject to the Paying Agent providing us, in a timely manner, with a duly executed and completed statement providing certain details relating to the Notes (the "**Payment Statement**"). Accordingly, if we do not receive the Payment Statement from the Paying Agent in a timely manner, income in respect of the Notes will be subject to a current 19% withholding tax. If this were to occur, affected holders of the Notes will receive a refund of the amount withheld, with no need for action on their part, if the Paying Agent submits a duly executed and completed Payment Statement to the Issuer no later than the tenth calendar day of the month immediately following the relevant payment date. In addition, following the tenth calendar day of the month immediately following the relevant Interest Payment Date, holders of the Notes may apply directly to the Spanish tax authorities for any refund to which they may be entitled. See "*Certain Tax Considerations—Spanish Tax Considerations*" for a more detailed explanation. The Issuer will not gross up payments in respect of any such withholding tax. See "*Description of the Notes—Withholding Taxes*."

It is expected that the Paying Agent will follow certain procedures to facilitate the timely provision by the Paying Agent to the Issuer of a duly executed and completed Payment Statement in connection with each payment of income under the Notes. If such procedures are not followed, however, the Issuer will make the relevant Spanish withholding tax at the applicable rate (currently 19%) from any income payment in respect of the Notes. Such procedures may be revised from time to time in accordance with changes in the applicable Spanish laws and regulations or administrative interpretations thereof. Accordingly, while the Notes are represented by a Global Note, holders of the Notes must rely on such procedures in order to receive payments under the Notes free of any Spanish withholding tax, to the extent applicable. Prospective investors should note that none of the Issuer, the Paying Agent, the Trustee or the Initial Purchasers will be liable for any damage or loss suffered by any holder of the Notes who would otherwise be entitled to an exemption from Spanish withholding tax because these procedures prove ineffective. Moreover, the Issuer will not pay any additional amounts with respect to any such Spanish withholding tax. Therefore, to the extent a payment of income in respect of the Notes is not exempt from Spanish withholding tax, including due to any failure by the Paying Agent to deliver a duly executed and completed Payment Statement, holders of the Notes may have to apply directly to the Spanish tax authorities for any refund to which they may be entitled.

Notwithstanding the above, in the case of Notes held by Spanish tax resident individuals (and, under certain circumstances, by Spanish entities subject to CIT) and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes may be subject to withholding by such depositary or custodian (currently 19%).

Noteholders must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Notes. None of Issuer, any Guarantor, the Paying Agent, the Security Agent, the Transfer Agent, the Registrar, or any Initial Purchaser assumes any responsibility thereof.

Investors may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer and the Guarantors are organized in Spain, and their business is substantially conducted outside the United States. The directors and executive officers of the Issuer and the Guarantors are non-residents of, and substantially all of their assets are located outside of, the United States. Although the Issuer and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on the directors and executive officers of the Issuer and the Guarantors. In addition, as a substantial portion of the assets of the Issuer and the Guarantors and their subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in U.S. courts. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the civil liability provisions of the federal securities laws of the United States.

Additionally, there is uncertainty as to whether the courts of foreign jurisdictions would enforce (i) judgments of United States courts obtained against the Issuer and the Guarantors and the directors and executive officers who are not residents of the United States predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such foreign jurisdictions against us or such persons predicated upon the United States federal and state securities laws.

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters, with Spain. For further information see "*Service of Process and Enforcement of Civil Liabilities*."

The Issuer may not be able to repurchase the Notes upon a change of control. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender.

If a change of control (as defined in the Indenture) occurs, the Issuer will be required to make an offer to purchase all the outstanding Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of purchase. In such a situation, the Issuer may not have enough funds to pay for all of the Notes that are tendered under any such offer. If a significant principal amount of Notes is tendered, the Issuer will likely have to obtain financing to pay for the tendered Notes. However, the Issuer may not be able to obtain such financing on acceptable terms, if at all. A change of control may also result in a mandatory prepayment under the Term Loan A, Bridge to Disposal Facility and agreements governing any future indebtedness and may result in the acceleration of such indebtedness. Any failure by the Issuer to offer to purchase the Notes upon a change of control would constitute a default under the Indenture, which may, in turn, constitute a default under our other senior debt instruments, including, but not limited to, the Term Loan A and the Bridge to Disposal Facility.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a change of control as defined in the Indenture.

In addition, the occurrence of certain events that might otherwise constitute a change of control will be deemed not to be a change of control, *provided that* upon consummation thereof, a certain consolidated net leverage ratio of the Issuer and its restricted subsidiaries is met.

In addition, in connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third-party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third-party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes. See *"Description of the Notes—Optional Redemption."*

The term "all or substantially all" in the context of a change of control has no clearly established meaning under relevant law and is subject to judicial interpretation, such that it may not be certain that a change of control has occurred or will occur.

Upon the occurrence of a transaction that constitutes a change of control under the Indenture, the Issuer will be required to make an offer to repurchase all outstanding Notes tendered. The definition of "change of control" in the Indenture will include (with certain exceptions) a sale of all or substantially all of the assets of the Issuer and its restricted subsidiaries (taken as a whole), to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," it has no clearly established meaning under relevant law, varies according to the facts and circumstances of the subject transaction and is subject to judicial interpretation. Accordingly, in certain circumstances, there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a sale of "all or substantially all" of the assets of a person, and therefore it may be unclear whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Investors may face foreign exchange risks by investing in the Notes denominated in foreign currencies.

The Notes will be denominated and payable in Euro. An investment in Notes denominated in a currency other than the currency by reference to which you measure the return on your investments will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of Euro relative to other relevant currencies because of economic, political or other factors over which we have no control. Depreciation of Euro against the currency in which you measure your investment could cause a decrease in the effective yield in such currency compared to the stated Euro-denominated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. There may be tax consequences for prospective investors as a result of any foreign exchange gains or losses for any investment in the Notes. See "*Certain Taxation Considerations*."

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time.

No assurances can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

A substantial part of our borrowings bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow.

A substantial part of our indebtedness or other obligations, including the Term Loan A, Confirming and Guarantee Facilities, Bridge to Disposal Facility, OSEs, AFSEs, and Loan 15, bears or will bear interest at per annum rates depending on EURIBOR and similar benchmarks, in each case adjusted periodically, plus a spread, and we will be exposed to the risk of fluctuations in interest rates. The occurrence of certain market disruption events may increase our overall interest burden and could have a material adverse effect on our ability to service our debt obligations. Furthermore, we may incur additional indebtedness that bears interest at a floating rate. These interest rates could rise significantly in the future, thereby increasing our interest expenses associated with these obligations, reducing cash flow available for capital expenditures and hindering the Issuer's ability to make payments on the Notes.

The security interests in the Collateral have been, or will be, granted to the Security Agent rather than directly to the holders of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees thereof will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent, which also holds interests in the Collateral for the benefit of the lenders under the Term Loan A, the Confirming and Guarantee Facilities and Bridge to Disposal Facility, the holders of the Notes and the holders of any additional debt secured by Collateral permitted to be incurred under the Indenture. The Indenture provides (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the Security Documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the Collateral. In addition, in respect of financings guaranteed by the Spanish State Finance Agency (Instituto Oficial de Crédito or "ICO") or any similar public body, the Intercreditor Agreement will prevent such ICO financings from participating in any loss sharing. For more information, see "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

Certain covenants and events of default will be suspended if we receive investment grade ratings.

The Indenture will provide that, if at any time following the date thereof, the Notes issued thereunder receive an investment grade rating of BBB- or better by S&P or Fitch and Baa3 or better by Moody's, and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time as such Notes are no longer rated investment grade by either ratings agency, certain covenants will cease to be applicable to such Notes. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*." At any time when these covenants are suspended, we will be able to, among other things, incur additional indebtedness, pay cash dividends and redeem subordinated indebtedness without restriction, each of which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating if achieved will be maintained.

The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.

The Indenture will not be required to, and will not be, qualified under the U.S. Trust Indenture Act of 1939, as amended (the "**TIA**") and will not incorporate or include and will not be subject to any of the provisions of the TIA. Consequently, the holders of Notes will not be entitled to the protections provided under the TIA to holders of debt securities issued under a qualified indenture, including those respecting preferential collections by the trustee or conflicting interests of the trustee. See "*Description of the Notes*."

USE OF PROCEEDS

We expect the gross proceeds from the Offering to be €500.0 million. We intend to use the gross proceeds from the Offering, together with the proceeds of the Term Loan A, the Disposal Properties and cash on balance sheet: (a) to refinance the existing Syndicated Loan and (b) to pay fees, commissions and expenses associated with the Transactions (including the Initial Purchasers' fees, legal, accounting and other fees, commissions and expenses).

The following table illustrates the estimated sources and uses of funds from the Offering. Amounts included in the table below are based on estimated data as of the Issue Date. Actual amounts are subject to adjustment and may significantly vary from expected amounts depending on several factors, including differences in our estimate of fees, commissions and expenses.

Sources of Funds	**(€ in millions)**	**Uses of Funds**	**(€ in millions)**
Notes offered hereby[(1)]	500.0	Refinancing of existing indebtedness[(4)]	702.8
Term Loan A[(2)]	112.8	Payment of accrued interest[(5)]	11.2
Proceeds from Disposal Properties [(3)]	35.0	Payment of fees, commissions and expenses[(6)]	15.0
Cash on balance sheet	81.1		
Total sources	**729.0**	**Total uses**	**729.0**

(1) Represents the gross proceeds of the Offering of €500.0 million in aggregate principal amount of Notes, assuming an issuance at par.

(2) Represents the aggregate principal amount we expect to draw under the Term Loan A on or about the Issue Date. See "*Description of Certain Financing Arrangements—Term Loan A.*"

(3) Represents the aggregate principal of expected proceeds from the sale of Disposal Properties shortly after the Issue Date, which will be temporarily financed by the Bridge to Disposal Facility. See "*Description of Certain Financing Arrangements—Bridge to Disposal Facility.*"

(4) Represents the amount to repay and cancel in full the nominal principal amount of €873.6 million of the Syndicated Loan on or about the Issue Date, *pro forma* for the agreed nominal reduction of principal in the amount of €152.3 million to become effective on or about the Issue Date, and net of payments made on the principal balance since July 31, 2023 of approximately €18.5 million with proceeds from the disposal of certain real estate properties since July 31, 2023.

(5) Represents accrued interest to be paid on the Issue Date in connection with the Syndicated Loan.

(6) Represents estimated fees and expenses of the Transactions, including discounts, underwriting fees and commissions, placement, advisory and other fees, other transaction costs and professional fees, which will be funded with the proceeds of the Transactions. These fees and expenses have been estimated as of the date of this Offering Memorandum and may differ from actual amounts.

CAPITALIZATION

The following table sets forth our consolidated available cash and cash equivalents and capitalization on an actual basis as of July 31, 2023 and on an adjusted basis as of July 31, 2023 after giving *pro forma* effect to the Transactions.

The historical information has been derived from our unaudited condensed consolidated interim financial statements as of and for the six-month period ended July 31, 2023 included elsewhere in this Offering Memorandum. The as adjusted information below is presented for illustrative purposes only and does not purport to be indicative of our cash and cash equivalents or our capitalization following the completion of the Offering. You should read this table in conjunction with the sections entitled "*Use of Proceeds*," "*Selected Historical Consolidated Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of Certain Financing Arrangements*," "*Description of the Notes*" and our financial statements included elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since July 31, 2023. The following table is presented *pro forma* for the receipt of the expected proceeds from the sale of Disposal Properties shortly after the Issue Date, which will be temporarily financed by the Bridge to Disposal Facility. As such, the following table does not reflect the Bridge to Disposal Facility. See "*Description of Certain Financing Arrangements—Bridge to Disposal Facility*."

	As of July 31, 2023		
	Actual	**Adjustments**	**As Adjusted**
		(€ in millions)	
Cash and cash equivalents	**224.4**	**(81.1)**	**143.3**[1]
Syndicated Loan	873.6[2]	(873.6)[3]	–
Notes offered hereby[4]	–	500.0	500.0
Term Loan A[5]	–	112.8	112.8
Total senior secured debt[6]	**873.6**	**(260.8)**	**612.8**
Local Facilities[7]	103.1	–	103.1
OSEs[8]	209.0	–	209.0
Total unsecured debt	**312.1**	–	**312.1**
Total debt[9] (A)	**1,185.7**	**(260.8)**	**925.0**
Total equity[10]	518.3	(30.5)[11]	487.8
Financial liabilities – AFSEs [12]	124.8	–	124.8
Total equity with AFSEs (B)	**643.1**	**(30.5)**	**612.6**
Total capitalization[13] (A+B)	**1,828.8**	**(291.3)**	**1,537.5**

(1) Represents our cash and cash equivalents as of July 31, 2023, adjusted to give *pro forma* effect to the Transactions and does not reflect any available cash generated or utilized since that date. This figure also only reflects potential changes to cash and cash equivalent to the extent such changes are reflected in the sources and uses table in "*Use of Proceeds*," including for the payment of estimated transaction costs and expenses associated with the Refinancing as well as cash used to repay in full the Syndicated Loan.

(2) Represents the aggregate principal amount outstanding under the Syndicated Loan as of July 31, 2023.

(3) Represents the repayment of the aggregate principal amount of the Syndicated Loan, which will be fully repaid and cancelled in connection with the Transactions, subject to closing of the Offering, including the agreed nominal reduction of principal in the amount of €152.3 million to become effective on or about the Issue Date, and payments made on the principal balance since July 31, 2023 of approximately €18.5 million with proceeds from the disposal of certain real estate properties since July 31, 2023.

(4) Represents the aggregate principal amount of Notes.

(5) Represents the aggregate principal amount expected to be outstanding under the Term Loan A on or about the Issue Date, which will be used in part to refinance the Syndicated Loan as part of the Transactions. See "*Use of Proceeds*" and "*Description of Certain Financing Arrangements—Term Loan A*."

(6) Excludes (i) €35.0 million to be drawn under the Bridge to Disposal Facility on or about the Issue Date, which we intend to repay with the proceeds from the sale of the Disposal Properties, and (ii) the Confirming and Guarantee Facilities which are treated as trade payables under IFRS.

(7) Represents (a) loans provided to Supratuc in the amount of approximately €15.0 million, (b) other local financing arrangements in the amount of €17.8 million and (c) the aggregate principal amount of the Loan 15 outstanding as of July 31, 2023. Approximately €13.4 million of accrued and payable interest on Loan 15 will be repaid at the next interest payment date which is expected to be January 31, 2024, representing the entirety of the capitalized interest cost. Loan 15 will mature on February 1, 2028, unless otherwise extended. See "*Description of Certain Financing Arrangements—Loan 15*."

(8) Represents the aggregate principal amount outstanding on the OSEs as of July 31, 2023. The OSEs are fixed income securities (*valores de renta fija*) issued by the Issuer as subordinated instruments to the Issuer's ordinary loans, including the Notes. See "*Description of Certain Financing Arrangements—OSEs.*"

(9) Represents the total amount of total senior secured debt and total unsecured debt without netting out cash and cash equivalents. We use total net debt herein to calculate our leverage ratios. Total net debt represents total debt minus cash and cash equivalents. See "*Summary—Summary Consolidated Financial Information and Other Data—Pro Forma Financial Information*."

(10) Represents total equity as of July 31, 2023 from our Consolidated Financial Statements, which includes the portion of AFSEs treated as equity amounting to €108.0 million. AFSEs have a perpetual maturity and they rank, for credit priority purposes, after all the common creditors or ordinary creditors of the Issuer and are subordinated by operation of law pursuant to Article 60.6 of the Basque Cooperative Law. In addition, pursuant to such Basque Cooperative Law, AFSEs are considered as share capital and are treated as such under this Offering Memorandum and under the terms of the Notes and the Indenture. See "*Description of Certain Financing Arrangements—AFSEs"* and *"Description of the Notes.*" For purposes of the preparation of our Consolidated Financial Statements, a portion of the AFSEs are treated as equity and the remainder are treated as financial liabilities. As of the Issue Date, outstanding AFSEs (both treated as equity and financial liabilities) amounts to €280,041,025, out of which the Issuer owns €47,197,600. For more information, please refer to our Consolidated Financial Statements.

(11) Includes an equity adjustment reflecting a financial loss in the consolidated income statement following repayment of the Syndicated Facilities at a higher amount than the amortized cost indicated in the Interim Financial Statements.

(12) Represents the outstanding amount of AFSEs recorded as financial liabilities in our Consolidated Financial Statements as of July 31, 2023.

(13) Total capitalization comprises of the total debt (excluding IFRS 16 lease liabilities) plus total equity with AFSEs.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

We present below selected audited consolidated financial data for the Issuer and its subsidiaries as of and for the fiscal years 2020, 2021 and 2022, which has been derived from the Audited Consolidated Annual Accounts prepared in accordance with IFRS and are included elsewhere in this Offering Memorandum. We also present below selected unaudited consolidated financial data for the Issuer and its subsidiaries as of and for the six-month periods ended July 31, 2023, with comparative financial information for the six-month period ended July 31, 2022, which has been derived from the Interim Financial Statements prepared in accordance with IAS 34 and are included elsewhere in this Offering Memorandum.

The results of operations for prior years are not necessarily indicative of the results to be expected for any future period. Prospective investors should read the selected data presented below in conjunction with, and the data set forth below is qualified in its entirety by reference to, the information under the sections entitled "*Presentation of Financial and Other Information*," "*Use of Proceeds*," "*Capitalization*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," our Audited Consolidated Annual Accounts and the related notes, and our Interim Financial Statements and the related notes included elsewhere in this Offering Memorandum.

Summary Consolidated Income Statement

	For the fiscal year			For the six-month period ended July 31	
	2020	**2021**	**2022**	**2022[(1)]**	**2023**
			(€ in thousands)		
Revenues/Revenue	4,807,439	4,541,380	4,828,195	2,313,533	2,526,702
Other income	249,577	252,033	264,720	125,603	142,977
Self-constructed non-current assets	–	–	56	–	124
Raw materials and other consumables used	(3,498,119)	(3,295,186)	(3,549,110)	(1,696,132)	(1,860,486)
Personnel expenses	(673,810)	(655,849)	(675,569)	(327,843)	(346,641)
Amortization and depreciation	(224,195)	(220,529)	(264,888)	(114,778)	(134,548)
Impairment of non-current assets/(Provisions)/reversals for impairment of non-current assets	(195,423)	(49,332)	(10,458)	1,694	1,546
Other expenses	(412,022)	(450,955)	(410,878)	(209,702)	(187,725)
Profit/(loss) before finance items and taxes/Profit before finance items and taxes	53,447	121,562	182,068	92,375	141,949
Finance income	6,461	149,407	4,976	3,053	5,992
Finance costs	(110,964)	(116,260)	(102,224)	(45,339) [(1)]	(64,506)
Share in profit/(loss) for the year of equity-accounted investees/Share of profit/(loss) of equity-accounted investees	233	221	81	61	1,272
Profit/(loss) before tax from continuing operations	(50,823)	154,930	84,901	50,150[(1)]	84,707
Income tax expense	(26,740)	(50,316)	(20,987)	(8,292)	(14,821)
Profit/(loss) from continuing operations	(77,563)	104,614	63,914	41,858[(1)]	69,886
Profit/(loss) from discontinued operations	–	–	–	–	–
Profit/(loss) for the year/period	**(77,563)**	**104,614**	**63,914**	**41,858**	**69,886**
Profit/(loss) for the year/period attributable to equity holders of the Parent					
Continuing operations	(96,457)	107,719	41,974	31,387	48,676
Discontinued operations	–	–	–	–	–
Profit/(loss) for the year/period attributable to non-controlling interests					
Continuing operations	18,894	(3,105)	21,940	10,471[(1)]	21,210
Discontinued operations	–	–	–	–	–
Profit/(loss) for the year/period	**(77,563)**	**104,614**	**63,914**	**41,858**	**69,886**
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	2,270	1,882	1,649	1,655	(706)
Tax effect	–	–	–	–	–

	For the fiscal year			For the six-month period ended July 31	
	2020	2021	2022	2022[(1)]	2023
			(€ in thousands)		
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................................	(50)	–	–	–	–
Other comprehensive income...............................	2,220	1,882	1,649	1,655	(706)
Total comprehensive income for the year/period	**(75,343)**	**106,496**	**65,563**	**43,513**	**69,180**
Total comprehensive income attributable to:					
Equity holders of the Parent................................	(94,237)	109,597	43,621	33,040	47,969
Non-controlling interests.....................................	18,894	(3,101)	21,942	10,473	21,211

(1) A restatement was made to the unaudited condensed consolidated interim financial statements at and for the six-month period ended July 31, 2022. Please refer to "*Restatement and Reclassification of Prior Periods' Financial Statements*" section for further detail.

Summary Consolidated Statement of Financial Position

The table below sets out our summarized consolidated statement of financial position as of the dates indicated.

	As of the fiscal year			As of July 31
	2020	2021[(1)]	2022	2023
		(€ in thousands)		
Total non-current assets...	3,512,909	3,317,022	3,135,065	2,916,151
Total current assets..	888,378	759,424	802,500	892,801
Total assets..	**4,401,287**	**4,076,446**	**3,937,565**	**3,808,952**
Total equity...	**119,250**	**318,292[(1)]**	**359,458**	**518,291**
Total non-current liabilities...	2,842,880	2,625,810[(1)]	2,407,520	1,584,117
Total current liabilities	1,439,157	1,132,344	1,170,587	1,706,544
Total liabilities..	**4,282,037**	**3,758,154[(1)]**	**3,578,107**	**3,290,661**
Total equity and liabilities	**4,401,287**	**4,076,446**	**3,937,565**	**3,808,952**

(1) As a result of a change in interpretation of a clause in a long-term contract, we recognized a financial liability at its estimated fair value for fiscal years 2021 and 2022 of €107,629 thousand and €117,521 thousand, respectively. Please refer to "*Restatement and Reclassification of Prior Periods' Financial Statements*" section for further detail.

Summary Consolidated Statement of Cash Flows

The table below sets out our summarized consolidated cash flow statement data for the dates indicated.

	For the fiscal year			For the six-month period ended July 31	
	2020	2021	2022	2022[(1)]	2023
			(€ in thousands)		
Net cash from operating activities……………	538,176	297,980	425,679	274,190	237,201
Net cash used in investing activities............	(2,166)	(101,179)	(115,977)	(69,374)	(54,238)
Net cash used in financing activities	(347,564)	(301,005)	(298,635)	(119,901)	(174,597)
Net increase/(decrease) in cash and cash equivalents	188,446	(104,204)	11,067	84,915	8,366
Cash transferred to non-current assets held for sale..	–	–	(8,393)	–	–
Cash and cash equivalents at the beginning of the year/period	129,717	317,563	213,359	213,359	216,033
Cash and cash equivalents as at end of year/period	**317,563**	**213,359**	**216,033**	**298,274**	**224,399**

(1) A restatement was made to the unaudited condensed consolidated interim financial statements at and for the six-month period ended July 31, 2023. Please refer to "*Restatement and Reclassification of Prior Periods' Financial Statements*" section for further detail.

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. This "Management's Discussion and Analysis of Financial Condition and Results of Operations" is based on the English translations of the historical consolidated annual accounts and condensed consolidated interim financial statements included in this Offering Memorandum and should be read in conjunction with "Presentation of Financial and Other Information," "Summary Consolidated Financial Information and Other Data," "Selected Historical Consolidated Financial Information" and the English translations of the historical consolidated annual accounts and condensed consolidated interim financial statements included elsewhere in this Offering Memorandum. Prospective investors should read the entire Offering Memorandum 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 Offering Memorandum, particularly under "Risk Factors" and "Forward-Looking Statements."

Overview

We are a leading multi-format and omni-channel food retailer operating as a consumer cooperative company in Spain. Our business model is focused on supermarkets, but we operate through a multi-format approach. This allows us to respond to customer needs through a wide range of formats, including supermarkets, hypermarkets, Cash & Carry stores, gas stations and sports equipment stores. Our omni-channel business model refers to our consolidated platform and ability to offer our customers our whole suite of products from our trusted private label with significant heritage through several channels and platforms, weaving together physical stores and our online supermarket and phone app to create a seamless shopping experience for customers. We have over 50 years of history and offer a wide range of locally and nationally produced and internationally sourced food products from our trusted suppliers.

We conduct our business through two main categories of operations – food and non-food, diversified businesses. We present our food business to customers through several formats, including supermarkets, hypermarkets, and Cash & Carry stores. As of July 31, 2023, our food business operations included 731 EROSKI-operated and 615 franchise supermarkets, 36 EROSKI-operated hypermarkets and 17 EROSKI-operated Cash & Carry establishments. For the fiscal year 2022, our food businesses generated approximately €4,474 million in revenue. Within our non-food, diversified businesses, we operated 40 gas stations and 66 sports equipment stores as of July 31, 2023. For the fiscal year 2022, our non-food, diversified businesses generated approximately €354 million in revenue.

Our business operates under formats that aim to adapt to current consumer trends while delivering high quality products. Our array of retail formats offers a variety of experiences to our customers, from high-end and high-value products to cost-effective and competitive everyday essentials, all designed to meet the expectations of customers seeking quality, authenticity and customer service. Further, we employ a multi-banner strategy and offer a variety of brands, including our private label, to best reflect local characteristics in the regions where we operate. Our private label represents our values and allows us to feature quality products with an emphasis on health, sustainability and commitment to local producers while catering to a range of customer price points. Our network of approximately 1,500 physical stores as of July 31, 2023, including over 600 franchises, allows us to maintain a national, diversified footprint across mainland Spain, which helps us maintain and promote nationwide brand awareness. Based on sales, we are the number one food retailer in Northern Spain and the number four food retailer across Spain, with a particular market presence in our Core Regions as of the fiscal year 2022. For the twelve months ended July 31, 2023, over 90% of our Adjusted EBITDA pre-IFRS 16 was generated from our Core Regions, which we believe makes us particularly resilient in mature markets. In the fiscal year 2022, 41% 24% 22% and 13% of our revenue came from Northern Spain, Catalonia and the Balearic Islands, Galicia and other regions, respectively. By comparison, in the fiscal year 2009, 53%, 24%, 12% and 10% of our net sales came from other regions, Catalonia and the Balearic Islands, Northern Spain and Galicia, respectively. This change has been driven by our efforts to refocus growth and expansion in our key geographical and business competencies. From the fiscal year 2009 to the fiscal year 2022, the percentage of our revenue coming from our Core Regions grew from 47% to 87%. Growth took place largely in Northern Spain, which grew from 12% of net sales to 41% of our revenue.

At our supermarkets, hypermarkets and Cash & Carry stores, we offer a wide range of products with a focus on fresh, local and seasonal items at affordable prices, and in the fiscal year 2022, private label products represented 51% of our fresh food revenue. As of July 31, 2023, 95% of our commercial suppliers were based in Spain, 60% of which were local agri-food producers. We believe that investment throughout our product ranges creates top quality product offerings for each price category, and that our focus on high quality, healthy and fresh, local products is an optimal strategy given current consumer trends. Consumers are increasingly sensitive to the effects their food decisions have on the environment and sustainability. As of July 31, 2023, we offered over 1,400 organic food products, and of our own-brand products, 70% of items have received an A, B or C rating according to Nutri-Score, a nutritional rating system that assigns products a rating letter from A (best) to E (worst). Our refocus of our growth in Northern Spain and expansion targets drove investment in our successful supermarket format. For example, the percentage of our revenues from our supermarkets, hypermarkets, Cash & Carry and diversification formats changed from 56%, 37%, 1% and 15% in fiscal year 2009 to 74% the, 16%, 3% and 7% in fiscal year 2022, respectively.

Our retail presence is comprised of both EROSKI-operated and franchised stores. Our dual store operating model increases our flexibility, cost-effectiveness and ability to scale. EROSKI-operated stores provide us with control over operations, full right to profits and a streamlined decision-making structure, while our franchises allow us to scale more easily with lowered capital expenditure requirements, increase our brand recognition in our non-Core Regions and lower our operational risk in line with our conservative financial policies. Further, our franchise network (in particular our franchisee partners located outside our Core Regions or in rural areas) help us grow our presence across mainland Spain. They complement the geographic reach of our own store network, can meet specific demands of the local market and allow us to target smaller catchment areas with lower population densities that might not fit our investment profile. Our franchised stores are a source of significant profit. Franchisees must purchase 90% of their inventory from us and have 10% freedom to purchase the remainder of their inventory from other suppliers, provided they are not our competitors. This applies to all franchises except Aliprox. As such, the Adjusted EBITDA pre-IFRS 16 margin from our franchised stores is typically higher than the corresponding margin from our own stores. Additionally, our franchisee partners also pay a recurring royalty fee on their purchases from us. In the fiscal year 2022, our franchisees purchased €503 million in inventory, comprising 10% of our total annual revenues. In the fiscal year 2022, our franchised stores generated €41 million in their Adjusted EBITDA pre-IFRS 16, more than tripling the €13 million of EBITDA generated by our franchises for the fiscal year January 31, 2014. We have over 45 years of experience working with franchisees and currently hold a 97% franchisee satisfaction rate.

We have a strong focus on innovation and have developed an omni-channel offering that we believe has positioned us well to respond to evolving consumer trends. In addition to approximately 1,500 physical stores across Spain, we offer mobile applications and other e-commerce functionality and are engaging with artificial intelligence technology that will allow us to offer targeted and personalized promotions to our customers and provide customers with the flexibility to shop at their convenience wherever they prefer.

We are committed to customer satisfaction. As of July 31, 2023, more than 5 million customers have joined our loyalty program, EROSKI Club, most of whom are based in our Core Regions. In the fiscal year 2022, membership in the program grew by 200,000 customers. During the same period, 70% of our recurrent sales were by EROSKI Club members. We also offer a gold card subscription program, which further promotes brand loyalty by providing a 4%-6% discount on all purchases at our supermarkets, hypermarkets, gas stations, opticians and online store. Sales through this subscription program amounted to more than €800 million in the fiscal year 2022, providing us with a superior customer spending compared to a non-subscribing customer. Our increasing online presence and membership program provide our business with stability and recurring revenues. We continue to focus on promoting brand loyalty through our diverse range of food products, sensitivity to our customer preferences and growing online platform.

Our business is a cooperative owned and controlled by certain consumers and employees who opt to become members of our cooperative. This model aligns employee and consumer interests with management interests, and increases profitability as we operate with a long-term view and a conservative financial policy. As of July 31, 2023, approximately 30% of our workforce were cooperative members. Our cooperative model creates a community for all members, high employee retention rates and greater autonomy to negotiate and manage our labor costs. For example, in the fiscal year 2022, we had a 98.5% employee retention rate and a 19-year average tenure among our members. We have consistently expanded on this model in a mature environment and have increased our cooperative membership by over 795 members between 2013 and 2022.

Our governance structure allows us to embrace independent, unified and business-oriented decision-making. The General Assembly oversees the Governing Council which hosts the executive, nomination and remuneration, investments and audit and compliance committees. The Governing Council oversees the Management Board. The General Assembly consists of 250 employee cooperative members and 250 consumer cooperative members and the Governing Council consists of six employee members and six consumer members, allowing for equal representation in corporate governance. Our Management Board comprises ten executive members who propose, design and oversee the organization's policies, strategies and business. Our Management Board has a strong and personal commitment to the business, and a proven track record of execution with an average of more than 25 years of industry experience. Every member of the Management Board has more than 17 years of leadership experience at our Group.

We are committed to promoting ESG practices, and our ESG-related programs and campaigns focus on local economic development, solidarity, environmental sustainability and the promotion of safe, sustainable and healthy food. Since 2017, we have reduced our Scope 1 and Scope 2 greenhouse gas emissions by 40%, and we are committed to being carbon neutral by 2050. Additionally, we are aiming to achieve 100% recyclable, compostable or reusable packaging in our private label products for food, beverage, drugstore, perfume and hygiene products by 2025. As of July 31, 2023, we had donated over 14 million meals via our Zero Waste program and contributed a total of €23 million to a variety of social programs, including events based on promoting local culture or environmentalism, including the Musikaire festival, ikastolas parties at the Basque Country public schools and the Durango Fair. We are also committed to continuing to promote gender equality policies throughout our managerial ranks; as of fiscal year 2022, women account for 74% of our senior management positions. For the twelve months ended July 31, 2023, we generated €5,041 million in revenue, €314 million in Adjusted EBITDA pre-IFRS 16 and profit before finance items and taxes of €232 million.

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 Offering Memorandum should be reviewed, particularly the "*Risk Factors*" section.

General economic conditions, including COVID-19, 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.

COVID-19, coupled with the special restricted mobility measures implemented in reaction to the pandemic, significantly affected the performance metrics of the food distribution business, which is our principal activity, particularly in the fiscal year 2020 and to a lesser extent in the fiscal year 2021. Changes in consumer habits, the move from consumption in the hospitality and catering channel to the food retail channel, the growth in online sales, store footfall restrictions and the implementation of protective, safety and hygiene measures required special efforts to adapt our business processes in order to provide service in line with market demand. The results of these adaptations have been widely acknowledged by our customer base, and as a result, for example, in the fiscal year 2020, revenues rose significantly to € 4,807,439 thousand, an increase of €223,212 thousand compared to the prior year. With the progress of the vaccination campaign, consumer habits in 2021 began to re-adjust to pre-COVID-19 levels. However, various waves of cases throughout 2021 meant it could not be deemed a normal year. In fact, the year ended on a serious sixth wave, with accompanying restrictive measures on the leisure and hospitality sectors. The volume of activity dropped compared to the prior year when the 2020 lockdown resulted in a sharp rise in food sales. Sales returned more fully to pre-COVID-19 levels in the calendar year 2022.

COVID-19 is largely considered to be in the past, potential variants or other global pandemics or events may create similar conditions that could have a major impact on our operations and, therefore, on future earnings and cash flow.

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 (as defined below).

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.

For a further discussion of our competitive landscape, market share and certain forward-looking statements regarding the grocery retail business in the Spanish market, see "*Industry and Market Overview*."

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

30% of our workforce as of July 31, 2023, 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 52% 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 July 31, 2023, we had more than 5 million holders of the EROSKI Club Loyalty Card, approximately 1.9 million holders of the Caprabo Club Loyalty card, more than 165 thousand holders of the Eroski gold card and more than 300 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 70% 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 €802 million in sales during the fiscal year 2022 and grew at a CAGR of 10.8% from the year ended January 31, 2019 to the fiscal year 2022. The percentage of our customers who use the EROSKI MasterCard compared to other means of payment is 5.09% as of July 31, 2023, 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 July 31, 2023 by an aggregate of approximately €128 million, or approximately 11%, as compared to the twelve-month period ended July 31, 2022, 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 2022, 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, 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 €48.0 from €4,043 per square meter for the fiscal year 2020 to €4,091 per square meter for the fiscal year 2022.

Commercial appeal and customer service projects

We have undertaken projects to improve the range of our product offering and evolving our fresh foods offering. For example, in 2022, we introduced changes in the design of our fresh produce and food sections, on the back of product range innovation and in-store implementation of the latest trends in these sections, guided by customer demand. We also introduced pilot projects across our store network and tested new commercial concepts in some pioneering stores, such as our Lakua store.

Throughout 2022, 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 44 stores in our Core Regions, including four hypermarkets, and one store in Galicia to our new supermarket model and have commenced over 42 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 2022, we closed 24 stores in total: two hypermarkets, 20 supermarkets and two Cash & Carry locations. Of the 20 supermarkets closed, 19 were in the Caprabo perimeter, of which 14 of them were reopened as franchises.

Between the fiscal years 2020 and 2022, our average capital expenditures amounted to €123 million per year, or 2.6% of our average revenue over the same period. Our average maintenance capital expenditures, which are approximately €48 million, or approximately 1.0% 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 €76 million, or approximately 1.6% of revenue per year, during the same period, relate to the opening of new stores and remodelling of existing stores. Since 2020, we have invested more significantly in expansion capital expenditures to grow and renew our network of Caprabo stores, in particular. We also invest in capital expenditures for our franchised locations, primarily to provide updated IT and payments systems and to update branding across our stores. Between February 1, 2020 and July 31, 2023, we established 66 new Caprabo stores, of which three were operated by ourselves and 63 were franchises, and we refurbished 119 existing stores.

Growth projects

We have continued to expand our store network, with the opening of eight stores in 2022, including two hypermarkets, five supermarkets and one Cash & Carry location, as well as 64 franchised stores, 32 of which are Caprabo franchisees. We also opened two service stations during this time period. 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 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 €11.7 million in the fiscal year 2022 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 July 31, 2023, 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 €287 million as of July 31, 2023.

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 5.1 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 February 28, 2023, we sold 100% of the shares of Viajes Eroski, S.A., our travel agency business, to W2M, a division of the Iberostar Group, for a total consideration of €9,575 thousand. We have actively managed our property assets in line with our strategy of deleveraging and focusing on our core assets. As part of the Transactions, we also are actively pursuing further asset disposals of approximately €40.9 million from our real estate portfolio, and have entered into the Bridge to Disposal Facility as a bridge loan to the eventual sale of these assets. See "*Description of Certain Financing Arrangements—Bridge to Disposal Facility*."

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).

Factors Affecting Comparability of Our Results of Operations

Supratuc 50% Stake Sale

On September 7, 2021, we closed the sale of 50% of the shares of Supratuc2020, S.L.U., which is the holding company for the corporate entities in that group (together, "**Supratuc**") to EP Bidco, A.S. As we control Supratuc, its operations are fully consolidated in our annual accounts and interim financial statements.

See "*Business—Material Agreements—Supratuc Agreement*" for a description of the shareholders' agreement and key terms of our Supratuc businesses.

Key Line Items in the Consolidated Statement of Comprehensive Income

The following describes the line items presented in our consolidated income statement that we consider to be key in understanding our operating results.

Revenue

Revenue is income from contracts with customers, which includes retail sales, with income recognized as the consideration we expect to receive in exchange for the promised goods or services, excluding amounts collected on behalf of third parties (e.g., certain sales taxes). The consideration can include fixed amounts, variable amounts or both. The consideration can vary due to discounts, returns, reimbursements, credits, price reductions, incentives, performance bonuses, penalties or other similar items.

Other income

Other income comprises primarily of income from promotional contributions, income from home delivery and service commissions, operating lease income, reversal of impairment losses and impairment of trade and other debts and other miscellaneous operating income.

Raw materials and other consumables used

Raw materials and other consumables used includes all raw materials and consumables directly related to the sale and distribution of our products.

Personnel expenses

Personnel expenses include salaries and wages, termination benefits, contributions to defined contribution plans and employee benefits expense and taxes.

Amortization and depreciation

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

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

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

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

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

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

Impairment of non-current assets

We have management systems in place that enable us to obtain information on results and profitability for each store and we consider whether there are indications of impairment when operating margins are negative. Operating margin is understood to be the result of subtracting the cost of sale of goods for resale and store operating expenses from income obtained. The information obtained from our management systems is regularly reviewed by an oversight committee with a view to taking the necessary measures in stores with results that do not meet forecast levels of profitability and making any provisions considered necessary. The most important non-current assets assigned to stores are proprietary land and buildings and other installations and equipment assigned to our points of sale. If provisions have to be made for stores, we use the higher of appraisals of the properties made by independent experts and the present value of estimated cash flows. None of these appraisals are more than eight months old.

Other expenses

Other expenses relate to operating lease expenses, research and development expenses, repairs and maintenance, independent professional services, transport, insurance premiums, banking and similar services, advertising and publicity, utilities and supplies, taxes, losses on sale of assets, impairment losses and losses resulting from uncollected trade and other receivables, and other expenses and services.

Finance income

Finance income comprises interest on loans, finance income from financial assets at fair value through other comprehensive income, dividend income, amortised cost income, gains on sale of financial assets, exchange rate gains and other finance income.

Finance costs

Finance cost comprises finance costs on loans and borrowings from credit institutions, finance costs on other loans, finance costs of subordinated financial contributions, interest on the OSEs, losses on sale of financial assets, finance costs of lease liabilities, finance costs from dividend liabilities, impairment losses on financial assets, exchange rate losses and other finance costs.

Share of profit/(loss) of equity-accounted investees

Share of profit/(loss) of equity-accounted investees is comprised of profit and loss of investees, associates and joint ventures that are accounted for by the equity method.

These businesses are primarily engaged in property projects (Artunzubi, S.L., Inmobiliaria Armuco, S.L., Immobiliaria Gonuri Harizartean, S.L., Llanos San Julian, S.A., DCO and Unibail Rodamco Benidorm, S.L.) which we manage with other partners and in the implementation of our loyalty programs (Air Miles España, S.A. is a company that manages a joint loyalty program with other businesses such as Iberia and Repsol).

At the end of fiscal year 2022, we had the following holdings (percentage ownership) in these entities:

Artunzubi, S.L.	35.00%
Immobiliaria Armuco, S.L.	45.00%
Immobiliaria Gonuri Harizartean, S.L.	45.00%
Air Miles España, S.A.	26.67%
Llanos San Julián, S.A.	49.50%
DCO	50.00%
Unibail Rodamco Benidorm, S.L.	29.19%

For the fiscal year 2022, our equity-accounted investees recorded €39,530 thousand in revenues and contributed net losses to the Group amounting to €6,525 thousand.

Income tax expense

As a cooperative, we qualify for certain special tax treatments including the following:

- taxable income is reduced by 50% of the amount which must be paid to our Mandatory Reserve Fund (as defined below);
- deductible expenses are considered to include the mandatory amounts allocated to our Contribution for Education and Cooperative Promotion and Other Public Interest Initiatives Fund and interest accrued on members' contributions to equity within certain limits as set forth in Provincial Law 6/2018 introduced on December 12, 2018 on cooperative tax regimes; and
- contributions to the Intercooperative Cooperation Institutions, which have been previously recognized by the taxation authorities and which are used to financially assist, promote or develop cooperatives, are also deemed tax deductible.

As a result of its special protected status, our total tax liability may be reduced by 50% of the general base.

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

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

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

Results of Operations

The following table sets out selected Consolidated Statement of Comprehensive Income data and other data for the fiscal years 2020, 2021 and 2022 and the six-month periods ended July 31, 2022 and 2023, as extracted from our consolidated financial information included elsewhere in this Offering Memorandum.

	For the fiscal year			For the six-month period ended July 31	
	2020	**2021**	**2022**	**2022[1]**	**2023**
			(€ in thousands)		
Revenues/Revenue	4,807,439	4,541,380	4,828,195	2,313,533	2,526,702
Other income	249,577	252,033	264,720	125,603	142,977
Self-constructed non-current assets	–	–	56	-	124
Raw materials and other consumables used	(3,498,119)	(3,295,186)	(3,549,110)	(1,696,132)	(1,860,486)
Personnel expenses	(673,810)	(655,849)	(675,569)	(327,843)	(346,641)
Amortization and depreciation	(224,195)	(220,529)	(264,888)	(114,778)	(134,548)
Impairment of non-current assets/(Provisions)/reversals for impairment of non-current assets	(195,423)	(49,332)	(10,458)	1,694	1,546
Other expenses	(412,022)	(450,955)	(410,878)	(209,702)	(187,725)
Profit/(loss) before finance items and taxes/Profit before finance items and taxes	53,447	121,562	182,068	92,375	141,949
Finance income	6,461	149,407	4,976	3,053	5,992
Finance costs	(110,964)	(116,260)	(102,224)	(45,339)	(64,506)
Share in profit/(loss) for the year of equity-accounted investees/Share of profit/(loss) of equity-accounted investees	233	221	81	61	1,272
Profit/(loss) before tax from continuing operations	(50,823)	154,930	84,901	50,150	84,707
Income tax expense	(26,740)	(50,316)	(20,987)	(8,292)	(14,821)
Profit/(loss) from continuing operations	(77,563)	104,614	63,914	41,858	69,886
Profit/(loss) from discontinued operations	–	–	–	-	-
Profit/(loss) for the year/period	**(77,563)**	**104,614**	**63,914**	**41,858**	**69,886**
Profit/(loss) for the year/period attributable to equity holders of the Parent					
Continuing operations	(96,457)	107,719	41,974	31,387	48,676
Discontinued operations	–	–	–	–	–
Profit/(loss) for the year/period attributable to non-controlling interests					
Continuing operations	18,894	(3,105)	21,940	10,471	21,210
Discontinued operations	–	–	–	–	–
Profit/(loss) for the year/period	**(77,563)**	**104,614**	**63,914**	**41,858**	**69,886**
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	2,270	1,882	1,649	1,655	(706)
Tax effect	–	–	–	–	–

	For the fiscal year			For the six-month period ended July 31	
	2020	2021	2022	2022[1]	2023
			(€ in thousands)		
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................................	(50)	–	–	–	–
Other comprehensive income...............................	2,220	1,882	1,649	1,655	(706)
Total comprehensive income for the year/period..	**(75,343)**	**106,496**	**65,563**	**43,513**	**69,180**
Total comprehensive income attributable to:					
Equity holders of the Parent[2]	(94,237)	109,597	43,621	33,040	47,969
Non-controlling interests......................................	18,894	(3,101)	21,942	10,473	21,211

(1) A restatement was made to the unaudited condensed consolidated interim financial statements at and for the six-month period ended July 31, 2022. Please refer to "*Restatement and Reclassification of Prior Periods' Financial Statements*" section for further detail.

(2) Total comprehensive income attributable to equity holders of the Parent is determined in accordance with the percentage of ownership at year end, without considering the possible conversion of potential voting rights and after discounting the effect of dividends, agreed or not, on cumulative preference shares classified in equity accounts.

Results of Operations for the Six-Month Period Ended July 31, 2023 Compared to the Six-Month Period Ended July 31, 2022

Revenues

Our revenue increased by €213,169 thousand, or 9.21%, from €2,313,533 thousand in the six-month period ended July 31, 2022 to €2,526,702 thousand in the six-month period ended July 31, 2023. This was mainly due to the increase in sales due to customer volume increases and price increases in our food businesses, as explained below.

Revenue by segment

	For the six-month period ended July 31	
Continuing operations and other income	**2022**	**2023**
	(€ in thousands)	
Food[a]	2,244,055	2,465,953
Real estate[b]	5,502	6,323
Other[c]..	64,782	54,573
Other operations...	(806)	(147)
Total revenues	**2,313,533**	**2,526,702**

(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 €221,898 thousand, or 9.89%, from €2,244,055 thousand in the six-month period ended July 31, 2022 to €2,465,953 thousand in the six-month period ended July 31, 2023. This was mainly due to an increase in consumer activity in response to the Group's pricing policy, including discount promotions and price containment in response to food inflation.

Revenue from our real estate segment increased by €821 thousand, or 14.92%, from €5,502 thousand in the six-month period ended July 31, 2022 to €6,323 thousand in the six-month period ended July 31, 2023. This was mainly due to an increase in rental income due to significant increases in the CPI.

Revenue from our other segment decreased by €10,209 thousand, or 15.76%, from €64,782 thousand in the six-month period ended July 31, 2022 to €54,573 thousand in the six-month period ended July 31, 2023. This was mainly due to the sale of Viajes Eroski, S.A., our travel agency business, on February 28, 2023.

Other income

Other income increased by €17,374 thousand, or 13.83%, from €125,603 thousand in the six-month period ended July 31, 2022 to €142,977 thousand in the six-month period ended July 31, 2023. This was mainly due to the sale of Viajes Eroski, S.A., the increase in promotional contributions from suppliers as a result of an increase in revenues and the increase in profit from the sale of assets.

Raw materials and other consumables used

Raw materials and other consumables used increased by €164,354 thousand, or 9.69%, from €1,696,132 thousand in the six-month period ended July 31, 2022 to €1,860,486 thousand in the six-month period ended July 31, 2023. This was mainly due to the increased cost and amount of materials purchased to meet our increase in sales.

Personnel expenses

Personnel expenses increased by €18,798 thousand, or 5.73%, from €327,843 thousand in the six-month period ended July 31, 2022 to €346,641 thousand in the six-month period ended July 31, 2023. This was mainly due to higher wages established by collective bargaining agreements based on the CPI (as defined below) increase. Our total number of workers was 27,307 as of July 31, 2022 and 29,221 as of July 31, 2023.

Amortization and depreciation

Amortization and depreciation increased by €19,770 thousand, or 17.22%, from €114,778 thousand in the six-month period ended July 31, 2022 to €134,548 thousand in the six-month period ended July 31, 2023. This was mainly due to the impact of certain leases being captured under IFRS 16 which had previously been out of scope.

Impairment of non-current assets/(Provisions)/reversals for impairment of non-current assets

Reversals for impairment of non-current assets decreased by €148 thousand, or 8.74%, from €1,694 thousand in the six-month period ended July 31, 2022 to €1,546 thousand in the six-month period ended July 31, 2023.

Other expenses

Other expenses decreased by €21,977 thousand, or 10.48%, from €209,702 thousand in the six-month period ended July 31, 2022 to €187,725 thousand in the six-month period ended July 31, 2023. This was mainly due to the reduction of lease expenses due to leases being captured under IFRS 16 which had previously been out of scope, as well as a reduction in electricity costs and lower repair and maintenance expenses.

Finance income and costs

Finance income increased by €2,939 thousand, or 96.27%, from €3,053 thousand in the six-month period ended July 31, 2022 to €5,992 thousand in the six-month period ended July 31, 2023. This was mainly due to an increase in the remuneration of cash surpluses and loans to third parties.

Finance costs increased by €19,167 thousand, or 42.27%, from €45,339 thousand in the six-month period ended July 31, 2022 to €64,506 thousand in the six-month period ended July 31, 2023. This was mainly due to the increase in EURIBOR and the lease expenses associated with IFRS 16.

	For the six-month period ended July 31	
Finance income	**2022**	**2023**
	(€ in thousands)	
Interest on loans	818	2,222
Other finance income	339	232
Finance income from:		
Financial assets at fair value through other comprehensive income	1,896	2,812
Profit on sale of financial assets at fair value through other comprehensive income	-	726
Total finance income	3,053	5,992

Finance costs	For the six-month period ended July 31	
	2022[(1)]	2023
	(€ in thousands)	
Finance costs on loans and borrowings	16,770	25,834
Finance costs on other loans	1,041	1,693
Finance costs of lease liabilities	7,545	12,165
Finance costs of subordinated financial contributions	1,572	3,931
Financial costs on dividend liability	4,830	8,741
Finance costs from dividend liabilities	4,946	2,700
Other finance costs	7,786	7,585
Impairment losses on financial assets	840	1,828
Negative exchange rate differences	9	29
Total finance costs	**45,339**	**64,506**

(1) A restatement was made to the unaudited condensed consolidated interim financial statements at and for the six-month period ended July 31, 2023. Please refer to "*Restatement and Reclassification of Prior Periods' Financial Statements*" section for further detail.

Income tax expense

Income tax expense increased by €6,529 thousand, or 78.74%, from €8,292 thousand in the six-month period ended July 31, 2022 to €14,821 thousand in the six-month period ended July 31, 2023. This was mainly due to an increase in income due to the factors described above over the six-month period ended July 31, 2023.

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

Profit/(loss) for the period attributable to equity holders of the Parent's continuing operations increased by €17,289 thousand, or 55.08%, from €31,387 thousand in the six-month period ended July 31, 2022 to €48,676 thousand in the six-month period ended July 31, 2023, due to the factors set forth above.

Results of Operations for the Fiscal Year 2022 Compared to the Fiscal Year 2021

Revenue

Our revenue increased by €286,815 thousand, or 6.3%, from €4,541,380 thousand in the fiscal year 2021 to €4,828,195 thousand in the fiscal year 2022. This was mainly due to increased revenue from our food businesses, as discussed below.

Revenue by segment

Continuing operations and other income	For the fiscal year	
	2021	2022
	(€ in thousands)	
Food[(a)]	4,401,478	4,672,481
Real estate[(b)]	3,818	10,981
Other[(c)]	137,222	146,162
Other operations	(1,138)	(1,429)
Total revenues	**4,541,380**	**4,828,195**

(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 €271,003 thousand, or 6.16%, from €4,401,478 thousand in the fiscal year 2021 to €4,672,481 thousand in the fiscal year 2022. This was mainly due to the effect of price inflation in the fiscal year 2022.

Revenue from our real estate segment increased by €7,163 thousand, or 187.61%, from €3,818 thousand in the fiscal year 2021 to €10,981 thousand in the fiscal year 2022. This was mainly due to the transfer of a series of hypermarkets to a third-party manager under a lease regime in 2021 which implied a change in the segment for the revenues derived for those hypermarkets from food the food segment to real estate segment.

Revenue from our other segment increased by €8,940 thousand, or 6.51%, from €137,222 thousand in the fiscal year 2021 to €146,162 thousand in the fiscal year 2022. This was mainly due to recovery and reopening of our stores in fiscal year 2022 following the depressed levels in fiscal year 2021 due to COVID-19.

Other income

Other income increased by €12,687 thousand, or 5.03%, from €252,033 thousand in the fiscal year 2021 to €264,720 thousand in the fiscal year 2022. 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 2021 and 2022 are as follows:

	For the fiscal year	
	2021	**2022**
	(€ in thousands)	
Insurance compensation	825	1,602
Operating lease income	10,942	12,624
Government grants	963	1,115
Gains on sale of property, plant and equipment	1,023	3,140
Reversal of impairment losses and impairment of trade and other bad debts[(a)]	5,154	7,173
Surplus of unapplied provisions	84	188
Income from promotional contributions	181,889	194,287
Income from home delivery and service commissions	5,732	6,002
Other operating income	45,421	38,589
Other income	**252,033**	**264,720**

Raw materials and other consumables used

Raw materials and other consumables used increased by €253,924 thousand, or 7.71%, from €3,295,186 thousand in the fiscal year 2021 to €3,549,110 thousand in the fiscal year 2022. As a percentage of revenue, raw materials and other consumables used constituted 73.51% of total revenue for the fiscal year 2022, as compared to 72.56% of total revenue for the fiscal year 2021. This was mainly due to the high rate of food inflation in the fiscal year 2022, partly affected by the war in Ukraine with consequences on the supply of cereals, such as wheat and barley, with great impact on food products (such as flour, bakery, pasta and beer).

Personnel expenses

Personnel expenses increased by €19,720 thousand, or 3.01%, from €655,849 thousand in the fiscal year 2021 to €675,569 thousand in the fiscal year 2022. As a percentage of revenue, personnel expenses constituted 13.99% of total revenue for the fiscal year 2022, as compared to 14.44% of total revenue for the fiscal year 2021. This was mainly due to the increase in the cost of salaries due to the application of the agreements with reference to the Food and Beverage Consumer Price Index ("**CPI**").

Details of personnel expenses incurred during the fiscal years 2021 and 2022 are as follows:

	For the fiscal year	
	2021	**2022**
	(€ in thousands)	
Salaries and wages	476,230	493,152
Termination benefits	5,443	4,425
Contributions to defined contribution plans	373	473
Employee benefits expense and taxes	173,803	177,519
Total personnel expenses	**655,849**	**675,569**

Our average headcount during the fiscal years 2021 and 2022 are included below.

	For the fiscal year	
	2021	2022
Senior management	75	73
Middle management	295	292
Junior management	1,155	1,138
Professionals	23,439	22,620
Section heads	2,789	2,763
Technicians	1,098	1,084
Total headcount	**28,851**	**27,970**

Amortization and depreciation

Amortization and depreciation increased by €44,359 thousand, or 20.11%, from €220,529 thousand in the fiscal year 2021 to €264,888 thousand in the fiscal year 2022.

The table below provides a breakdown for amortization and depreciation during the fiscal year 2021 as compared to the fiscal year 2022.

	For the fiscal year	
Amortization and Depreciation	**2021**	**2022**
	(€ in thousands)	
Depreciation of property, plant and equipment	77,202	80,112
Depreciation of right-of-use assets	132,881	174,806
Amortization of other intangible assets	10,078	9,598
Amortization of investment property	368	372
Total amortization and depreciation	**220,529**	**264,888**

Impairment of non-current assets

Impairment of non-current assets decreased by €38,874 thousand, or 78.80%, from €49,332 thousand in the fiscal year 2021 to €10,458 thousand in the fiscal year 2022. This was mainly due to an improvement in activity at a general level, which has led to improved cash flow projections for the calculation of the impairment of non-current assets.

Other expenses

Other expenses decreased by €40,077 thousand, or 8.89%, from €450,955 thousand in the fiscal year 2021 to €410,878 thousand in the fiscal year 2022. This was mainly due to a reduction in lease expenses due to changes in estimates regarding the length of stay in supermarket and hypermarket leases that include penalty-free cancellation clauses, as well as a reduction in electricity supply costs.

	For the fiscal year	
	2021	**2022**
	(€ in thousands)	
Operating lease expenses	64,877	32,073
Research and development expenses	214	212
Repairs and maintenance	58,887	58,569
Independent professional services	64,125	65,444
Transport	18,831	18,477
Insurance premiums	4,770	5,494
Banking and similar services	3,613	3,561
Advertising and publicity	38,071	44,408
Utilities	78,378	66,523
Other services	73,961	71,083
Taxes	15,105	14,580
Losses on sale of property, plant and equipment	15,414	14,016
Losses on sale of other intangible assets	191	612
Losses from impairment and trade and other bad debts	5,322	8,837

	For the fiscal year	
	2021	2022
	(€ in thousands)	
Other expenses	9,196	6,989
Total Other expenses	**450,955**	**410,878**

Finance income and costs

Finance income decreased by €144,431 thousand, or 96.67%, from €149,407 thousand in the fiscal year 2021 to €4,976 thousand in the fiscal year 2022. This was mainly due to the accounting in the fiscal year 2021 for the loan waiver and the related amortized costs as agreed in the Syndicated Loan agreement.

Finance costs decreased by €14,036 thousand, or 12.07%, from €116,260 thousand in the fiscal year 2021 to €102,224 thousand in the fiscal year 2022. The decrease was primarily due to the reduction in the amount of the syndicated loans and the reduction of impairments of financial assets.

	For the fiscal year	
Finance income	2021	2022
	(€ in thousands)	
Interest on loans	2,172	2,077
Other finance income	703	753
Finance income from:		
Financial assets at fair value through other comprehensive income	487	2,025
Dividend income	213	60
Amortised cost income	145,823	–
Gains on sale of Group companies and associates/Gains on sale of financial assets	–	58
Exchange gains/Exchange gains/(losses)	9	3
Total finance income	**149,407**	**4,976**

	For the fiscal year	
Finance costs	2021	2022
	(€ in thousands)	
Finance costs on loans and borrowings	44,871	35,088
Finance costs on other loans	2,239	2,090
Finance costs of lease liabilities	15,942	21,703
Financial costs of subordinated financial contributions	3,103	3,170
Interest ESBs	9,349	9,703
Losses on sale of financial assets	6,305	2
Finance costs from dividend liabilities	–	9,892
Other finance costs	15,125	16,415
Impairment losses on financial assets	19,326	4,152
Exchange losses/Exchange gains/(losses)	–	9
Total finance costs	**116,260**	**102,224**

Income tax expense

Income tax expense decreased by €29,329 thousand, or 58.29%, from €50,316 thousand in the fiscal year 2021 to €20,987 thousand in the fiscal year 2022. The decrease was primarily due to an impairment of a tax credit in the fiscal year 2021.

Details of our income tax expense are as follows:

	For the fiscal year	
	2021	2022
	(€ in thousands)	
Current tax		
Present year	15,056	17,282
Prior years	(145)	148
Deferred tax		
Source and reversal of temporary differences	(1,624)	(2,414)
Impairment of tax credits	33,761	2,520
Previously unrecognized tax credits	(247)	–
Tax credits applied	4,713	3,582

	For the fiscal year	
	2021	2022
	(€ in thousands)	
Deferred from prior years	(1,198)	(131)
Total Deferred tax	35,405	3,557
Income tax expense	**50,316**	**20,987**

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

	For the fiscal year	
	2021	2022
	(€ in thousands)	
Profit/(loss) for the year before tax from continuing operations, general base/Profit for the year before income tax from continuing operations, general base	147,821	79,976
Profit for the year before income tax from continuing operations, special base	7,109	4,925
Profit/(loss) before tax from continuing operations	**154,930**	**84,901**

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 €65,745 thousand, or 61.03%, from €107,719 thousand in the fiscal year 2021 to €41,974 thousand in the fiscal year 2022. The decrease was primarily because of the factors set forth above.

Results of Operations for the Fiscal Year 2021 Compared to the Fiscal Year 2020

Revenue

Our revenue decreased by €266,059 thousand, or 5.53%, from €4,807,439 thousand in the fiscal year 2020 to €4,541,380 thousand in the fiscal year 2021. This was mainly due to the decrease in revenues from our food businesses as explained below.

Revenue by segment

	For the fiscal year	
Continuing operations and other income	**2020**	**2021**
	(€ in thousands)	
Food[a]	4,691,496	4,401,478
Real estate[b]	3,213	3,818
Other[c]	113,712	137,222
Other operations	(982)	(1,138)
Total revenues	**4,807,439**	**4,541,380**

[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 decreased by €290,018 thousand, or 6.18%, from €4,691,496 thousand in the fiscal year 2020 to €4,401,478 thousand in the fiscal year 2021. This was mainly due to the fact that as a consequence of COVID-19, in the fiscal year 2020, our business increased significantly due to changes in consumer habits, a shift from the restaurant channel to the grocery channel and growth in online sales. As the vaccination campaign progressed, consumer habits in 2021 began to return to pre-COVID-19 trends.

Revenue from our real estate segment increased by €605 thousand, or 18.83%, from €3,213 thousand in the fiscal year 2020 to €3,818 thousand in the fiscal year 2021. This was mainly due to the effect of COVID-19 on the value of real estate in the fiscal year 2020 when activity in this segment was reduced. Many non-core businesses were forced to stop their activity, which affected income from leasing. This situation began to improve in the fiscal year 2021.

Revenue from our other segment increased by €23,510 thousand, or 20.68%, from €113,712 thousand in the fiscal year 2020 to €137,222 thousand in the fiscal year 2021. This was mainly due to a recovery in 2021 following travel restrictions and the closure of non-essential businesses in 2020 as a consequence of COVID-19.

Other income

Other income increased by €2,456 thousand, or 0.98%, from €249,577 thousand in the fiscal year 2020 to €252,033 thousand in the fiscal year 2021. This was mainly due to an increase in other operating income, offsetting the decrease in the fiscal year 2021 in income from promotional contributions from suppliers due to reduced activity.

	For the fiscal year	
	2020	**2021**
	(€ in thousands)	
Insurance compensation	552	825
Operating lease income	10,854	10,942
Government grants	894	963
Gains on sale of property, plant and equipment	4,010	1,023
Gains on sale of other intangible assets	1,137	–
Gains on sale of investment property	802	–
Reversal of impairment losses and uncollectability of trade and other receivables/Reversal of impairment losses and impairment of trade and other bad debts	1,162	5,154
Surplus of unapplied provisions	31	84
Income from promotional contributions	190,032	181,889
Income from home delivery and service commissions	7,130	5,732
Other operating income	32,973	45,421
Total Other income	**249,577**	**252,033**

Raw materials and other consumables used

Raw materials and other consumables used decreased by €202,933 thousand, or 5.80%, from €3,498,119 thousand in the fiscal year 2020 to €3,295,186 thousand in the fiscal year 2021. As a percentage of revenue, raw materials and other consumables used constituted 72.56% of total revenue for the fiscal year 2021, as compared to 72.76% of total revenue for the fiscal year 2020. This was due in particular to the return to pre-COVID-19 consumer habits, which has led to a decrease in revenue and therefore to a reduction in the purchase of raw materials and other consumables.

Personnel expenses

Personnel expenses decreased by €17,961 thousand, or 2.67%, from €673,810 thousand in fiscal year 2020 to €655,849 thousand in the fiscal year 2021. As a percentage of revenue, personnel expenses constituted 14.44% of total revenue for the fiscal year 2021, as compared to 14.02% of total revenue for the fiscal year 2020. This was mainly due to the need for additional personnel during the fiscal year 2020 due to increased sales during the pandemic coupled with an increase in COVID-19 sick leave and the need for temporary hiring of personnel.

Details of personnel expenses incurred during the fiscal years 2020 and 2021 are as follows:

	For the fiscal year	
	2020	**2021**
	(€ in thousands)	
Salaries and wages	488,242	476,230
Termination benefits	6,291	5,443
Contributions to defined contribution plans	339	373
Employee benefits expense and taxes	178,938	173,803
Total personnel expenses	**673,810**	**655,849**

Our average headcount during the fiscal years 2020 and 2021 are included below.

	For the fiscal year	
	2020	**2021**
Senior management	60	75
Middle management	311	295
Junior management	1,153	1,155
Professionals	24,482	23,439
Supervisors/Section heads	2,801	2,789

	For the fiscal year	
	2020	2021
Technicians	1,093	1,098
Total headcount	**29,900**	**28,851**

Amortization and depreciation

Amortization and depreciation decreased by €3,666 thousand, or 1.64%, from €224,195 thousand in the fiscal year 2020 to €220,529 thousand in the fiscal year 2021. This was mainly due to closures and asset write-offs.

The table below provides a breakdown for amortization and depreciation during the fiscal year 2020 as compared to the fiscal year 2021.

	For the fiscal year	
Amortization and Depreciation	**2020**	**2021**
	(€ in thousands)	
Depreciation of property, plant and equipment	75,312	77,202
Depreciation of right-of-use assets	138,343	132,881
Amortization of other intangible assets	10,163	10,078
Amortization of investment property	377	368
Total amortization and depreciation	**224,195**	**220,529**

Impairment of non-current assets

Impairment of non-current assets decreased by €146,091 thousand, or 74.76%, from €195,423 thousand in the fiscal year 2020 to €49,332 thousand in the fiscal year 2021. This was mainly due to the impairment recorded in the fiscal year 2020 of Caprabo's goodwill reflecting the uncertainty experienced in that year due to COVID-19. The discount rates used to determine the impairment of Caprabo's goodwill reflect additional risk premium due to the information obtained during negotiations with third parties to secure a partner for its participation in the Supratuc investment.

Other expenses

Other expenses increased by €38,933 thousand, or 9.45%, from €412,022 thousand in the fiscal year 2020 to €450,955 thousand in the fiscal year 2021. This was mainly due to an increase in electricity costs.

	For the fiscal year	
	2020	**2021**
	(€ in thousands)	
Operating lease expenses	62,010	64,877
Research and development expenses	388	214
Repairs and maintenance	55,537	58,887
Independent professional services	62,464	64,125
Transport	19,642	18,831
Insurance premiums	4,678	4,770
Banking and similar services	3,507	3,613
Advertising and publicity	38,241	38,071
Utilities	49,127	78,378
Other services	77,681	73,961
Taxes	16,686	15,105
Losses on sale of property, plant and equipment	6,502	15,414
Losses on sale of other intangible assets	1,739	191
Losses on sale of non-current assets held for sale	1,248	–
Impairment losses and uncollectibility of trade and other receivables/Losses from impairment and trade and other bad debts	5,316	5,322
Other expenses	7,256	9,196
Total Other expenses	**412,022**	**450,955**

Finance income and costs

Finance income increased by €142,946 thousand, or 2,212.44%, from €6,461 thousand in the fiscal year 2020 to €149,407 thousand in the fiscal year 2021. This was mainly due to the accounting for the loan waiver and the related amortised costs as agreed in the Syndicated Loan agreement.

Finance costs increased by €5,296 thousand, or 4.77%, from €110,964 thousand in the fiscal year 2020 to €116,260 thousand in the fiscal year 2021. This was primarily due to impairment losses on financial assets with third parties and losses on sale of financial assets, which were offset by decreases in the finance costs of leases and on loans and borrowings.

Finance income	For the fiscal year 2020	2021
	(€ in thousands)	
Interest on loans	3,655	2,172
Other finance income	1,838	703
Finance income from:		
Financial assets at fair value through other comprehensive income	731	487
Dividend income	205	213
Amortised cost income	–	145,823
Gains on sale of financial assets	32	–
Exchange gains/(losses)	–	9
Total finance income	**6,461**	**149,407**

Finance costs	For the fiscal year 2020	2021
	(€ in thousands)	
Loans and borrowings /Finance costs on loans and borrowings	48,093	44,871
Third party loans /Finance costs on other loans	1,212	2,239
Finance costs of subordinated financial contributions	3,405	3,103
Interest ESBs	9,613	9,349
Losses on sale of financial assets	13	6,305
Loss on sale of Group companies and associates/Losses on sale of Group companies and associates	72	–
Finance costs of lease liabilities	20,183	15,942
Other finance costs	15,969	15,125
Impairment losses on financial assets	12,356	19,326
Exchange losses	48	-
Total finance costs	**110,964**	**116,260**

Income tax expense

Income tax expense increased by €23,576 thousand, or 88.17%, from €26,740 thousand in the fiscal year 2020 to €50,316 thousand in the fiscal year 2021. The increase was primarily a result of a tax credit impairment due to use of more conservative projections in the fiscal year ended 2021 compared to the projections used in the fiscal year ended 2020. Details of our income tax expense are as follows:

	For the fiscal year 2020	2021
	(€ in thousands)	
Current income tax/Current tax		
Present year	21,835	15,056
Prior years	(205)	(145)
Deferred tax		
Source and reversal of temporary differences	(1,793)	(1,624)
Impairment of tax credits	6,903	33,761
Recognised tax credits and deductions/Previously unrecognized tax credits	–	(247)
Tax credits applied	–	4,713
Deferred from prior years	–	(1,198)
Total Deferred tax	5,110	35,405
Income tax expense	**26,740**	**50,316**

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

	For the fiscal year 2020	2021
	(€ in thousands)	
Profit/(loss) for the year before tax from continuing activities, general base/Profit/(loss) for the year before tax from continuing operations, general base	(71,753)	147,821
Profit/(loss) for the year before tax from continuing activities, special base/Profit for the year before income tax from continuing operations, special base	20,930	7,109
Profit/(loss) before tax from continuing operations	**(50,823)**	**154,930**

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 €204,176 thousand, or 211.68%, from a loss of €96,457 thousand in the fiscal year 2020 to a profit of €107,719 thousand in the fiscal year 2021. The increase was primarily a result of the factors described 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 six-month period ended July 31, 2023 and the fiscal years 2020, 2021 and 2022, our principal sources of liquidity have been cash generated from operations, available committed facilities including the existing working capital lines, on the fiscal year 2022 the sale to EP Bidco, A.S. of the 50% of the stock of Supratuc, as well as cash generated from the sale of certain real estate. We expect that following the Offering, our principal sources of liquidity will be cash generated from operations, available committed facilities including the Confirming and Guarantee Facilities, our existing cash and cash equivalents and working capital. As we have mentioned in "*—Key Factors Affecting Our Results of Operations—Fluctuation in value of owned real estate, divestments and sale/leaseback arrangements*," 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 DPO was 55 days over the period from February 1, 2020 through January 31, 2023.

To manage our working capital, we use 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. We intend to consolidate our various outstanding confirming lines facilities within the Confirming and Guarantee Facilities on the Issue Date. See "*Description of Certain Financing Arrangements—Confirming and Guarantee Facilities*" and "*Description of Certain Financing Arrangements—Working Capital Facilities and Other Short-Term Facilities*."

Consolidated Cash Flow Data

The following table sets forth our consolidated cash flow data for the fiscal years 2020, 2021 and 2022 and for the six-month periods ended July 31, 2022 and 2023.

	For the fiscal year			For the six-month period ended July 31,	
	2020	**2021**	**2022**	**2022[(1)]**	**2023**
			(€ in thousands)		
Net cash from operating activities	538,176	297,980	425,679	274,190	237,201
Net cash used in investing activities	(2,166)	(101,179)	(115,977)	(69,374)	(54,238)

	For the fiscal year			For the six-month period ended July 31,	
	2020	2021	2022	2022[(1)]	2023
			(€ in thousands)		
Net cash used in financing activities	(347,564)	(301,005)	(298,635)	(119,901)	(174,597)
Net increase/(decrease) in cash and cash equivalents.	**188,446**	**(104,204)**	**11,067**	**84,915**	**8,366**
Cash transferred to non-current assets held for sale…	–	–	(8,393)	–	–
Cash and cash equivalents as at 1 February	129,717	317,563	213,359	213,359	216,033
Cash and cash equivalents as at January 31	**317,563**	**213,359**	**216,033**	**298,274**	**224,399**

(1) A restatement was made to the unaudited condensed consolidated interim financial statements at and for the six-month period ended July 31, 2023. Please refer to "*Restatement and Reclassification of Prior Periods' Financial Statements*" section for further detail.

Net cash from operating activities

Net cash from operating activities for the six-month period ended July 31, 2023 was €237,201 thousand, a decrease of €36,989 thousand, or 13.49%, compared to €274,190 thousand in the six-month period ended July 31, 2022. This was primarily attributable to payment float (as July 31, 2022 was not a business day in Spain) and also due to the disposal of Viajes Eroski in February 2023, which historically registered the main part of its sales, and consequently high volume of trade payables, during the summer months.

Net cash from operating activities for the fiscal year 2022 was €425,679 thousand, an increase of €127,699 thousand, or 42.85%, compared to €297,980 thousand in the fiscal year 2021. This was primarily attributable to higher level of commercial activity and increased supplier financing.

Net cash from operating activities for the fiscal year 2021 was €297,980 thousand, a decrease of €240,196 thousand, or 44.63%, compared to €538,176 thousand in the fiscal year 2020. This was primarily attributable to higher level of commercial activities for the fiscal year 2020 due primarily to an increase in commercial activity as a result of COVID-19 and increased supplier financing as a result of higher purchased volumes and payment float (as January 31, 2021 was not a business day in Spain).

Net cash used in investment activities

Net cash used in investment activities for the six-month period ended July 31, 2023 was €54,238 thousand, a decrease of €15,136 thousand, or 21.82%, compared to €69,374 thousand in the six-month period ended July 31, 2022. This was primarily attributable to proceeds from asset sales that closed in the six-month period ended July 31, 2023, the proceeds from the disposal of Viajes Eroski, S.A. and a decrease in the investments made in property, plant and equipment.

Net cash used in investing activities for the fiscal year 2022 was €115,977 thousand, an increase of €14,798 thousand, or 14.63%, compared to €101,179 thousand for the fiscal year 2021. This was primarily due to the higher amount of proceeds received related to the sale of assets during the fiscal year 2021.

Net cash used in investment activities for the fiscal year 2021 was €101,179 thousand, an increase of €99,013 thousand, or 4,571.24%, compared to €2,166 thousand in the fiscal year 2020. This was primarily attributable due to the higher amount of proceeds received related to the sale of assets during the fiscal year 2020.

Net cash used in financing activities

Net cash used in financing activities for the six-month period ended July 31, 2023 was €174,597 thousand, an increase of €54,696 thousand, or 45.62%, compared to €119,901 thousand in the six-month period ended July 31, 2022. This was primarily attributable to higher interest payments, debt amortization and dividends.

Net cash used in financing activities for the fiscal year 2022 was €298,635 thousand, a decrease of €2,370 thousand, or 0.79%, compared to €301,005 thousand in the fiscal year 2021. While there was no material deviation between the years, we recorded €200,000 thousand in proceeds from the sale of investments to non-controlling interests in the fiscal year 2021 of our investment in Supratuc. See "*Business—Material Agreements—Supratuc Agreement*" for further detail. This was offset by a repayment of loans and borrowings of €283,798 thousand during the same period.

Net cash used in financing activities for the fiscal year 2021 was €301,005 thousand, a decrease of €46,559 thousand, or 13.40%, compared to €347,564 thousand in the fiscal year 2020. This was primarily attributable to lower interest and dividend payments.

Capital Expenditures (Capex)

	For the fiscal year			For the six-month period ended July 31,		For the twelve-month period ended July 31,
	2020	**2021**	**2022**	**2022**	**2023**	**2023**
			(€ in thousands)			
Property, plant and equipment	114,512	118,872	102,316	36,527	32,576	98,365
Other intangible assets	9,469	6,983	11,207	2,959	3,804	12,052
Goodwill	5,333	–	–	–	–	–
Investment properties	147	10	73	11	30	92
Property inventories	148	197	204	22	294	476
Total Capex	**129,609**	**126,062**	**113,800**	**39,519**	**36,704**	**110,985**

Between the fiscal years 2020 and 2022, our average capital expenditures amounted to €123,157 thousand per year, or 2.61% of our average revenue over the same period.

Our capital expenditures amounted to €39,519 thousand for the six-month period ended July 31, 2022 compared to €36,704 thousand for the six-month period ended July 31, 2023, representing a decrease of €2,815 thousand or 7.12%. This decrease was primarily due to a strategic decrease in investment in expansion projects.

Our capital expenditure amounted to €126,062 thousand for the fiscal year 2021 compared to €113,800 thousand for the fiscal year 2022, representing a decrease of €12,262 thousand or 9.73%. This decrease was primarily due to a reduction in resources allocated to expansion and maintenance projects.

Our capital expenditures amounted to €129,609 thousand for the fiscal year 2020 compared to €126,062 thousand for the fiscal year 2021, representing a decrease of €3,547 thousand or 2.74%. This decrease was primarily due to the acquisition of ten supermarkets from AuchanSuper, the supermarket management subsidiary of Auchan, a French retail group, under its Simply brand in 2020. Approximately €7,000 thousand was paid for the purchase of the businesses, and an additional €8.6 million was invested to adapt the Simply brand stores to the Eroski format. The decrease was partially offset by greater resources allocated to store transformations in the fiscal year 2021.

Our capital expenditures amounted to €110,985 thousand for the twelve-month period ended July 31, 2023.

We would anticipate our cash capital expenditures over approximately the next year (through January 31, 2024) to be approximately €120 million.

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.

The following table summarizes the key financial obligations we are obligated to make as of July 31, 2023 on an as adjusted basis giving *pro forma* effect to the Transactions as if they were completed as of that date. The information presented in the table below reflects management's estimates of interest and the contractual maturities of our obligations. These estimates may differ significantly from the actual maturity of these obligations.

	Payments due by period as of July 31, 2023			
	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
		(€ in millions)		
Notes[a]	–	–	500.0	500.0
Term Loan A	8.1	84.8	19.9	112.8
Bridge to Disposal	–	35.0	–	35.0
Loan 15	13.4	57.0	–	70.4
OSEs	–	209.0	–	209.0
Local Facilities[b]	2.4	30.4	–	32.8
Total[c]	**23.9**	**416.2**	**519.9**	**960.0**

(a) Represents the aggregate principal amount of the Notes being offered hereby.

(b) Represents the aggregate principal amounts outstanding under (a) loans provided to Supratuc in the amount of approximately €15.0 million and (b) other local financing arrangements in the amount of €17.8 million.

(c) This table excludes the Confirming and Guarantee Facilities which are treated as trade payables under IFRS and will be secured on the Collateral. The Confirming and Guarantee Facilities are not considered to be Indebtedness for the purposes of the covenants governing the Notes. See "*Description of Certain Financing Arrangements—Confirming and Guarantee Facilities*."

Interest rate risk

The inflationary macroeconomic environment has brought about sudden interest rate hikes. EURIBOR has tripled and our nominal amount exposed to this index now stands at approximately €937 million (including the OSEs). Moreover, the turbulence in the financial markets and latent risks have triggered a rise in the spreads. Therefore, our debt servicing costs in the coming years will be much higher than current levels. Furthermore, the profile of our creditors now differs from the historical pattern 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.

Critical accounting policies, judgements, estimates and assumptions

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

Recoverable amount of goodwill and other assets

The assumptions used in determining the value in use of cash-generating units to assess the impairment of goodwill or other assets, require the application of value judgements by the governors. At each reporting date we estimate the recoverable amount of goodwill, regardless of whether or not there are indications of impairment. The recoverable amount is determined considering the value in use of the cash-generating units, as applicable. To estimate this amount, we use valuation techniques that require the board of governors and management to exercise judgement and make assumptions and estimates.

Deferred taxes

Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carry-forwards and unused deductions for which it is probable that the companies comprising our Group will have future taxable profit against which these assets can be utilised. In order to determine the amount of deferred tax assets that can be recognised, the amounts and dates on which the future taxable profit will be obtained and the reversal period of temporary differences are estimated. The recognition of deferred tax assets entails a high level of judgement by management and the directors in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities.

Right-of-use assets

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

Relevant judgements when applying accounting principles

On September 7, 2021, the Group's equity interest in Supratuc was reduced from 100% to 50%. After an evaluation taking into account the requirements of sections B2 and B3 of IFRS 10, the Governing Council concluded that the Group maintained control of Supratuc. This conclusion was based on the Group's evaluation of the Supratuc management team, the centralization of the Supratuc procurement and supply function and Supratuc's use of the EROSKI brand. Additionally, although the Supratuc board of directors has the power to adopt decisions on the most significant aspects affecting Supratuc, the chair of the board, appointed by the Group, holds the casting vote.

Changes in accounting estimates

Although estimates are calculated by the Governing Council based on the best information available at the end of the fiscal year, future events may require changes to these estimates in subsequent years. Any effect of adjustments on the consolidated annual accounts made in subsequent years would be recognized prospectively.

Determination of fair values

The Group has established a control framework for the determination of fair values of its assets and liabilities that is overseen by an assessment team reporting directly to financial management. The assessment team regularly reviews significant, unobservable inputs and valuation adjustments. If third party information such as pricing services or broker quotes is used when determining fair values, the assessment team runs checks to determine whether this information complies with IFRS and the fair value hierarchy level in which these valuations should be categorized.

INDUSTRY AND MARKET OVERVIEW

Overview

The retail sector in Spain, across all sales channels, was estimated by Euromonitor to have had sales of approximately €228.5 billion in 2022 as compared to €218.2 billion in 2021 (based on a Retail Sales Value basis excluding sales tax ("**Retail Sales Value**") in current value terms), and to have grown at a CAGR of 1.4% between 2010 and 2019. According to Euromonitor, grocery retail, which includes supermarkets and hypermarkets; convenience stores; discounters; food, drink and tobacco specialists; small local grocers and warehouse clubs, is the single largest category of retail spending in Spain. It represented €114.2 billion of Retail Sales Value in 2022 (approximately 50% of total retail sales) as compared to €112.6 billion of Retail Sales Value in 2021 (approximately 52% of total retail sales). Over the past ten years, the grocery retail market in Spain has experienced positive year-on-year growth in sales according to the Instituto Nacional de Estadística ("**INE**"), despite macroeconomic uncertainties and emergence of other offerings (e.g. private label versus supplier brand).

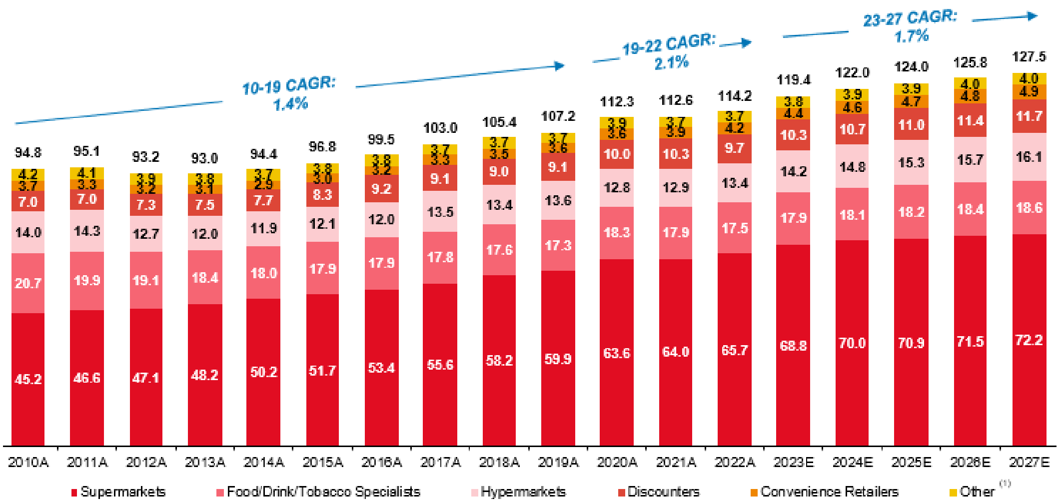
We operate in the retail market, offering a wide range of both food and non-food products and services from our supermarkets, hypermarkets, Cash & Carry, gas stations and other stores, as well as through various online platforms. The origins of our business began in the Northern Spanish grocery retail market and, while the business has grown and diversified into other markets including fuel, retail and sports retail, we remain focused on offering high-quality, value-based grocery retail options to our customers.

Within the Spanish grocery retail market, we hold the fourth largest market share according to Kanter, representing 4% of total expenditure by households in grocery retail between January and August 2023.

Spanish grocery retail market sizing

The grocery retail sector has shown resilient growth at a CAGR of 1.4% between 2010 and 2022. During the period between 2011 and 2013 the sector saw a contraction relating to the European debt crisis impacting the consumer environment. However, it rebounded thereafter, recording a CAGR of 2.4% between 2013 and 2019. In addition, the grocery retail sector saw accelerated growth in 2020 as a result of COVID-19, during which the demand grew due to continued lockdowns that increased at-home consumption. Growth has slowed down post-COVID-19, reaching €114.2 billion in 2022, with a CAGR of 2.1% between 2019 and 2022. The sector is expected to continue to grow steadily between 2023 and 2027 at a CAGR of 1.7% driven by primarily by positive pricing dynamics, and it is estimated to reach €127.5 billion in 2027.

The chart below sets forth the growth of the Spanish grocery retail market size on a Retail Sales Value basis in each calendar year from 2010 to 2027:



(1) Includes small local grocers and warehouse clubs.

Image 1: Spanish grocery retail market size (€ billions)
Source: Euromonitor

The size of the grocery retail market in our Core Regions (as defined below) is estimated by Nielsen to have grown from €30.9 billion to €33.8 billion between 2017 and 2019 and from €33.6 billion to €35.5 billion between 2020 and 2022. The definition of our addressable market perimeter was changed in 2020, excluding Castilla and Leon from 2020 onwards. The Northern region and Balearic Islands grocery retail market has outpaced the Spanish market between 2020 and 2022, growing at 2.8% per year while the wider Spanish market grew at a 0.8% per year, as detailed in the chart below:

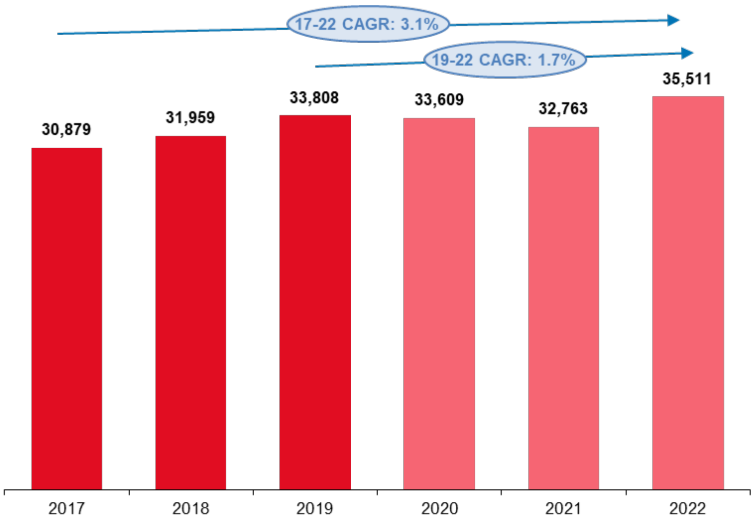


Image 2: Spanish Northern region and Balearic Islands grocery retail market size (€ millions)
Source: Nielsen

Between 2006 and 2022, Spanish spending on food and beverage, which includes expenditures on food and non-alcoholic beverages (excluding restaurant, hotel and café expenditures) ("**Food and Beverage**"), has remained stable throughout the cycle, representing 14.1% to 17.0% of household spending despite short-term inflationary as well as deflationary spikes, as seen in the chart below according to the INE. The period from 2020 to 2022 has been an outlier, with the share of household spending on Food and Beverage products increasing during COVID-19 in 2020 to 17.0% from 14.2% in 2019. This, as well as rising raw material costs, has led to steep price increases, with the Food and Beverage Consumer Price Index ("**CPI**") growing to 16.0% as of 2022. The most recent increases in Food and Beverage inflation numbers in 2021 and 2022 to 5.0% and 15.7% year-on-year respectively have not led to a significant change in the share of income spent by households on these products. Given the non-discretionary nature of food retail, Spanish households continue to spend on food despite price increases, facilitating a passthrough of cost inflation.

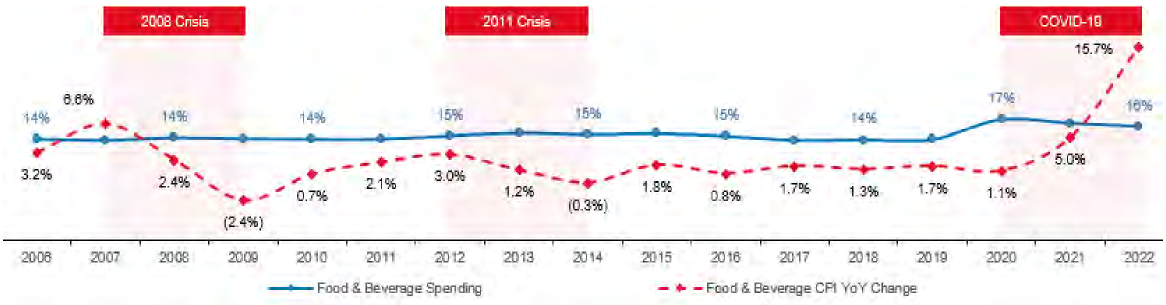


Image 3: Food & Beverage Spending (as % of total household spending) and CPI evolution in Spain
Source: INE

As illustrated in the chart below, Food and Beverage spending has been more resilient historically than discretionary categories. COVID-19 provided a temporary rise in the Food and Beverages spending in 2020, while discretionary spending was more severely hit by the 2008 and 2011 crises, as well as COVID-19.

Image 4: Consumer spending (as % of total household spending) by category
Source: INE

Robust macroeconomic indicators are supportive for a continued growth in the Spanish grocery retail sector. For example, the Spanish GDP has significantly rebounded from the COVID-19 slump and is expected to record consistent growth between 2023 and 2027, as shown in the below chart:

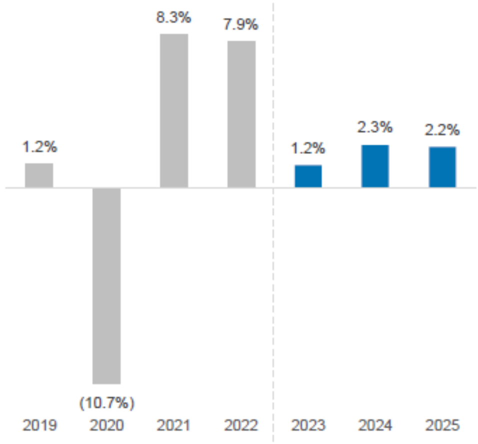


Image 5: Spanish Real GDP evolution (% interannual growth)
Source: IHS

There has also been a significant decrease in the Spanish unemployment rate, with a record low of 12.9% in 2022 according to the IHS. The unemployment rate is forecasted to remain at lower levels in the future, supporting an uptick in future Food and Beverage spending.

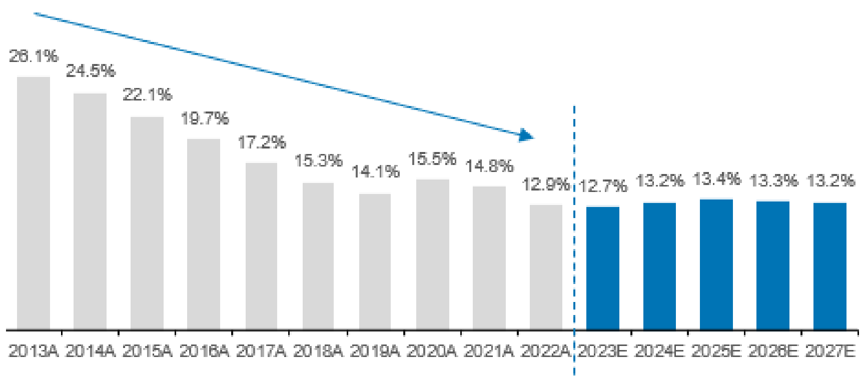


Image 6: Spanish unemployment rate (%)
Source: IHS

The INE expects the Spanish GDP per capita to achieve a CAGR of 1.2% between 2022 and 2026. This GDP per capita growth is driven by lower inflation, a resilient labor market and strong external growth driving exports. The full recovery of tourism to pre-COVID-19 levels and lower energy prices are also expected to contribute to future GDP growth.

Image 7: Spanish GDP per capita (€)
Source: IHS

The Spanish grocery market has historically shown a strong correlation with GDP per capita over the 2009 to 2019 period and, as such, the Grocery market is likely to benefit from the strengthening economic environment over the coming years.

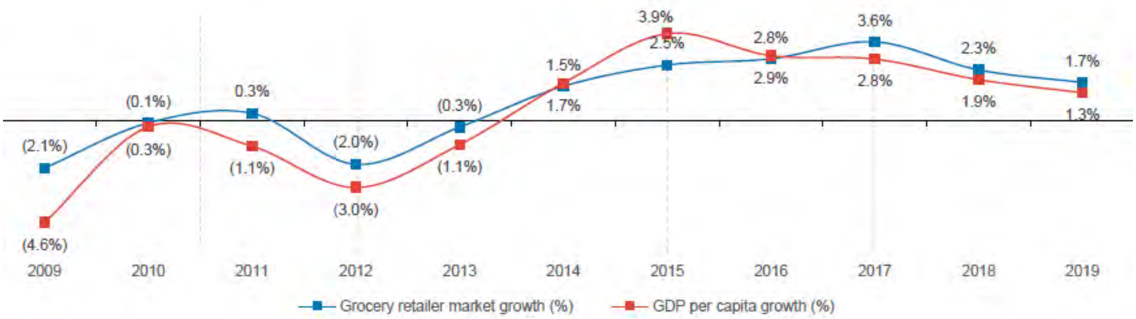


Image 8: Correlation Spanish GDP per capita growth and grocery retailer market growth
Source: IHS

The Northern regions of Spain are among the wealthiest in the country. As highlighted in the chart below, our Core Regions (as defined below) had a higher GDP per capita in 2021 than the Spanish national average ("**Gross Domestic Product per capita**"). Several of these regions, including the Basque country, the Balearic Islands and Galicia also outpaced the Spanish average GDP per capita growth in 2021.

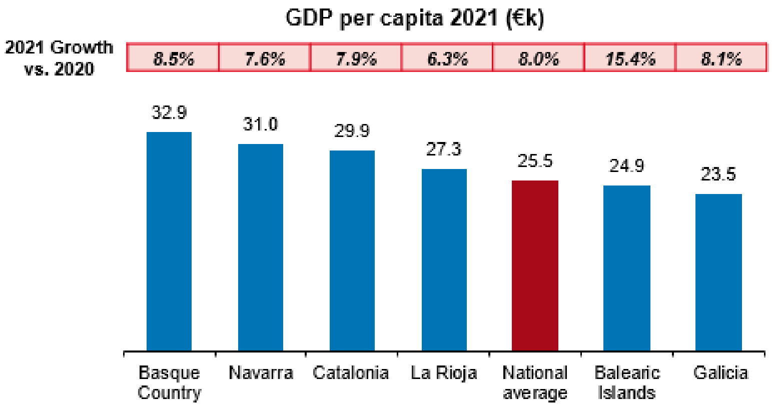


Image 9: GDP per capita 2021 by region (€000s)
Source: INE

Competitive Dynamics

As of July 31, 2023, the Spanish grocery retail sector is led by Mercadona with a 25.8% market share. Diversified cross-format chains Carrefour and DIA respectively hold the second and fifth largest shares. Eroski holds a 4.4% market share, putting it in fourth position in the market whilst German discounter Lidl holds the third position.

On a regional level, we hold leading positions based on market share, as can be seen in the chart below based on Nielsen data ("**Módulo Cuotas QV**"). This can be explained by our focus on our Core Regions (as defined below), where we have a particularly strong foothold, with market-leading positions and market shares of approximately 37% in the Basque Country, 28% in Navarra, 21% in the Balearic Islands, 19% in Galicia, and 10% in La Rioja.

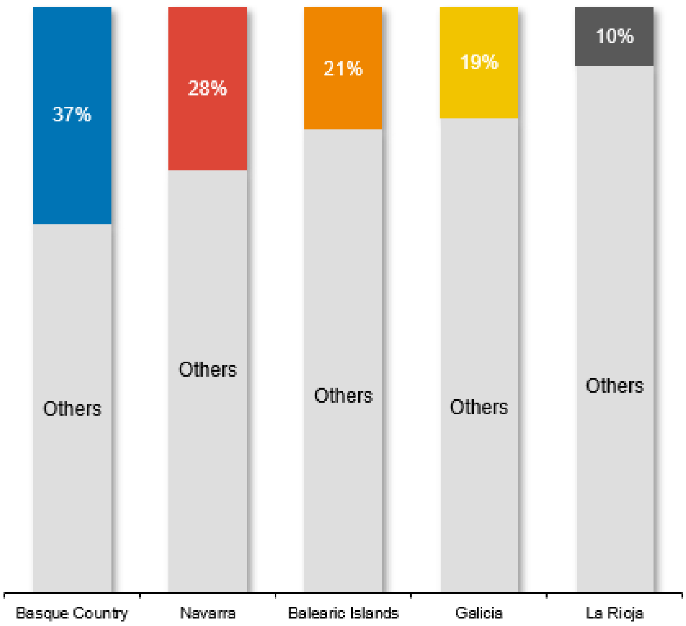


Image 10: Eroski market share in selected regions by Retail Sales Value
Source: Nielsen

A market share analysis on a surface area level confirms our leading presence in the Northern region and Balearic Islands. As can be seen in the chart below, we hold a top three position in all of our Core Regions (as defined below). Our market shares are moderately higher on a surface area basis due to a higher weight of supermarkets in our store format split.

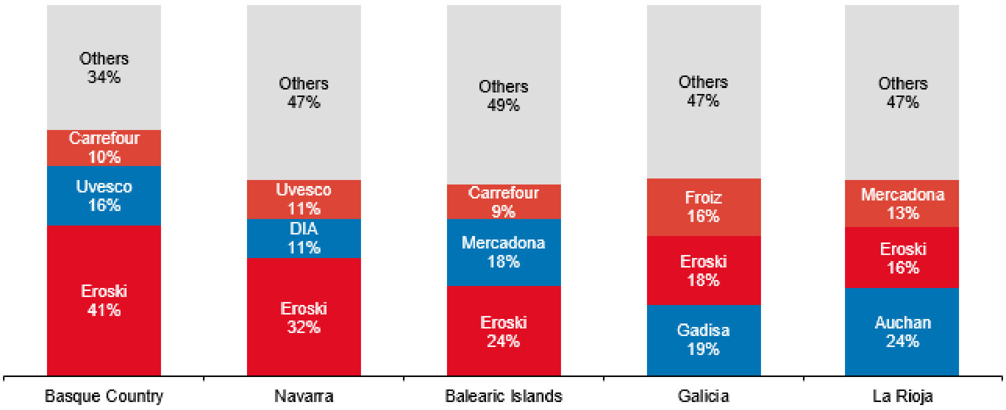


Image 11: Spanish grocery retail competitive landscape by surface area in 2022
Source: Nielsen

Customers are becoming increasingly conscious of price while still desiring high-quality offerings. Discounters have responded by rolling out stores across Spain and have since achieved a strong presence in the Spanish grocery retail market. The share of the discounters in the broader grocery retail market in Spain has increased from 7.3% in 2010 to 8.5% in 2022, as can be seen in the chart below:

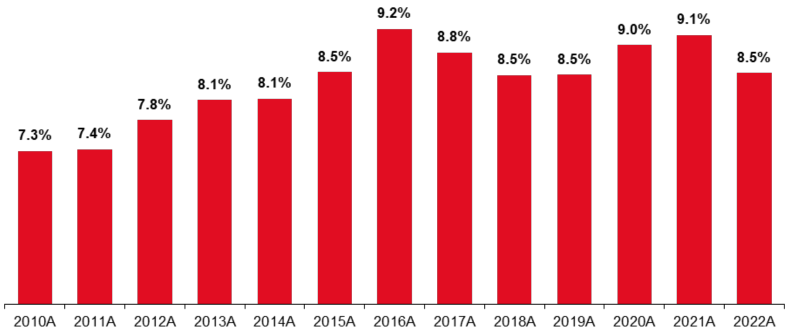


Image 12: Discounter market share in the Spanish grocery retail market
Source: Euromonitor

The Spanish grocery retail market has seen multiple shifts in market shares since 2013. Mercadona has disrupted the market alongside the discounters and grew its Retail Sales Value by more than 4% per year between 2013 and 2022, according to Euromonitor. This has been at the cost of the share of several diversified players. Carrefour has retained a solid second position, based on a multi-format approach but with a significant increasing presence in the convenience segment. Consum Cooperativa has managed to expand significantly through its value-for-money positioning and rollouts of new stores. Since 2018, however, Eroski has managed to gain back market share, growing its Retail Sales Value at a 2.4% CAGR, while peers continued to grow below the market.

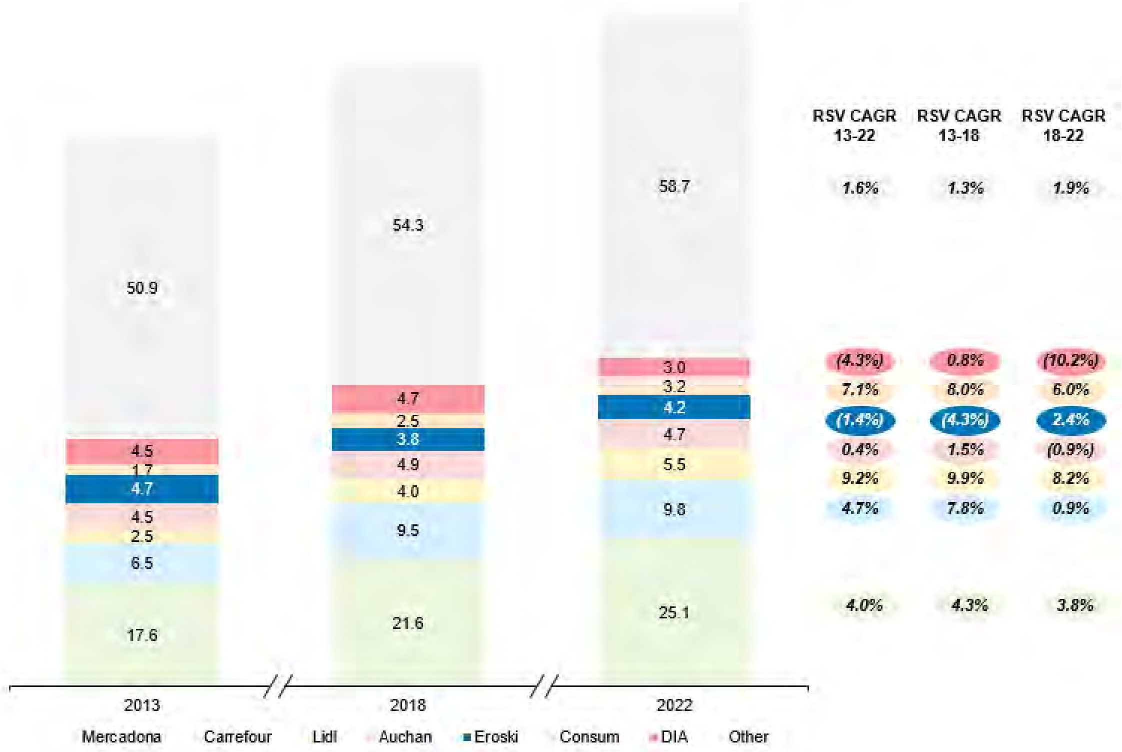


Image 13: Spanish grocery retail RSV evolution by competitor since 2013 (€m)
Source: Euromonitor

Grocery retail sales in Spain are made through multiple channels, including supermarkets, hypermarkets, convenience stores, discounters, forecourt retailers and online. Supermarkets are smaller-scale retail stores that offer a wide variety of food, beverages and household products. Hypermarkets are larger-format retail stores, frequently located outside of city centers or as anchor stores in shopping centers, with a primary focus on selling food, beverages, tobacco and other groceries while offering a wide variety of non-grocery products, such as general merchandise and clothing. Hypermarket formats are offered by the traditional grocers, while supermarket stores can also be offered by players operating smaller formats. Based on Euromonitor data, the sum of hypermarket and supermarket channels constitute the largest share by Retail Sales Value of the Spanish grocery retail market, representing 69.2% of grocery Retail Sales Value in 2022. In the last five calendar years growth for the hypermarkets category has slowed, declining at a CAGR of 0.5% CAGR between 2019 and 2022.

Spanish grocery retail key trends

The Spanish food retail market has been undergoing a number of significant changes in recent years, with trends such as e-commerce, shifting competitive dynamics and socio-economic changes all accelerated during COVID-19.

We believe there are four enduring trends that will drive change in the Spanish food retail market in the years to come.

Omni-channel business model continues to grow

E-commerce channel was growing in Spain prior to COVID-19 and this shift was accelerated by the impact of the pandemic. Customers highly value the omni-channel business model as they benefit from multiple channels through which they can purchase their groceries, seamlessly connecting the online and offline purchasing environment. Many large food retailers now have an omni-channel presence, with continued investment being spent on improving digital platforms, e-commerce sites, social media and online marketplaces. This has become increasingly attractive to many customers, who can now purchase and track an item online and either pick it up at a physical store or have it delivered to their home. Using stores as regional distribution hubs allows food retailers to offer customers free collection points and reduce certain logistics related to food delivery. Having said that, the Spanish e-commerce grocery market remains low as a percentage of the total market (2.2% of total Spanish grocery market as per Euromonitor).

Focus on proximity model

During COVID-19, consumers were restricted to local outlets and stores in their neighborhood. This has accelerated a shift in consumer preferences towards stores that are in close proximity to their home, with consumers opting to make multiple weekly trips to do their groceries rather than a single weekly shopping trip. Most new store openings are expected to be driven by proximity-based models, with food retailers opting for smaller spaces and better utilization of space. This shift is also expected to be accelerated by growing online channels, as inner city locations can also function as temporary warehouses to fulfill online orders quickly. Overall, this shift is expected to favor supermarkets and franchised stores that have flexibility to expand closer to the consumers.

Growth of private label and promotions

As the cost of living crisis and inflationary environment persist, consumers increasingly opt for cheaper alternatives. Private label retailers have capitalized on this, transforming private label brands into strategic and consumer-led propositions with differentiated and data-driven business models. As a result, national brands are now facing increasing competition from private label players. Retailers are also capitalizing on changes in consumer preferences through promotional schemes and loyalty programs. The ongoing trend of customers buying fewer items per trip is increasing pressure on food retailers to become more price-competitive and expand their offerings of promotional deals to drive footfall.

Focus on fresh and local products

The increase in customers focus on health has resulted in a growth in demand for fresh and locally farmed products. Consumers have become more conscious of sustainability issues, requiring additional information regarding their product lifecycle and traceability within the supply chain.

BUSINESS

Overview

We are a leading multi-format and omni-channel food retailer operating as a consumer cooperative company in Spain. Our business model is focused on supermarkets, but we operate through a multi-format approach. This allows us to respond to customer needs through a wide range of formats, including supermarkets, hypermarkets, Cash & Carry stores, gas stations and sports equipment stores. Our omni-channel business model refers to our consolidated platform and ability to offer our customers our whole suite of products from our trusted private label with significant heritage through several channels and platforms, weaving together physical stores and our online supermarket and phone app to create a seamless shopping experience for customers. We have over 50 years of history and offer a wide range of locally and nationally produced and internationally sourced food products from our trusted suppliers.

We conduct our business through two main categories of operations – food and non-food, diversified businesses. We present our food business to customers through several formats, including supermarkets, hypermarkets, and Cash & Carry stores. As of July 31, 2023, our food business operations included 731 EROSKI-operated and 615 franchise supermarkets, 36 EROSKI-operated hypermarkets and 17 EROSKI-operated Cash & Carry establishments. For the fiscal year 2022, our food businesses generated approximately €4,474 million in revenue. Within our non-food, diversified businesses, we operated 40 gas stations and 66 sports equipment stores as of July 31, 2023. For the fiscal year 2022, our non-food, diversified businesses generated approximately €354 million in revenue.

Our business operates under formats that aim to adapt to current consumer trends while delivering high quality products. Our array of retail formats offers a variety of experiences to our customers, from high-end and high-value products to cost-effective and competitive everyday essentials, all designed to meet the expectations of customers seeking quality, authenticity and customer service. Further, we employ a multi-banner strategy and offer a variety of brands, including our private label, to best reflect local characteristics in the regions where we operate. Our private label represents our values and allows us to feature quality products with an emphasis on health, sustainability and commitment to local producers while catering to a range of customer price points. Our network of approximately 1,500 physical stores as of July 31, 2023, including over 600 franchises, allows us to maintain a national, diversified footprint across mainland Spain, which helps us maintain and promote nationwide brand awareness. Based on sales, we are the number one food retailer in Northern Spain and the number four food retailer across Spain, with a particular market presence in our Core Regions as of the fiscal year 2022. For the twelve months ended July 31, 2023, over 90% of our Adjusted EBITDA pre-IFRS 16 was generated from our Core Regions, which we believe makes us particularly resilient in mature markets. In the fiscal year 2022, 41% 24% 22% and 13% of our revenue came from Northern Spain, Catalonia and the Balearic Islands, Galicia and other regions, respectively. By comparison, in the fiscal year 2009, 53%, 24%, 12% and 10% of our net sales came from other regions, Catalonia and the Balearic Islands, Northern Spain and Galicia, respectively. This change has been driven by our efforts to refocus growth and expansion in our key geographical and business competencies. From the fiscal year 2009 to the fiscal year 2022, the percentage of our revenue coming from our Core Regions grew from 47% to 87%. Growth took place largely in Northern Spain, which grew from 12% of net sales to 41% of our revenue.

At our supermarkets, hypermarkets and Cash & Carry stores, we offer a wide range of products with a focus on fresh, local and seasonal items at affordable prices, and in the fiscal year 2022, private label products represented 51% of our fresh food revenue. As of July 31, 2023, 95% of our commercial suppliers were based in Spain, 60% of which were local agri-food producers. We believe that investment throughout our product ranges creates top quality product offerings for each price category, and that our focus on high quality, healthy and fresh, local products is an optimal strategy given current consumer trends. Consumers are increasingly sensitive to the effects their food decisions have on the environment and sustainability. As of July 31, 2023, we offered over 1,400 organic food products, and of our own-brand products, 70% of items have received an A, B or C rating according to Nutri-Score, a nutritional rating system that assigns products a rating letter from A (best) to E (worst). Our refocus of our growth in Northern Spain and expansion targets drove investment in our successful supermarket format. For example, the percentage of our revenues from our supermarkets, hypermarkets, Cash & Carry and diversification formats changed from 56%, 37%, 1% and 15% in fiscal year 2009 to 74%16%, 3% and 7% in fiscal year 2022, respectively.

Our retail presence is comprised of both EROSKI-operated and franchised stores. Our dual store operating model increases our flexibility, cost-effectiveness and ability to scale. EROSKI-operated stores provide us with control over operations, full right to profits and a streamlined decision-making structure, while our franchises allow us to scale more easily with lowered capital expenditure requirements, increase our brand recognition in our non-Core Regions and lower our operational risk in line with our conservative financial policies. Further, our franchise network (in particular our franchisee partners located outside our Core Regions or in rural areas) help us grow our presence across mainland Spain. They complement the geographic reach of our own store network, can meet specific demands of the local market and allow us to target smaller catchment areas with lower population densities that might not fit our investment profile. Our franchised stores are a source of significant profit. Franchisees must purchase 90% of their inventory from us and have 10% freedom to purchase the remainder of their inventory from other suppliers, provided they are not our competitors. This applies to all franchises except Aliprox. As such, the Adjusted EBITDA pre-IFRS 16 margin from our franchised stores is typically higher than the corresponding margin from our own stores. Additionally, our franchisee partners also pay a recurring royalty fee on their purchases from us. In the fiscal year 2022, our franchisees purchased €503 million in inventory, comprising 10% of our total annual revenues. In the fiscal year 2022, our franchised stores generated €41 million in their Adjusted EBITDA pre-IFRS 16, more than tripling the €13 million of EBITDA generated by our franchises for the fiscal year January 31, 2014. We have over 45 years of experience working with franchisees and currently hold a 97% franchisee satisfaction rate.

We have a strong focus on innovation and have developed an omni-channel offering that we believe has positioned us well to respond to evolving consumer trends. In addition to approximately 1,500 physical stores across Spain, we offer mobile applications and other e-commerce functionality and are engaging with artificial intelligence technology that will allow us to offer targeted and personalized promotions to our customers and provide customers with the flexibility to shop at their convenience wherever they prefer.

We are committed to customer satisfaction. As of July 31, 2023, more than 5 million customers have joined our loyalty program, EROSKI Club, most of whom are based in our Core Regions. In the fiscal year 2022, membership in the program grew by 200,000 customers. During the same period, 70% of our recurrent sales were by EROSKI Club members. We also offer a gold card subscription program, which further promotes brand loyalty by providing a 4%-6% discount on all purchases at our supermarkets, hypermarkets, gas stations, opticians and online store. Sales through this subscription program amounted to more than €800 million in the fiscal year 2022, providing us with a superior customer spending compared to a non-subscribing customer. Our increasing online presence and membership program provide our business with stability and recurring revenues. We continue to focus on promoting brand loyalty through our diverse range of food products, sensitivity to our customer preferences and growing online platform.

Our business is a cooperative owned and controlled by certain consumers and employees who opt to become members of our cooperative. This model aligns employee and consumer interests with management interests, and increases profitability as we operate with a long-term view and a conservative financial policy. As of July 31, 2023, approximately 30% of our workforce were cooperative members. Our cooperative model creates a community for all members, high employee retention rates and greater autonomy to negotiate and manage our labor costs. For example, in the fiscal year 2022, we had a 98.5% employee retention rate and a 19-year average tenure among our members. We have consistently expanded on this model in a mature environment and have increased our cooperative membership by over 795 members between 2013 and 2022.

Our governance structure allows us to embrace independent, unified and business-oriented decision-making. The General Assembly oversees the Governing Council which hosts the executive, nomination and remuneration, investments and audit and compliance committees. The Governing Council oversees the Management Board. The General Assembly consists of 250 employee cooperative members and 250 consumer cooperative members and the Governing Council consists of six employee members and six consumer members, allowing for equal representation in corporate governance. Our Management Board comprises ten executive members who propose, design and oversee the organization's policies, strategies and business. Our Management Board has a strong and personal commitment to the business, and a proven track record of execution with an average of more than 25 years of industry experience. Every member of the Management Board has more than 17 years of leadership experience at our Group.

We are committed to promoting ESG practices, and our ESG-related programs and campaigns focus on local economic development, solidarity, environmental sustainability and the promotion of safe, sustainable and healthy food. Since 2017, we have reduced our Scope 1 and Scope 2 greenhouse gas emissions by 40%, and we are committed to being carbon neutral by 2050. Additionally, we are aiming to achieve 100% recyclable, compostable or reusable packaging in our private label products for food, beverage, drugstore, perfume and hygiene products by 2025. As of July 31, 2023, we had donated over 14 million meals via our Zero Waste program and contributed a total of €23 million to a variety of social programs, including events based on promoting local culture or environmentalism, including the Musikaire festival, ikastolas parties at the Basque Country public schools and the Durango Fair. We are also committed to continuing to promote gender equality policies throughout our managerial ranks; as of fiscal year 2022, women account for 74% of our senior management positions. For the twelve months ended July 31, 2023, we generated €5,041 million in revenue, €314 million in Adjusted EBITDA pre-IFRS 16 and profit before finance items and taxes of €232 million.

History

We were founded in 1969 in the Basque Country as a cooperative, uniting seven small consumer cooperatives in the region. In 1991, we established our Forum Sport, S.A. sports equipment stores followed by our first gas station in 1993. In 1998 we launched our joint venture, Vegalsa, and acquired the Caprabo chain of supermarkets in 2007, one of the oldest supermarket chains in Spain with a history of more than 60 years. In 2021, we entered into an agreement with EP Bidco, A.S., a subsidiary of EP Corporate Group, whereby we sold a 50% stake in our Catalonian and the Balearic Islands operations to create Supratuc. Since then, we continue to expand our business offerings and footprint across mainland Spain.

Due to our dynamic growth trajectory, our diverse and efficient commercial network has a physical surface area of 1.17 million square meters distributed across approximately 1,500 physical stores as of July 31, 2023. In this way, we have increased our presence in Spain while also achieving one of our main objectives: to grow and reinforce our presence in Northern Spain, our flagship zone.

In 2000, we launched our online retail platform and, since then, have launched our phone app and Capraboacasa delivery service for customers in the Barcelona metropolitan area. The EROSKI app had been downloaded 411,544 times and we saw a 124% increase in users during the same period. During the same period, 500,000 of our digital customers are active users of our app, defined as customers who have accessed one of our digital platforms at least once in the past twelve months. Beyond the digital environment, customers have opted for other ways of interacting with us, including accessing the complete EROSKI omni-channel range including features such as Click & Drive, Click & Collect and smart lockers.

We continue to reinforce our positioning in key markets and formats and to evaluate our asset portfolio, we regularly evaluate the potential sale of assets and businesses that may no longer serve our objectives or be aligned with our strategy. Over the years, we have sold various supermarkets and hypermarkets to other grocery store retailers in regions and markets that we determined were not conducive to our strategic objectives, including the sale of eight hypermarkets in Madrid for €80 million in 2011 and, across Spain, 144 supermarkets for €150 million in 2015 and 36 hypermarkets for €172 million in 2016. We also aim to dispose of businesses that are no longer befitting of our strategic vision.

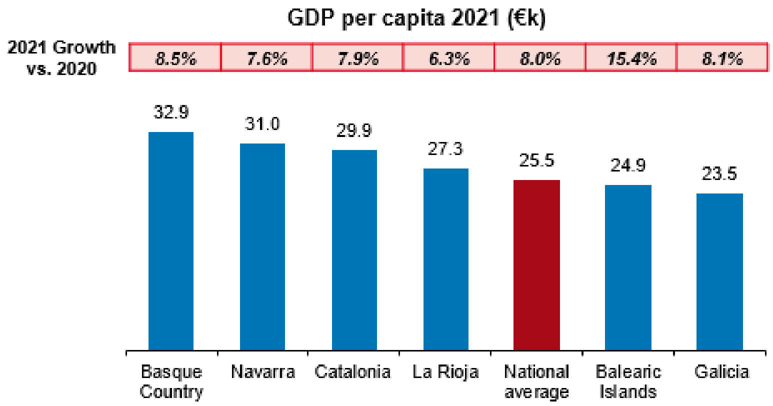
Since fiscal year 2019, we have re-focused our efforts on our supermarket businesses and our presence in our Core Regions. For the six-month period ended July 31, 2023, 75% of our Adjusted EBITDA pre-IFRS 16 was generated from our supermarket businesses.

Our Competitive Strengths

We believe we benefit from the following competitive strengths.

One of the leaders in the stable Spanish grocery retail market, focused on growth in one of the wealthiest regions in the country

We are the fourth largest food retailer in Spain, with a four percent market share by retail sales value of all grocery merchandise sales as of fiscal year 2022. The food retail market in our Core Regions grew from €33,808 million in 2019 to €35,511 million in 2022 at a CAGR of 1.7%. We are one of the leaders in the Spanish market based on revenue and store surface area and have solidified our position as a preferred choice among customers in our Core Regions, with 37% market share in the Basque Country (#1), 28% market share in Navarra (#1), 21% market share in the Balearic Islands (#1) and 19% market share in Galicia (#1), in each case based on supermarket sales as of fiscal year 2022. Our Core Regions are some of the most affluent in the country, presenting an above average national GDP per capita growth in 2021 compared to 2020 as shown in the chart below:

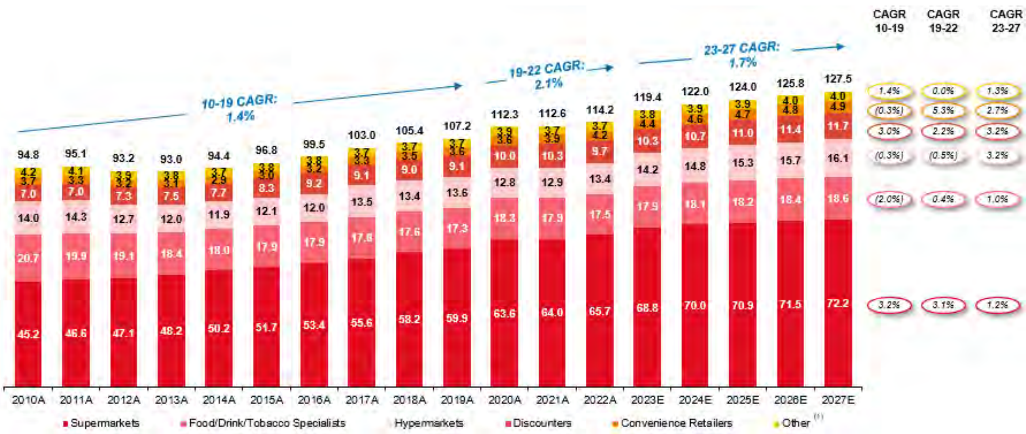


Source: INE

With an extensive network of approximately 1,500 physical stores, including both owned and franchised stores, a diversified footprint and 23 logistics platforms that we own, we benefit from economies of scale and believe our market leadership is robust. This leading position cements our reputation as a trusted and influential industry player, driving our continued success and market leadership.

The Spanish grocery retail market has demonstrated resilience over the economic cycle, showing limited sensitivity to macro-economic conditions. Demand for food products has been relatively inelastic, historically allowing food distributors to pass a significant portion of price increases to customers, especially during inflationary periods. For example, since the beginning of January 2022, we have seen an increase in the consumer price index (CPI) in Spain of fresh food and general food from approximately 5% and 4% respectively, to approximately 9% and 11% at the end of July 2023. During this same period, our retail sales price for our food products has generally increased at slightly higher levels than inflation, which indicates our margins have adjusted favorably to rising inflation. Even during periods of macroeconomic contraction, the Spanish retail market has shown to be resilient. For example, during the last global financial crisis, the supermarket retail market grew at approximately 2.7% from 2010 to 2014, and during COVID-19 in 2020, the total retail market grew by 4.7%. The chart below shows this trend along with continued expectations for stable growth over the next four years:

Spanish food retail market size evolutions (€bn)

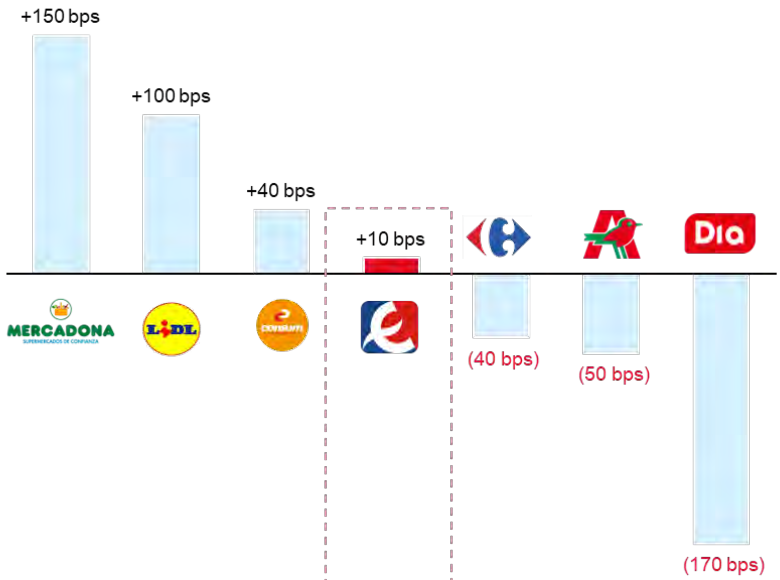


(1) Includes small local grocers and warehouse clubs.

Source: Euromonitor

Our strong brand awareness, broad customer base and multi-format and omni-channel offering have also allowed us to resist pressure and competition from discount food retailers, primarily Mercadona and Lidl, which have disrupted the performance of traditional grocery retailers in Spain in recent years. For example, during the period from 2018 to 2022, we actually gained 10 basis points in grocery retail market share relative to other traditional food retailers in Spain, who all lost market share to discount competitors as shown in the table below:

Change in market share 2018-2022, Grocery Retail



								Other
2018	20.5%	3.8%	2.4%	3.6%	9.0%	4.6%	4.4%	51.7%
2022	22.0%	4.8%	2.8%	3.7%	8.6%	4.1%	2.7%	51.3%
Δ 18-22A	+150 bps	+100 bps	+40 bps	+10 bps	(40 bps)	(50 bps)	(170 bps)	(40 bps)

Source: Euromonitor

While we believe that discounters will continue to add pressure to the market, we believe that we are less exposed to these disruptions as we have already overcome the market entries of the discount food retailers in the geographies in which we operate. Further, we believe that discounters pose a greater challenge to other traditional food retailers who are more focused on areas where discounters are likely to focus in the near-term.

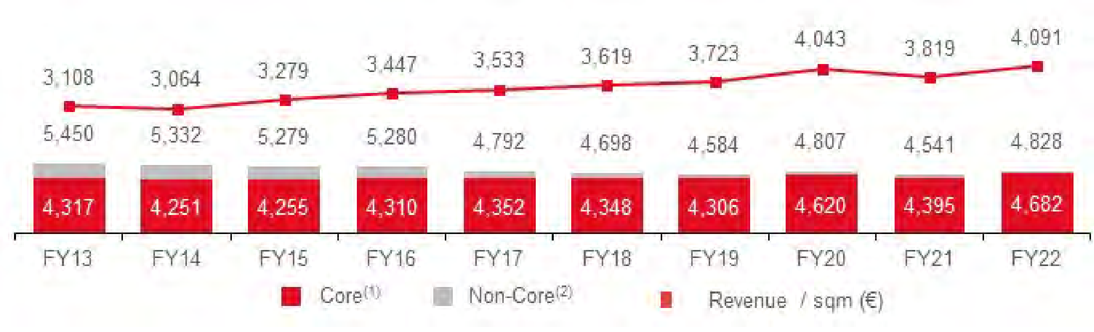
We believe that we are currently better positioned than our competitors to capture future market growth in our Core Regions, allowing us to consolidate our leadership position by benefiting from evolving grocery retail market trends.

Resilient financial profile underpinned by a robust track record of stable top line evolution, sustainable and expanding margins and a diligent focus on deleveraging

Over the last decade, we have actively transformed our portfolio by focusing on our core business activities, which include focusing our efforts on the following business formats: supermarkets, hypermarkets and gas stations in Core Regions, Cash & Carry and franchising across all of Spain. Additionally, we have always aimed to deliver a broad range of quality products at competitive prices. To achieve this goal while seeking larger profit margins, we have divested approximately €1.5 billion of non-core assets from the start of fiscal year 2009 to the fiscal year 2022, primarily to delever our business. We plan to continue to divest such non-core assets and other assets that might not fit our investment profile, while aiming to grow in our key formats, primarily supermarkets, our franchising operations, as well as expand our presence in our Core Regions.

Our revenues decreased from €5,450 million in the fiscal year 2013 to €5,041 million in the twelve-month period ended July 31, 2023. However, this decrease was reflective of our commitment to our strategic vision, with changes to our perimeter and a refocus on our core businesses by divesting our travel and perfume businesses, while simultaneously investing in the expansion of our profitable food segment in our Core Regions. This repositioning has led to a significant increase of our revenue from core revenue (which mainly includes our food businesses in our Core Regions) from €4,317 million for the fiscal year 2013 to €4,682 million for the fiscal year 2022, and an increase in our revenue per square meter, which grew by

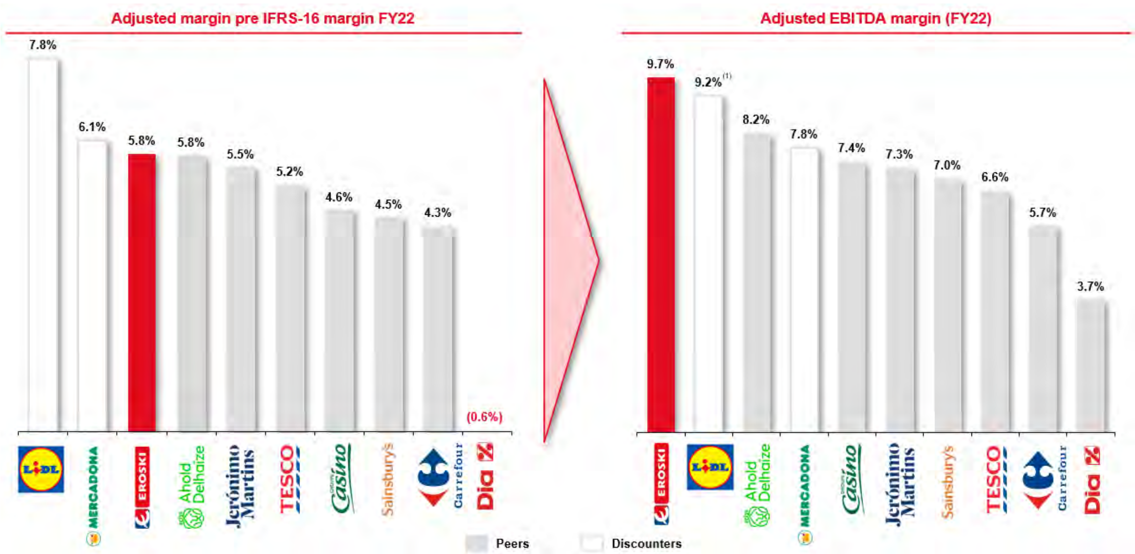
31.6% over the same period, from €3,108 to €4,091. Our shift towards our core businesses showcased consistent organic growth, resulting in increased profitability at store level. The following chart shows our revenue split by core- and non-core businesses and revenue per square meter from the fiscal years 2013 to 2022:



(1) Includes mainly our food businesses in our Core Regions.

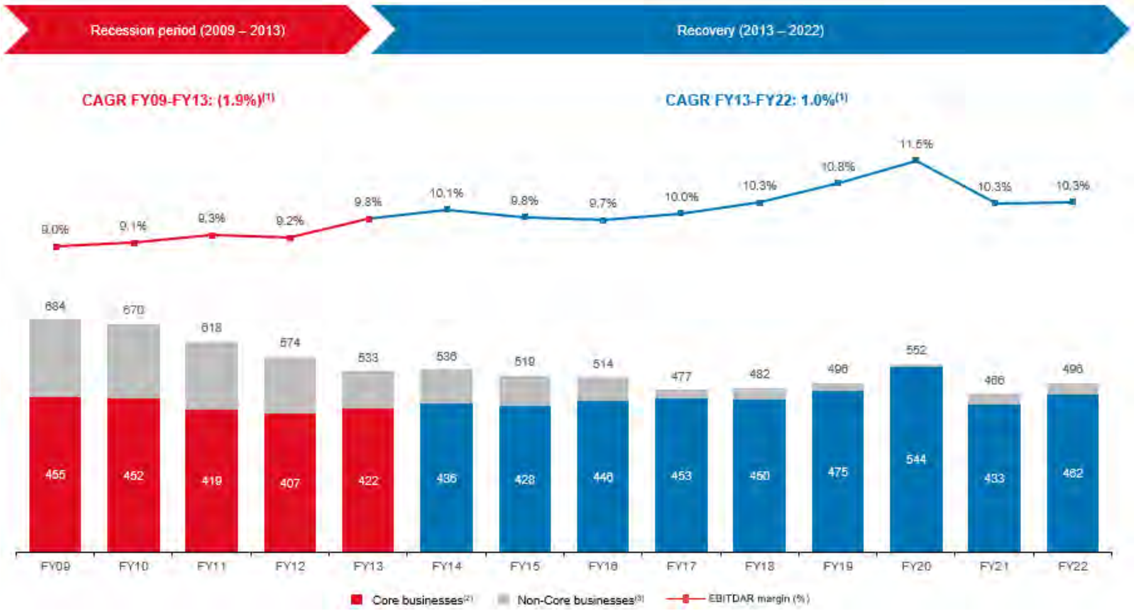
(2) Includes all business other than food businesses in our Core and non-Core Regions and the remaining food business in non-Core Regions.

The refocusing of our portfolio to assets in our Core Regions also allowed us to substantially expand our Adjusted EBITDA pre-IFRS 16 margin, from 4.4% for the fiscal year ended January 31, 2014 to 5.8% for fiscal year 2022, with an increase in Adjusted EBITDA pre-IFRS of our core businesses from €239 million for the year ended January 31, 2013 to €276 million for the fiscal year 2022, which compares favorably against other large European peers. The chart below shows our Adjusted EBITDA pre-IFRS 16 margin and our Adjusted EBITDA margin in relation to our competitors, including both peers and discount retailers. We note that the calculation of Adjusted EBITDA pre-IFRS 16 margin and Adjusted EBITDA margin may be defined and calculated differently as among our peers and with respect to how we define such metrics, so the table below may not be directly comparable.



(1) Lidl figures correspond to fiscal year 2021.

The following chart shows the resilience of our EBITDAR and EBITDAR margin in our core and non-core businesses:

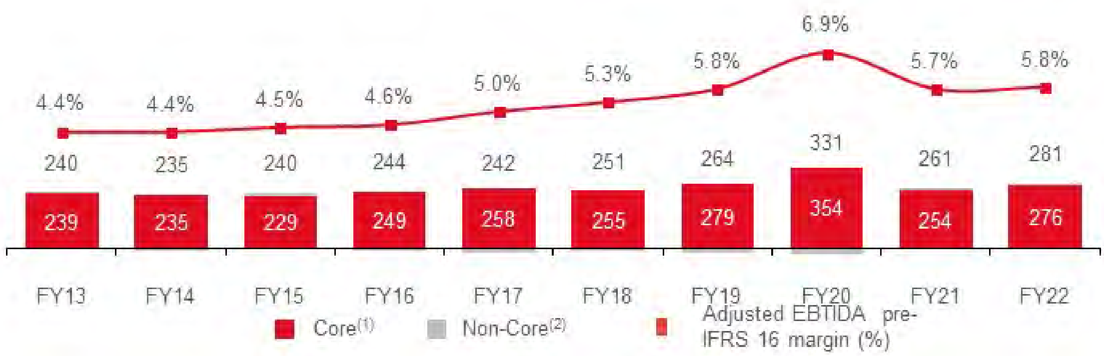


(1) Includes our core businesses.

(2) Includes mainly our food businesses in our Core Regions.

(3) Includes all business other than food businesses in our Core and non-Core Regions and the remaining food business in non-Core Regions.

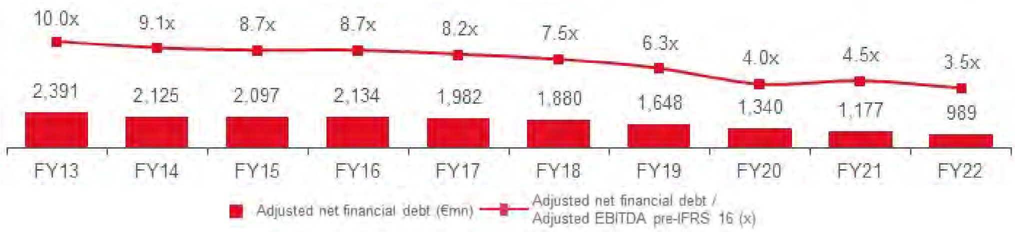
We also believe that our financial growth highlights our strong commitment to operational efficiency. In addition, our investments in hedging against inflation have been successful, as shown by the increases in EBITDA even during periods of high inflation. Although Spain continues to experience inflation, in the past we have been able to manage our prices such that they are consistent with inflationary trends while lowering our costs of raw materials, thus increasing our overall margin. For example, our Adjusted EBITDA pre-IFRS 16 and Adjusted EBITDA pre-IFRS 16 margin increased from €261 million and 5.7%, respectively, for the fiscal year 2021 as compared to €314 million and 6.2% for the last twelve months ended July 31, 2023 in the context of a high inflationary period. The following chart shows the evolution of our Adjusted EBITDA pre-IFRS 16 and Adjusted EBITDA pre-IFRS 16 margin for our core and non-core businesses for the fiscal years 2013 to 2022:



(1) Includes mainly our food businesses in our Core Regions.

(2) Includes all business other than food businesses in our Core and non-Core Regions and the remaining food business in non-Core Regions.

Furthermore, we demonstrated our commitment to delever our business by the reducing our Adjusted net financial debt to Adjusted EBITDA pre-IFRS 16 Ratio from 10.4x in 2013 to 3.5x in the fiscal year 2022, as a result of the debt repayments related to the fiscal year 2019 as well as sales of non-core assets and business lines and continued cash flow generation. Our disciplined approach to deleveraging shows our strength in delivering strong financial performance while maintaining a sustainable balance sheet, resulting in a healthy balance between debt reduction and business growth. The following chart shows our Adjusted net financial debt and the ratio of Adjusted net financial debt to Adjusted EBITDA pre-IFRS 16 for the fiscal year from 2013 to July 31, 2023:



Overall, our capacity to delever successfully, coupled with the strategic portfolio transformation, increasing profitability, and resilience in the core businesses, demonstrates what we believe is a robust foundation for stable long-term growth.

Differentiated omni-channel platform with a multi-format and flexible operational business model focused on supermarkets

We are a prominent competitor in the Spanish grocery industry, with a robust and innovative omni-channel strategy, which refers to our consolidated platform and ability to offer our whole suite of products through several channels and platforms, weaving together physical stores and our online supermarket and phone app to create a seamless shopping experience for customers. With approximately 1,500 physical stores strategically located across key regions as of July 31, 2023, we boast an extensive network that offers convenience and accessibility to our customers. Our wide reach enhances our brand visibility, fostering trust and loyalty among our large customer base. In Northern Spain, we have 302 stores and 301 franchises under the multiple EROSKI brands during the same period. As of July 31, 2023, the majority of our 40 gas stations under the EROSKI gas stations brand are also in Northern Spain. In Catalonia and the Balearic Islands, we had 288 stores and 193 franchises under the Caprabo and other EROSKI brands as of July 31, 2023. In Galicia, we have 194 stores and 121 franchises under the Vegalsa and other brands as of July 31, 2023.

We run a multi-format strategy, where 74% of our revenues for the fiscal year 2022 is generated from food sales made at our 731 supermarkets, which is our leading format. This business format is complemented by 36 strategically located hypermarkets, which accounted for 16% of our revenues for the fiscal year 2022. Our hypermarkets provide logistics support to our online orders and enhance customer experience by offering a one-stop shop for all the needs of our customers. Our 17 Cash & Carry stores account for 3% of our revenues for the fiscal year 2022 and provide us with financial benefits through lean inventory management and cost savings. Finally, 7% of our revenues for the fiscal year 2022 comes from our diversified businesses, such as our gas stations and opticians, that provide an incremental revenue stream and drive footfall to our supermarkets and hypermarkets.

We operate flexibly with two retail models, owned and franchise stores. For over 40 years, we have been able to create efficiencies and grow by combining the success of our approximately 900 EROSKI-operated stores with a large network of more than 600 franchise stores, both online and physical. Our retail models are complementary and allow us to adapt quickly to market developments and strategically grow and manage our store footprint. For example, while we are strongly geographically focused in Northern Spain, we are a national retailer and make targeted investments in select areas outside our Core Regions, where we believe there are attractive market opportunities through the franchise model.

While the franchise model is a key complementary format which supports our strategic goals, it is also more profitable, with approximately a 3% higher Adjusted EBITDA pre-IFRS 16 margin than our EROSKI-operated stores. Our franchisees pay annual royalty fees as well as buy supplies from us at prices we set, which typically include a margin. Franchisees also cover all costs other than distribution costs. In our Core Regions, franchises complement the geographic reach of our EROSKI-operated store network and can efficiently manage and meet specific demands of the local market better through small stores that are familiar with the local market. For instance, franchises can complement our EROSKI-operated stores during holidays or outside core business hours, as franchises have the freedom to dictate their own business hours. The franchise network also allows us to target smaller catchment areas with lower population densities that might not fit our investment profile for an EROSKI-operated store. Outside of our Core Regions, franchises allow us to grow our presence without significant capital investments, which further enhances our brand recognition and national presence. Currently, our franchise format accounts for 10% of our revenue and 15% of our Adjusted EBITDA pre-IFRS 16 and both metrics have been growing at a CAGR of 8.3% and 12.9%, respectively, in the fiscal years from 2012 to 2022. We expect this trend to continue in the short to medium term.

Diversified and well-recognized portfolio of private label products complemented with top market supplier brand offering that maximizes customer experience and loyalty

Our company has a unique product proposition, combining the attractiveness of our private label products with renowned supplier brands. As one of the first grocers to develop private label products, we have an extensive portfolio of over 10,000 private label SKUs, over a total product range of more than 115,000 SKUs, offering a selection tailored to meet diverse customer preferences and demands. We believe our broad product range allows us to offer the best value for money to customers compared to our competitors, by offering a variety of price points within each of our product categories.

Our private label products represented 34.8% of our total food sales for the fiscal year 2022, highlighting our customers' trust and preference for our offerings. Over time, we have continually strengthened our commitment to our private label's offerings. We invest heavily across our product range and deliver top quality products for each price category. Our increase from 32.7% of total revenue in the fiscal year 2020, to 34.8% in the fiscal year 2022, reflects the continuing appeal and success of our private label program. In the fiscal year 2022, 89% of our total revenue was food, of which 34.8% was from our private label.

Our unique product offerings are also a result of our network of supplier relationships at both the national and international level. As of July 31, 2023, we had more than 9,000 commercial and service companies, with a clear focus on the local economy and producers that allow us to provide a set of local and international products not offered by our competitors. As of July 31, 2023, we had 3,745 commercial suppliers, over 95% were Spanish and approximately 60% were local agri-food producers. Moreover, our dominant position in our Core Regions makes us highly relevant to local supplier brands.

Our supplier relationships allow us an advantage at addressing recent consumer trends for fresh and organic/biodynamic foods; 38% of our total food revenue for the fiscal year 2022 is attributable to fresh products. Our supply chain means we are uniquely able to bring fresh, local foods from smaller producers who otherwise could not access the general market to our customers, which solidifies our reputation as a go-to destination for premium food offerings and develops consumer loyalty.

Large and loyal customer base providing a recurring revenue stream supported by our fast-growing online, franchise and other channels

Driven by our robust loyalty program, the Eroski and Caprabo Clubs, which thrive on innovation, personalization and customer satisfaction, we have a large and devoted customer base. With approximately 5.1 million members as of July 31, 2023, the Eroski and Caprabo Clubs have proven their effectiveness in building enduring relationships with our customers.

Embracing trends like subscription services and personalized experiences, our total revenue attributed to loyalty club members was 70% as of the fiscal year 2022. We have also improved our customer retention rate from 79% as of the fiscal year 2020 to 85% as of the fiscal year 2022. In addition, our subscription model has been very successful, as of the end of the fiscal year 2022 we had over 160,000 Gold Card holders. Gold Card holders are EROSKI Club members who pay a monthly subscription fee in exchange for additional benefits, such as a 4%-6% discount on all purchases at our supermarkets, hypermarkets, gas stations, opticians and online stores. Gold Card holders accounted for approximately €802 million in revenues during the fiscal year 2022, growing at a CAGR of 10.8% from the fiscal year 2018 to the fiscal year 2022. Further, our subscription service offers our business stability by providing us with consistent and recurring revenue.

EROSKI Club is based on offering customized commercial proposals, according to the needs of our customers. A high level of coverage of consumers' interests is directly related to increasing loyalty. Offering each customer savings proposals and relevant information and training on the content they consume is directly related to long-term loyalty. To this end, advanced personalization and customer relationship management tools are available to generate the best experience. A more loyal relationship captures more of the customer's wallet share.

We have also shown our dedication to enhancing customer engagement by the development of our online channel through both our online supermarket and our proprietary and user-friendly phone app, which was downloaded 411,544 times in the fiscal year 2022. Our app is highly rated, achieving a score of 4.5/5.0 for customer satisfaction on both the App Store and Google Play. Our dynamic online presence has led to the number of customers who make these online purchases increasing by 42.5% month over month from January to the fiscal year 2022. We believe this increase reflects the success of our omni-channel approach in captivating and retaining a growing online audience. We have reached a milestone in building a strong digital customer base, with over 1 million digital customers and 500,000 active users as of the Issue Date. We take pride in our trailblazing spirit, being the first to offer online sales within the Spanish grocery retail market, which has positioned us as a market leader with a first mover advantage. In our Core Regions, we are market leading and are one of the most popular online grocery retailers in the Basque Country, Navarra and Galicia with online market shares of 42%, 29% and 21%, respectively, for the fiscal year 2022. As of July 31, 2023, we had a 46% household penetration in our Core Regions, and 90% penetration in the Basque Country and Navarra.

Reinforcing our commitment to customer convenience and online experience, we have developed a very efficient logistics platform and already offer 30 Click & Drive locations, 63 Click & Collect locations and four smart locker locations allowing customers to effortlessly retrieve their online purchases through efficient and contactless methods. Additionally, we have 143 strategically located preparation centers that makes our online order fulfilment more efficient. These centers are dedicated to filling online orders promptly, ensuring a swift and satisfactory shopping experience for our valued digital customers.

As well as increasing engagement and loyalty, our online sales have also proven profitable, with online sales accounting for €4.6 million in online Adjusted EBITDA pre-IFRS 16 and 4.9% Adjusted EBITDA pre-IFRS 16 margin for the fiscal year 2022, and €95 million in online revenue reached in fiscal year 2022 with a CAGR of 12.2% over the fiscal years 2019 to 2022.

We have also invested heavily in advanced analytics, which has allowed us to better deliver value to customers in three key areas: price management, smart product investment and product assortment. Our price management programs allow us to identify the key references in setting prices, adapting to different regions according to their competitive environment. Predictive models allow us to model different scenarios for sales, profitability and purchase frequency, maximizing in each case the desired variable. In terms of product investment, we have advanced analytics for the effective and efficient management of each of the commercial levers; a comprehensive view of customer data management allows us to achieve a comparative attribution and profitability model for each of them, which allows us to optimize our investment decisions. In terms of product assortment, our analytics allows us to judge the level of interest customers have in our products which informs our decision-making in terms of stocking range and number of products.

We believe our omni-channel capabilities demonstrate our unwavering commitment to meeting customer expectations and staying ahead of competitors. By seamlessly integrating our physical establishments, online platforms and advanced technology such as analytics, we offer unparalleled convenience, engagement and growth opportunities. As a pioneer in the Spanish grocery retail market, our omni-channel strength fortifies our position as a customer-centric and forward-looking industry leader.

Cooperative business model providing a clear competitive advantage, ensuring long-term commitment to our financial and ESG targets

We are a legal entity managed and operated by our members, leading to more involvement at the company, alignment of values with a higher sense of belonging, and higher employee retention rates. As of July 31, 2023, we had more than 29,000 employees of which approximately 8,800 were cooperative members. Furthermore, we are committed to promoting gender equality throughout our managerial ranks and, as of January 31, 2023, women accounted for 74% of our senior ranking positions. As of January 31, 2023, our cooperative member employees have been working with us for an average tenure of 19 years.

Our cooperative structure shares many similarities with more traditional corporate structures in respect of governance, having similar committees, but also provides many competitive advantages. We run a highly independent governance strategy focused on the long-term financial sustainability of our business through a conservative financial profile rather than maximizing short-term profits for shareholders.

Additionally, as a cooperative we have strong brand awareness and high levels of consumer loyalty as well as unique ties to local communities and suppliers that we believe provide us with an advantage compared to our competitors.

As a cooperative we also have a demonstrable commitment to the environment, consumer health and well-being, as well as the sustainable development of society. Since 2018, we have focused on our Ten Commitments to Health and Sustainability, which are our guiding principles and roadmap for adequately meeting consumer and society demands and expectations. In respect of our community, we have focused on fostering the local economy by increasing the number of local products and local farmers in our portfolio. As of July 31, 2023, 60% of our suppliers were local agri-food producers. We also donate to social programs; we allocated 22 million during the fiscal year 2022 to programs aimed at fostering communities together with our stakeholders. These programs include our Zero Waste program for those in need of basic groceries and proper nutrition, events based on promoting local culture or environmentalism such as the Musikaire festival, ikastolas parties at the Basque Country public schools, and the Durango Fair. Additionally, we operate the EROSKI Foundation, which runs programs such as the Food and Healthy Habits Education Program.

We have made the ambitious commitment to becoming a company with net zero greenhouse gas emissions by 2050 in an effort to fight climate change. Our commitments include: (1) reducing our carbon dioxide emissions by 25% by 2025, which we intend to accomplish by improving the efficiencies of our equipment and processes as well as increasing our usage of renewable versus conventional energy; (2) reducing conventional plastic packaging that we use in our private label products by 20% by 2025; (3) orientating our processes towards circular economy and achieving zero waste generated in our facilities; our goal is to use 100% recyclable plastics by 2025; and (4) promoting more environmentally and animal-friendly products by bolstering our offerings under our *EROSKI BIO and EROSKI VEGGIE* brands and by obtaining certain environmental certifications under our *EROSKI Nature* brand.

In addition, in November 2021, we opened our Lakua-Arriaga supermarket, the flagship store for our energy transition towards a new physical store model designed to meet the challenges of climate change. This supermarket was constructed in compliance with LEED Gold certifications, uses 100% renewable energy, natural refrigerants, smart LED lighting and energy-efficient automation to achieve a 50% reduction in energy use, and recovers over 80% of waste generated through our circular waste management program. Additionally, it has 12 charging points for electric vehicles to promote a safer and more sustainable mobility. In 2022, we received the Euskadi Commerce Award, as well as a runner-up prize in the Green Pact Award from the Vitoria-Gasteiz City Council, for this new physical store model.

Experienced management team with strong industry track record and proven commitment to Eroski

We have a senior Management Board composed of ten experienced retail executives. Our team is led by our Chief Executive Officer Rosa Carabel. Rosa joined Eroski in 2004 and has 28 years of professional experience in the retail industry and 19 years of experience at Eroski. Rosa is supported by the other members of our Management Board, some of whom have been with us for more than 30 years. We believe that the collective industry knowledge and leadership of our Management Board and their record of accomplishment in responding to challenging economic conditions and achieving profitable sales growth will enable us to continue to deliver strong financial results in the future. See "*Management*".

Our Strategies

The following is a summary of the activities we are currently undertaking in pursuit of our strategic objectives.

Sustainable growth as the key pillar of our strategic plan, with a clear commitment towards continuous deleveraging

The core of our strategic plan centers on achieving continued and sustainable growth. We aim to achieve these goals by improving our positioning in healthy and local product assortment through a competitive private label offering while also improving our customer experience. We believe that by so improving our positioning we would achieve footprint and brand expansion and further improve our financial profile and cost efficiency.

We aim to achieve this by tailoring our offerings to meet regional preferences and efficiently increase market share, with a particular emphasis on strengthening our presence in our Core Regions.

Additionally, we see substantial potential for growth in our franchised stores, which require low capital expenditure to open. Our management team identifies potential owned and franchised store sites based on experience and factors such as demographics, the availability of suitable retail space, local economic conditions and other factors that we believe are relevant to the successful expansion of our store network and that should enable us to capitalize on the anticipated increased traffic and sales volume of our new stores. We believe that our new stores will benefit from strong brand awareness and existing marketing campaigns, and consequently require only limited incremental marketing support.

We are committed to continue our deleveraging trajectory through both continuing our targeted disposals of non-core real estate as well as through organic cash flow generation, which we believe is essential to continue on our sustainable growth journey.

By maintaining financial success alongside responsible business practices, we aim to create a thriving and enduring enterprise that positively impacts the communities where we operate.

Maximize customer experience and loyalty through a wide and highly attractive product offering with an optimal price-to-quality ratio

In our strategic plan, customer experience is a key priority, and we aim to differentiate ourselves through price competitiveness, active customer communication and a focus on our loyalty club. By prioritizing exceptional service to our customers, we seek to create a unique and positive customer experience. Our commitment to competitive pricing, combined with engaging and personalized communication, strengthens customer loyalty and fosters lasting relationships. The emphasis on our loyalty member club further enhances customer benefits and satisfaction with discounts and promotions, positioning us as a company that prioritizes and values its customers.

In our strategic plan, we also prioritize brand footprint and growth, with a key focus on our private label. Leveraging the power of private label products, we aim to enhance brand recognition and build customer loyalty. Our objective is to increase private label penetration by offering high-quality products with an optimal price to quality ratio, appealing to value-conscious customers. We will invest in marketing, optimize shelf space, and collaborate closely with our suppliers to ensure the success of our private label strategy. By positioning our private label as a trusted and competitive alternative to national and international brands, we envision driving sustained growth, expanding our market presence, and solidifying our brands' reputation for excellence while expanding and strengthening customer loyalty.

Focus on digitalization as driver of efficiencies and cost savings

In our strategic plan, technology, digitalization and efficiency play a central role in achieving cost savings and operational excellence. By investing in cutting-edge technology such as process automation and robotization, advanced analytics and artificial intelligence, our goal is to continue to optimize processes and increase our use of digital technology. We also seek to improve the shopping experience both in our physical stores and in the digital environment.

Advanced analytics has allowed us to better deliver value to customers in three key areas: price management, smart product investment and product assortment. Our price management programs allow us to identify the key references in setting prices, adapting to different regions according to their competitive environment. Predictive models allow us to model different scenarios for sales, profitability and purchase frequency, maximizing in each case the desired variable. In terms of product promotional investment, we have advanced analytics for the effective and efficient management of each of the commercial levers; a superior view of customer data management allows us to achieve a comparative attribution and profitability model for each of them, which allows us to optimize our investment decisions. In terms of product assortment, our analytics allows us to judge the level of interest customers have in our products which informs our decision-making in terms of stocking range and number of products.

In terms of our digital and online offering, we continue to expand delivery models in more regions across Spain (in addition to our "Capraboacasa" pilot delivery service in the Barcelona metropolitan area) and are developing other innovative, low-cost delivery options for our customers. For instance, we have expanded our Click & Collect, Click & Drive and smart locker network and features, and we are continuing to upgrade and maintain the features of our online supermarket platform to adapt to our customers' changing needs, such as by using certain algorithms to suggest similar products in the event a customer's preferred product is out of stock and improving filters and personalized offers for our customers. By using certain algorithms, we are able to suggest similar products in the event a customer's preferred product is out of stock and improve filters and personalized offers for our customers. Our online grocery store and phone App offer features to allow our customers to make faster purchases by providing personalized shopping lists based on their frequent purchases.

Additionally, our commitment to continuous improvement and innovation ensures that we stay ahead in the market, providing value and seamless customer experience. Embracing an omni-channel business model and leveraging a robust logistic platform, we offer a unique and integrated experience across various channels, enhancing convenience and customer satisfaction while fostering loyalty.

Clear and continued commitment to key customer demand trends for healthy and local foods

An increased customer focus on health has resulted in a growing demand for fresh and locally farmed products.

Our supplier relationships allow us an advantage at addressing recent consumer trends for fresh and organic foods; 38% of our total food revenue for the fiscal year 2022 is attributable to fresh products. As of July 31, 2023, we had 3,745 commercial suppliers, over 95% were Spanish and approximately 60% were local agri-food producers. Our sustainable supply chain of local suppliers means we are uniquely able to bring fresh, local foods to customers, which solidifies our reputation as a go-to destination for premium food offerings and develops consumer loyalty.

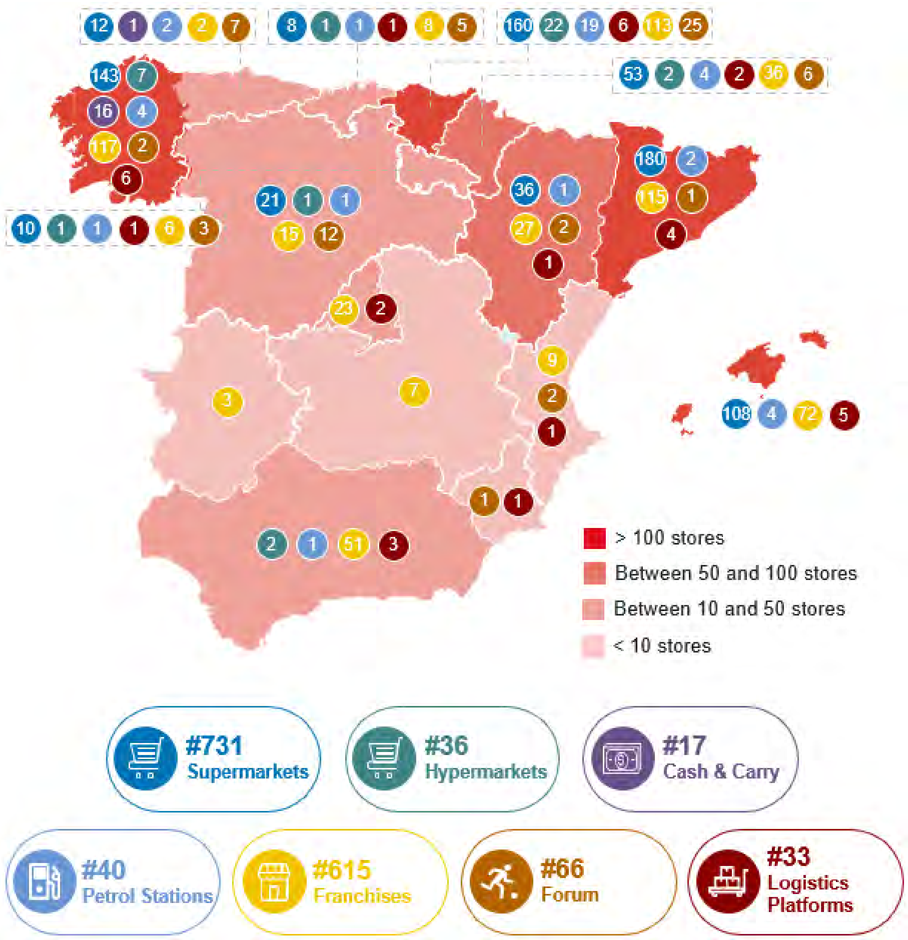
We also cater to the growing demand for health-conscious alternatives by curating a diverse selection of healthy food through our private labels, such as Veggie, Bio and Nature brands and providing clear and transparent nutritional information. We launched our Nutritional Traffic Light program in 2007 and the Nutri-Score label in 2019. In fact, we were one of the first food retailers to introduce the Nutri-Score standard in the Spanish market.

The development of our private label coupled with our focus on sustainability and well-being distinguishes us in the market and appeals to both health and non-health-conscious consumers and fosters long-term customer loyalty. We aim to become a trusted destination for healthy and locally sourced food, aligning with the values of the communities we serve.

Our Businesses

We are the leading food retailer in several Spanish regions, the number one food retailer in Northern Spain for the fiscal year 2022 and number fourth food retailer in all of Spain based on market share as of July 31, 2023, in each case, measured by overall sales. As of July 31, 2023, based on overall sales, we had 37% of the market share in the Basque Country, 28% of the market share in Navarra, 21% of the market share in the Balearic Islands and 19% of the market share in Galicia. 90% of the Basque Country and Navarra households are customers of our stores. As a testament to our deep ties to our roots, stores are present in almost every town in the Basque Country.

Our products are offered through a diverse portfolio of strategic formats and distribution channels aimed at providing our customers with a seamless omni-channel shopping experience tailored to their preferences. The below sets out our presence and store locations across Spain as of July 31, 2023, excluding franchise locations.



Our physical food businesses operate through more than approximately 1,500 brick-and-mortar retail outlets covering 1.17 million square meters of retail space as of July 31, 2023. The principal formats of our stores include:

- *Supermarkets*, both owned and franchises, which are our main format are based in cities and urban areas and focus on offering a wide range of leading brand and private label products with what we believe to be quality-price positioning. For the six-month period ended July 31, 2023, our supermarket network accounted for 77% of our revenue and was comprised of 731 EROSKI-operated locations and 615 franchise locations.

- *Hypermarkets*, which are larger stores typically located outside of city centers and in the suburbs that offer a wide range of food and non-food products, including textiles, home electronics and appliances, among others. Our hypermarkets serve as a one-stop shop and cater to a greater volume of customers. Our preparation centers for managing online orders and coordinating deliveries are also based at our hypermarket locations. For the six-month period ended July 31, 2023, 36 hypermarkets accounted 15% of our revenue.

- *Cash & Carry stores*, which are self-service wholesale stores catering to business customers who are retailers, caterers, or institutional buyers. For the six-month period ended July 31, 2023, our Cash & Carry format consisted of 17 locations and contributed 3% of our revenue.

- In addition to our core food business, we also operate our diversified businesses, which are non-food businesses including 40 gas stations, which accounted for approximately 1% of our Adjusted EBITDA pre-IFRS 16, and 66 sport equipment stores under the Forum Sport brand.

Digital Presence and Online Businesses

Our online and delivery services complement our brick-and-mortar retail locations. Our Click & Drive service offers customers spending more than €30 the option to shop online and collect their purchases from parking points at certain stores in less than four hours. We package and bag these orders and bring them to our customers to place directly into their cars. Smart lockers are used by customers who wish to collect their orders from designated pick-up points at their preferred time slots. Capraboacasa offers an array of delivery options, including same day and next day delivery at no additional charge for customers who spend more than €110 and live within the Barcelona metropolitan area or Catalonia. For our Capraboacasa delivery service, the bulk of orders are prepared at a dedicated logistics center in El Prat de Llobregat given the concentration of online activity in the Barcelona metropolitan area. In response to COVID-19, our food e-commerce sales were up by 108.7% on a like-for-like basis across our expanded delivery models in the fiscal year 2020, which more than doubled results compared to pre-COVID-19 figures.

In addition to physical stores and expanded delivery models, our products are offered to our customers through a diverse portfolio of strategic virtual formats and distribution channels, including an online supermarket platform in operation since 2000, our EROSKI proprietary phone app introduced in February 2016 and the Capraboacasa delivery service for customers in the Barcelona metropolitan area. We continue to upgrade and maintain the features of our online supermarket platform to adapt to our customers' changing needs, especially as those needs interact with our offerings, such as by using certain algorithms to suggest similar products in the event a customer's preferred product is out of stock, suggesting new products and improving filters and personalized offers for our customers. In the fiscal year 2022, the EROSKI app was downloaded 411,544 times. Our app is highly rated, achieving a score of 4.5/5.0 for customer satisfaction on both the App Store and Google Play. Customer orders that are made online are fulfilled by our physical stores; each online order is processed by our distribution centers/preparation centers and then assigned to a store near the customer's location with the proper inventory of the customer's selected items. Our employees at each of our physical stores are responsible for and trained to fulfill all online orders and there are no staff solely dedicated to fulfilling online orders at our supermarkets and hypermarket.

As of July 31, 2023, our digital and technological strategies were comprised of 30 Click & Drive locations, 63 Click & Collect locations, four smart locker locations and 143 preparation centers for managing the logistics of online orders while our logistics network for supporting our online business consisted of 23 owned platforms and 10 supplier platforms. As of July 31, 2023, we operated 365,034 square meters of warehouse space across these centers and platforms, allowing us to distribute and process nearly one million parcels a day.

Logistics and Distribution

Logistics is particularly crucial to the success of our retail and e-commerce businesses. We are improving efficiency in the value chain through a lean and competitive network of distribution centers (23 as of July 31, 2023, of which we own 3, with the remainder leased) and transport with advanced solutions to boost our competitiveness. In addition to the modernization of logistics for perishable products, there are more environmentally friendly facilities, updated technology with more efficient cold rooms and increased comfort and safety for the team working in the distribution center. This is the case for:

- our Júndiz Berria distribution center and our Caprabo ZAL distribution center, which have been designed in accordance with the standards and requirements of the prestigious international Leed Gold environmental certification; and

- the new VEGALSA-EROSKI fresh produce platform in Sigüeiro (A Coruña), which features eco-efficient and environmentally friendly technologies.

We believe that the strength and quality of our logistics network is critical to the freshness of our products, quality control and customer satisfaction. We aim to optimize our logistics systems through automation, robotization, pooling of warehouses and partnerships with last mile delivery experts. We seek to reduce the environmental footprint of our supply chain by using alternative modes of transport. For example, in 2022, we put our first 100% electric delivery truck into circulation to carry out urban distribution in the city of Pamplona.

Our Products

Product Selection, Development and Assortment

One of the most significant components of our leadership has been the care that we take in selecting products for our stores. We implement a customer centric concept for product selection and development designed to reflect customer preferences and lifestyles as tailored for particular disposable income levels in a store's catchment area. As a result, our product selection and development process is adaptive and generally eschews a one-size-fits all approach. We customize our product range, inventory and pricing based on the purchasing power and price sensitivity of our customers in an area in order to increase the efficiency of our operations. For example, based on our analysis of EROSKI Club data and advanced analytics tools, which can be further adapted to show the breakdowns by region, store size and format level, we can prepare an optimal assortment of products based on customer buying. If an area covers more price sensitive customers or if our stores are located near discounter competitors, we may customize inventory and pricing accordingly in order to increase the efficiency of our operations. Advanced analytics tools allow us to identify the price sensitivity of different stores and, at the reference level, manage prices accordingly to maximize sales and performance. These machine learning-based tools not only inform better pricing decisions but also allow us to customize our promotions and offerings in an ongoing process to match consumer behavior trends or until we obtain certain desired results.

For instance, based on EROSKI club data and our analytics tools, we can optimize our inventory based on customers' purchasing behaviors at the regional- or format-level. These advanced analytical tools allow us to identify the price sensitivity of different stores, as well as even at a reference level, managing prices accordingly to maximize sales and results. These tools are based on machine learning and provide us with a clear competitive advantage.

Private Label Products

We offer a broad range of our own-brand products, offering high quality, lower price alternatives for our customers in an inflationary environment. We also offer premium range own-brand products, namely EROSKI SeleQtia and Nature, for customers who trust in our brand's quality and prestige and support our locally sourced business focus. Our main own-brands include:

- *EROSKI SeleQtia*, premium products tested by the Basque Culinary Center, offering excellent quality and value for money;
- *EROSKI Nature*, a range of fresh products with the highest quality standards, including natural, premium product offerings from responsible producers;
- *EROSKI* and *EROSKI Basic*, cost-effective day-to-day products;
- *EROSKI Bio*, an organically certified brand;
- *EROSKI Veggie*, products suitable for vegans; and
- *belle*, cosmetics, personal hygiene and personal care without parabens or triclosan.

Local products

We are committed to developing the local economies in the areas in which we operate by encouraging the distribution and promotion of products local to each area. As of July 31, 2023, we had 3,745 commercial suppliers, over 95% were Spanish and approximately 60% were local agri-food producers. We consider local suppliers to be those suppliers that have an address in the relevant community and have supplied regional or local products within the year. These local suppliers are usually small and medium sized agri-food companies whose products we distribute only in the area in which the producer is located. As a result, these smaller producers can access our marketing channels to distribute their products.

Beyond benefitting the local producers, our reliance on local producers reduces our transport costs and greenhouse gas emissions, and helps to prioritize diversification over homogenous mass produced goods. We also believe the promotion of local economies helps to preserve the cultural heritage of these areas.

Store Formats

We operate retail businesses through both brick-and-mortar retail outlets and via online sales. Our operations are established throughout Spain, with a focus on our Core Regions.

Our physical businesses operate under several brands, each of which as a distinct format. The principal brands and formats include:

Supermarkets

As of July 31, 2023, 1,346 supermarkets, which generated €3,799 million in revenues for the twelve months ended July 31, 2023. Of 1,346 stores, 615 were operated by franchisees. Revenues generated by sales to franchisees were €545.9 million or 11% in revenues for the same period.

In Northern Spain, which accounted for 25% of our total revenue for fiscal year 2022 and 23% of our total revenue for the twelve months ended July 31, 2023. Our like-for-like revenue growth in supermarkets was 0.6% average over the fiscal years 2020 to 2021 (to remove the effect of COVID-19), 1.0% for fiscal year 2022 and 10.7% for the twelve months ended July 31, 2023.

In Galicia, which accounted for 18% of our total revenue for fiscal year 2022 and 18% of our total revenue for the 12 months ended July 31, 2023. Our like-for-like revenue growth in supermarkets was 3.7% average over the fiscal years 2020 to 2021 (to remove the effect of COVID-19), 8.6% for fiscal year 2022 and 16.8% for the twelve months ended July 31, 2023.

In Catalonia, which accounted for 12% of our total revenue for fiscal year 2022 and 14% of our total revenue for the 12 months ended July 31, 2023. Our like-for-like revenue growth in supermarkets was 4.5% decrease average over the fiscal years 2020 to 2021 (to remove the effect of COVID-19), 1.3% growth for fiscal year 2022 and 8.8% growth for the twelve months ended July 31, 2023.

In the Balearic Islands, which accounted for 9% of our total revenue for fiscal year 2022 and 11% of our total revenue for the 12 months ended July 31, 2023. Our like-for-like revenue growth in supermarkets was 0.4% average over the fiscal years 2020 to 2021 (to remove the effect of COVID-19), 11.5% for fiscal year 2022 and 16.2% for the twelve months ended July 31, 2023.

Our supermarkets are mainly located in cities and large urban areas, totaling 1,346 stores as of July 31, 2023 including our franchises. Our supermarkets offer a wide variety of fresh food items, groceries, household products and other items.

Hypermarkets

As of July 31, 2023, 36 of our stores operated as hypermarkets, and our hypermarkets generated €785 million in revenues and 16% of revenue for the twelve months ended July 31, 2023. Of 36 stores, none were operated by franchisees. Our like-for-like revenue growth was 0.1% for fiscal years 2020 to 2021, 0.6% decrease for fiscal year 2022 and 9.6% growth for the twelve months ended July 31, 2023.

Our hypermarkets are located next to urban areas, primarily outside city centers and in the suburbs and aim to provide consumers with a diversified product offering, including both food and non-food items such as cosmetics, apparel and electrical devices and appliances, from both name brands and our private label, all under a single roof in a modern and friendly environment.

Cash & Carry (Cash Record)

The Cash & Carry store model is aimed at professionals and catering businesses, featuring a wide variety of products with the best value for money and optimal price-to-quality ratio. Our Cash & Carry stores also offer specialized advice and products adapted to our customers' needs. Cash & Carry stores have opening times that are suited to professionals in the restaurant and catering business.

Cash & Carry also has its own app, which facilitates the management of orders by using a barcode reader and other enabled functionalities, such as replicating orders or visualizing offers, tickets, news and recipes.

As of July 31, 2023, 17 stores operated under the Cash & Carry format, and these stores generated €149 million in revenues and 3% of revenue for the twelve months ended July 31, 2023. Of 17 stores, none were operated by franchisees.

Material Agreements

Franchise Agreements

Our franchise contracts are standardized and generally have a five-year duration. Our franchise contracts allow for a two-year renewal option, and, following the expiration of the additional two years, may be renewed for another two years. In most cases where a franchisee partner has fulfilled its obligations under our franchise contract, the agreement is automatically renewed. Our franchise contracts cannot be reassigned by our franchise client but we may assign both the contract and the rights and obligations arising thereunder to entities in which we have either a direct or indirect shareholding. If a franchisee client breaches, defaults on or terminates its contract before its agreed termination date, it shall pay us a penalty of 5% of the revenue during the twelve-month period preceding the event of early termination. Upon termination, the franchisee client shall return our equipment and intellectual property, including logos, labels and trademarks, among other assets. See "*Our Store Network—Franchising.*"

Vegalsa Agreement

The Vegalsa business is operated through a joint venture, which has been in operation since February 13, 1998 and is 50% owned by the Ventura Gonzalez family. Vegalsa primarily operates supermarkets and hypermarkets in Galicia, but also has operations in the neighboring communities of Asturias and Castilla y Leon. While Vegalsa operates using our brands and insignias, it also carries additional brands, such as Autoservicios Familia and Cash Record. Vegalsa is fully consolidated within the Group and will be a non-guarantor restricted subsidiary under the Notes.

The relationship between us and our joint venture partner is governed by a shareholders agreement, dated November 24, 2016, as amended and supplemented, and provides that we will lead the strategic direction of Vegalsa, though the board of directors of Vegalsa is not obliged to follow our strategic plan. The Vegalsa board of directors is composed of four members, two members appointed by each of us and our joint venture partner, with one of our appointments holding the power to be appointed as chairman (who has the authority to cast the deciding vote in the case of a deadlock, subject to certain limitations). The key matters to be decided by the board of directors of Vegalsa include, but are not limited to, (i) authorization of decisions relating to openings, closures and transfers of commercial stores, (ii) authorization of investments and relevant contracts, (iii) approval of changes in the management team, (iv) the establishment of the management plan guidelines and (v) adoption of annual budgets. Once a year, the board of directors of Vegalsa shall decide the amount to be distributed to the shareholders after considering the annual budget and the business plan.

Supratuc Agreement

The Supratuc business is operated through a joint venture, created in September 2021, when we sold 50% of our shares in Supratuc2020 S.L. to the EP Bidco, A.S. Supratuc is the 100% owner of CECOSA Supermercados, S.L., which primarily operates supermarkets in the Balearic Islands and Caprabo, S.A. which primarily operates supermarkets in Catalonia. Supratuc is fully consolidated within the Group and will be a non-guarantor restricted subsidiary under the Notes. See "*Description of the Notes*." Supratuc operates as an extension of our brand, using our brands and insignias as well as our private label products.

The relationship between us and the EP Bidco, A.S. is governed by a shareholders agreement, dated September 7, 2021, and provides that we will lead the strategic direction of Supratuc, though the board of directors of Supratuc is not obliged to follow our strategic plan. The Supratuc board of directors is composed of four members, two members appointed by each of us and EP Bidco, A.S., with one of our appointments holding the power to be appointed as chairman (who has the authority to cast the deciding vote in the case of a deadlock, subject to certain limitations). The key matters to be decided by the board of directors of Supratuc include, but are not limited to, (i) authorization of decisions relating to openings, closures and transfers of commercial stores, (ii) authorization of investments and relevant contracts, (iii) approval of changes in the management team, (iv) the establishment of the management plan guidelines and (v) adoption of annual budgets. Once a year, the board of directors of Supratuc shall propose the dividends to be distributed to the shareholders after considering the annual budget and the business plan, the statements of liquidity of Supratuc and the subsidiaries and their debt levels. The agreement between shareholders provides for the distribution of dividends in the maximum amount possible, taking into account the cash needs of Supratuc and/or the subsidiaries once its obligations and commitments have been met, including all investment activities. In certain circumstances following a disagreement between the directors appointed by us and those appointed by the EP Bidco, A.S., the chairman appointed by us may exercise his or her right to cast the deciding vote following a number of required procedures designed to break the deadlock. If such a decisive vote is cast, EP Bidco, A.S. has the option to require us to repurchase its shares at their market value. This purchase must be effective within 12 months after EP announces its desire to execute its put option.

Suppliers

Our supplier base is characterized by numerous stable, long-term relationships with suppliers from a wide variety of backgrounds, including suppliers of leading international or national brands, suppliers of our own-brand products, small local suppliers or cooperatives and farmers who supply our stores locally and suppliers of goods and services for general and administrative purposes. Typically, supplier contracts are renewed on a regular basis. We have a large network of suppliers, and we believe that we provide an important channel for these suppliers to access customers. As of July 31, 2023, our top ten suppliers represented approximately 17.42% of our cost of goods sold and our top 20 suppliers represented approximately 27.18% of our cost of goods sold. We are part of the international purchasing alliance, AgeCore, one of the largest in Europe where together with our partners, Colruyt, Coop Swiss and Conad, we negotiate international conditions with large multinationals.

We work with over 9,000 commercial and service suppliers who provide us with services and both name-brand and own-brand products. We partner with more than 2,000 local producers and approximately 3,745 commercial suppliers. Overall, 95% of our commercial suppliers are Spanish based, and 5% are international. Of our domestic producers and suppliers, 17% are located in Northern Spain including Basque Country and Navarra, 27% are located in Catalonia and the Balearic Islands, 13% are located in Galicia and 43% are located elsewhere in Spain. 49% of our producers and suppliers supply general food products, 32% supply fresh-food products and 19% supply non-food products. Further, our purchase power is also critical to our suppliers; 43% of products or supplies in Basque Country are purchased by Eroski.

Our identification of retail as a local business is a key component of our brand identity. We are committed to supporting and promoting local Spanish products throughout our store network. In 2022, we registered 1,529 new additions of local and regional suppliers, of which 852 were in fresh produce and 677 in food. These new registrations have generated sales of more than €23.8 million. In addition, we continue to renew and generate new collaboration agreements with sectoral organizations to promote local foods, Protected Designations of Origin ("**PDO**") and Geographically Protected Indications ("**PGI**"). Since January 1, 2022, we launched:

- the EROSKI Azoka online sales platform in Gipuzkoa, which aspires to be a common digital home where the smallest produces can bring their products closer to consumers; and
- a program for agri-food producers in the Basque Country and Galicia, to assess their environmental, social and corporate governance practices.

Additionally, we:

- organized four sectoral roundtables in the Basque Country and Navarra on the dairy sector, fisheries, production in Alava and vegetables in Navarra;
- held the VEGALSA-EROSKI 9th Meeting with the Food Industry;
- organized three meetings with suppliers in Catalonia and the Basque Country, where we shared with them our strategy and the latest developments in our business in each region;
- signed an agreement with the Government of the Basque Country for the promotion and development of agrifood products in the region; and
- promoted a campaign in the Balearic Islands encouraging the consumption of local produce, supported by the execution of agreements with 158 local food and fresh produce suppliers.

We collaborate with responsible suppliers that share our commitment to sustainable development and we ensure that all processes, from the origin of production to shop operations, transformation and handling, reduce their environmental impact. We aim to promote more environmentally and animal-friendly products, requiring environmental certifications for our *EROSKI Nature* range, expanding the range of organic or animal welfare labelled products and promoting the environmental improvement of suppliers' processes.

We select our suppliers based on strict specifications related to product quality. We do not believe that we are dependent on any one supplier or that the loss of any one supplier would have a material adverse effect on our business.

Our Store Network

Overview

We lease the majority of our properties. As of July 31, 2023, we had a network of 1,505 stores across Spain. A breakdown of the number of stores in our network by format as of July 31, 2021, 2022 and 2023 and sales area by format as of July 31, 2021, 2022 and 2023 is presented below.

	Number of stores			Sales area (in sq. m.)		
	July			July		
	2021	2022	2023	2021	2022	2023
Hypermarkets	**34**	**35**	**36**	**202,828**	**191,966**	**195,720**
of which:						
Own	34	*35*	*36*	*202,828*	*191,966*	*195,720*
Franchises	–	–	–	–	–	–
EROSKI Supermarkets	**727**	**743**	**755**	**405,040**	**418,405**	**418,309**
of which:						
Own	*379*	*381*	*382*	*312,656*	*336,860*	*345,464*
Franchises	*348*	*362*	*373*	*92,384*	*95,035*	*94,343*
Caprabo Supermarkets	**294**	**304**	**301**	**215,171**	**217,399**	**212,148**
of which:						
Own	*210*	*200*	*180*	*189,767*	*186,976*	*175,886*
Franchises	*84*	*104*	*121*	*25,404*	*30,423*	*31,939*
Familia Supermarkets	**76**	**75**	**76**	**61,541**	**61,857**	**63,354**
of which:						
Own	*76*	*75*	*76*	*61,541*	*61,857*	*63,354*
Franchises	*0*	*0*	*0*	*0*	*0*	*0*
Vegalsa Supermarkets	**215**	**218**	**214**	**132,602**	**133,320**	**135,334**
of which:						
Own	*95*	*94*	*93*	*102,489*	*102,662*	*103,395*
Franchises	*120*	*124*	*121*	*30,113*	*30,658*	*31,939*
Cash & Carry	**18**	**18**	17	**26,811**	**27,879**	**26,985**
of which:						
Own	*18*	*18*	*17*	*26,811*	*27,879*	*26,985*
Franchises	*0*	*0*	*0*	*0*	*0*	*0*
Gas stations	**38**	**38**	**40**	**51,959**	**51,959**	**52,103**
of which:						
Own	*38*	*38*	*40*	*51,959*	*51,959*	*52,103*
Franchises	*0*	*0*	*0*	*0*	*0*	*0*
Travel stores	**124**	**118**	**0**	**7,879**	**7,556**	**0**
of which:						
Own	*124*	*118*	*0*	*7,879*	*7,556*	*0*
Franchises	*0*	*0*	*0*	*0*	*0*	*0*
Forum Sport, S.A.	**69**	**67**	**66**	**67,996**	**66,244**	**65,087**
of which:						
Own	*68*	*66*	*65*	*67,614*	*65,862*	*64,705*
Franchises	*1*	*1*	*1*	*382*	*382*	*382*
TOTAL	**1,595**	**1,616**	**1,505**	**1,171,827**	**1,176,585**	**1,169,041**

A breakdown of our revenue by format for the fiscal years 2020, 2021 and 2022 and for the twelve months ended July 31, 2023 is presented below.

	For the fiscal year			For the twelve month-period ended July 31
	(€ in millions)			
	2020	**2021**	**2022**	**2023**
Supermarkets	3,573	3,366	3,578	3,799
of which:				
Own	3,117	2,926	3,075	3,253
Franchises[1]	456	440	503	546
Hypermarkets	890	751	757	785
Cash & Carry	103	114	140	149
Diversification[2]	242	310	354	308
TOTAL	**4,807**	**4,541**	**4,828**	**5,041**

(1) Franchises refers to the revenue generated through the sales of inventory to our franchise partners.
(2) Including gas stations, Viajes Eroski and sports apparel.

In the fiscal year 2022, locations operating under the EROSKI brand represented 51% of our revenue, locations under our Vegalsa brand represented 24% of our revenue and locations operating under our Supratuc brand represented 25% of our revenue.

Management of Real Estate

As of July 31, 2023, we managed a significant volume of real estate assets including 565,676.19 square meters of gross leasable land for commercial purposes and more than 1.2 million square meters of land itself (both urban and rural).

As of July 31, 2023, we owned approximately 3% of the real estate properties where we operate; 97% of our locations are leased from commercial or individual property owners. We have actively managed our property assets in Spain in line with our strategy of deleveraging and focusing on our core assets. Our management strategy of divesting from our non-core assets has yielded more than €121 million in returns between February 1, 2020 and July 31, 2023. As part of the Transactions, we are pursuing further asset disposals of approximately €18 million from our real estate portfolio. The book value for our wholly owned real estate portfolio was €287 million as of July 31, 2023.

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. This has enabled us to monitor the performance of our network, target particular stores for refurbishment, make adjustments to the offering at particular stores based on purchasing behavior and generally to optimize our network for continued success. We refurbish our stores every seven or eight years on average, although we can implement partial improvements anytime.

The main management levers of our real estate portfolio include renewal, refurbishment, expansion via new points of sale through both EROSKI-operated and franchised stores. Additionally, we are always developing and deploying new store concepts and integrating them into each of our expansion strategies.

Our real estate management strategy allows for our real estate assets to be leased to investors for a variety of purposes, including the development of new stores and for urban development of land with the aim of improving the value and liquidity of a particular piece of real estate property. We also work closely with current tenants to ensure that our properties are well maintained and well optimized to continue serving their particular commercial needs.

Our strategy has proven successful. For more than 20 years we have been a trusted partner in the real estate sector, which allows us to negotiate and enter into favorable long-term agreements with the owners of the store locations we lease from and any future, potential tenants such as franchise clients who may lease from us.

As part of our periodic review of past performance of our real estate assets, we have undertaken a number of divestitures during the periods presented. As a result of these divestitures, 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 and unique impact on, other operating income.

Franchising

We operate a number of retail stores indirectly through our network of franchises. We have franchise contracts pursuant to which a franchisee pays a fee to license the rights to a format and then mostly purchases merchandise for sale through our central purchasing agency, on which we earn a margin. Franchisees benefit from recognition of our brand name, the continued support and know-how of our network and have the ability to participate in certain sales and promotional campaigns organized in our directly operated stores.

Our franchise business is focused on continuing our organic growth by expanding into both Core and non-Core Regions as we typically elect to franchise rather than directly operate where stores are relatively small and located in rural areas. In our Core Regions, franchises complement the geographic reach of our own store network and can efficiently manage and meet specific demands of the local market better through small stores that are familiar with the local market. For instance, franchises can complement our stores during holidays or outside core business hours, as franchises have the freedom to dictate their own business hours. The franchise network also allows us to target smaller catchment areas with lower population densities that might not fit our investment profile for an EROSKI-operated store. Outside of our Core Regions, franchises allow us to grow our presence without significant capital investments, which further enhances our brand recognition and national presence.

Typically, our franchise partners approach us to request information on our businesses to prepare proposals they pitch to us. As of July 31, 2023, 80% of the potential franchise opportunities we evaluated were proposals that we had received. We provide our franchisees with the strength of our brand, resources available across our logistics network and access to our information technology infrastructure. In return our franchisee clients provide their investment and help generate profit. Our franchise system in Spain, dating back to 1978, is founded upon mutual loyal cooperation with our franchisees and respect for sound business practices. Our current franchise model involves low overhead costs particularly as franchisee clients assume the risk of their own investments. As of July 31, 2023, 77% of our franchisee clients operated under the EROSKI City brand, and most occupied less than 400 square meters per store.

For the twelve months ended July 31, 2023, we sold product to our franchise network amounting to €546 million of revenue, or 11% of our total revenue for the period. Our franchised stores are a source of significant profit. Franchisees purchase approximately 90% of their inventory from us and have freedom to purchase the remainder of their inventory from third parties to allow them to be more flexible in their commercial propositions, provided that they do not purchase from our competitors. This applies for all franchises except Aliprox. As such, the Adjusted EBITDA pre-IFRS 16 margin from our franchised stores is typically higher than the corresponding margin from our own stores. Further, we do not share in any of our franchise clients' losses. In the fiscal year 2022, our franchisees purchased €503 million in inventory or 10% of our total annual revenues. As such, franchising allows us to maintain revenue while minimizing cost outlays. Through franchise contracts, we recognize revenue on the goods we sell our franchisees through our central purchasing agency. On the other hand, overhead costs like leases, personnel costs and certain capital expenditures are borne by franchisees and therefore help to reduce our exposure to their risks.

While we do not directly manage our franchisees' stores, we provide our franchisees with valuable know-how and expertise. We supply our franchisee clients with our brand, a wide range of our product offerings from our wholesale operations, information technology systems and marketing services and related costs. We also cover the distribution expenses from our suppliers to our franchisee clients, which represents the greatest cost in our franchising activities. Additionally, franchisee clients are supported by our area managers, each of whom oversee ten to fifteen franchise locations. Area managers are the first point of contact for our franchisee clients and are responsible for relaying any requests or issues from our franchisee clients to our internal franchising team or other business departments.

Area managers report to regional managers who oversee on average six or seven area managers. Regional managers liaise between area managers and our national sales manager and are responsible for integrating franchise sales channels, growing our franchise network and providing internal services to our franchisee clients, such as marketing services. Overall, we maintain a team of approximately 100 full-time employees who are fully dedicated to supporting our franchising efforts.

Our franchising team is divided into two functions. Roughly half of our team supports area managers by catering to the needs of existing franchisee clients, such as by providing them with commercial indications to boost their sales, by analyzing business performance or by assisting with coordinating logistics. The other half of our team is responsible for negotiating and entering into new franchise agreements and focuses on developing potential expansion opportunities.

Applications from potential franchisee clients are approved once the feasibility of a proposal has been analyzed. As part of our franchise application review process, we conduct sales studies to understand local markets where our potential franchisee clients operate. For instance, a proposal where a potential franchise location is desirable but the franchisee partner has no existing customer base would not be accepted. Conversely, if a proposal is profitable but the franchisee partner is not able to operate the store, we may approve the proposal with the aim of seeking out another investor to manage the day-to-day operations of the franchise location. Typically, we also conduct a sales study to understand the local markets where our potential franchisee clients operate. Proposals that are deemed not feasible, viable or profitable are then dismissed.

Overall, our franchisees operated over a collective 162,545 thousand square meters. Our franchisee clients typically fall within three categories: (1) individuals who are self-employed; (2) business professionals who operate several franchise stores; and (3) investors. Most of our franchisee clients fall within the first category.

The existing franchised stores are, and any future franchised stores are expected to be, operated by the franchisees in a similar manner to the way we operate our directly operated store locations as regulated by the terms of our franchise agreement.

Quality Control

Product quality and safety are our top priorities. Our Quality Management Model is the key process for guaranteeing a safe product for the customer. It is formed of a set of rules, processes, tools and definitions, which, linked together along the entire value chain, ensure that the products we place on the market comply with all food safety guarantees. Our Quality Management Model is based on continuous evaluation of our private label suppliers, audits of our logistics platforms, evaluation of our store operations, an extensive annual review to produce a control plan for our highest risk products, continuous training for all those responsible for quality management and cleanliness and hygiene, a system for rapid detection of potentially unsafe products and a corrective action plan to resolve sale and consumption of these unsafe products. Each of these programs are integrated and internalized within our suppliers, franchise clients and other partners in our value chain.

In the fiscal year 2022, we completed 963 quality audits at our points of sale and logistics platforms, 306 audits at our own-brand product suppliers' production sites and 41 at other brand suppliers' production sites. In the fiscal year 2022, we carried out 33,375 chemical, microbiological and genetic analytical controls.

We sell high quality own-brand food products and work to ensure the quality and safety of our products across every own-brand product range. To that end, we have defined strict contractually binding specifications for every sourced own-brand product which ensure that the supplier delivers a product that complies both with applicable legislation and the quality grade expected by the formats. These specifications consist of descriptive technical data, compliance statements and analysis reports.

Information Systems

Our information systems are fundamental to our business operations. They provide management, operational, analytical and performance evaluation tools that help support the set of needs of the organization to operate our business in all its aspects, including purchasing, sourcing, distribution, online sales, loyalty program management, data exploitation, invoicing, cash collection, presentation of reporting, consolidation and electronic data exchange. Our business depends on the ability of our employees to process transactions on secure information systems and our ability to store, retrieve, process and manage information.

Our information systems are highly integrated, covering most of our fundamental business service areas. We believe that our information systems are robust, adequate to support our activities and operate at standards that are comparable to other operators in our industry.

Customers, Publicity and Marketing

Marketing is an integral part of the promotion of our formats, stores and products. Through marketing, we seek to promote quality dialogue with our customers and to always stay in tune with customers' expectations and to continuously promote our customer service. We carry out a number of branding and advertising initiatives through our stores, websites and phone applications, and, to a lesser extent, through print and broadcast advertising campaigns. We develop integrated marketing campaigns specific to each store format in which we operate that are structured and directed to the format's target consumer market. We are engaged in customizing our marketing efforts through the development of our phone application, which is updated with new features regularly to provide loyal customers with access to preferential offers tailored to their shopping habits. For instance, our EROSKI app offers tailored products to each online customer based on individual shopping habits and patterns. Additionally, the EROSKI app includes a gaming suite where new games and sweepstakes are introduced on a monthly basis; by gaming on the EROSKI app, customers are able to unlock savings vouchers, exclusive offers and other rewards. We seek to promote quality dialogue with our customers, to be in tune with our customers' expectations and to continuously promote our customer service. Thus, we stress our omni-channel network as customers can contact us through any of our channels. Customer relations are managed across each of the channels, and proposals and relevant information are directed across each of the channels as needed.

Environment, Social and Corporate Governance ("ESG")

We are committed to the environment, consumer health and well-being and the sustainable development of the communities where we operate. We contribute to the well-being of the communities in which we are present, encouraging its social, cultural and economic development through the social distribution of wealth. We have established a number of goals and initiatives through our ESG program to ensure responsible operations and to create a healthy and safe future for people and the environment. As of July 31, 2023, some of our ESG-related achievements include:

- Saving 22,000 tons of food waste every year by offering discounts to our customers for perishable items, donating to social enterprises and charities and transforming perishable items into other products as part of our zero-waste program.
- Approximately 74% of our senior management positions were held by women as of January 31, 2023.
- Hosting more than 41 active listening initiatives with more than 65,000 participants taking part in the surveys every year.
- Introducing more than 2,500 products that have received external certification in recognition of our sustainability initiatives, such as organic production and participating in only fairtrade transactions.
- More than 30% reduction in greenhouse gas emissions from our logistics activities since 2015.
- More than 40% reduction in Scope 1 and Scope 2 greenhouse gas emissions since 2017.
- 100% elimination of palm oil in our private label.
- More than 15% plastic reduction in our private label packaging since 2020.
- 97% of our waste is recycled or recovered.
- Training more than 150,000 primary school children on healthy eating habits.
- Over 38 million visits to our informative product website, CONSUMER, which can also be found as a magazine in printed form that we distribute at our stores.

We work to guarantee compliance with the applicable legislation in all areas of our business, but we also make a continuous effort to improve in the identification, characterization and minimization of the main negative impacts as well as the optimization of the positive impacts that our activities have on the environment. Our commitment to becoming a company with net zero greenhouse gas emissions by 2050 is part of our adherence to the Code of Conduct for Responsible Marketing and Food Business Practices presented by the European Union in Brussels and represents the strengthening of our Commitments on Health and Sustainability, which we set out in 2018. The key health and sustainable development goals of our ESG program include:

- Committing to being carbon neutral by 2050.
- Committing to producing 100% recyclable, compostable or reusable packaging by 2025.
- Committing to food safety through a preventive quality plan, product traceability control and maintenance of the cold chain for fresh products.
- Promoting a balanced diet by reducing caloric impact and the amount of nutrients that can damage health and by improving the quality of saturated fats in our private label products.
- Preventing child obesity by promoting a balanced diet for children and prioritizing the nutritional quality of our children's products.
- Meeting specific nutritional needs for people with specific dietary requirements by broadening our offering.
- Fostering responsible consumption by reducing the environmental impact of our processes, stores and products, promoting organic products and animal welfare.
- Offering more local products to contribute to the social and economic development of the community, promoting gastronomic events and visits to production facilities and supporting major local traditional festivals.
- Making healthy eating affordable by reducing the prices of those products which are required for a balanced and responsible diet.
- Listening with clarity and transparency by acting always with the participation of our employee and customer members. We also include maximum clarity and transparency in the information offered on our packaging.
- Caring about workers by offering training, advice, activities, programs and tools to promote health, wellness and responsible consumption.
- Fostering a healthier lifestyle through certain channels like EROSKI Consumer and our e-commerce platform. We also have our personalized nutritional advice program for members of EROSKI Club.

One key aspect of our ESG program is our commitment to orienting our processes towards a circular economy model through waste prevention strategies and a new energy model. We save tons of paper through the use of digital receipts, tons of packaging materials through the eco design of our products, and we have multiple strategies to avoid producing food waste. We avoid the waste of perishable products through the application of big discounts on items nearing their sell-by date or the donation of food to social enterprises. For instance, our "Too Good to Go" platform is an online supermarket offering perishable products that are about to expire at lower prices. Through this program, we have achieved excellent results both in reducing leftover inventory of perishable goods and in sales. As of July 31, 2023, our "Too Good to Go" platform contributed €368 to our revenue. We collaborate annually with over a hundred social entities with which we have signed collaboration agreements to make certain donations. The work we do together was recognized when we received the Gold Spike Award—the highest award given by the Spanish Federation of Food Banks to those organizations that stand out for their collaboration in the redistribution of food. In 2022, we donated 3,632 tons of food and other products, which equates to 14 million meals for those at risk of social exclusion. We have also routinely donated food unfit for human consumption to animal shelters and zoos. These strategies combined allowed us to save over 60 million meals each year.

Additionally, all product not fit for human consumption but suitable for animals are donated to zoos or animal shelters, and we reuse thousands of tons of organic waste for the manufacture of dry animal food and flour for animals.

In November 2021, in line with our environmental commitment, we opened our Lakua-Arriaga supermarket, the flagship store for our energy transition towards a new physical store model designed to meet the challenges of climate change. Located in the center of Vitoria-Gasteiz, the store has achieved a 50% reduction in energy consumption compared to a standard store by using only renewable resources. It was constructed in compliance with LEED Gold certifications, uses 100% renewable energy, natural refrigerants, smart LED lighting and energy-efficient automation to achieve a 50% reduction in energy use, and recovers over 80% of waste generated through our circular waste management program. Additionally, it has 12 charging points for electric vehicles to promote a safer and more sustainable mobility.

In 2022, the Association of Manufacturers and Retailers awarded us with our second Lean&Green star for achieving a 32% reduction in our greenhouse gas emissions from our logistics and transport processes between 2015 and 2021. We had exceeded our target of 30% reduction one year ahead of schedule. We are continuing to improve our logistics operations to reduce our greenhouse gas emissions a further 5% in two years.

In 2022, the Basque Government awarded us the Euskadi Consumer Award in recognition of our work to promote responsible consumption and in defending consumers' rights.

In 2022, we received the Euskadi Commerce Award, as well as a runner-up prize in the Green Pact Award from the Vitoria-Gasteiz City Council for our Lakua-Arriaga supermarket.

Employees

Our business operates as a cooperative owned and guided by the values and the decisions of our members, employees and customers. As of July 31, 2023, we had a total of approximately 29,221 employees of which 69% were full-time or equivalent employees. As of July 31, 2023, 30% of the workforce were cooperative members. Our cooperative model creates a community for all members, high retention rates and flexibility to manage labor costs. For example, in 2022, we had a 98.5% retention rate and a 19-year average tenure among members. We have consistently expanded on this model in a mature environment and have increased our cooperative membership by 6,821 members on permanent or fixed-term contracts in fiscal year 2022.

To become a member of our cooperative, potential candidates must first be an employee of the Company for at least several months. Our Social Department evaluates all employees and engages with those who it considers may be a good fit with our cooperatives based on our shared values and commitment to the environment, diversity and inclusivity within our organization. We explain to these candidates that they must accept our internal rules and bylaws, attend professional training to prepare for the pace and upkeep the quality of our work according to the business demands of the candidate's role and provide a monetary contribution of €11,997 to our cooperative. The candidates are then formally admitted into our cooperative upon signing of a partnership contract and registration in the Spanish Social Security Regime for Self-Employed Workers (*Régimen Especial de la Seguridad Social–Régimen Especial de Trabajadores Autónomos (RETA)*) and in LagunAro, EPSV, a Spanish mutual insurance company (*mutualidad de previsión social*) that offers social benefits and protection to cooperative members.

Trends in our business resulted in the hiring of more than 6,800 people on permanent or fixed-term contracts in 2022, which reflects an increase of 268% over the prior year. This increase was due to the entry into force of Royal Decree Law 31/2023 introduced on December 28, 2021, which addressed urgent matters for labor reform regarding stable employment and the transformation of the Spanish labor market. As a direct result, the number of fixed term membership contracts we entered into increased dramatically. Our Group employee turnover rate was approximately 4% in 2022.

Our compensation policy takes into account each employee's skills, level of responsibility and experience. We are committed to offering at least the legal minimum wage with fair, competitive compensation in line with market practices observed for each job. We apply the principle of compensation solidarity throughout the organization in line with our values and we align our corporate culture with the way we operate on a day-to-day basis. Internally, this translates into a narrow salary range between positions of lesser responsibility and those of manager. We regularly carry out surveys, mainly concerning management positions and other jobs that are difficult to fill, in order to assess the competitiveness of our compensation as compared with our peers.

Every unit across our business in Spain has entered into a collective bargaining agreement with representative unions, covering issues such as working hours and compensation. One collective bargaining agreement applies to us and the principal trade unions, covering the employment of people with disabilities, gender equality, workplace health and safety, benefits and compensation and, more broadly, ESG topics in an agreement reaffirming our determination to integrate ESG into our business and human resources model. This agreement was last updated June 2023. We maintain regular dialogue with trade unions. The implementation of the agreement is regularly monitored and their outcomes are presented to the representative trade unions every year. We believe we have good working relationships with our employees and their representatives and have not experienced any significant labor disputes or work stoppages.

We have developed and implemented cutting-edge human resources and management policies designed to foster the professional development of employees, enhance employee talents, combat discrimination, support equal opportunity, nurture constructive and innovative social dialogue, promote employee health, safety and well-being in the workplace and offer fair, progressive compensation and benefits. We are committed to promoting diversity in our hiring practices, helping young people enter the workforce, providing growth opportunities for employees and taking action to protect employees' health and well-being.

We are committed to providing career growth opportunities to our employees, who are the driving force behind our operating performance. We prioritize internal mobility in order to facilitate employee career development and ensure that we have adequate resources to meet our current and future needs.

Intellectual Property

We use a variety of trade names, service marks, domains and trademarks in our business and rely on trademark and copyright laws, confidentiality procedures and contractual provisions to protect our intellectual proprietary rights. We believe that the brand names of each of our various formats enjoy high brand recognition in their respective geographic markets and are material to our business. Our intellectual property policy is centered around the protection of our brands and our domain names. This policy involves submitting applications, filings and reservations on either a local country basis or in the full range of countries where we operate or wish to preserve and protect our rights. Additionally, we must also file appropriate trademark renewals and take legal action against any entities encroaching upon our intellectual property.

Our principal trademarks that have been registered include: EROSKI, EROSKI City, Caprabo, EROSKI Center, Aliprox, Familia, Rapid, Cash Record, EROSKI SeleQtia, EROSKI Nature, EROSKI Bio, EROSKI Basic and belle.

Insurance

We maintain insurance coverage against the risks inherent in our various businesses. Our insurance policies cover fire, earthquakes, business interruption, damage during transport of goods, environmental damage, machinery breakdown, electronic equipment, glass, burglary, physical damage of goods, goods in deep freezers and coolers, general third party liability, product liability, workplace accidents, identity theft, cyber-attacks and liability against managers. We consider our insurance policies adequate to cover the major risks of our business, and we believe that the level of insurance which we maintain is comparable, in each case, to that maintained by other companies in our markets operating in the same business area. There can be no assurance, however, that this coverage will be sufficient to cover the cost of defense or damages in the event of a significant claim. See "*Risk Factors—Risks Related to our Business and Industry—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*."

Regulatory

We are subject to a wide variety of laws, regulations and industry standards administered by local, national and other government entities in Spain and the European Union. The following provides a brief description of the main laws and regulations that govern our activities in our markets. References and discussions to directives, laws, regulations and other administrative and regulatory documents are entirely qualified by the full text of such directives, laws, regulations and other administrative and regulatory documents themselves.

Food Safety and Hygiene

The main food safety regulator at the EU level is the European Food Safety Authority (the "**EFSA**"), which was established in 2002 by Regulation (EC) No. 178/2002, as amended and supplemented (the "**General Food Law Regulation**"). The EFSA assesses and communicates risks associated with the food chain in order to inform the policies and decisions of food safety risk managers.

The General Food Law Regulation sets forth the general principles, requirements of and procedures for food safety legislation, covering all stages of the food production and distribution process, both at EU and national levels. In particular, the General Food Law Regulation requires food business operators to ensure that businesses under their control satisfy relevant requirements and to verify that such food safety requirements are met at all stages of production, processing and distribution.

It also imposes a mandatory traceability requirement along the entire food chain that applies to all food and all types of operators in all stages of production, including processing and distribution, among others. Each food operator is required to register and keep for a reasonable period of time (the guidance of the Standing Committee (on the Food Chain and Animal Health) suggests five years) detailed product information (including the name and address of the producer, the identification of the product and the transaction date) and make such records immediately available to the competent authorities upon request.

Food products are also subject to specific European food hygiene legislation under Regulation (EC) No. 852/2004 of April 29, 2004 on the hygiene of foodstuffs, which applies to all food businesses, and to Regulation (EC) No. 853/2004 of April 29, 2004 laying down specific hygiene rules for the hygiene of foodstuffs of animal origin (together, as amended, the "**EU Hygiene Regulations**"). The EU Hygiene Regulations require, among other things, that we apply basic common hygiene requirements, implement procedures based on the Hazard Analysis and Critical Control Points (HACCP) principles, including instructing employees in this regard and conducting appropriate record-keeping. HACCP is a systematic preventive approach used in the food industry to identify potential food safety hazards, so that key actions (known as critical control points) may be taken to reduce or eliminate risks, while considering all key aspects of product manufacturing, from the safety of the raw materials, to process validation (for example, cooking and washing), to shelf life and finally end-consumer usage. In addition, the EU Hygiene Regulations include more stringent requirements for food products of animal origin, such as meat, fish and dairy products, and food containing such products.

In addition, our operations are subject to European legislation governing the production, transport and storage of frozen foods intended for human consumption. Council Directive (EEC) No. 89/108 of December 21, 1988 (amended, *inter alia*, by European Directive 2006/107/EC dated November 20, 2006), establishes the general European regulatory framework governing the quick freezing, packaging, labelling and inspection of quick-frozen foodstuffs. European Directive 92/2/EEC dated January 13, 1992 and Regulation No. 37/2005 dated January 12, 2005 set out specific technical measures for the implementation of the framework established by Directive 89/108/EEC. Directive 92/2/EEC establishes the sampling procedures and the European Union's method of analysis for the official control of such samples. Regulation (EC) No. 37/2005 dated January 12, 2005 also details the monitoring of temperatures during the transport, warehousing and storage of frozen foods.

Food Labelling and Nutrition

In addition to the hygiene and safety of our food products, we are also subject to regulations and directives governing food labelling and nutrition of the food products that we sell to customers.

Our food products are subject to Regulation (EU) No. 1169/2011 of October 25, 2011 on the provision of information to consumers (the "**Food Labelling Regulation**"), which replaced and consolidated previous labelling rules deriving from Directive 2000/13/EC regarding labelling, presentation and advertising of foodstuffs, Directive 90/496/EEC on nutrition labelling of foodstuffs, and other legislative acts for specific categories of foods. The Food Labelling Regulation, which introduced key changes such as mandatory nutrition disclosure on processed foods and amendments to nutrition labelling formats, entered into force on December 13, 2014 (save for the obligation to provide nutrition information applicable from December 13, 2016). Additional provisions regarding allergen labelling in hot beverages also apply. In recent years, national and local authorities have begun introducing regulations and requirements motivated by concerns regarding nutrition and environmental sustainability. These measures have included, among others, greater emphasis on food labelling and disclosure of nutritional content, requirements to utilize recyclable packaging materials, and additional taxes on food and beverage items with high sugar content. Furthermore, Regulation (EC) No. 1924/2006 of December 20, 2006 on nutrition and health claims provide the rules that harmonize nutrition and health claims on food. It applies to claims intended for labelling, presentation and advertising and to all types of food intended for final consumers.

Privacy

Privacy regulations and in particular, the General Data Protection Regulation, apply:

- *From a material perspective* to the processing of personal data wholly or partly by automated means and to the processing other than by automated means of personal data which form part of a filing system or are intended to form part of a filing system.

- *From a territorial perspective*: (a) to the processing of personal data which is conducted by a data controller established in the EU; and (b) to the processing of personal data of data subjects who are in the EU by a controller or processor not established in the EU, where the processing activities are related to (i) the offering of goods or services, irrespective of whether a payment of the data subject is required, to such data subjects in the EU; or (ii) the monitoring of their behavior as far as their behavior takes place within the EU.

In this case (use of customer data to tailor product offerings to particular customers in their marketing and online operations) the processing meets both requirements as it is a processing of personal data by automated means and it affects personal data of data subjects who are in the EU and the processing is related to the offering of goods or services and to the monitoring of their behavior.

Legal Proceedings

We have been, and may from time to time be, a party to legal disputes and administrative proceedings within the scope of our business activities. In particular, we at times are a plaintiff or a defendant in real estate, leasing and contract claims. From time to time, we are also subject to certain audits by tax or social security authorities.

MANAGEMENT

Governing Council (*Consejo Rector*)

The Issuer, Eroski, S. Coop., is a consumer cooperative organized under the laws of Spain and was incorporated on August 11, 1969 before the notary public of Durango, Mr. Nestor José Almarza de la Peña under number 1,574 of his official records. The following table sets out the name, ages and positions of the current Governing Council of the Issuer:

Name	Age	Position
María Asunción Bastida Sagarzazu	52	Vice-chairwoman
María Carmen Iñurría Landeras	60	Member (Independent)
Óskar Goitia Zubizarreta	54	Member (Independent)
Carmelo Lecue Alberdi	54	Member
Ana Isabel Zariquiegui Asiain	57	Member
María Victoria Fernández Gómez	57	Member
Antton Tomasena Rodríguez	55	Member (Independent)
Javier Pascual Sánchez	38	Member
Eduardo Herce Susperregui	51	Member (Independent)
María Zulima Valdivielso Martínez	52	Member
Leire Mugerza Garate	47	Chairwoman
Sonia Ortubai Balanzategui	56	Secretary (Independent)

The following is a brief description of the experience of the current members of the Governing Council of the Issuer:

María Asunción Bastida Sagarzazu

María Asunción Bastida Sagarzazu serves as Vice-chairwoman of the Governing Council and a Member of the Appointments and Remuneration Committee. Ms. Bastida Sagarzazu has a combined 27 years of experience in the food retail sector and joined the Company in 2009. During her tenure at the Company, she served as Director of Point of Sale within the logistics, processes and systems departments. In addition, she also serves as a member of the board of directors of the Agri-Food Cluster of Navarra, a member of the board of directors of the Basque Food Cluster, a member of the Family Farming Committee of Euskadi. Ms. Bastida Sagarzazu received her Bachelor's degree in economics and business from Deusto University, where she specialized in finance. She was appointed as a member of the Governing Council on June 20, 2018 and her position was renewed on May 26, 2022 until May 2026.

María Carmen Iñurría Landeras

María Carmen Iñurría Landeras serves as an Independent member of the Governing Council and member of the Audit and Compliance Committee. In August 2023, Ms. Iñurría Landeras retired from her role as Group Finance Director of Fagor Ederlan S. Coop., where she spent 26 years in various positions within the finance and accounting departments. Previously, Ms. Iñurría Landeras held various positions with Corpreci S. Coop., Leunkor S. Coop. and Uldata S. Coop. She received her Bachelor's degree in business administration and management from the University of the Basque Country and her Master's degree in cooperative business management. Ms. Iñurría Landeras was elected as a member of the Governing Council on July 15, 2020 until July 2024.

Óskar Goitia Zubizarreta

Óskar Goitia Zubizarreta serves as an Independent member of the Governing Council and President of the Appointments and Remuneration Committee. Additionally, Mr. Goitia Zubizarreta serves as the President of Mondragon Internacional and Vice-president of Mondragon Corporation, Automotive Division, a member of the Board of Directors of Basque Automotive Cluster, Vice-president of the Board of Directors of the Spanish Automotive Supplier Association, Vice President of the Board of Directors of the European Automotive Supplier Association and a member of the Directors of CAMARA España. He received his Bachelor's degree in mechanical engineering from Mondragon University. Mr. Goitia Zubizarreta was elected as a member of the Governing Council on June 15, 2016 and his position was renewed on July 15, 2020 until July 2024.

Carmelo Lecue Alberdi

Carmelo Lecue Alberdi serves as a Member of the Governing Council, the Audit and Compliance Committee and the Investment Monitoring Committee. Additionally, Mr. Lecue Alberdi serves as Manager of technologies, information and communications and has been with the Company for over a decade. Mr. Lecue Alberdi received his Bachelor's degree in computer science. He was appointed as a member of the Governing Council after another member resigned on August 1, 2022, and his current term will end in July 2024.

Ana Isabel Zariquiegui Asiain

Ana Isabel Zariquiegui Asiain is a Member of the Governing Council, Appointments and Remuneration Committee and Executive Committee. Ms. Zariquiegui Asiain also currently serves as Regional Sales Manager for our hypermarkets format in the eastern region of Spain. She has been working at Eroski for 32 years, during which she was the head of both products and textiles. She received her Bachelor's in economics and business, specializing in marketing, and her diploma in business studies with a focus on finance. Ms. Zariquiegui Asiain was elected to the Governing Council on June 15, 2016 and her membership was renewed on July 15, 2020 until July 2024.

María Victoria Fernández Gómez

María Victoria Fernández Gómez serves as a Member of the Governing Council and Regional Head of People Supermarkets at the Company. Ms. Fernández Gómez has been working at the Company for 29 years, during which she served as Head of Cash Desk and Security, Head of People, Head of Electro and Manager of hypermarkets. She holds a degree in Sociology from the Deusto University and a Master's in marketing and business management. Ms. Fernández Gómez was elected to the Governing Council on May 26, 2022 until May 2026.

Antton Tomasena Rodríguez

Antton Tomasena Rodríguez serves as an Independent member of the Governing Council and member of the Appointments and Remuneration Committee. Concurrently, Mr. Tomasena Rodríguez also serves as General Manager and Chief Executive Officer of Matz-Erreka S. Coop. Previously, Mr. Tomasena Rodríguez served as the Director of Economic Promotion and Innovation at the Provincial Council of Gipuzkoa, General Manager at the Alfa Group and Sales Manager at Ibermática S.A. Mr. Tomasena Rodríguez holds a Bachelor's degree in business management and administration from the Lincoln University, a Master's degree in marketing from the University of Exeter and a Master's in Innovation and Entrepreneurship from the University of Barcelona. He was elected to the Governing Council on May 26, 2022 until May 2026.

Javier Pascual Sánchez

Javier Pascual Sánchez serves as a Member of the Governing Council and Appointments and Remuneration Committee. In addition, Mr. Pascual Sánchez serves as Manager of hypermarkets at the Company. Mr. Pascual Sánchez holds a degree in Technical Industrial and Mechanical Engineering and a degree in Industrial Organization. He was elected to the Governing Council on July 15, 2020 until July 2024.

Eduardo Herce Susperregui

Eduardo Herce Susperregui serves as an Independent member of the Governing Council, Chairman of the Monitoring Committee and Vice-chairman of the Audit and Compliance Committee. Concurrently, Mr. Herce Susperregui also serves as Chief Executive Officer of Ategui. Previously, Mr. Herce Susperregui was the Director for major domestic appliances at the component division of Mondragon, Chief Executive Officer of Industrias Tajo, S. Coop. and a process engineer at GKN Ayra Cardan, Itziar-Gipuzkoa. Mr. Herce Susperregui holds a Bachelor's degree in Industrial Engineering from the University of Navarra. He was elected to the Governing Council on June 20, 2018 and re-elected on May 26, 2022 until May 2026.

María Zulima Valdivielso Martínez

María Zulima Valdivielso Martínez is a Member of the Governing Council. She is also responsible for regional sales of supermarkets at the Company. She has been working at Eroski for 27 years, during which she was a Store Manager in the Zumarraga supermarket and a Sales Manager for supermarkets in Donosti, Gipuzkoa Kosta and Gipuzkoa Interior locations. Ms. Valdivielso Martínez received her Bachelor's degree in economics and business with a focus on finance and marketing. Ms. Valdivielso Martínez was elected to the Governing Council on May 26, 2022 until May 2026.

Leire Mugerza Garate

Leire Mugerza Garate serves as Chairwoman of the Governing Council, Chairwoman of its Executive Committee, Secretary of the Audit and Compliance Committee, the Appointments and Remuneration Committee and the Investment Monitoring Committee. Concurrently, Ms. Mugerza Garate is also a management and education professional at Lea Artibai Ikastetxea, Chairwoman of the Congress and Standing Committee of Mondragon, Vice-president of the Spanish Confederation of Social Economy Enterprises and Counsellor of the Economic and Social Council. Ms. Mugerza Garate holds a degree in technical industrial engineering from Mondragon University and a Master's in business administration in cooperative business management. She was elected as a member of the Governing Council on June 26, 2010 and re-elected in 2014, 2018 and, most recently, on June 26, 2022 until July 2026.

Sonia Ortubai Balanzategui

Sonia Ortubai Balanzategui severs as an Independent Member and Secretary of the Governing Council, Chairwoman of the Audit and Compliance Committee and Secretary of the Executive Committee. Concurrently, Ms. Ortubai Balanzategui serves as Managing Director of Abantail S. Coop. and as a Member on the EROSKI Foundation. Previously, she was a consultant at LKS S. Coop. and Fagor Sistemas S. Coop. Ms. Ortubai Balanzategui holds a Bachelor's degree in Technical Engineering from Mondragon University, a degree in Industrial Engineering from École Centrale de Nantes and a Master's degree in cooperative management. She was elected to the Governing Council on June 15, 2016 and re-elected on July 15, 2020 until July 2024.

Management Board (*Consejo de Dirección*)

Our Management Board is responsible for making most of the day-to-day operational decisions for the Issuer. The following table sets out the names, ages and positions of the Management Board.

Name	Age	Position
Rosa María Carabel Di Paola	57	Chief Executive Officer
Josu Mugarra Urrutia	55	Chief Financial Officer
Javier Amezaga	56	Corporate Director
Íñigo Nicolás Eizaguirre Illarramendi	55	Social Director
Beatriz Santos Vesga	49	Commercial Director
Eva Ugarte Arregui	58	Strategic & Customer Marketing Director
Alberto Madariaga Pérez	52	Supermarkets & Process Director
Enrique Monzonis Leno	49	Innovation, Information & Communication Technology & Logistics Director
Javier España Martín	51	Real Estate Development & Services Director
Íñigo Arias Ajarrista	58	Hypermarkets & Online Business Director

The following is a brief description of the experience of the members of our Management Board:

Rosa María Carabel Di Paola

Rosa María Carabel Di Paola has served as Chief Executive Officer of the Company since 2021. In addition, she is a member of the Board of Directors of Cecogoico, S.A.U., Newcobeco, S.A.U., Vegonsa Agrupación Alimentaria, S.A. and Supratuc2020, S.L., as well as a member of the Advisory Board of the IESE (Food and Beverage sector), a member of the Board of the AECOC and a member of the Executive Board of Corporación Mondragón. Ms. Carabel Di Paola is also the Vice President of the Distribution Division of Corporación Mondragón. She has six years of experience in the industrial sector, 26 years in retail and nine years in Vegonsa Agrupación Alimentaria, S.A. She has been working at Eroski for 17 years, including six years in General Network Management, five years in Economic and Financial Management and five years in Supermarkets Management. Ms. Carabel Di Paola holds a diploma and degree in business studies from the Universidade de Santiago de Compostela, a Master's in business administration from Caixanova Business School and completed the Advanced Management Program at IE University.

Josu Mugarra Urrutia

Josu Mugarra Urrutia has served as Chief Financial Officer of the Company since 2022. In addition, Mr. Mugarra Urrutia serves as a Member of the Board of Directors of Cecogoico, S.A.U. and Newcobeco, S.A.U. Mr. Mugarra Urrutia has been working at Eroski for 17 years, including five years in Eroski's Business Diversification Management, eight years in Finance Management and four years at Caprabo, S.A.U.'s Economic Management division. Previously, he was a Senior Associate at PwC Landwell for ten years and the Economic-Financial Director of VICRILA for four years. Mr. Mugarra Urrutia holds a degree in economics and business studies from the University of the Basque Country and a Master's in distribution companies from Mondragon University.

Javier Amezaga

Javier Amezaga has served as Corporate Director at the Company since 2021. In addition, Mr. Amezaga is the chairman of the Board of Directors of Cecogoico, S.A.U., Newcobeco, S.A.U., Vegonsa Agrupación Alimentaria, S.A. and Supratuc2020, S.L., Forum Sport, S.A. and Aportaciones Financieras Eroski, S.A. He has been working at Eroski for 30 years, including six years in Distribution Platform Management, five years in Logistics Management, three years as Chief Executive Officer and Managing Director of Caprabo, S.A.U., four years in General Management and six years in General Management of Resources. Mr. Amezaga holds a degree in industrial engineering from the University of Basque Country, a Master's degree in supply chain management and an executive Master's in business administration from Esade Business School.

Íñigo Nicolás Eizaguirre Illarramendi

Íñigo Nicolás Eizaguirre Illarramendi has served as Social Director at the Company since 2017. In addition, Mr. Eizaguirre Illarramendi is a member of the Governing Council of Lagun Aro EPSV. He has been working at Eroski for 26 years, including 11 years as Plant Manager and Hypermarket Regional Sales Manager, five years in Hypermarket Sales Management, two years in Marketing Promotions and Supermarkets Marketing Management, two years in the Hypermarkets Management and two years in Supermarket Management for Northern Spain. Mr. Eizaguirre Illarramendi holds a degree in economics and business from the Deusto University.

Beatriz Santos Vesga

Beatriz Santos Vesga has served as Commercial Director of the Issuer since 2017. In addition, Ms. Santos Vesga has been a member of the Board of Directors of AgeCore (alliance of European distributors) since 2015 and formerly was the president of the national alliance RedLibra (Eroski-Grupo Dia). Ms. Santos Vesga has been working at Eroski for 23 years, including three years as deputy Commercial Director, four years as Purchases Director and three years as Food Commercial Director. Ms. Santos Vesga holds a degree in Industrial Engineering from Navarra University.

Eva Ugarte Arregui

Eva Ugarte Arregui has served as Strategic and Customer Marketing Director of the Company since 2017. In addition, Ms. Ugarte Arregui is a director at AME-Travel Club. She has been working at Eroski for 30 years, including six years in Hypermarkets Management, five years in Commercial Management and six years in Strategic Marketing and Client Management. Ms. Ugarte Arregui studied commercial, marketing and digital management at Deusto University and holds a degree in economics and business sciences from the University of the Basque Country.

Alberto Madariaga Pérez

Alberto Madariaga Pérez has served as Supermarkets and Processes Director of the Company since 2022. In addition, Mr. Madariaga Pérez is the chairman of the AECOC Logistics Committee. Mr. Madariaga Pérez has been working at Eroski for 26 years, including six years in logistics management, a year in business processes and information, communication and technology management and nine years in operations management. Mr. Madariaga Pérez holds a degree in business administration from Deusto University, a Master's in retail management from Mondragon University and a Master's in management from IE Business School.

Enrique Monzonis Leno

Enrique Monzonis Leno has served as Innovation, ICT and Logistics Director of the Company since 2021. Mr. Monzonis Leno has 24 years of experience in the distribution sector, having worked in Continente, Carrefour and Ahold. Mr. Monzonis Leno has been working in Eroski for twenty years, including two years in general management of perfumeries, 12 years in perfumeries, three years in supply chain management, three years in innovation and digital transformation management and two years in innovation, digital transformation and ICT management. Mr. Monzonis Leno has a degree in primary education from the University of the Basque Country.

Javier España Martín

Javier España Martín has served as Real Estate Development and Services Director of the Company since 2015. Mr. España Martín has been working at Eroski for 27 years, including three years in Horeca's Business General Management, six years in Supermarkets Business Management and Supermarkets Operations Management and six years in Development and Stores Services Management. Mr. España Martín holds a degree in telecommunications engineering from the Technical School of Industrial Engineering at the University of the Basque Country and Master's in distribution business administration from Mondragon University.

Íñigo Arias Ajarrista

Íñigo Arias Ajarrista has served as Hypermarkets and Online Business Director of the Company since 2021. In addition, Mr. Arias Ajarrista is the Vice President of the Board of Directors of Cecogoico, S.A.U. and Newcobeco, S.A.U. Previously, Mr. Arias Ajarrista was the Vice President of the Governing Council, the Vice President of the international alliance Coop. Global Sourcing and a Member of the board of the national alliance RedLibra (Eroski – Dia Group). He has been working at Eroski for 32 years, with 15 years in Hypermarkets (Manager, Regional, Marketing Director and Operations Director) and 15 years as Non-Food Commercial Director and Fresh Products Director. Further, he works as a university researcher and has been a consultant for the last two years. Mr. Arias Ajarrista holds a Bachelor's in marketing and business, a Master's in cooperative companies from the University Autónoma of Madrid and a Doctorate degree in economics and Business from Deusto University.

Remuneration and Other Benefits of the Governing Council and the Management Board of the Issuer

During the fiscal years 2021 and 2022, the members of the governing council did not receive any remuneration in their capacity as such. However, as worker members they received remuneration advances totalling €562 thousand for the fiscal year 2022 as compared to €528 thousand for the fiscal year 2021. They also received per diem allowances totalling €2 thousand for each of the fiscal years 2021 and 2022.

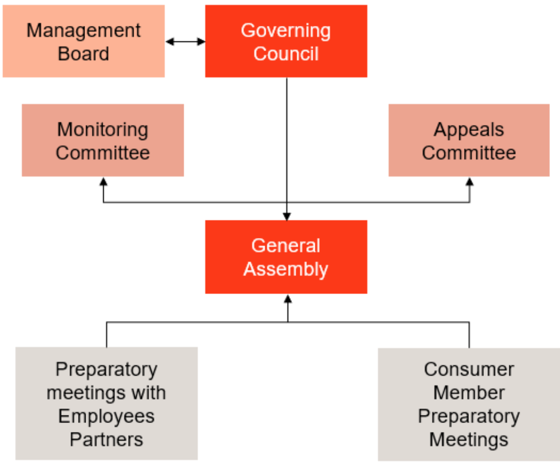
As worker members, members of the Management Board have also received remuneration advances totalling €1,387 thousand for the fiscal year 2022 as compared to €1,393 thousand for the fiscal year 2021.

No material advances or loans have been granted to the members of the Governing Council.

In the fiscal years 2020, 2021 and 2022, our subsidiaries and joint ventures did not enter into transactions with the directors or members of our Governing Council and Management Board not relating to their ordinary business operations or any transactions not carried out on an arm's length basis.

Corporate Governance

The following represents our corporate governance structure.



General Assembly

Our General Assembly acts as the highest expression of our corporate purpose. It is made up of 500 delegates, comprising 250 employee cooperative members and 250 consumer cooperative members. Each member is appointed for a period of three years, with possibility of re-election in ordinary call. In 2022, half of the members were re-elected. There are no limits for the number of terms a delegate may serve on the General Assembly. The primary responsibilities of the General Assembly include approving our annual accounts, presenting and distributing our financial earnings, establishing the general policies for the cooperative and electing and overseeing the Governing Council.

Governing Council (Consejo Rector)

The Governing Council consists of six employee cooperative members and six consumer cooperative members appointed by the General Assembly, allowing for equal representation in corporate governance. Our Governing Council are responsible for approving and making strategic decisions related to our business and operations and are guided by policies set by the General Assembly and then delegated to the Management Board. They are also in responsible for appointing the president of the General Assembly, of approving the main contracts and investments and of adopting corporate social responsibility policies, among other responsibilities. The Governing Council hosts the following committees:

- the Audit and Compliance Committee, which supervises risk management systems, compliance with corporate governance rules and other internal controls, among other functions. They also report to the Governing Council the possible conflicts of interest with third parties;

- the Appointments and Remuneration Committee, which is responsible for monitoring the selection and assessment processes for members of the Governing Council and Management Board, overseeing our remuneration policy, managing conflicts of interest and promoting gender diversity at our executive levels; and

- the Executive Committee, which is authorized to exercise on a permanent basis each and every one of the powers entrusted to the Governing Council legally or by our articles of association.

Management Board (Consejo de Dirección)

Our Management Board comprises ten executive members who propose, design and oversee the organization's policies, strategies and business. Also, the Governing Council delegates certain powers to the Management Board; the two meet monthly to discuss financial, environmental, social and organizational matters. The Management Board are responsible for drafting strategic and management plans, approving and developing implementation plans and negotiating partnerships, among other functions.

We provide training and contents refresher programs for the members of our Governing Council and Management Board to improve their knowledge on markets, the current financial environment and social affairs. In the fiscal year 2022, we held two training sessions, one related to financial modelling and one relating to management.

Monitoring Committee (Comisión de Vigilancia)

Our Monitoring Committee consists of three partners elected by the General Assembly, who are renewed biannually. They are responsible for controlling and monitoring electoral and voting procedures, preparing the agenda for General Assembly meetings and challenging the General Assembly when its actions are contrary to law or the articles of association.

Appeals Committee (Consejo Consumerista)

Our Appeals Committee consists of five partners elected by the General Assembly (three employee cooperative members and two consumer cooperative members). The Committee convenes whenever appeals or complaints are lodged by cooperativists against the Governing Council, its decisions and its policies, and are responsible for the resolution of such appeals and complaints.

Investment Monitoring Committee (Comisión de Seguimiento de Inversiones)

Although our Investment Monitoring Committee does not consist exclusively of members from the Governing Council, the Committee reports to the Governing Council. The Committee is comprised of non-executive directors and of the Economic and Financial Department and the Development Departments of the Company. As of August 2023, it comprises five members: Edorta Herce Susperregui (Chairman), Leire Mugerza Garate (Secretary), Carmelo Lecue Alberdi (Vicechairman), Francisco Javier España Martín (Member) and Josu Mugarra Urrutia (Member).

The Committee's main task is to monitor investments and divestments in relation to possible deviations that may have occurred with respect to the parameters in which such projects were approved and establish the appropriate lessons learned from this analysis. The Committee establishes the suitability of monitoring each issue and the deadline for its review.

PRINCIPAL SHAREHOLDERS

Eroski, S. Coop., is a consumer cooperative organized under the laws of Spain and Basque Country, registered with the Registry of Cooperatives of Euskadi (*Registro de Cooperativas de Euskadi*), an unitary body ascribed to the Office of Social Economy of the Department of Justice, Employment and Social Security of the Basque Government (*Dirección de Economía Social del Departamento de Justicia, Empleo y Seguridad Social del Gobierno Vasco*). Cooperatives are a form of company with particular characteristics in the Spanish law system. Specifically, the Issuer is constituted as a Basque cooperative, and as such, it operates under Law 11/2019 of Cooperatives of the Basque Country (*Ley 11/2019, de 20 de diciembre, de Cooperativas de Euskadi*) (the "**Basque Cooperative Law**").

The primary purpose of a cooperative is the promotion of the economic and social activities of its members, and the satisfaction of their needs with the active participation of its members. Under the standards set by the International Cooperative Alliance, these companies are able to engage in all kinds of activities. The Issuer is a consumer cooperative, which according to the Basque Cooperative Law, are aimed to provide goods and services to its members and their families, as well as promoting consumers' rights and interests. The main characteristic of cooperatives is that their members can actively participate in the inherent business, meaning that some of the members could also be employees in the cooperative. In particular, according to the Basque Cooperative Law, there could be employee cooperative members (whose condition is directly related with their participation in the business) and inactive members (who comply with several seniority criteria that allows them to maintain member status even when they no longer work at the company). Since the Issuer is a consumer cooperative, it has both working and consumer (or user) members. As members, they have obligations, such as attendance at the General Assembly (as previously defined), non-compete and non-disclosure obligations, or disbursement of capital contributions. On the other hand, they have rights like participating in the business, voting or information rights. Generally, members will stay as in the cooperative for an indefinite amount of time, having the possibility to resign voluntarily at any time. However, there situations in which the Governing Council (as previously defined) can remove them from the cooperative (for instance, if they do not comply with their obligations as members).

Cooperatives in the Basque Country have two mandatory bodies: the general meeting of members (which is our General Assembly) and the governing body (which is our Governing Council). Please refer to section "*Management*" for further details of our management bodies.

Regardless of economic activity, consumer cooperatives are owned by members who meet requirements established in the cooperatives founding statutes, each of whom have equal voting rights regardless of capital contributions (there are no voting right restrictions stemming from the amount of capital held by members, as each member has the right to one vote) and have rights to access information about the cooperative. However, when a member is itself a cooperative, an entity owned by a cooperative, or a public entity, they may have a larger share of voting rights proportional to the amount of activity they engage in. An entity that is not a cooperative cannot hold more than one-third of the total votes. In addition, both the Basque Cooperative Law and our Articles of Association prohibit any one member from holding in excess of 25% of Eroski, S. Coop.'s capital, and the Basque Cooperative Law provides for the suspension of the voting rights in exceptional circumstances, which are set out in our Articles of Association (for instance, in the event of sanctions imposed by the Governing Council). Conditions for the transfer of capital among members are provided for in our Articles of Association. The amount of new members' capital contributions is agreed annually at the General Assembly. Liability of the members is also limited to their contributions.

According to the Basque Cooperative Law, a cooperative must use its net surpluses (that result from offsetting losses and paying taxes) to cover a mandatory reserve fund ("**Mandatory Reserve Fund**") (20% annually until reaching a 50% of share capital) and a contribution for cooperative education and promotion (10% annually). Afterwards, the surplus can be distributed among its members and even employees can be allowed to participate in profit.

RELATED PARTY TRANSACTIONS

We have in the past from time to time entered into transactions with certain members of our Governing Council and Management Board and other entities in which certain of our officers, directors, managers and shareholders hold ownership interests. These transactions include, among others, financing arrangements and commercial arrangements. We also enter into transactions with entities that may be deemed to be affiliates because the Issuer holds a minority stake in such entities.

All related party transactions carried out in the past have been carried out at arms' length.

During the fiscal years 2020, 2021 and 2022, there were no related party transactions in addition to those derived from the rendering of personal services by certain members of the Governing Council and the members of the Management Board.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of our principal financing arrangements in addition to the Indenture after giving effect to the Transactions. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements.

Term Loan A

Overview and Structure

On or prior to the Issue Date, the Issuer, as company, original borrower and original guarantor, certain Spanish banking institutions, as original lenders, and Kutxabank, S.A., as agent, among others, intend to enter into a facility agreement (the "**Term Loan A**").

The Term Loan A Facility may be utilized in €112.8 million (the "**Term Loan A Facility**") by the Issuer. All amounts borrowed under Term Loan Facility A shall be applied, directly or indirectly, in or towards (a) partially refinancing the existing indebtedness of the Group and/or (b) payment of costs (of any concept) related to the Transaction.

Availability

The Term Loan A Facility will be available to be utilized within 60 calendar days as from the date of signing of the Term Loan A (the "**TLA Signing Date**").

There will be a single utilization for the total amount (100%) of the Term Loan A Facility, subject to the actions to take place on or about the Issue Date (the "**Closing Date**"), including the repayment in full of the existing Syndicated Loan.

Borrowers and Guarantors

The Issuer will be the original borrower under the Term Loan A Facility. In addition, all of the Group companies which, at any given time, are wholly owned directly or indirectly by the Issuer (excluding Jactus Spain, S.L. and Eroski Hipermercados, S.Coop.) will be guarantors under the Term Loan A Facility. As of the TLA Signing Date, Cecosa Hipermercados, S.L.; Equipamiento Familiar y Servicios, S.A.; Desarrollos Comerciales y de Ocio Algeciras, S.L.; Cecosa Institucional, S.L.; Cecogoico, S.A.; Newcobeco, S.A.; Forum Sport, S.A.; Peninsulaco, S.L.U.; Sociedad de Franquicias Eroski Contigo, S.L.U.; and Cecosa Diversificación, S.L. will be the original guarantors under the Term Loan A Facility.

A mechanism shall be included in the Term Loan A to enable certain of the Issuer's subsidiaries to accede as additional guarantors under the Term Loan A Facility, subject to certain conditions.

Termination and Repayment Requirements

As for the Notes, the Term Loan A Facility will terminate on the date falling five years and six months from the Closing Date, including springing maturity.

The Term Loan A Facility shall be repaid quarterly, from and including January 31, 2024, in the amounts set out in the repayment schedule to be included as schedule to the Term Loan A, with the aggregate outstanding principal balance of the Term Loan A Facility being payable on or prior to the termination date referred to in the previous paragraph.

Interest Rate and Fees

The ordinary interest rate applicable to the Term Loan A Facility is 2.50% margin plus 12-month EURIBOR per annum. In the event that EURIBOR is less than zero, it shall be deemed to be zero.

Default interest on overdue amounts is calculated at a rate which is 2% higher than the ordinary interest rate applicable to the Term Loan A Facility.

The Issuer is also required to pay (or procure there is paid) certain fees under the Term Loan A.

Guarantees

Each Guarantor will provide a first demand personal guarantee for the purposes of guaranteeing, among others, the obligations that may arise against the Issuer under the Term Loan A.

Security

The Term Loan A Facility (subject to the agreed security principles included in "—*Intercreditor Agreement*" below) will be secured by first ranking pledges (shared with the Notes, the Bridge to Disposal Facility and the Confirming and Guarantee Facilities) with delivery of possession over:

(a) shares or quota shares:

  (i) owned directly or indirectly by the Company representing the share capital of the Guarantors and the Pledged Companies. For this purpose, Pledged Companies are defined as Vegalsa, Aportaciones Financieras Eroski, S.A. and Supratuc. The shareholding of Gespa Forum, S.C.P. in Forum Sport, S.A. shall be expressly excluded from security; and

  (ii) owned directly by an Obligor in any additional guarantor and any other company acquired, incorporated or otherwise directly held (in whole or in part) by an Obligor after the TLA Signing Date;

(b) the intra-group loans granted to the Guarantors and Pledged Companies (as debtors); and

(c) the main current accounts of the Obligors. For this purpose, Obligors are defined as the borrower and the guarantors under the Term Loan A.

Representations and Warranties

The following statements and representations shall be included in the Term Loan A under standard market conditions, subject to legal qualifications, limitations and reservations (where agreed), and whose wording shall be inspired by the wording of the standard approved by the Loan Market Association in all matters not expressly provided for in this document: (a) *Status; (b) *Binding obligations (subject to legal reservations to be agreed); (c) *Non conflict with other obligations; (d) *Power and authority; (e) *Validity and admissibility in evidence; (f) *Governing law and enforcement; (g) Tax provisions; (h) Tax withholding; (i) No filing or stamp taxes; (j) *No Default; (k) No misleading information; (l) Original Financial Statements; (m) **Pari passu* ranking; (n) No pending, or risk of, substantial proceedings; (o) No financing agreements other than the Permitted Financial Indebtedness; (p)*No charges and encumbrances other than the Permitted Guarantees and the Permitted Security; (q) No obligation of granting security or guarantees in favor of third parties; (r) *Center of main interests; (s) *Substantial compliance with laws; (t) *Material licenses; (u) *Insurances; (v) No Insolvency; (w) Share capital and Group structure chart; (x) *Compliance with anti-corruption laws, anti-bribery laws, anti-money laundering laws or sanctions laws; (y) *transactions in market standard terms.

Representations marked with * shall be deemed to be repeated on the utilization date of the Term Loan A Facility, on the date when any interest or fees accrued under the Term Loan A are to be paid and on the date on which a company becomes an additional guarantor under the Term Loan A.

Undertakings

The Term Loan A shall contain financial undertakings, information undertakings and other customary undertakings. Set forth below is a brief description of such undertakings.

Financial Undertakings

The Term Loan A shall include a maintenance financial covenant referred to the Net Financial Debt to EBITDA ratio, applicable during the relevant Testing Period (which for this purpose is defined as the period of time extending from the TLA Signing Date until the date on which no amounts are outstanding (in any respect) under the Term Loan A Facility).

Also, the Term Loan A will include an equity cure mechanism.

Information Undertakings

The Issuer shall supply each of the following: (a) Consolidated Financial Statements and audited financial statements of each Obligor which is required by law to have its financial statements audited, within 180 calendar days following the end of the corresponding financial year; (b) its *pro forma* financial statements for informational purposes only, within 60 calendar days following the end of its corresponding financial year; (c) consolidated half-yearly financial statements, within 90 calendar days of the end of its financial half-year; (d) its quarterly balance sheet and the quarterly profit and loss account (in both cases consolidated) for the quarter in question, within 60 calendar days following the end of each calendar quarter into which its financial year is divided; (e) on March 31 of each calendar year, certain financial information, including the projected results of the Group of the current financial year; (f) together with its Consolidated Financial Statements, a certificate issued by the Company for information purposes only and verified or validated by the Auditors, stating (per company) the amount of EBITDA and assets which correspond to each Obligor in relation to the consolidated amount of EBITDA and assets of the Group, by reference to the Consolidated Financial Statements; (g) the quarterly information published for the benefit of the holders of the Notes, as well as the possibility of arranging an informative call in this respect; and (h) only during the Testing Period (as described above) and together with the annual and half-yearly financial information referred to above, a compliance certificate of the financial ratios.

Other Undertakings

The Term Loan A shall include other customary undertakings in relation to the Obligors under standard market conditions, subject to legal qualifications, limitations and baskets (where agreed) and whose wording shall be inspired by the wording of the standard approved by the Loan Market Association in all matters not expressly provided for in the Term Loan A. Such undertakings shall include, among others, authorizations, substantial compliance with laws, negative pledge, disposals, corporate reorganizations, change of business, insurance, taxes, financial indebtedness, guarantees, *pari passu*, security, etc.

Prepayment and Cancellation

Voluntary prepayment

The Issuer may, if it gives the agent under the Term Loan A not less than three Business Days' prior notice, prepay in whole or in part of the Term Loan Facility A (but, if in part, by a minimum amount of €250,000), such prepayment being subject to break costs if made on a date other than the end of an Interest Period.

Mandatory prepayment

The Issuer will be required to early repay the Term Loan A Facility upon the occurrence an illegality event or in case of a change of control, which for this purpose is defined as a change in the control of the Issuer in the terms set out in Article 42 of the Spanish Commercial Code.

Events of Default

The following events of default shall be included in the Term Loan A under standard market conditions and subject to qualifications and thresholds to be negotiated: (a) non-payment (with a two Business Day cure period if the failure to pay is due to administrative or technical error); (b) failure to comply with financial undertakings (subject to cure right); (c) Obligors' failure to comply with other obligations under the Term Loan A (with a 15 Business Days cure period); (d) misrepresentation; (e) cross-default; (f) current insolvency (or possibility of insolvency) of any Obligor or Pledged Company or in case of a write off granted to an Obligor or Pledged Company; (g) insolvency proceedings of any Obligor and Pledged Companies; (h) enforcement at the request of creditors; (i) unlawfulness or unenforceability of the Term Loan A and any other finance document (as defined therein); (j) repudiation of the Term Loan A and any other finance document (as defined therein); (k) cessation or change of business or corporate purpose of the Obligors (except when expressly permitted); (l) lack of effectiveness of the finance documents, guarantees and security; (m) Material Adverse Change; (n) sanctions; (o) unfavorable or denied opinion in the audit reports; (p) exit of cooperative members; (q) redemption of AFSEs.

Governing Law

The Term Loan A and any non-contractual obligation arising out of or in connection with it shall be governed by Spanish law.

The courts of the city of Bilbao shall have exclusive jurisdiction in relation to claim relating to any contractual and non-contractual obligation in relation to the Term Loan A.

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer and Guarantors will be a party to an intercreditor agreement to be entered into on or prior to the Issue Date (the "**Intercreditor Agreement**") with, among others, the Security Agent and the agents, arrangers and lenders under the Senior Facilities Agreements (as defined below).

By accepting a Note, holders of the Notes will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement will be governed by English law and will set out various matters governing the relationship of the creditors to our Group including the relative ranking of certain debt of the Issuer, the Guarantors and any other person that becomes party to the Intercreditor Agreement as a Debtor or Third-Party Security Provider, when payments can be made in respect of debt of the Debtors or Third-Party Security Providers, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions and provisions related to the enforcement of shared security.

The following description is a summary of certain provisions to be contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and we urge you to read that document because it, and not the discussion that follows, defines certain rights of the holders of the Notes and of the Trustee. Capitalized terms used but not defined herein have the meanings given to them in the Intercreditor Agreement.

For the purposes of this description:

References to the "**Senior Secured Notes**" shall include the Notes, any additional senior secured notes issued from time to time under the Indenture, and any other notes, securities or other debt instruments issued or to be issued by, or in relation to which a New Debt Financing (as defined below) has been made available to or by, a member of the Group which are designated by the Issuer as Senior Secured Notes under the Intercreditor Agreement.

The Intercreditor Agreement uses the term "**Senior Secured Notes Liabilities**" to refer to the Senior Secured Notes and certain other indebtedness of the Issuer.

Ranking and Priority

Priority of Debts

The Intercreditor Agreement provides that the liabilities owed by the Issuer and each other debtor under the Intercreditor Agreement (together, the "**Debtors**") and the Third-Party Security Providers shall rank in right of priority and payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(1) first, liabilities owed to (i) the lenders, issuing banks and ancillary lenders in relation to the Senior Facilities Agreements (as defined below) or any future senior secured facilities agreements that are permitted and not prohibited under the Debt Documents (a "**Permitted Senior Secured Facilities Agreement**") (the "**Senior Lender Liabilities**"), (ii) the Trustee under the Indenture and any trustee in relation to future senior secured notes (each a "**Senior Secured Notes Trustee**") (other than certain amounts paid to them in their capacity as trustee), the noteholders of the Senior Secured Notes and the Security Agent (the "**Senior Secured Notes Liabilities**"), (iii) the arrangers, agents, issuing banks and lenders under any cash management facility (a "**Cash Management Facility**" and the liabilities under a Cash Management Facility being the "**Cash Management Facility Liabilities**"), (iv) the hedge counterparties in relation to any hedging agreements, the "**Hedging Liabilities**"), (v) the lenders in relation to any future second lien facility agreement (a "**Second Lien Facility Agreement**" and the liabilities to the lenders under a Second Lien Facility Agreement being the "**Second Lien Lender Liabilities**"), (vi) any second lien notes trustee (other than certain amounts paid to it in its capacity as trustee), the holders of any future second lien notes and the Security Agent in relation to any second lien notes (such second lien notes being

"**Second Lien Notes**" and the liabilities in respect of such Second Lien Notes being the "**Second Lien Notes Liabilities**" and together with the Second Lien Lender Liabilities, the "**Second Lien Liabilities**"), (vii) any arranger in respect of any Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, or Second Lien Liabilities (the "**Arranger Liabilities**"), (x) any agent or trustee under any finance documents relating to any of the aforementioned liabilities(together, the "**Agent Liabilities**") and (xi) the Security Agent, *pari passu* and without any preference between them (and provided that, for the avoidance of doubt, any future indebtedness ranked under this paragraph may only be incurred if permitted and not prohibited under the Debt Documents); and

(2) second, the Intra-Group Liabilities (as defined below) *pari passu* and without any preference between them.

The Intercreditor Agreement provides that the intra-group liabilities owed by one member of the Group to another member of the Group (the "**Intra-Group Liabilities**") will be subordinated to the liabilities owed by the Debtors and (only to the extent it has expressly assumed any such liabilities or obligations) the Third-Party Security Providers to the creditors under the Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Lender Liabilities and Second Lien Notes Liabilities, Agent Liabilities and Arranger Liabilities (such creditors, together with the Security Agent, any receiver or delegate and any arranger with respect to the Secured Liabilities, the "**Secured Parties**").

Transaction Security

The Intercreditor Agreement provides that the Transaction Security (irrespective of whether the related Transaction Security Documents are themselves expressed to be first ranking or of any lower ranking security) shall, subject to the terms of the Intercreditor Agreement, rank and secure the applicable Secured Obligations (but only to the extent that such Transaction Security is expressed to secure those Liabilities) in the following order:

(1) first, the Senior Secured Creditor Liabilities (as defined below) *pari passu* and without any preference between them; and

(2) second, the Second Lien Liabilities *pari passu* and without any preference between them,

in each case, as applicable, subject to the order of application and equalization provisions of the Intercreditor Agreement (each summarized below).

For the purposes of this description only:

"**Bridge Independent Security**" means the promissory mortgage (and, if granted, the mortgage) of the Material Real Property (as such term is defined in the Bridge to Disposal Facility).

"**Debt Documents**" means the Intercreditor Agreement and the documents creating or evidencing the Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities, Second Lien Liabilities, the Intra-Group Liabilities (each as defined in this description) and any other document designated as such by the Security Agent and the Issuer.

"**Finance Documents**" means the Senior Facilities Agreements, any Permitted Senior Secured Facilities Agreement, the indenture in respect of any Senior Secured Notes, any Second Lien Facility Agreement and the indenture in respect of any Second Lien Notes.

"**Secured Creditors**" means the Senior Secured Creditors and the Second Lien Creditors.

"**Secured Debt Documents**" means the documents relating to the Senior Secured Creditor Liabilities, the Second Lien Liabilities and any other document designated as such by the Security Agent and the Issuer under and in accordance with the Intercreditor Agreement.

"**Senior Facilities Agreements**" means each of: (i) the Term Loan A, (ii) the framework agreement relating to the Confirming and Guarantee Facilities, (iii) the common terms agreement relating to items (i) and (ii) of this definition, and (iv) the Bridge to Disposal Facility.

"**Third-Party Security Provider**" means Eroski Hipermercados S. Coop and any person that has provided Transaction Security but is not a Debtor in respect of any direct borrowing or guarantee liabilities of the applicable secured obligations to which that Transaction Security relates and which is designated as such by the Issuer (in its discretion).

"**Transaction Security**" refers to security from the Group and any Third-Party Security Provider (but excluding, for the avoidance of doubt, Bridge Independent Security) which is created, or expressed to be created, in favor of the Security Agent as agent or trustee for the other Secured Parties (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties or in favor of the Security Agent under a parallel debt or similar structure).

The Senior Secured Notes and the Senior Secured Notes Guarantees will constitute Senior Secured Notes Liabilities for the purposes of this description in relation to the Intercreditor Agreement.

Where reference is made to any matter being "permitted and not prohibited" under the Debt Documents or Finance Documents (or equivalent meaning), this shall mean not prohibited under the Debt Documents or Finance Documents (other than the Senior Facilities Agreements) and permitted by the Senior Facilities Agreements, as applicable. Where reference is made to any matter being solely "not prohibited" this shall mean not prohibited under the Debt Documents or the Finance Documents.

New Debt Financing

The Intercreditor Agreement provides, subject to certain conditions, for the implementation of existing, additional, supplemental or new financing arrangements or the assumption or incurrence of any liabilities that will constitute, for the purposes of the Intercreditor Agreement, Senior Lender Liabilities, Senior Secured Notes Liabilities, Cash Management Facility Liabilities, Hedging Liabilities or Second Lien Liabilities subject to the Intercreditor Agreement (each, a "**New Debt Financing**"). The conditions include certification by the Issuer that such New Debt Financing is permitted and not prohibited under the terms of the Finance Documents.

Such financing arrangements may be implemented by way of refinancing, replacement, exchange, set-off, discharge or increase of any such new, existing, additional or supplemental financing, guarantee or debt arrangement under the relevant finance documents. In connection with and in order to facilitate any New Debt Financing, each agent and the Security Agent (and each other person party to a Transaction Security document) is authorized and instructed to promptly enter into any new security document, amend or waive any term of an existing security document and/or release any asset from the Transaction Security (as the case may be) subject to certain conditions, including as regards the terms of such security (which shall be, unless otherwise agreed by the Issuer or otherwise required by the Issuer, substantially the same as the terms applicable to the existing Transaction Security over equivalent assets).

Where any indebtedness ("**Permitted Acquired Indebtedness**") which is permitted and not prohibited under the Finance Documents is incurred by or in connection with the acquisition of (i) a person or any of its subsidiaries who, after the Effective Date, becomes a Restricted Subsidiary or merges, consolidates or is otherwise combined with a Restricted Subsidiary, or (ii) in relation to an asset of any such person or which is otherwise acquired after the Effective Date (together, an "**Acquired Person or Asset**"), any security, guarantee, indemnity or other assurance against loss in respect of such New Debt Financing which is subsisting at the date when the conditions to the incurrence of such New Debt Financing set out in the Intercreditor Agreement have been satisfied (or is to be granted thereafter, including subject to any condition or periodic testing) shall be permitted to continue to subsist (or to be granted in accordance with the applicable terms) and there is no requirement for that security, guarantee, indemnity or other assurance against loss to be offered in respect of any other liabilities under any Debt Document. No security, guarantee, indemnity or other assurance against loss is required to be given by any member of the Group in respect of any liabilities (including under any Debt Document) (i) over any Acquired Person or Asset if this would breach a contractual undertaking applicable to the Group or is excluded or exempt from being given under the Agreed Security Principles, (ii) over any asset required (including subject to any condition) to provide credit support in relation to any Permitted Acquired Indebtedness (other than as a result of any obligation to extend any Transaction Security rateably for the benefit of any Permitted Acquired Indebtedness), or (iii) where the grant of any security, guarantee, indemnity or other assurance against loss is prevented by the documentation in relation to or constituting that Permitted Acquired Indebtedness or where any such grant would give rise to an obligation (including any payment obligation but not including an obligation to extend any Transaction Security rateably for the benefit of such Permitted Acquired Indebtedness) under or in relation thereto.

Permitted Payments

Permitted Payments in Respect of the Senior Secured Debt

The Debtors and Third-Party Security Providers may make payment in respect of the Senior Lender Liabilities, Senior Secured Notes Liabilities, the Hedging Liabilities and Cash Management Facility Liabilities (the "**Senior Secured Creditor Liabilities**", the creditors in respect thereof being the "**Senior Secured Creditors**") at any time, provided that following certain acceleration events under the Senior Secured Facilities Agreement, any Permitted Senior Secured Facilities Agreement or Senior Secured Notes Indenture or following certain insolvency events in relation to a member of the Group, payments may only be made by Debtors or Third-Party Security Providers and received by creditors in accordance with the provisions described below under "*—Application of Proceeds.*"

Any failure to make a payment in accordance with the Senior Secured Finance Documents following an acceleration event or insolvency event as required by the Intercreditor Agreement shall not prevent the occurrence of an event of default under such applicable Senior Secured Finance Documents.

Permitted Payments in Respect of Second Lien Liabilities

Prior to the Senior Secured Discharge Date, the Debtors, the Third-Party Security Providers and other members of the Group may only make specified payments (including any other direct or indirect step, matter, action or dealing in relation to any Second Lien Liabilities otherwise prohibited under the Intercreditor Agreement) under the Second Lien Liabilities to the Second Lien Creditors (such payments, collectively, "**Permitted Second Lien Payments**"):

(1) if:

  (a) no Second Lien Payment Stop Notice (as defined below) is outstanding;

  (b) no payment default (subject to a *de minimis* threshold in the case of amounts other than principal, interest or certain fees) has occurred and is continuing under, among others, any Permitted Senior Secured Facilities Agreement, Cash Management Facility document or Senior Secured Notes document (a "**Senior Secured Payment Default**"); and

  (c) the payment is not prohibited by the Debt Documents;

(2) if, notwithstanding that a Second Lien Payment Stop Notice (as defined below) is outstanding and/or (other than in respect of paragraph (K) below) a Senior Secured Payment Default has occurred and is continuing and irrespective of whether a Senior Acceleration Event or a Senior Secured Notes Acceleration Event has occurred, the payment is (without double-counting any equivalent applicable basket in any Debt Document, but whether or not permitted by the Debt Documents): (A) of ongoing fees under any original fee letter relating to the Second Lien Finance Documents, (B) of commercially reasonable advisory and professional fees, costs or expenses for restructuring advice and valuations (including legal advice and the advice of other appropriate financial and/or restructuring advisors) and a Second Lien Creditor Representative's fees, costs and expenses not exceeding €2,000,000 in aggregate, but excluding the costs of any litigation against a Senior Secured Creditor (or their affiliates), (C) of any amounts owed to a Second Lien Agent (as defined below), (D) of costs necessary to protect, preserve or enforce security, (E) of any costs, commissions, taxes, premiums, amendment fees (including any original issue discount and other consent and/or waiver fees) and any expenses incurred in respect of (or reasonably incidental to) the Second Lien Finance Documents (including in relation to any reporting or listing requirements under the Second Lien Finance Documents), (F) of any other amount not exceeding €4,000,000 (or its equivalent) in aggregate in any 12-month period, (G) of any amount of the Second Lien Liabilities which would have been payable but for the issue of a Second Lien Payment Stop Notice (which has since expired and where no new Second Lien Payment Stop Notice is outstanding) which has been capitalized and added to the principal amount of the Second Lien Liabilities or where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Second Lien Liabilities during such period or any such amount described at (i)(C) above, provided that no such payment may be made if certain events of default have occurred or would occur as a result of making such payment, (H) of non-cash interest made by way of capitalising interest or issuing a non-cash-pay financial instrument evidencing the same which is

subordinated to the Senior Secured Liabilities on the same terms as the Second Lien Liabilities, (I) if the payment is funded directly or indirectly with the proceeds of Second Lien Liabilities incurred under or pursuant to any Second Lien Finance Document, (J) if the payment is of a principal amount of the Second Lien Liabilities and made in accordance with a provision in a Second Lien Finance Document relating to prepayment upon illegality or in relation to the prepayment of a single lender in the event of a tax gross-up, increased costs or other indemnity becoming payable and (K) if no Senior Secured Payment Default has occurred and is continuing and the payment is a payment of principal, interest or any other amounts made on or after the final maturity of the relevant Second Lien Liabilities (provided that such maturity date is no earlier than that contained in the original form of the relevant Second Lien Finance Document as of the first date of borrowing or issuance (as the case may be) of the applicable Second Lien Liabilities); or

(3) if the requisite Senior Secured Creditors give prior consent to that payment being made.

On or after the Senior Secured Discharge Date, the Debtors and the Third-Party Security Providers may make payments to Second Lien Creditors in respect of the Second Lien Liabilities in accordance with the Second Lien Finance Documents.

Second Lien Liabilities Payment Block Provisions

A Second Lien Payment Stop Notice (as defined below) is outstanding from the date on which, following the occurrence of certain material events of default, the Security Agent (acting on the instructions of the requisite Senior Secured Creditors gave the instructions for the relevant stop notice to be delivered) (a "**Second Lien Payment Stop Notice**") to the Second Lien Creditor Representative(s) advising that the relevant event of default is continuing and suspending payments of the Second Lien Liabilities, until the first to occur of:

(1) the date falling 120 days after delivery of that Second Lien Payment Stop Notice;

(2) the date on which a default occurs for failure to pay principal at the original scheduled maturity of the relevant Second Lien Liabilities;

(3) if a Second Lien Standstill Period (as defined below) commences after issue of that Second Lien Payment Stop Notice, the date on which such standstill period expires;

(4) the date on which the relevant material event of default has been remedied or waived in accordance with the terms of the Senior Secured Finance Documents;

(5) the date on which the Security Agent (acting on the instructions of the Senior Secured Creditors that gave the instructions for the relevant stop notice to be delivered) delivers a notice to the Issuer and the Second Lien Creditor Representative cancelling the payment stop notice;

(6) the Senior Secured Discharge Date; and

(7) the date on which the Second Lien Creditors take any enforcement action that they are permitted under the Intercreditor Agreement. See "*—Enforcement Regime—Permitted Second Lien Enforcement.*"

No Second Lien Payment Stop Notice may be delivered by the Security Agent in reliance on a particular relevant event of default more than 60 days after the occurrence of the relevant event of default. No more than one Second Lien Payment Stop Notice may be served (i) with respect to the same event or set of circumstances or (ii) in any period of 360 days.

Any failure to make a payment due in respect of the Second Lien Liabilities as a result of the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Secured Payment Default shall not prevent (i) the occurrence of an event of default as a consequence of that failure to make a payment in relation to the relevant Second Lien Liabilities or (ii) the issue of an enforcement notice in respect of an event of default under the finance documents documenting any Second Lien Liabilities (a "**Second Lien Enforcement Notice**") on behalf of the Second Lien Creditors.

Payment Obligations and Capitalization of Interest Continue

Nothing in the Second Lien payment block provisions will release any Debtor or Third-Party Security Provider from the liability to make any payment (including of default interest, which shall continue to accrue) under the applicable Debt Documents even if its obligation to make such payment is restricted at any time. The accrual and Capitalization of interest (if any) in accordance with the applicable Debt Documents shall continue notwithstanding the issue of a payment stop notice.

Cure of Payment Stop

If:

(1) at any time following the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Secured Payment Default that Second Lien Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default ceases to be continuing; and

(2) the relevant Debtor then promptly pays to the Second Lien Creditors an amount equal to any payments which had accrued under the Second Lien Finance Documents and which would have been Permitted Second Lien Payments but for that Second Lien Payment Stop Notice or Senior Secured Payment Default (as the case may be),

then any event of default which may have occurred as a result of that suspension of Payments shall be waived and any Second Lien Enforcement Notice which may have been issued as a result of that event of default shall be waived without any further action being required by the Second Lien Creditors.

Turnover

Subject to certain exceptions, the Intercreditor Agreement provides that if, at any time prior to the latest to occur of (i) the Senior Secured Discharge Date and (ii) the first date on which all of the Second Lien Liabilities have been fully discharged (the "**Second Lien Discharge Date**") (the latest to occur being the "**Final Discharge Date**") any creditor receives or recovers from any Debtor, member of the Group or Third-Party Security Provider:

(1) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the Debt Documents other than any payment or distribution which is either (x) not prohibited under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under "—*Application of Proceeds*";

(2) any amount by way of set-off which does not give effect to a payment permitted under the Intercreditor Agreement; and

(3) notwithstanding (1) and (2) above, other than when set-of applies, any amount:

   (a) on account of, or in relation to, any of the liabilities owed to the creditors under the Debt Documents (I) after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event or a payment default or (II) as a result of any other litigation or proceedings against a Debtor, member of the Group or any Third-Party Security Provider (other than after the occurrence of an Insolvency Event (as defined below)); or

   (b) by way of set-off in respect of any of the Liabilities owed to it after the occurrence of an acceleration event or the enforcement of any Transaction Security as a result of such an acceleration event or a payment default;

   other than, in each case, any amount received or recovered in accordance with the provisions set out below under "—*Application of Proceeds*" and in relation to Intra-Group Liabilities in accordance with the Intercreditor Agreement (to the extent permitted to be received or recovered notwithstanding that an Acceleration Event is continuing);

(4) the proceeds of any enforcement of any of the Transaction Security except in accordance with the provisions set out below under "—*Application of Proceeds*"; or

(5) any distribution in cash or in kind or payment of, or on account of or in relation to, any of the liabilities owed by any Debtor, any member of the Group or Third-Party Security Provider which is not in accordance with the provisions set out below under "*Application of Proceeds*" and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that Debtor, member of the Group or Third-Party Security Provider,

that creditor will:

(1) in relation to receipts and recoveries not received or recovered by way of set-off (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for (or otherwise on behalf and for the account of) the Security Agent and promptly pay or distribute that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement, and (y) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(2) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Effect of Insolvency Event

"**Insolvency Event"** is defined as, in relation to a Debtor or Third-Party Security Provider, (a) any resolution is passed or order made for insolvency, bankruptcy, winding up, dissolution, administration, examination or reorganization (excluding solvent reorganizations), (b) a composition, compromise, assignment or arrangement with any class of creditors generally (other than any Secured Party) in connection with or as a result of any financial difficulty on the part of that Debtor or Third-Party Security Provider, (c) a moratorium is declared in relation to any of its indebtedness in connection with or as a result of any financial difficulty, (d) the appointment of a liquidator, receiver, examiner, administrative receiver, administrator, compulsory manager or other similar officer in respect of it or any of its assets, or (e) any analogous procedure or step is taken in any jurisdiction (including in respect of a Spanish Obligor, in connection with or as a result of any financial difficulty, without limitation, the filing for voluntary insolvency (*solicitud de declaración de concurso voluntario*) or the declaration of insolvency (*auto de declaración de concurso necesario o voluntario*), *convenio judicial o extrajudicial con acreedores, transacción judicial o extrajudicial* and *plan de reestructuración* referred to in the Second Book of Pre-Insolvency Law (*Libro Segundo del derecho preconcursal*) of the Spanish Insolvency Law), unless any such notice, agreement or proceeding is entered into with Creditors), other than (in each case), frivolous or vexatious proceedings, proceedings or appointments which the Security Agent (acting on the instructions of the Instructing Group (as defined below)) is satisfied will be withdrawn or unsuccessful or as permitted under a Senior Facilities Agreement or in any Permitted Senior Secured Facilities Agreement or a Second Lien Facility Agreement, or otherwise not constituting a default.

The Intercreditor Agreement provides that, after the occurrence of an Insolvency Event, any party entitled to receive a distribution out of the assets of a Debtor or Third-Party Security Provider shall direct the person responsible for the distribution to pay that distribution to the Security Agent until the liabilities owing to the Secured Parties have been paid in full. The Security Agent shall apply all such distributions paid to it in accordance with the provisions set out under "—A*pplication of Proceeds*" below.

To the extent any Debtor's or Third-Party Security Provider's liabilities to creditors are, with certain exceptions, discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event, any creditor benefiting from such set-off shall pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out under "—A*pplication of Proceeds*" below.

If the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any liabilities, the liabilities will not be reduced by that distribution until and except to the extent the realization proceeds are actually applied towards such liabilities.

Subject to certain netting and set-off rights under ancillary or cash management facilities, each creditor irrevocably authorizes the Security Agent to take Enforcement Action (as defined below), make demands, collect and receive distributions, file claims and take other actions necessary to make recovery after the occurrence of an Insolvency Event in relation to a Debtor or Third-Party Security Provider. The creditors agree to do all things the Security Agent reasonably requests in order to give effect to these provisions.

Security Enforcement Regime

Instructing Group

An "**Instructing Group**" means:

(a) prior to the Senior Secured Discharge Date, the Senior Secured Creditors representing more than 50% of the Senior Secured Liabilities (the "**Majority Senior Secured Creditors**"); and

(b) on or after the Senior Secured Discharge Date but before the Final Discharge Date, the Second Lien Creditors representing more than 50% of the Second Lien Liabilities (the "**Majority Second Lien Creditors**").

Enforcement of Transaction Security

The Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise by (i) the Instructing Group or (ii) if, prior to the Senior Secured Discharge Date, the Instructing Group has (A) given no instructions or has instructed the Security Agent neither to enforce or cease enforcing and (B) not required any Debtor or Third-Party Security Provider to make a Distressed Disposal (as defined below), an agent or trustee under the Second Lien Liabilities (acting on the instructions of the Majority Second Lien Creditors) where the rights of the Second Lien Creditors to enforce have arisen under the Intercreditor Agreement,.

Subject to the Transaction Security having become enforceable in accordance with its terms, the Instructing Group or any other persons entitled to give instructions in accordance with the preceding paragraph may give or refrain from giving instructions to the Security Agent to enforce, or refrain from enforcing, the Transaction Security as they see fit.

Notwithstanding the above paragraphs, if at any time the agents or representatives of the Second Lien Creditors then entitled to give the Security Agent instructions to enforce the Transaction Security either give no such instruction or do not indicate any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the Transaction Security as the Instructing Group sees fit and the Security Agent shall act on such instructions received from the Instructing Group.

Unless (i) the Transaction Security has become enforceable as a result of an Insolvency Event or (ii) the Instructing Group or any agent of the creditors represented in the Instructing Group determines in good faith that to do so could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce the Transaction Security or the realization proceeds of any such enforcement, before giving any instructions to enforce the Transaction Security or take any other enforcement action (other than with respect to Bridge Independent Security) the agents of the creditors represented in the Instructing Group will be required to consult with each other agent and the Security Agent in good faith for a period of up to 10 business days (the "**Consultation Period**") and the Instructing Group will only be entitled to give the enforcement instructions to enforce the Transaction Security described above or take any Enforcement Action over the Transaction Security after the expiry of such Consultation Period.

Enforcement—Bridge Independent Security

Subject to the Bridge Independent Security having become enforceable in accordance with its terms, the creditors under the Bridge to Disposal Facility may give or refrain from giving, instructions to the security agent under the Bridge to Disposal Facility (the "**Bridge Independent Security Agent**") to enforce or refrain from enforcing the Bridge Independent Security as they see fit.

Manner of Enforcement

If the Transaction Security is being enforced in accordance with any of the above paragraphs, the Security Agent shall enforce the relevant Transaction Security in such manner (including, without limitation, the selection of any administrator of any Debtor or Third-Party Security Provider to be appointed by the Security Agent) as any persons entitled at any time under the above provisions shall instruct it or, in the absence of any such instructions, as the Security Agent sees fit (which may include taking no action).

The creditors under the Bridge to Disposal Facility (other than the Bridge Independent Security Agent) shall not have any independent power to enforce, or to have recourse to enforce, any of the Bridge Independent Security or to exercise any rights or powers arising under the security documents except through the Bridge Independent Security Agent.

Security Held by Other Creditors

If any Transaction Security is held by a creditor other than the Security Agent, then creditors may only enforce that Transaction Security in accordance with instructions given by the relevant instructing creditors in accordance with the paragraphs above.

Enforcement Regime

Restrictions on Enforcement by Second Lien Creditors

Until the Senior Secured Discharge Date, except with the prior consent of or as required by an Instructing Group, no Second Lien Creditor shall take or require the taking of any Enforcement Action against a member of the Group or Third-Party Security Provider in relation to the Second Lien Liabilities except as set out under "*Permitted Second Lien Enforcement*", provided that no such action required by an Instructing Group need be taken except to the extent such Instructing Group otherwise is entitled under the Intercreditor Agreement to direct such action.

"**Enforcement Action**" is defined as:

(1) (A) in relation to any liabilities, the acceleration, the making of any declaration that such liabilities are payable on demand (subject to certain exceptions), making certain demands, the making of any demand against any member of the Group in relation to any Guarantee Liabilities of that member of the Group, requiring a member of the Group or Third-Party Security Provider to acquire such liabilities (subject to certain exceptions), exercising any rights of set-off (other than certain netting under hedging agreements or as otherwise permitted under the Secured Debt Documents) or (B) suing or commencing proceedings in relation to such liabilities;

(2) premature termination or close-out of a hedging agreement, save to the extent permitted by the Intercreditor Agreement;

(3) the taking of steps to enforce or require the enforcement of the Transaction Security or, as the case may be, Bridge Independent Security as a result of an acceleration event or payment default which was continuing at the time the request for enforcement was made;

(4) entering into any composition, compromise, assignment or similar arrangement with any Third-Party Security Provider or a member of the Group which owes any liabilities or has given security, guarantees, indemnities or other assurances against loss in respect of liabilities owed to a creditor under the Intercreditor Agreement (other than any action permitted under "*changes to the parties*" in the Intercreditor Agreement or any debt buy-backs pursuant to open market debt repurchases, tender offers or exchange offers not undertaken as part of an announced restructuring or turnaround plan or while a default was outstanding under the relevant Secured Debt Documents); or

(5) petitioning, applying, voting for or taking any steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to the winding up, dissolution, administration or the insolvency declaration (*declaración de concurso*) of any Third-Party Security Provider or a member of the Group which owes any liabilities or has given security or other assurance against loss in respect of liabilities owed to a creditor under the Intercreditor Agreement or any of such Third-Party Security Provider or member of the Group's assets or any suspension of payments or moratorium of any indebtedness of any such Third-Party Security Provider or member of the Group, or any analogous procedure or step in any jurisdiction,

except that the following shall not constitute Enforcement Action: (A) taking any action referred to in paragraph (1)(B) and (5) where necessary to preserve the validity, existence or priority of claims in respect of liabilities, (B) discussions or consultations between or proposals made by the Secured Parties with respect to enforcement of the Transaction Security in accordance with the Intercreditor Agreement, (C) bringing proceedings in connection with a securities violation, securities or listing regulations or common law fraud or to restrain any breach of the Debt Documents or for specific performance with no claims for damages, (D) proceedings brought by a Secured Party solely to obtain injunctive relief, specific performance with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages, (E) demands made by intra-group lenders to the extent they relate to payments permitted under the Intercreditor Agreement or the release of the liabilities owed to such creditors in return for the issue of shares in the relevant member of the Group provided that the ownership interest of the member of the Group prior to such issue is not diluted and any relevant shares remain subject to the same Transaction Security as existed prior to the issue, (F) proceedings brought by an ancillary lender, a lender of Cash Management Facility Liabilities (a "**Cash Management Facility Lender**"), hedge counterparty, issuing bank, or agent or trustee in respect of the Second Lien Liabilities solely to obtain injunctive relief, specific performance with no claim for damages or to request judicial interpretation in relation to a Debt Document to which it is party with no claim for damages or in connection with any securities violation, securities or listing regulations or common law fraud or to restrain any breach of the Debt Documents or for specific performance with no claims for damages, and (G) the taking of any action by a member of the Group permitted and not prohibited by the Finance Documents.

Permitted Second Lien Enforcement

The restrictions set out above under "—*Restrictions on Enforcement by Second Lien Creditors*" will not apply in respect of any of the Second Lien Liabilities owed to it if at the same time as, or prior to, that action:

(1) a Senior Acceleration Event, Senior Secured Notes Acceleration Event or a Senior Secured Payment Default has occurred in which case, each Second Lien Creditor may take the same Enforcement Action (but in respect of the Second Lien Liabilities) as constitutes that Senior Acceleration Event, Senior Secured Notes Acceleration Event or Senior Secured Payment Default;

(2) a Second Lien Creditor Representative has given notice (a "**Second Lien Enforcement Notice**") to the Security Agent specifying that a second lien event of default (save and except arising pursuant to a breach of any provisions in the relevant Second Lien Facility Agreement relating to cross default (including to the Senior Facilities Agreement or any Permitted Senior Secured Facilities Agreement)) under the Second Lien Finance Documents in respect of which it is an agent has occurred and is continuing and:

    (A) a period (a "**Second Lien Standstill Period**") of not less than:

        (1) 90 days in the case of a failure to make a payment of an amount of principal, interest or fees representing the Second Lien Liabilities; or

        (2) 120 days in the case of an event of default under any financial maintenance covenant in any Second Lien Facility Agreement substantially equivalent to the Financial Covenant of the Senior Facilities Agreement; or

        (3) 150 days in the case of any other second lien event of default,

    or, in relation to any Second Lien Liabilities, such longer period (if any) as agreed between the Issuer (in its discretion) and the Second Lien Creditor Representative in relation to such Second Lien Liabilities and notified to the Security Agent in each case which has elapsed from the date on which that Second Lien Enforcement Notice becomes effective in accordance with the terms of the Intercreditor Agreement; and

    (B) that second lien event of default is continuing at the end of the Second Lien Standstill Period; or

(3) at the same time as or prior to that action the consent of the Majority Senior Secured Creditors for that Enforcement Action is obtained.

To the extent permitted under applicable law, after the occurrence of an Insolvency Event, each Second Lien Creditor may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Second Lien Creditor) exercise any right they may otherwise have against that Debtor or Third-Party Security Provider to:

(1) accelerate any of that Debtor's or, as the case may be, Third-Party Security Provider's Second Lien Liabilities or declare them prematurely due and payable or payable on demand;

(2) make a demand under any guarantee, indemnity or other assurance against loss given by that Debtor or, as the case may be, Third-Party Security Provider in respect of any Second Lien Liabilities;

(3) exercise any right of set off or take or receive any payment or claim in respect of any Second Lien Liabilities of that Debtor or, as the case may be, Third-Party Security Provider; or

(4) claim and prove in the liquidation, administration or other insolvency proceedings of that Debtor or, as the case may be, Third-Party Security Provider for the Second Lien Liabilities owing to it.

Option to Purchase: Second Lien Creditors

Following acceleration or the enforcement of Transaction Security upon acceleration under any Senior Secured Creditor Liabilities or Second Lien Liabilities, Second Lien Creditors may, subject to certain conditions, elect to purchase the Senior Lender Liabilities, Senior Secured Notes Liabilities and the Cash Management Facility Liabilities for the amount that would have been required to prepay or redeem such liabilities on such date plus certain costs and expenses. Second Lien Creditors must also, at the same time, elect for the counterparties to hedging obligations to transfer their hedging obligations to holders in exchange (subject to specified conditions) for the amount that would have been payable under such hedging obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase.

Non-Distressed Disposals

The Security Agent (on behalf of itself and the other Secured Parties) and each other person party to a document evidencing the Transaction Security shall (and is irrevocably authorized, instructed and obliged to do so without further consent, agreement or instruction from any creditor, other Secured Party or Debtor), and without prejudice to its rights and protections under the Intercreditor Agreement or any other Debt Document, promptly following receipt of a written request from the Issuer:

(1) release (or procure the release) from the Transaction Security and the Secured Debt Documents:

(A) any security over any asset which the Issuer has confirmed is the subject of:

(1) a disposal permitted or permitted and not prohibited under the Finance Documents or where any applicable release and/or consent has been obtained under the applicable Finance Document including a disposal to a member of the Group but without prejudice to any obligation of any member of the Group in a Finance Document to provide replacement security; or

(2) any other transaction permitted and not prohibited by the Finance Documents pursuant to which that asset will cease to be held or owned by a member of the Group (or, to the extent any applicable Finance Document prohibits such transaction, the applicable Agent authorizes the release in accordance with the terms of the applicable Finance Document or the required creditor consent for such transaction has been obtained); and

in each case where such disposal or other transaction is not a Distressed Disposal (as defined below) (in each case, a "**Non-Distressed Disposal**");

(B) any security (and/or other claim relating to a Debt Document but excluding any Bridge Independent Security) over any document or other agreement requested in order for any member of the Group to effect any amendment or waiver or otherwise exercise any rights, comply with any obligation or take any action in relation to such document or agreement (to the extent the Issuer has confirmed that such action is permitted and not prohibited by any Finance Document);

(C) any security (and/or other claim relating to a Debt but excluding any Bridge Independent Security) over any asset of any member of the Group which has ceased or will cease to be a Debtor or guarantor to the extent the Issuer has confirmed that such ceasing to be a Debtor or guarantor in accordance with the terms of each Finance Document or the Agreed Security Principles; and

(D) any security (and/or other claim relating to a Debt Document but excluding any Bridge Independent Security) over any other asset to the extent the Issuer has confirmed that such security is not required to be given or such release in accordance with the terms of any Finance Document or the Agreed Security Principles;

(2) in the case of a disposal of share or ownership interest in a Debtor, other member of the Group (or any holding company of any Debtor or any other member of the Group) or any other transaction pursuant to which a Debtor, other member of the Group or any holding company of any Debtor will cease to be a member of the Group or a Debtor, release or procure the release of that Debtor or other member of the Group and its subsidiaries from all present and future liabilities under the Secured Debt Documents and the respective assets of such Debtor and its subsidiaries from the Transaction Security and the Secured Debt Documents (including any claim relating to a Debt Document but excluding any claim relating to the Bridge Independent Security).

When making any request for a release pursuant to paragraphs (1)(A), (1)(B) or (2) above, the Issuer shall certify in writing to the Security Agent, that the relevant disposal or other action is permitted and not prohibited as at the date of completion of such release and on the date that the definitive agreement for such disposal or similar transaction is entered into.

When making any request for a release pursuant to paragraph (1)(C) or (1)(D) above, the Issuer shall certify in writing to the Security Agent, that such security is not required to be given or the relevant release or cessation is otherwise in accordance with the terms of the Finance Documents or the Agreed Security Principles.

In the case of a disposal of shares or other ownership interests in a Debtor, member of the Group (or any holding company of any Debtor or any other member of the Group) or any other transaction pursuant to which a Debtor, member of the Group or holding company of any Debtor will cease to be a member of the Group or a Debtor, to the extent the Issuer has confirmed to the Security Agent in writing that it is permitted and not prohibited by the Finance Documents, if such member of the Group or a Debtor is a borrower, issuer or primary debtor under any Debt Document, such person shall have the right to voluntarily prepay all Liabilities outstanding under any Debt Document to the applicable creditors.

Distressed Disposals

"**Distressed Disposal**" means a disposal of an asset or shares of, or other financial securities issued by a member of the Group or, in the case of a Third-Party Security Provider, any assets or shares or financial securities which are subject to the Transaction Security which is being effected (a) at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable as a result of an acceleration event or payment default, (b) by enforcement of the Transaction Security as a result of an acceleration event or payment default, or (c) after the occurrence of an acceleration event or the enforcement of security as a result of an acceleration event, by a Debtor or Third-Party Security Provider to a person or persons which is not a member of the Group.

If a Distressed Disposal of any asset is being effected, the Security Agent is irrevocably authorized (at the cost of the relevant Debtor, Third-Party Security Provider and the Issuer and without any consent, sanction, authority or further confirmation from any creditor under the Intercreditor Agreement, Third-Party Security Provider or Debtor):

(1) to release the Transaction Security and/or any Bridge Independent Security or any other claim over that asset, enter into any release of that Transaction Security and/or Bridge Independent Security (as applicable) or claim or any consent to dealing that may, in the discretion of the Security Agent, be necessary or desirable;

(2) if the asset which is disposed of consists of shares in the capital of a Debtor to release:

(A) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing, guarantee or other liabilities;

(B) any Transaction Security and/or any Bridge Independent Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

(C) any other claim of an intra-group lender or another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors, Third-Party Security Providers and Debtors;

(3) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor to release (A) that holding company and any subsidiary of that holding company from all or any part of its borrowing, guarantee or other liabilities; (B) any Transaction Security and/or any Bridge Independent Security granted by that holding company or any subsidiary of that holding company over any of its assets, and (C) any other claim of an intra-group lender or another Debtor over that holding company's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors and Debtors;

(4) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or any part of the liabilities owed by such Debtor or holding company or any of their subsidiaries to creditors or other Debtors:

(A) if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those liabilities (the "**Transferee**") will be treated as a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those liabilities, provided that, notwithstanding any other provision of any Debt Document, the Transferee shall not be treated as a Secured Creditor or Secured Party for the purposes of the Intercreditor Agreement; and

(B) if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all (and not part only) of the liabilities owed to the Secured Parties and all or part of any other liabilities,

on behalf of, in each case, the relevant creditors, Third-Party Security Providers and Debtors;

(5) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "**Disposed Entity**") and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the "**Receiving Entity**") all or any part of the Disposed Entity's obligations or any obligations of a subsidiary of that Disposed Entity in respect of the intra-group liabilities or liabilities owed to any Debtor, to execute and deliver or enter into any agreement to:

(A) transfer all or part of the obligations in respect of those intra-group liabilities or liabilities to any Debtor on behalf of the relevant intra-group lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(B) (provided that the Receiving Entity is a holding company of the Disposed Entity which is also a Guarantor of the Senior Secured Liabilities) to accept the transfer of all or part of the obligations in respect of those intra-group liabilities, liabilities owed to Debtors on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those intra-group liabilities or liabilities owed to Debtors are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities as described above excluding Distressed Disposals with respect to Bridge Independent Security or disposals with respect to any Bridge Independent Security liabilities, which will be paid, or distributed in accordance with the provisions set out under "*—Application of Proceeds—Bridge Independent Security*" below) shall be paid to the Security Agent for application in accordance with the provisions set out under "*—Application of Proceeds*" below as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent any disposal of liabilities has occurred, as if that disposal of liabilities had not occurred.

In the case of a Distressed Disposal (or a disposal of liabilities) effected by, or at the request of, the Security Agent, the Security Agent shall take reasonable care to obtain a fair market price in the prevailing market conditions (although the Security Agent shall not have any obligation to postpone any such Distressed Disposal or disposal of liabilities in order to achieve a higher price).

If a Distressed Disposal is being effected at a time when the Majority Second Lien Creditors are entitled to give and have given instructions in accordance with the Intercreditor Agreement, the Security Agent is not authorized to release any Debtor, subsidiary or holding company from any borrowing liabilities or guarantee liabilities or other liabilities owed to any Senior Secured Creditor unless those borrowing liabilities or guarantee liabilities or other liabilities and any other Senior Secured Liabilities will be paid (or repaid) in full (or, in the case of any contingent liability relating to a letter of credit, cash management facility or an ancillary facility, made the subject of cash collateral arrangements acceptable to the relevant senior creditor) following that release.

If before the Second Lien Discharge Date a Distressed Disposal (or a disposal of Liabilities pursuant to (4) or (5) above) is being effected such that the Second Lien Liabilities and Transaction Security over shares in a borrower, issuer or guarantor of, or over assets of a borrower, issuer or guarantor of, Second Lien Liabilities will be released, transferred or disposed of pursuant to the Intercreditor Agreement, it is a further condition to the release, transfer or disposal that either:

(1) the Second Lien Agent and second lien notes trustee (as applicable) have approved the release, transfer or disposal (acting, in each case, upon the instructions of the relevant Creditor group); or

(2) where shares or assets of a borrower, issuer or guarantor in respect of Second Lien Liabilities are sold:

(A) the consideration for such sale or disposal is in cash (or substantially all in cash) and/or other marketable securities or, if the consideration for such sale or disposal is not in cash (or substantially all in cash) and/or other marketable securities, a valuation opinion has been obtained in accordance with the provisions set out below; and

(B) all borrowing liabilities, guarantee liabilities and (to the extent permitted by the Intercreditor Agreement) other liabilities owing to each of the Secured Creditors by the Debtors and their respective subsidiaries being sold or disposed of pursuant to such Enforcement Action (together, the "**Relevant Claim**"), are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all Transaction Security and other security in favour of the Secured Parties in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that in the event of a sale or disposal of any such claim (instead of a release or discharge):

(1) where the Senior Secured Creditors constitute the Instructing Group, the Original Senior Agent and the Issuer (i) determine, acting reasonably and in good faith, that the Senior Secured Creditors will recover more than if such Relevant Claim was released or discharged but nevertheless less than the aggregate amount of outstanding Senior Secured Liabilities, and (ii) serve a notice on the Security Agent notifying the Security Agent of the same; and

(2) where the Second Lien Creditors constitute the Instructing Group, the Second Lien Agent and any second lien notes trustee (i) determine acting reasonably and in good faith that the Secured Parties (collectively) will recover more than if such claim was released or discharged but nevertheless less than the outstanding amount of the liabilities owed to the Secured Parties, and (ii) serve a notice on the Security Agent notifying the Security Agent of the same,

in which case the Security Agent shall be entitled immediately to sell and transfer such Relevant Claim to such purchaser (or an affiliate of such purchaser) and the consideration for such sale or transfer may be in the form of non-cash consideration by way of the Senior Secured Creditors or Second Lien Creditors (whichever constitutes the Instructing Group) bidding by an appropriate mechanic all or part of the Senior Secured Liabilities or Second Lien Liabilities (as applicable) such that the relevant liabilities would on completion be discharged to the extent of an amount equal to the amount of the offer made by the relevant creditors; and

(C) such sale or disposal (including any sale or disposal of any claim) is made:

(1) pursuant to a public auction or other competitive sale process run in accordance with the advice of a reputable, independent and internationally recognized investment bank, firm of accountants or third-party professional firm which is regularly engaged in such sale processes with a view to obtaining the best price reasonably obtainable taking into account all relevant circumstances and in which creditors under the Second Lien Liabilities are entitled to participate as prospective buyers and/or financiers; or

(2) where a reputable, independent and internationally recognized investment bank, firm of accountants or third-party professional firm which is regularly engaged in providing such valuations has delivered an opinion (including an enterprise valuation of the Group which can be relied upon by the Security Agent (acting on the instructions of the Instructing Group) and disclosed to the Senior Secured Creditors and the Second Lien Creditors on a non-reliance basis) in respect of such sale or disposal that the amount is fair from a financial point of view, taking into account all relevant circumstances including the method of enforcement, provided that the liability of such investment bank or internationally recognized firm of accountants or third-party professional firm in giving such opinion may be limited to the amount of its fees in respect of such engagement.

Application of Proceeds

Order of Application—Transaction Security

Subject to certain provisions set out in the Intercreditor Agreement and to the proviso described below, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document or in connection with the realization or enforcement of all or any part of the Transaction Security shall be applied at any time as the Security Agent sees fit, in the following order of priority:

(1) in discharging any sums owed to the Security Agent and any receiver or delegate on a *pari passu* basis, and then in discharging any Agent Liabilities relating to sums incurred by a Senior Creditor Representative or the Second Lien Liabilities on a *pari passu* basis;

(2) in payment of all costs and expenses incurred by any agent or Secured Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

(3) for application towards the discharge of:

(A) the Senior Lender Liabilities and liabilities to arrangers thereof;

(B) the Senior Secured Notes Liabilities;

(C) the Cash Management Facility Liabilities; and

(D) the Hedging Liabilities,

on a *pro rata* basis and ranking *pari passu* between paragraphs (A), (B), (C) and (D) above;

(4) for application towards the discharge of (x) the Second Lien Lender Liabilities and liabilities to arrangers thereof, and (y) the Second Lien Notes Liabilities, on a *pro rata* basis and ranking *pari passu* between themselves;

(5) if none of the Debtors or Third-Party Security Providers is under any further actual or contingent liability under any Debt Document relating to the Senior Secured Liabilities or the Second Lien Liabilities, in payment to any other person whom the Security Agent is obliged to pay in priority to any Debtor or Third-Party Security Provider; and

(6) the balance, if any, in payment to the relevant Debtor,

Application of Proceeds – Mandatory Prepayment Recoveries

The Issuer shall ensure that there is no partial mandatory prepayment under the Term Loan A unless the amount is applied pro rata between the facility under the Bridge Facility Agreement and the facility under the Term Loan A according to the respective drawn and undrawn commitments thereunder.

Application of Proceeds – Bridge Independent Security

All amounts from time to time received or recovered by the Bridge Independent Security Agent in connection with the realization or enforcement of all or any part of the Bridge Independent Security (including all proceeds attributable to the disposal of any assets the subject of the Bridge Independent Security) shall, to the extent such realization or enforcement is permitted under the Intercreditor Agreement, be held and otherwise dealt with by the Bridge Independent Security Agent in accordance with the Bridge to Disposal Facility.

Equalization

The Intercreditor Agreement provides that if, for any reason, any liabilities relating to Senior Secured Liabilities or Second Lien Liabilities remain unpaid after the first date on which certain types of Enforcement Action are taken (the "**Enforcement Date**") and the resulting losses are not borne by the creditors in any given specified class in the proportions which their respective exposures at the Enforcement Date bore to the aggregate exposures of all the creditors in that specified class at the Enforcement Date, the relevant class of creditors (except creditors under the Bridge to Disposal Facility with respect to Bridge Independent Security) will make such payments amongst themselves as the Security Agent shall require to put the relevant creditors in such a position that (after taking into account such payments) those losses are borne in those proportions. The enforceability of these equalization provisions is uncertain.

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, its terms may be amended or waived only with the consent of the Issuer, the agents and trustees for the Secured Parties, and the Security Agent, provided that, to the extent an amendment, waiver or consent only affects one class of creditors, and such amendment, waiver or consent could not reasonably be expected materially or adversely to affect the interests of the other classes of creditors, only written agreement from the relevant agent or trustee acting on behalf of the affected class (or, in the case of Hedge Counterparties, each affected Hedge Counterparty) and the Issuer shall be required.

An amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other matters, the provisions set out under "—*Application of Proceeds*" above and the order of priority or subordination under the Intercreditor Agreement shall not be made without the consent of each of the agents or trustees (acting in accordance with the relevant finance documents) under the Senior Liabilities and the Second Lien Liabilities, each Cash Management Facility Lender (only to the extent the proposed amendment or waiver would materially adversely affect the rights and obligations of such Cash Management Facility Lender under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), each Hedge Counterparty (only to the extent the proposed amendment or waiver would materially adversely affect the rights and obligations of such Hedge Counterparty under the Intercreditor Agreement and would not materially adversely affect the rights and obligations of any other creditor or class of creditors), and the Issuer.

Each agent or trustee shall, to the extent instructed to consent by the requisite percentage of creditors it represents or as otherwise authorized by the Debt Documents to which it is party, act on such instructions or authorizations in accordance therewith (save to the extent any amendments so consented or authorized to relate to any provision affecting the personal rights and obligations of that agent or trustee in its capacity as such).

Amendments and Waivers: Transaction Security Documents

Subject to certain exceptions under the Intercreditor Agreement (as described below), the Security Agent may, if the Issuer consents: (i) amend the terms of, release or waive any of the requirements of or grant consents under, any document creating Transaction Security which shall be binding on each party; and (ii) any amendment, release or waiver of, or consent under, any document creating Transaction Security which would adversely affect the nature or scope of the assets subject to Transaction Security or the manner in which the proceeds of enforcement of the Transaction Security are distributed, shall not be made without the consent of:

(1) each of the Agents (other than the agent in respect of any Cash Management Facility) acting in accordance with the provisions of the applicable Finance Documents;

(2) each Cash Management Facility Lender (or the relevant Cash Management Facility Agent on its behalf, if appointed) but only to the extent such amendment or waiver would (i) materially adversely affect the rights and obligations of the Cash Management Facility lenders under the Intercreditor Agreement in their capacity as such, and (ii) would not materially adversely affect the rights and obligations of any Creditor or class of Creditors other than the Cash Management Facility lenders (solely in their capacity as such);

(3) each Hedge Counterparty but only to the extent such amendment or waiver would materially adversely affect the rights and obligations of the Hedge Counterparties under the Intercreditor Agreement in their capacity as such, and would not materially adversely affect the rights and obligations of any Creditor or class of Creditors other than the Hedge Counterparties (solely in their capacity as such); and

(4) the Issuer.

Exceptions

Subject to the paragraph below, an amendment, waiver or consent which relates to the rights or obligations which are personal to an agent, an arranger or the Security Agent in its capacity as such (including, without limitation, any ability of that Security Agent to act in its discretion under the Intercreditor Agreement) may not be effected without the consent of that agent, arranger or, as the case may be, Security Agent.

The preceding paragraph and the first paragraph above under "*Amendments and Waivers: Transaction Security Documents*" are subject to certain exceptions under the Intercreditor Agreement, relating in particular to (i) any release of Transaction Security, claim or liabilities, or (ii) any amendment waiver or consent, which, in each case, the Security Agent gives in accordance with the provisions of the Intercreditor Agreement relating to the incurrence of additional or refinancing debt or the provisions set out under "*New Debt Financing*", "*Non-Distressed Disposals*" and "*Distressed Disposals*" above. Any release, amendment, waiver or consent effected in accordance with the relevant provisions of the Debt Documents relating to such matters can be effected solely by the Issuer and the Security Agent.

Snooze/Lose

If in relation to a request for a consent, to participate in a vote of a class of creditors, to approve any action or to provide any confirmation or notification, in each case, under the Intercreditor Agreement or any other Debt Document (other than the Senior Facilities Agreements) which does not contain a snooze/lose provision substantially similar to that contained in the Intercreditor Agreement, any Secured Creditor fails to respond to the request within 10 business days (or any other period of time notified by the Issuer, with the agreement of each of the agents or trustee in the case of a shorter period of time) of that request being made or fails to provide details of its credit participation, such creditor will be disregarded and be deemed to have zero participation in respect of the matter or be deemed to have provided the relevant confirmation or notification, as applicable, provided that the foregoing shall not apply to any noteholder in respect of any request where such noteholder is not given the option to respond to such request in the negative, but shall otherwise apply to all noteholders. Agreement to Override

Unless expressly stated otherwise therein, the Intercreditor Agreement overrides anything in any other Debt Documents to the contrary.

Schedule – Security Principles

The Transaction Security to be provided over the Collateral on or about the Issue Date is summarized in this Offering Memorandum – see further "*Description of the Notes—Security*." Subject to that description and the Overriding Principle, the below are the Agreed Security Principles.

1. **Agreed Security Principles**

(a) The guarantees and security to be provided under the Debt Documents will be given in accordance with the Agreed Security Principles set out in these Agreed Security Principles. This schedule (*Agreed Security Principles*) identifies the principles and addresses the manner in which the Agreed Security Principles will impact on and determine the extent and terms of the guarantees and security proposed to be provided under any Debt Document.

(b) The Agreed Security Principles embody the recognition by all Parties that there may be certain legal and practical difficulties in obtaining effective or commercially reasonable guarantees and/or security from all relevant members of the Group in each jurisdiction in which it has been agreed that guarantees and security will be granted by those members of the Group. In particular:

(i) general legal and statutory limitations, regulatory restrictions, financial assistance, anti-trust and other competition authority restrictions, corporate benefit, fraudulent preference, equitable subordination, "*transfer pricing*", "*thin capitalisation*," "*earnings stripping*", "*controlled foreign corporation*" and other tax restrictions, "*exchange control restrictions*", "*capital maintenance*" rules and "*liquidity impairment"* rules, tax restrictions, retention of title claims, employee or works council consultation or approval requirements and similar principles may limit the ability of a member of the Group to provide a guarantee or security or may require that the guarantee or security be limited as to amount or otherwise and, if so, the guarantee or security will be limited accordingly **provided that**, to the extent requested by the Security Agent before signing any applicable security or accession document, the relevant member of the Group shall use all reasonable commercial endeavours (but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;

(ii) a key factor in determining whether or not (and the terms on which) a guarantee or security will be taken (and in respect of the security, the extent of its perfection and/or registration) is the applicable time and cost (including adverse effects on taxes, interest deductibility, stamp duty, registration costs and taxes, notarial costs, translation costs and all applicable legal and notarial fees and adverse effects on the ability of the Group to obtain or maintain local facilities or other financing arrangements, including any factoring or similar arrangement in each case permitted under the Intercreditor Agreement) which will not be disproportionate to the benefit accruing to the Finance Parties of obtaining such guarantee or security;

(iii) members of the Group will not be required to give guarantees or enter into security documents if:

(A) the granting of such guarantee or security is not consistent with the Overriding Principle or if it is not within the legal capacity of the relevant entity;

(B) in the good faith judgement of the Issuer, the creation of security and/or the giving of a guarantee and/or otherwise becoming an obligor would result in any entity being in breach of any law or regulation (or the views, guidance or interpretation of any relevant regulator), or could materially adversely affect any solvency or capital requirements of the Group (or any member thereof) pursuant to any applicable law or regulation applicable to a member of the Group; or

(C) it would conflict with the fiduciary or statutory duties of their officers or contravene any applicable legal, regulatory or contractual prohibition or restriction or have the potential to result in a material risk of personal or criminal liability for any officer of or for any member of the Group,

provided that, to the extent requested by the Security Agent before signing any applicable security document or accession document, the relevant member of the Group shall use reasonable commercial endeavours (but without incurring material cost and without adverse impact on relationships with third parties) to overcome any such obstacle or otherwise such guarantee or security document shall be subject to such limit;

(iv) guarantees and security will be limited so that costs (expressly including, without limitation, legal, notarial, registration and service company's (*gestoría*) fees -all of which shall be approved in advance in writing by the Issuer), taxes and duties relating to the provision, granting, documentation, execution or registration of guarantees and security (as well as any related documentation) are minimised and, in any case, the aggregate of such amounts shall not exceed a reasonable amount to be agreed between the Issuer and the Security Agent in good faith, except for any amount arising from the enforcement of the relevant Transaction Security;

(v) where a class of assets to be secured includes material and immaterial assets, if the cost of granting security over the immaterial assets is disproportionate to the benefit to the relevant Secured Parties of obtaining such security, security will be granted over the material assets only;

(vi) the granting of guarantees, security or perfection of security will not be required if, in the reasonable opinion of the Issuer:

(A) it would have a material adverse effect on the ability of any member of the Group to conduct its operations and business in the ordinary course or as otherwise permitted by the Debt Documents; or

(B) it would be either impossible or impractical or would unduly disrupt the business of any member of the Group,

and, in each such event, a guarantee will not be granted and/or security will not be taken over such assets, as applicable (including, without limitation, notification of such security to any third party);

(vii) any asset subject to a legal requirement, contract, lease, licence, instrument, regulatory constraint (including any agreement with any government or regulatory body) or other third party arrangement, which may prevent or condition the asset from being charged, secured or being subject to the applicable security document (including requiring a consent of any third party, supervisory board or works council (or equivalent)) and any asset which, if subject to the applicable security document, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations with respect to any member of the Group in respect of the asset or require the relevant grantor of the security to take any action materially adverse to the interests of the Group or any member thereof, in each case will be excluded from a guarantee or security document; **provided that**, the relevant member of the Group shall consider in good faith using its reasonable commercial endeavours to request the relevant consents to charging any such assets (i) if the relevant asset is material (considering the Group as a whole) and (ii) to the extent reasonably requested by the Security Agent (who shall refrain from making (or shall withdraw) any such request if the Issuer is of the view that requesting the relevant third party's consent may have any potential negative impact on any relationships with third parties);

(viii) the giving of a guarantee, the granting of security and the registration and/or the perfection of security will not be required if it would have a material adverse effect on the ability of the relevant member of the Group to conduct its operations or business in the ordinary course as otherwise permitted and not prohibited by the Debt Documents (including dealing with the secured assets and all contractual counterparties or amending, waiving or terminating (or allowing to lapse) any rights, benefits or obligations, in each case prior to an Acceleration Event or a Payment Default which is continuing), and any requirement under the Agreed Security Principles to seek consent of any person or take or not take any other action shall be subject to this paragraph (viii);

(ix) no guarantee or security will be required to be given by or over any Acquired Person or Asset (and no consent shall be required to be sought with respect thereto) which are required to support Acquired Indebtedness to the extent such Acquired Indebtedness may remain outstanding after an acquisition in accordance with the Debt Documents. No member of a target group or other entity acquired pursuant to an acquisition permitted and not prohibited by the Debt Documents shall be required to grant guarantees or security if prevented by the terms of the documentation governing that acquired indebtedness (including Acquired Indebtedness or any Refinancing Indebtedness in respect of such Acquired Indebtedness) or if becoming a guarantor or the granting of any security would give rise to an obligation (including any payment obligation) under or in relation thereto; no security will be granted over any asset (i) secured for the benefit of any indebtedness which is permitted and not prohibited under the Debt Documents and/or (ii) subject to a security, lien or charge which is permitted and not prohibited under the Debt Documents, unless specifically required by a Debt Document to the contrary;

(x) no action will be required to be taken in relation to the guarantees or security when any creditor assigns or transfers any of its participation to a new creditor (unless, only in relation to an assignment and not a transfer, expressly required under Spanish law for the validity of such guarantees or security) (and no member of the Group shall bear or otherwise be liable for any taxes, any notarial, registration or perfection fees or any other costs, fees or expenses that result from any assignment or transfer by a Finance Party);

(xi) no title investigations will be required and no title insurance will be required;

(xii) security will not be required over any assets subject to security in favour of a third party (other than in relation to security under general business conditions of account banks which do not prohibit or prevent the creation of Transaction Security over such accounts) or any cash constituting regulatory capital or customer cash (and such assets or cash shall be excluded from any relevant security document);

(xiii) to the extent legally effective in each jurisdiction (and with express exclusion with respect to Spain), all security will be given in favour of the Security Agent and not the secured creditors individually (with the Security Agent to hold one set of security documents for all the Finance Parties), while, in respect of any Security Document governed by the laws of Spain, security will be granted in favour of each secured creditor individually which shall, in any case, be represented by the Security Agent; "*parallel debt*" provisions will be used where necessary (and included in the Intercreditor Agreement and not the individual security documents);

(xiv) guarantees and security will not be required from or over the assets of, any joint venture or similar arrangement, any minority interest or any member of the Group that is not wholly-owned by another member of the Group, **provided that** the Issuer shall consider in good faith using its reasonable commercial endeavours to request the relevant consents to granting such guarantees or security if (i) the relevant entity is not subject to any statutory requirement as to the composition of its shareholders, (ii) such guarantee or security is not limited or prohibited under any applicable shareholders agreements or equivalent arrangements, (iii) the relevant asset or entity is material considering the Group as a whole and (iv) the Issuer is of the view that requesting the relevant third party's consent may not negatively impact any relationships with third parties;

(xv) each security document shall be deemed not to restrict or condition any transaction which is not otherwise restricted or conditioned under the Debt Documents (excluding the Transaction Security Documents) and the security granted under each security document shall be deemed to be subject to these Agreed Security Principles, before and after the execution of the relevant security document and creation of the relevant security;

(xvi) no security may be provided on terms which are inconsistent with these Security Principles and/or the turnover or sharing provisions in the Intercreditor Agreement;

(xvii) any guarantee or security document will only be required to be notarised if required by law in order for the relevant security to become effective or admissible in evidence;

(xviii) security shall be granted in a form which does not require registration of the relevant security or the related document, unless expressly required under Spanish law for the validity of such security. Exceptionally, if registration is a legal requirement for the validity and effectiveness of the relevant security:

(A) the grantor of such security shall:

(1) ensure filing of the relevant security document (or applicable documentation) with the applicable registry as soon as reasonably practicable;

(2) use commercially reasonable endeavours to obtain registration of the relevant security; and

(3) without prejudice to paragraph (2) above, use commercially reasonable endeavours to cooperate with the Security Agent in order to comply with any legal requirements which may be expressly raised by the applicable registry in order to register or maintain the registration status of the relevant security, in any event within the time period legally established,

as soon as reasonably practicable following issuance of notarial copies of the relevant security documents, **provided that** no member of the Group shall be responsible for the registration of such security (or any other action which depends on any third party), and failure to register such security shall under no circumstances be an Event of Default; and

(B) the Secured Parties (or any agent or similar representative appointed by them at the relevant time) who benefit from any such registrable security shall only be entitled to transfer, assign or otherwise dispose (by any means) of their rights and/or obligations and/or contractual position secured by such registrable security if the assignee, transferee or acquiror of such rights and/or obligations and/or contractual position is registered with the relevant registry as beneficiary of the relevant security on or around the transfer date (whoever defined or described) and subject in any event to paragraph 1(b)(x) above;

(xix) no guarantee or security shall guarantee or secure any "*Excluded Swap Obligations*" defined in accordance with the LSTA Market Advisory Update dated February 15, 2013 entitled "*Swap Regulations' Implications for Loan Documentation*", and any update thereto by the LSTA;

(xx) other than a general filing relating to a blanket Lien, no perfection, filing or other action will be required with respect to assets of a type not owned by members of the Group or not located in the jurisdiction where a Debtor or Third Party Security Provider is incorporated or otherwise over the shares of a member of the Group not located in the jurisdiction where a Debtor or Third Party Security Provider is incorporated.

(xxi) any power of attorney (as well as right to set-off) will only be capable of being exercised:

(A) by the Security Agent;

(B) following the occurrence of an Event of Default which is continuing; and

(C) provided that the relevant guarantor or security provider has failed to comply with a further assurance or perfection obligation within five Business Days of being notified of that failure (with a copy of that notice being sent to the Issuer) and being requested to comply,

(xxii) no translation of any document relating to any security or any asset subject to any security will be required to be prepared or provided to the Secured Parties, unless (i) required for such documents to become effective or admissible in evidence and (ii) an Acceleration Event or Payment Default is continuing. As an exception to this paragraph, a summary in Spanish of the main terms and conditions of the relevant Secured Debt Document shall be attached to the relevant security document if required for the registration of security over real property; and

(xxiii) no guarantee or security shall be provided to the extent it would constitute or may constitute unlawful financial assistance or in the absence of corporate benefit for the relevant guarantor or grantor.

2. **Guarantees**

Subject to any "guarantee limitations" set out in any Debt Document and any legal or statutory limitation, each guarantee will be an upstream, cross-stream and/or downstream guarantee for all liabilities of the Debtors under the Debt Documents in accordance with, and subject to, the requirements of these Agreed Security Principles (references to "security" to be read for this purpose as including guarantees). Security documents will secure the guarantee obligations of the relevant security provider or, if such security is provided on a third party basis, all liabilities of the Debtors under the Debt Documents, in each case in accordance with, and subject to, the requirements of these Agreed Security Principles in each relevant jurisdiction.

3. **Governing Law and Scope**

(a) As a general principle, all security will be governed by the law of, and secure only assets located in, the jurisdiction of incorporation of the applicable grantor of the security and no action in relation to security (including any perfection step, further assurance step, filing or registration) will be required in jurisdictions where the grantor of the security is not incorporated. Share security over any member of the Group will be governed by the law of the place of incorporation of that member of the Group.

(b) Without prejudice to the above:

(i) share security will be governed by the law of the place of incorporation of the company whose share capital is subject to such share security; and

(ii) any security over receivables will be, at the Issuer's request and subject to the Security Agent's consent, which shall not be unreasonably withheld or denied, governed by the governing law of the intra-group loan or relevant document under which the receivable arises or the law of the place where the relevant debtor is located.

4. **Terms of Security Documents**

The following principles will be reflected in the terms of any security taken in connection with the Secured Debt Documents:

(a) security will not be enforceable until the occurrence of an Acceleration Event which is continuing or (other than in the case of security over shares) a Payment Default which is continuing;

(b) security may only be enforceable by the Security Agent and in accordance with the terms of the Intercreditor Agreement;

(c) Spanish law governed security over accounts, shares (references to "shares" to be read for this purpose as including *acciones* and *participaciones sociales*), receivables or any other sort of credit rights shall be granted (when legally possible) in the form of ordinary pledges with delivery of possession (*prendas ordinarias con desplazamiento posesorio*);

(d) security and guarantees shall be documented in a tax efficient manner. In particular, security in the form of a pledge (*prenda*) (as well as any other sort of security which may be granted as a notarial policy (*póliza*)) shall be documented as notarial policies (*pólizas*);

(e) the security documents should only operate to create security rather than to impose new commercial obligations or repeat clauses in other Debt Documents or otherwise interfere with the operation of the business of the security provider. Accordingly:

(i) they should not contain any representations, undertakings or indemnities (including in respect of insurance, information, maintenance or protection of assets, further assurance or the payment of fees, costs and expenses) notices, cost and expenses, tax gross up or distribution of proceeds, already included in any other Debt Document, unless said representations, undertakings or indemnities are legally required under Spanish law for the creation, perfection, extension or effectiveness of such security;

(ii) they should not contain any additional (or repeat or extend any existing) representations, undertakings or indemnities (including in respect of insurance, information, maintenance or protection of assets, further assurance or the payment of fees, costs and expenses) unless these are legally required for the creation, perfection, extension or effectiveness of security in accordance with local law;

(iii) each security provider shall be permitted to make use of assets (over which it has granted security) or enter into arrangements in its course of business and trade, including, but not limited to, disposals in the course of its business or trade without giving prior notice and without prior consent required (unless such notice or consent is required pursuant to the terms of the Debt Documents) if permitted and not prohibited under the Debt Documents and until the occurrence of an Acceleration Event which is continuing or a Payment Default which is continuing; and

(iv) nothing in any security document shall (or shall be construed to) prevent, limit, prohibit or restrict any transaction, matter, arrangement or other step (or a grantor of security taking or entering into the same), or dealing in any manner whatsoever in relation to any asset (including, without limitation, all rights, claims, benefits, proceeds and documentation, and contractual counterparties in relation thereto, as well as disposals and the grant of guarantees and/or security) the subject of (or expressed to be the subject of) the security agreement (and accordingly to such extent, the Security Agent shall promptly effect, always at the cost of the relevant grantor, releases, confirmations, consents (save for the ones required for the granting, creation, perfection and effectiveness of the Security Documents) to deal or similar steps of the security), or to require additional consents, notices or authorizations; if the relevant transaction is permitted and not prohibited by the terms of the Debt Documents (other than the Security Documents, which, for the avoidance of doubt, shall not include any restriction whatsoever in this respect);

(f) perfection will not be required in respect of (i) vehicles and other assets subject to certificates of title or (ii) letter of credit rights;

(g) in no event shall control agreements (or perfection by control or similar arrangements) be required with respect to any assets (including deposit or securities accounts);

(h) no security will be granted over parts, stock, moveable plant, equipment or receivables if it would require labelling, segregation or periodic listing or specification of such parts, stock, moveable plant, equipment or receivables, if the cost of granting security over said assets is disproportionate to the benefit to the relevant Secured Parties of obtaining such security;

(i) security will, where possible and practical, automatically create security over future assets of the same type as those already secured. If supplemental security, lists of assets or notices are required to be granted or delivered in order for effective security to be created over that class of asset, such supplemental security, lists of assets or notices will be provided only upon request of the Security Agent and at intervals no more frequent than annually or more frequently if an Event of Default has occurred and is continuing;

(j) each security document must contain a clause under which the relevant Secured Parties expressly consent the extension of such security to any future obligation which may benefit from such security in accordance with the Intercreditor Agreement (and/or the Debt Documents), without any further consent or action from any such Secured Parties being required in this respect, **provided that** the Secured Parties will be given five Business Days prior written notice through the Security Agent and will be given the opportunity to attend the relevant notarial meeting (it being understood that if they do not wish to attend, the Security Agent may sign on their behalf);

(k) [reserved]

(l) each security document must contain a clause substantially similar to the following:

"*Notwithstanding anything to the contrary in this Agreement but without prejudice to the creation or perfection of any security interest under this Agreement, the terms of this Agreement shall not operate or be construed so as to prohibit or restrict any transaction, matter or other step* (*or the* [*security grantor*] *taking or entering into the same or dealing in any manner whatsoever in relation to any asset* (*including all rights, claims, benefits, proceeds and documentation, and contractual counterparties in relation thereto*)) *if it is permitted and not prohibited by the terms of any [Debt Documents] (other than the Security Documents)* (*as these terms are defined in the Intercreditor Agreement*), *and the Security Agent shall promptly enter into such documentation and/or take such other action* *in relation to this Agreement as is required by the* [*security grantor*] (*acting reasonably*) *in order to facilitate any such transaction, matter or other step, including by way of executing any confirmation, consent to dealing, release or other similar or equivalent document, or returning any physical collateral.*

Where reference is made to any matter being "permitted and not prohibited under the [Debt Documents]" (or equivalent meaning), this shall mean not prohibited under the [Debt Documents] (other than the Senior Facilities Agreements) and permitted by the Senior Facilities Agreements. Where reference is made to any matter being solely "not prohibited" this shall mean not prohibited under the [Debt Documents]."

5. **Bank Accounts**

(a) If any security provider grants security over its material bank accounts it will be free to deal, operate and transact business in relation to those accounts (including opening and closing accounts) until the occurrence of an Acceleration Event which is continuing or a Payment Default which is continuing, other than the Equity Cure Account.

(b) There will be no security over accounts that form part of a cash pooling arrangement (or similar or equivalent arrangement) or that are used in conjunction with any factoring, securitization or other receivables financing arrangement.

(c) Notice of the security will be served on the account bank in relation to the applicable accounts on the same date on which the relevant Security Document is entered into (except if the service of notice may prevent any member of the Group from using a bank account, in which case no notice of security will be served until the occurrence of an Acceleration Event or a Payment Default which is continuing). The applicable grantor of the security will use its reasonable commercial endeavours to obtain an acknowledgement or acceptance of that notice within 20 Business Days of service (when its obligation to obtain acknowledgement or acceptance will cease).

(d) Any security over bank accounts will be subject to any security interests in favour of the account bank which are created either by law or in the standard terms and conditions of the account bank. No member of the Group will be required to change its banking arrangements or standard terms and conditions in connection with the granting of bank account security.

(e) There will not be any blocked accounts or holding accounts, other than the Equity Cure Account.

6. **Fixed assets**

(a) Without prejudice to the Overriding Principle, if security is granted over material fixed assets, the security grantor will be free to deal with those assets (pursuant to the terms of the Debt Documents), until the occurrence of an Acceleration Event which is continuing or a Payment Default which is continuing.

(b) No notice, whether to third parties or by attaching a notice to the fixed assets, will be prepared or given until the occurrence of an Acceleration Event which is continuing or a Payment Event of Default which is continuing, unless expressly required under Spanish law.

7. **Insurance policies**

(a) Without prejudice to the Overriding Principle, if security is granted over insurance policies, notice will be served in relation to the applicable insurance policy on the same date on which the relevant Security Document is entered into. The applicable grantor of the security will use its reasonable commercial endeavours to obtain an acknowledgement or acceptance of that notice within 20 Business Days of service (when its obligation to obtain acknowledgement or acceptance will cease).

(b) No security shall be granted (i) over any third party liability or public liability insurance and any directors and officers insurance in respect of which claims thereunder may be mandatorily prepaid; or (ii) if the relevant insurance policy does not allow security to be so granted.

(c) No member of the Group will be required to change its insurance policies or arrangements, or the standard terms and conditions of its insurances in connection with the granting of security over insurance policies (including, without limitation, the renewal, expiry or change of insurer or insurance policy).

(d) Prior to an Acceleration Event or a Payment Default which is continuing, no loss payee or other endorsement will be made on the insurance policy, no insurance certificates shall be required to be delivered to any Secured Party and no Secured Party will be named as co-insured.

8. **Intellectual property**

(a) No member of the Group shall be required to grant Transaction Security over any intellectual property.

(b) Without prejudice to the Overriding Principle, if security is granted over the relevant intellectual property, the grantor shall be free to deal with, use, licence and otherwise commercialise those assets (including allowing its intellectual property to lapse if no longer material to its business) pursuant to the terms of the Debt Documents, until the occurrence of an Acceleration Event which is continuing or a Payment Default which is continuing.

(c) Notice of any security interest over intellectual property will only be served on a third party from whom intellectual property is licensed upon written request of the Security Agent, which may only be given after the occurrence of an Acceleration Event which is continuing or a Payment Default which is continuing. Unless required to be registered in order to be effective, no intellectual property security will be required to be registered under the law of that security document, the law where the grantor is regulated, or at any relevant supra-national registry. Security over intellectual property rights will be taken on an" as is, where is" basis and the Group will not be required to procure any changes to, or corrections of filings on, external registers.

9. **Receivables**

(a) Without prejudice to the Overriding Principle, if a Debtor grants security over any of its receivables it will be free to deal with, amend, waive or terminate those receivables until the occurrence of an Event of Default which is continuing.

(b) Unless required for the perfection of the security, no notice of security may be prepared or served until the occurrence of an Acceleration Event which is continuing or a Payment Default which is continuing (except when the underlying debtor under the relevant receivable is a member of the Group and if both the creditor and the debtor of the receivable are otherwise party to the Intercreditor Agreement, entry into or accession to the Intercreditor Agreement will be sufficient notice and acknowledgement of any such security).

(c) Unless expressly required under local law for the validity of the security, no list of receivables shall be required. If expressly required under local law, security over receivables will be registered subject to the general principles set out in these Agreed Security Principles following the occurrence of an Acceleration Event which is continuing or a Payment Default which is continuing.

10. **Real estate**

(a) No member of the Group shall be required to grant Transaction Security over any real property, other than the Bridge Independent Security.

(b) Without prejudice to the Overriding Principle, if security is granted over any real property the grantor shall be free to deal with, sell, assign, grant, lease, licence or otherwise transfer or commercialise those assets pursuant to the terms of the Debt Documents, until the occurrence of an Acceleration Event or a Payment Default which is continuing.

(c) Any mortgage-related transaction shall be structured and documented in a cost and tax efficient manner.

(d) Mortgage secured amount shall be consistent with equivalent real estate finance transactions but under no circumstances shall exceed 115% of the lowest of (i) the relevant secured obligations and (ii) the ECO valuation of the relevant property in accordance with Order ECO/805/2003, of 27 March (*Orden ECO/805/2003, de 27 de marzo, sobre normas de valoración de bienes inmuebles y de determinados derechos para ciertas finalidades financieras*).

(e) Unless expressly required by the Issuer, no member of the Group shall be liable or bear the cost of any mortgage secured amount reallocation (*redistribución de responsabilidad hipotecaria*).

11. **Shares**

(a) The grantor of share security shall be free to deal with, sell, assign, grant, licence or otherwise transfer or commercialise those assets in the course of its business pursuant to the terms of the Debt Documents, until the occurrence of an Acceleration Event which is continuing or a Payment Default which is continuing.

(b) Until an Acceleration Event is continuing or a Payment Default which is continuing, any grantor of share security will be permitted to retain and to exercise economic and voting rights and powers in relation to any shares and other related rights charged by it and receive, own and retain all assets and proceeds in relation thereto without restriction or condition.

12. **The Overriding Principle**

(a) The Parties agree that the overriding intention is for security in respect of the Secured Debt Documents to only be granted as follows:

(i) by wholly-owned members of the Group; and

(ii) over:

(A) the capital stock representing:

(1) 100% of the shares (either *acciones* or *participaciones*) in any Debtor, excluding: (i) the shares in the Issuer; (ii) the shares in Desarrollos Comerciales y de Ocio Algeciras, S.L. (of which 50% of the shares will be subject to security); and (iii) Forum Sport, S.A. (of which 86.99% of the shares will be subject to security);

(2) 60% of the shares (*acciones*) in Aportaciones Financieras Eroski, S.A.; and

(3) 50% of the shares (either *acciones* or *participaciones*) of Supratuc2020, S.L. and Vegonsa Agrupación Alimentaria, S.A.

(B) certain intercompany receivables (subject to customary exclusions, including in respect of cash pooling arrangements, arrangements in an aggregate amount of less than EUR 50,000 and arrangements with a tenor of less than 12 months) owed to Debtors by members of the Group whose shares are subject to Transaction Security; and

(C) certain material bank accounts of the Debtors (subject to customary exclusions, including in respect of accounts that form part of a cash pooling arrangement or similar equivalent arrangement, or that are used in conjunction with any factoring, securitization or other receivables financing arrangement);

(this paragraph (a) being the "**Overriding Principle**").

(b) Save as described in paragraph (a) above, no other Transaction Security will be granted and for the avoidance of doubt, no member of the Group shall be required to grant a floating charge (or any floating "all asset" or similar security interest, however described) over its assets located in any jurisdiction.

13. **Voluntary Credit Support**

(a) If, in accordance with this schedule (*Agreed Security Principles*), a person is not required to grant any guarantee or to grant security over an asset, the Issuer may, in its sole discretion but, acting reasonably, elect to (or to procure that such person will) grant such guarantee or security ("**Voluntary Credit Support**").

(b) Each Secured Party may accept (and shall not unreasonably refuse) to accept such Voluntary Credit Support and shall enter into any document requested by the Issuer to create, perfect, register or notify third parties of such Voluntary Credit Support on such terms as the Issuer shall, in its sole discretion, elect.

14. **Amendment**

In the event of any conflict or inconsistency between any term of these Agreed Security Principles and any term of a Transaction Security Document, the Secured Parties authorise, instruct and direct the Security Agent to, and the Security Agent shall promptly (at the option and upon request of the Issuer) (i) enter into such amendments to such Transaction Security Document or (ii) release and terminate such Transaction Security Document and enter into a replacement Transaction Security Document on such amended terms, in each case as shall be necessary or desirable to cure such conflict or inconsistency in the reasonable opinion of the Issuer.

15. **Release of Security**

(a) Upon satisfaction or cancellation (by any means) in full of the Secured Obligations, the Secured Parties, if necessary, or the Security Agent shall (and is automatically authorised and instructed on behalf of the Secured Parties to) irrevocably and unconditionally:

(i) release the Debtors (and/or Third Party Security Providers) from all their obligations and liabilities (whether present, future, actual or contingent) under the Debt Documents;

(ii) release all guarantees and security granted in connection with the Secured Documents; and

(iii) revoke any related power of attorney, in each case without any requirement for instructions, consent or authorization.

(b) The Security Agent is authorised to release any asset which is not required to be subject to security.

(c) Where (i) the disposal of an asset forming part of the transaction security is permitted and not prohibited by the Debt Documents; or (ii) the Debt Documents otherwise permit the release of any guarantee and/or transaction security, the relevant Secured Parties and/or the Security Agent (in their name and on their behalf) are under an obligation to release such asset or guarantee upon request by the Issuer and will be entitled to do so without the consent of any other Finance Party. The Transaction Security Documents will include assurances that the Security Agent and/or the relevant Secured Parties will promptly enter into such documentation and/or take such other action as is required by the relevant security provider in order to facilitate any such transaction, matter or other step, including by way of executing any confirmation, consent to dealing, release, discharge or other similar or equivalent document.

(d) Notwithstanding the faculties of the Security Agent, the Secured Parties shall take any action which the Issuer may reasonably require to release any security in accordance with the Debt Documents (including, without limitation, in case of an asset disposal which is permitted and not prohibited in accordance with the Debt Documents).

Bridge to Disposal Facility

The Bridge to Disposal Facility is entered into on substantially the same terms as the Term Loan A, other than as set out below.

Overview and Structure

On or prior to the Issue Date, the Issuer (as original borrower), BNP Paribas S.A. and Deutsche Bank Aktiengesellschaft (as original lenders), Deutsche Bank AG, London Branch (as agent) and Banco Santander, S.A. (as bridge independent security agent), among others, intend to enter into the Bridge to Disposal Facility.

The Bridge to Disposal Facility shall provide for borrowings of up to €35,000,000 on a committed basis (the "**Bridge Facility**"). The Bridge Facility may be utilized in euro by the Issuer. All amounts borrowed under the Bridge Facility shall be applied, directly or indirectly, in or towards (a) the same purpose as the Term Loan A; and (b) to finance or refinance fees, costs and expenses incurred in connection with the Bridge Facility.

Availability

The Bridge Facility will be available to be utilized from and including the date of the Bridge to Disposal Facility up to and including the date falling 30 business days after the date of the Bridge to Disposal Facility. The Bridge Facility may only be utilized concurrently with the Notes and the Term Loan A Facility.

Borrowers and Guarantors

The Issuer will be the original borrower under the Bridge to Disposal Facility. Eroski, Sociedad Cooperativa, Cecogoico, S.A.U., Cecosa Diversificación, S.L.U., Cecosa Hipermercados, S.L., Cecosa Institucional, S.L.U., Equipamiento Familiar Y Servicios, S.A.U., Newcobeco, S.A.U., Peninsulaco, S.L.U., Sociedad de Franquicias Eroski Contigo, S.L.U., Desarrollos Comerciales y de Ocio Algeciras, S.L. and Forum Sport, S.A. will be guarantors under the Bridge to Disposal Facility. A mechanism will be included in the Bridge to Disposal Facility to enable certain of the Issuer's subsidiaries to accede as additional guarantors under the Bridge to Disposal Facility, and will require that each member of the Group that is a guarantor of the Term Loan A also becomes a guarantor of the Bridge to Disposal Facility subject to certain conditions. To the extent a member of the Group ceases to be a guarantor of the Term Loan A, it shall also be able to resign as a guarantor from the Bridge to Disposal Facility.

Maturity and Repayment Requirements

The Bridge Facility will mature on the date falling 18 months after the date of first utilization of the Bridge Facility (the "**Closing Date**") (the "**Termination Date**"). Loans made under the Bridge Facility are required to be repaid in full on the Termination Date. There will be no prepayment fees or penalties, subject to the payment of break costs.

Interest Rate and Fees

The interest rate on loans under the Bridge Facility is equal to the aggregate of the applicable margin and EURIBOR (subject to a zero floor).

Default interest on overdue amounts is calculated at a rate which is higher than that applicable to the loans under the Bridge Facility.

The Issuer is also required to pay (or procure there is paid) customary agency fees to the Agent and the Bridge Independent Security Agent in connection with the Bridge to Disposal Facility.

Guarantees

Eroski, Sociedad Cooperativa, Cecogoico, S.A.U., Cecosa Diversificación, S.L.U., Cecosa Hipermercados, S.L., Cecosa Institucional, S.L.U., Equipamiento Familiar Y Servicios, S.A.U., Newcobeco, S.A.U., Peninsulaco, S.L.U., Sociedad de Franquicias Eroski Contigo, S.L.U., Desarrollos Comerciales y de Ocio Algeciras, S.L. and Forum Sport, S.A. will provide a guarantee of all amounts payable to the Finance Parties (as defined in the Bridge to Disposal Facility) by the Issuer or any of its subsidiaries which accede to the Bridge to Disposal Facility as additional guarantors. A mechanism will be included in the Bridge to Disposal Facility to enable certain of the Issuer's subsidiaries to accede as additional guarantors under the Bridge to Disposal Facility and will require that each member of the Group that is a guarantor of the Term Loan A also becomes a guarantor of the Bridge to Disposal Facility subject to certain conditions. To the extent a member of the Group ceases to be a guarantor of the Term Loan A, it shall also be able to resign as a guarantor from the Bridge to Disposal Facility.

Security

The Bridge Facility (subject to the Agreed Security Principles) will be secured by security over certain assets on a *pari passu* basis with the Notes. See "*Description of the Notes—Security*." In addition, the Bridge Facility (subject to the Agreed Security Principles) will also be secured, on an exclusive basis, by security over certain material real property (the "**Material Real Property**") of the Issuer.

Representations and Warranties

The Bridge to Disposal Facility shall contain certain customary representations and warranties, subject to certain customary materiality, actual knowledge and other qualifications, exceptions and baskets, as per the Term Loan A. Certain specific representations in relation to Material Real Property will also be included.

Covenants

The Bridge to Disposal Facility shall include certain covenants as per the Term Loan A.

Affirmative Covenants

The Bridge to Disposal Facility shall include certain affirmative covenants as per the Term Loan A.

Negative Covenants

The Bridge to Disposal Facility shall include certain negative covenants as per the Term Loan A.

Mandatory Prepayment Requirements

The Issuer will be required to prepay the Bridge Facility upon the occurrence of an illegality event or in case of a change of control (where "control" means to have, directly or indirectly, control of a company within the meaning of Article 42 of the Spanish Commercial Code approved by Royal Decree of 22 August 1885).

The Bridge to Disposal Facility will require mandatory prepayment in full or in part from the net cash proceeds received by the Issuer or the relevant member of the Group from the disposal of any Material Real Property (each such transaction a "**Specified Disposal**").

The commitments of each lender shall be immediately cancelled and its share of the Bridge Facility prepaid in full concurrently with any mandatory prepayment of loans made available under the Term Loan A. The Bridge Facility will share *pro rata* in mandatory prepayments of the of the Term Loan A (other than Specified Disposals which will be for the exclusive benefit of the lenders of the Bridge Facility) until the Bridge Facility is prepaid and cancelled in full.

Events of Default

The Bridge to Disposal Facility shall include certain customary events of default as per the Term Loan A.

Governing Law

The Bridge to Disposal and any non-contractual obligations arising out of or in connection with it shall be governed by English law.

Confirming and Guarantee Facilities

Overview and Structure

On or prior to the Issue Date, (i) the Issuer, Cecosa Hipermercados, S.L., Peninsulaco, S.L.U. and Forum Sport, S.A. as borrowers and certain Spanish banking institutions, among others, as creditors, intend to enter into certain committed confirming facilities (the "**Confirming Facilities**"); (ii) the Issuer and Forum Sport, S.A. as borrowers and certain Spanish banking institutions, among others, as creditors, intend to enter into certain committed COMEX facilities (the "**COMEX Facilities**"); and (iii) the Issuer, Cecosa Diversificación, S.L., Forum Sport, S.A., Cecosa Hipermercados, S.L., Equipamiento Familiar y Servicios, S.A. and Peninsulaco, S.L.U. as borrowers and certain Spanish banking institutions, among others, as creditors, intend to enter into certain uncommitted guarantee lines (the "**Guarantee Facilities**"). All of them, amongst others, intend to enter into a working capital facilities framework agreement (the "**Confirming and Guarantee Facilities Framework Agreement**").

Kutxabank, S.A. will act as Agent under the Confirming and Guarantee Facilities Framework Agreement.

The Confirming and Guarantee Facilities Framework Agreement shall amount to approximately €243,000,000 (Confirming Facilities of approximately € 153,000,000, COMEX Facilities of approximately €10,000,000 and Guarantee Facilities of approximately €80,000,000) (the "**Confirming and Guarantee Facilities**").

Borrowers and Guarantors

The borrowers under the Confirming Facilities, the COMEX Facilities and the Guarantee Facilities will be as per the above section. In addition, all the Group companies which, at any given time, are wholly owned, directly or indirectly, by Eroski (excluding Jactus Spain, S.L. and Eroski Hipermercados, S. Coop.) will be guarantors under the Confirming and Guarantee Facilities. As of the Confirming and Guarantee Facilities Signing Date (as defined below), Cecosa Hipermercados, S.L.; Equipamiento Familiar y Servicios, S.A.; Desarrollos Comerciales y de Ocio Algeciras, S.L.; Cecosa Institucional, S.L.; Cecogoico, S.A.; Newcobeco, S.A.; Forum Sport, S.A.; Peninsulaco, S.L.U.; Sociedad de Franquicias Eroski Contigo, S.L.U.; and Cecosa Diversificación, S.L. will be the original guarantors under the Confirming and Guarantee Facilities.

A mechanism shall be included in the Confirming and Guarantee Facilities Framework Agreement to enable certain of the Issuer's subsidiaries to accede as additional guarantors under the Confirming and Guarantee Facilities, subject to certain conditions.

Maturity

Up to 5-year term as from the signing date of the Confirming and Guarantee Facilities Framework Agreement (the "**Confirming and Guarantee Facilities Signing Date**"), comprised of an initial period of 3 years with two successive 1-year extensions.

Fees

The borrowers will be required to pay (or procure there is paid) certain fees under the Confirming and Guarantee Facilities Framework Agreement.

Guarantees

Each Guarantor will provide a first demand personal guarantee for the purposes of guaranteeing, among others, the obligations that may arise against the Issuer under the Confirming and Guarantee Facilities.

Security

The Confirming and Guarantee Facilities (subject to the agreed security principles included in "—*Intercreditor Agreement*") will be secured by first ranking pledges (shared with the Term Loan A, the Notes and the Bridge to Disposal Facility) with delivery of possession over:

(a) shares or quota shares:

   (i) owned directly or indirectly by the Company representing the share capital of the Guarantors and Pledged Companies. For this purpose, Pledged Companies are defined as Vegalsa, Aportaciones Financieras Eroski, S.A. and Supratuc. The shareholding of Gespa Forum, S.C.P. in Forum Sport, S.A. shall be expressly excluded from security; and

   (ii) owned directly by an Obligor in any additional guarantor and any other company acquired, incorporated or otherwise directly held (in whole or in part) by an Obligor after the Confirming and Guarantee Facilities Signing Date;

(b) the intra-group loans granted to the Guarantors and Pledged Companies (as debtors); and

(c) the main current accounts of the Obligors, which for this purpose are defined as the borrowers and the guarantors under the Confirming and Guarantee Facilities.

Representations and Warranties

The following statements and representations shall be included in the Confirming and Guarantee Facilities Framework Agreement under standard market conditions, subject to legal qualifications, limitations and reservations (where agreed) and whose wording shall be inspired by the wording of the standard approved by the Loan Market Association in all matters not expressly provided for in this document: (a) *Status; (b) *Binding obligations (subject to legal reservations to be agreed); (c) *Non conflict with other obligations; (d) *Power and authority; (e) *Validity and admissibility in evidence; (f) *Governing law and enforcement; (g) Tax provisions; (h) Tax withholding; (i) No filing or stamp taxes; (j) *No Default; (k) No misleading information; (l) Original financial statements; (m) **Pari passu* ranking; (n) No pending, or risk of, substantial proceedings; (o) No financing agreements other than the Permitted Financial Indebtedness; (p)*No charges and encumbrances other than the Permitted Guarantees and the Permitted Security; (q) No obligation of granting security or guarantees in favor of third parties; (r) *Center of main interests; (s) *Substantial compliance with laws; (t) *Material licenses; (u) *Insurances; (v) No Insolvency; (w) Share capital and Group structure chart; (x) *Compliance with anti-corruption laws, anti-bribery laws, anti-money laundering laws or sanctions laws; (y) *transactions in market standard terms.

Representations marked with * shall be deemed to be repeated on an utilization date of the Confirming and Guarantee Facilities, on the date when any interest or fees accrued under the Confirming and Guarantee Facilities Framework Agreement are to be paid and on the date on which a company becomes an additional guarantor under the Confirming and Guarantee Facilities Framework Agreement.

Undertakings

The Confirming and Guarantee Facilities Framework Agreement shall contain financial undertakings, information undertakings and other customary undertakings. Set forth below is a brief description of such undertakings.

Financial Undertakings

The Confirming and Guarantee Facilities Framework Agreement shall include a maintenance financial covenant referred to the Net Financial Debt to EBITDA ratio, applicable during the relevant Testing Period (which for this purpose is defined as the period of time extending from the Confirming and Guarantee Facilities Signing Date until the date on which no amounts are outstanding (in any respect) under the Term Loan A Facility).

Also, the Confirming and Guarantee Facilities Framework Agreement will include an equity cure mechanism.

Information Undertakings

The Issuer shall supply each of the following: (a) Consolidated Financial Statements and audited financial statements of each Obligor which is required by law to have its financial statements audited, within 180 calendar days following the end of the corresponding financial year; (b) its *pro forma* financial statements for information purposes only, within 60 calendar days following the end of its corresponding financial year; (c) consolidated half-yearly financial statements, within 90 calendar days of the end of its financial half-year; (d) its quarterly balance sheet and the quarterly profit and loss account (in both cases consolidated) for the quarter in question, within 60 calendar days following the end of each calendar quarter into which its financial year is divided; (e) On March 31 of each calendar year, certain financial information, including the project results of the Group for the current financial year; (f) together with its Consolidated Financial Statements, a certificate issued by the Company for information purposes only and verified or validated by the Auditors, stating (*per* company) the amount of EBITDA and assets which correspond to each Obligor in relation to the consolidated Financial States; (g) the quarterly information published for the benefit of the holders of the Notes, as well as the possibility of arranging an informative call in this respect; and (h) only during the Testing Period (as described above) and together with the annual and half-yearly financial information referred to above, a compliance certificate of the financial ratios.

Other Undertakings

The Confirming and Guarantee Facilities Framework Agreement shall include customary undertakings in relation to the Obligors under standard market conditions, subject to legal qualifications, limitations and baskets (where agreed) and whose wording shall be inspired by the wording of the standard approved by the Loan Market Association in all matters not expressly provided for in the Confirming and Guarantee Facilities Framework Agreement. Such undertakings shall include, among others, authorizations, substantial compliance with laws, negative pledge, disposals, corporate reorganizations, change of business, insurance, taxes, financial indebtedness, guarantees, *pari passu*, security, etc.

Events of Default

The following events of default shall be included in the Confirming and Guarantee Facilities Framework Agreement under standard market conditions and subject to qualifications and thresholds to be negotiated: (a) non-payment (with a two Business Days cure period if the failure to pay is due to administrative or technical error); (b) failure to comply with financial undertakings (subject to cure right); (c) Obligors' failure to comply with other obligations under the Confirming and Guarantee Facilities Framework Agreement (with a 15 Business Days cure period); (d) misrepresentation; (e) cross-default; (f) current insolvency (or possibility of insolvency) of any Obligor or Pledged Company or in case of a write off granted to an Obligor or Pledged Company; (g) insolvency proceedings of any Obligor or Pledged Companies; (h) enforcement at the request of creditors; (i) unlawfulness or unenforceability of the Confirming and Guarantee Facilities Framework Agreement and the finance documents (as defined herein); (j) repudiation of the Confirming and Guarantee Facilities Framework Agreement and the finance documents (as defined herein); (k) cessation or change of business or corporate purpose of the Obligors (except when expressly permitted); (l) lack of effectiveness of the finance documents (as defined herein), personal guarantees and security; (m) Material Adverse Change; (n) sanctions; (o) unfavorable or denied opinion in the audit reports; (p) exit of cooperative members; (q) redemption of AFSEs.

Governing Law

The Confirming and Guarantee Facilities Framework Agreement and any non-contractual obligation arising out of or in connection with it shall be governed by Spanish law.

The courts of the city of Bilbao shall have exclusive jurisdiction in relation to claim relating to any contractual and non-contractual obligation in relation to the Confirming and Guarantee Facilities Framework Agreement.

Loan 15

On January 26, 2016, Cecosa Hipermercados, S.L. (the "**Borrower**") entered into an unsecured loan agreement with certain lenders and financial institutions (the "**Lenders**") for an amount up to €91,920,359.98 which remained available until February 1, 2016 ("**Loan 15**"). Only €70,349,490.99 was utilized. No further utilizations under Loan 15 are permitted.

Interest Rates and Fees

Interest on borrowings under Loan 15 began to accrue on the date of utilization, with the first annual interest period ended on January 31, 2017. Interest is based on EURIBOR (subject to a zero floor) plus an applicable margin of 3%. Upon repayment of the Syndicated Loan with the proceeds of this Offering, all capitalized interest shall be paid on the last day of the interest period then in progress.

In addition to paying interest on outstanding principal under Loan 15, we will pay a customary agency fee.

Repayments and Maturity

The principal amount outstanding under Loan 15 is due and payable in full on February 1, 2028. There is no schedule amortization of the principal amounts of the loan outstanding under Loan 15.

Representations and Warranties

The terms of Loan 15 include certain customary representations and warranties, including: (1) status; (2) power and authority; (3) share capital and bylaws; (4) non-conflict with other obligations; (5) validity and admissibility in evidence; (6) compliance with law; (7) no events of default; and (8) insolvency. Representations and warranties of Loan 15 are deemed to be repeated at the beginning of each interest period.

Certain Affirmative Covenants

Under the terms of Loan 15, the Borrower is subject to a number of customary affirmative covenants which include to: (1) obtain, comply with and maintain in full force and effect all authorizations, approvals, licenses and consents required under Spanish law to enable the Borrower to comply with its obligations under Loan 15 and to carry out any acts required by the majority of the Lenders to ensure the legality, validity, enforceability or admissibility in evidence of Loan 15; (2) notify the agent of the occurrence of any circumstance which results in, or which could reasonably result in, the breach of any representations and warranties after the signing date of Loan 15; (3) immediately inform the agent of the occurrence of any circumstance which could result in an event of default and, if applicable and after being required by the agent to do so, confirm to the agent that such circumstance has not occurred; (4) after the occurrence of an event of default or if any Lender considers that the accounting information provided to it is false or misleading, the majority of the Lenders may request a full investigation and a full audit in relation to the financial situation of the Borrower; (5) when required by the agent following the request of any Lender, provide such information on the Borrower as may be necessary to comply with know-your-customer rules and anti-money laundering regulation; (6) comply at any time with its payment obligations, its civil, administrative, labor, environmental, tax, social security and commercial obligations and with the obligations arising from any regulation applicable to it from time to time; and (7) maintain in full force and effect all licenses, authorizations and approvals which may be necessary for the development of its business.

Certain Negative Covenants

Under the terms of Loan 15, the Borrower is subject to a number of negative covenants that, among other restrictions and subject to certain exceptions, limitations and permissions, restrict the ability of the Borrower to: (1) carry out commercial transactions with third parties or with its shareholders, subsidiaries or related entities, on terms and conditions other than those prevailing at arm's length and the customary usual practices in the usual sector of activity; (2) change or cease its principal business activities; and (3) change its accounting policies and practices unless required by applicable law.

Events of Default

The terms of Loan 15 provide for one event of default, the occurrence of which would allow the majority of the Lenders (or an individual Lender if such majority is not obtained within 30 days from the date a Lender is required by another to form such majority or the date when the agent notifies the Lenders of the event of default) to terminate Loan 15 early, accelerate all outstanding loans, accrued interest and other amounts due under Loan 15 and declare them immediately due and payable. The event of default consists of payment default of the amounts due under Loan 15.

Obligaciones Subordinadas Eroski ("OSEs")

On February 1, 2016, we commenced an "Exchange Offer and Simultaneous Issuance" (*Oferta de Canje y simultánea Emisión*) (the "**OSEs Exchange Offer**"), whereby we offered to exchange AFSEs (as defined below) for subordinated negotiable securities trading on the AIAF Fixed Income Market (the "**OSEs**"). The OSEs Exchange Offer was launched for a maximum nominal amount of €337,041,320, and was offered exclusively to the AFSEs holders, who voluntarily decided whether to exchange their AFSEs for OSEs and the number of AFSEs to be exchanged. Through the OSEs Exchange Offer, Eroski offered its recipients (i) OSEs for an amount equivalent to 55% of the nominal unit value of the AFSEs to be exchanged (equivalent to €13.75); (ii) an amount in cash equivalent to 15% of the nominal unit value of the AFSEs to be exchanged (equivalent to €3.75) plus the accrued coupon to which they may have been entitled as AFSEs holders exchanged up to the time of the issuance (equivalent to €0.00 as the accrued coupon had previously been paid to the AFSEs holders); and (iii) a write-off amounting to 30% of the nominal unit value of the AFSEs to be exchanged (equivalent to €7.50). Thus, the AFSEs holders who decided to participate in the OSEs Exchange Offer suffered a loss of 30% of the AFSEs' initial nominal value. The OSEs Exchange Offer resulted in Eroski issuing 15,198,359 OSEs for a total nominal value of €208,977,436.25, and the AFSEs holders additionally received €56,993,846.25 in cash. The AFSEs that were not exchanged remained in force according with their own terms and conditions. As of the date of this Offering Memorandum, 11,201,641 AFSEs remain in force for a total nominal value of €280,041,025.

OSEs holders do not have any political rights in our cooperative.

Interest Rates and Fees

The OSEs pay interest annually at an interest rate based on EURIBOR plus an applicable margin of 3%. We provide interest payments to OSEs holders in cash on February 1 of each year.

Repayments and Maturity

The OSEs will mature on February 1, 2028 (the "**Scheduled Maturity Date**") unless OSEs holders elect to extend the Scheduled Maturity Date by five years until February 1, 2033 (the "**Final Maturity Date**"). This extension may only be requested by OSEs holders and not by us. Request to extend the maturity date from February 1, 2028 until February 1, 2033 must be made three to five months before the Scheduled Maturity Date. For OSEs holders that did not extend the final maturity date, we shall repay the principal amount of these OSEs on the Scheduled Maturity Date as described above. For OSEs holders that extended the final maturity date until the Final Maturity Date, we shall repay the principal amount of these OSEs on February 1, 2033 through the same process.

Subordination

Pursuant to the terms of the instrument as described in the respective prospectus, OSEs constitute subordinated obligations and, therefore, are subordinated to EROSKI's ordinary credits until repaid.

Events of Default

There are no events of default associated with the OSEs.

Aportaciones Financieras Subordinadas Eroski ("AFSEs")

Between 2002 and 2007, we offered four separate tranches of subordinated negotiable securities trading on the AIAF Fixed Income Market (the "**AFSEs**"): in July 2002, we offered up to €60,000,000 of AFSEs (which may be increased to €90,000,000); in July 2003, we offered up to €70,000,000 of AFSEs; in July 2004, we offered up to €125,000,000 of AFSEs (which may be increased to €200,000,000); and in July 2007, we offered up to €225,000,000 of AFSEs (which can be extended up to €300,000,000). The total aggregate amount of the AFSEs that were subscribed to amounted to €660,000,000, and as of the date of this offering memorandum, 11,201,641 AFSEs remain in force for a total nominal value of €280,041,025. On February 1, 2016, we carried out the OSEs Exchange Offer whereby we offered to exchange AFSEs for OSEs. See "*—Obligaciones Subordinadas ("OSEs")*."

AFSEs holders do not have the right to vote at our general meeting or to participate in our governing council's activities. The AFSEs also do not confer membership of our cooperative.

Interest Rates and Fees

The AFSEs issued in 2002, 2003 and 2004 have an interest period of one year and an interest rate based on EURIBOR plus an applicable margin of 3%. The AFSEs issued in 2007 have an annual interest period of one year and an interest rate based on EURIBOR plus an applicable margin of 2.5%.

We provide interest payments to AFSEs holders on January 31 of each year. Interest accrued under AFSEs issued in 2002, 2003 and 2004 are paid in cash. For the AFSEs issued in 2007, (i) we shall pay such interest in cash if in the previous financial year and with the consent of the board of governors, we had paid any remuneration to our working members for: (a) interest on contributions to our share capital made by its working members in cash or through capitalisation, in accordance with our bylaws, (b) revaluation of the contributions to our share capital made by its working members in accordance with our bylaws, (c) updates of the contributions to our share capital made by its working members or increases of our share capital against unrestricted reserves, (d) credited cooperative returns of our working members against the net surplus recorded by us in the previous financial year, in accordance with our bylaws, and (e) increases in the working members' consumption down payment; (ii) if conditions under (i) have not been complied with, we may elect to provide interest payment to the holders of the 2007 AFSEs in cash, through payment-in-kind ("**PIK**") loan by increasing the 2007 AFSEs nominal value or through a combination of both cash and PIK. Since the issuance of the 2007 AFSEs, we have only paid interest to the holders of the 2007 AFSEs in cash.

Repayment and Maturity

The AFSEs have no scheduled maturity date and are perpetual until the Issuer's winding-up.

The principal amounts outstanding under the AFSEs may be redeemed at our discretion.

Subordination

Pursuant to the terms of the relevant prospectus, the AFSEs are of a subordinated nature and, therefore, they are subordinated to our ordinary credits. Also, according to art. 60.6 of the Basque Cooperative Law, (i) subordinated financings are considered to be those received by the cooperatives which, for the purposes of priority of claims, rank after all the ordinary creditors; and (ii) any subordinated financial contribution subscribed by the cooperative with its members or third parties whose maturity does not occur until the approval of the winding-up of the cooperative (such as the AFSEs, which are perpetual until we wind up), shall be deemed to be share capital, irrespective of its name or legal form.

Events of Default

There are no events of default associated with the AFSEs.

Working Capital Facilities and Other Short-Term Facilities

Certain of our subsidiaries have entered into facilities which are used for working capital purposes. In addition, further facilities have been granted in order to facilitate foreign exchange dealings and hedging transactions. The same bank may provide several different types of facilities that are made available under these working capital lines. Certain of these credit facilities agreements contain covenants that restrict, among other things, the respective borrower's ability to (i) incur debt or guarantee debt of third parties, (ii) create liens or grant security interests, and (iii) dispose of our assets. On or around the Issue Date, we expect to refinance most of these working capital lines under the Confirming and Guarantee Facilities, though expect that some existing working capital lines will remain outstanding under certain Group companies, primarily Supratuc and Vegalsa. Following the Issue Date, we expect that (i) guarantee facilities with financial institutions (*líneas de avales*) with a total quantum of €27.1 million will remain in place, of which €25.0 million will sit within Supratuc and Vegalsa and (ii) confirming lines with a total quantum of €25.0 million will remain in place within Supratuc.

DESCRIPTION OF THE NOTES

In this "*Description of the Notes*," the term "Issuer" refers only to Eroski, S. Coop. and not to any of its Subsidiaries, except for the purposes of financial data determined on a consolidated basis. The term "Notes," unless the context requires otherwise, also refers to "book entry interests" in the Notes, as defined herein. The definitions of certain other terms used in this description are set forth throughout the text or under "*—Certain Definitions*."

The Issuer will issue €500.0 million aggregate principal amount of 10⅝% Senior Secured Notes due 2029 (the "Notes") under an indenture, dated on or about November 30, 2023 (the "Indenture"), between the Issuer, the Guarantors, Deutsche Trustee Company Limited, as trustee (the "Trustee"), Deutsche Bank AG, London Branch, as paying agent and transfer agent, Deutsche Bank Luxembourg S.A., as registrar, and Banco Santander, S.A., as security agent (the "Security Agent"), in private transactions that are not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the "Securities Act"). The terms of the Notes include those set forth in the Indenture.

The proceeds of the offering of the Notes (the "Offering") will be used, together with the proceeds of the Term Loan A (as defined herein), the Disposal Properties and cash on balance sheet: (a) to refinance the existing Syndicated Loan and (b) to pay fees, commissions and expenses associated with the Transactions (including the Initial Purchasers' fees, legal, accounting and other fees, commissions and expenses).

The Indenture will be unlimited in aggregate principal amount, of which €500.0 million aggregate principal amount of Notes (the "Initial Notes") will be issued in this Offering. We may in the future, subject to applicable law, issue an unlimited principal amount of additional Notes (the "Additional Notes"). We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture.

The following description is a summary of the material terms of the Notes and the Indenture, and refers to the Intercreditor Agreement and the Security Documents. It does not, however, restate the Notes and the Indenture in their entirety and where reference is made to a particular provision of the Notes or the Indenture, such reference, including the definitions of certain terms, is qualified in its entirety by reference to all of the provisions of the Notes, the Indenture, the Intercreditor Agreement and the Security Documents. The Indenture, the Notes and the Guarantees will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement entered into in the future. The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Notes and the Guarantees. Please see the section entitled "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

You should read the Notes, the Indenture, the Security Documents and the Intercreditor Agreement because they contain additional information and because they, and not this description, define your rights as a Holder of the Notes. Copies of the Indenture, the Security Documents and the Intercreditor Agreement may be obtained from the Issuer at the address indicated under "*Listing and General Information*." The Indenture is not qualified under, does not incorporate any provisions by reference to, and is not otherwise subject to, the U.S. Trust Indenture Act of 1939, as amended, including Section 316(b) thereof.

Application will be made to have the Notes be admitted on the Official List (the "Official List") of the Luxembourg Stock Exchange (the "Exchange") and for such Notes to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market. In the event that the Notes are admitted to listing on an exchange other than the Exchange, references herein to the Exchange shall be deemed to be to the relevant exchange upon which the Notes are listed. The Issuer can provide no assurance that this application will be accepted. See *"—Payments on the Notes; Paying Agent, Transfer Agent and Registrar*."

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture.

Each reference to a legal entity herein shall be deemed to include such entity's successor in interest, unless the context requires otherwise.

Brief Description of the Structure and Ranking of the Notes and the Guarantees

The Notes

The Notes will:

- be general senior obligations of the Issuer, secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with any existing and future Debt or obligations of the Issuer that are not subordinated in right of payment to the Notes, including the Term Loan A, the Bridge to Disposal Facility and the Confirming and Guarantee Facilities;
- rank senior in right of payment to any future Debt or obligations of the Issuer that are expressly subordinated or subordinated by operation of law to the Notes, including the AFSEs and the OSEs;
- be effectively subordinated to any existing or future Debt or obligations of the Issuer and its Subsidiaries that are secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such Debt or such obligation, including the Bridge to Disposal Facility;
- be structurally subordinated to any existing or future Debt or obligations (including obligations to trade creditors) of the Subsidiaries of the Issuer that are not Guarantors; and
- will be guaranteed on a senior basis by the Guarantors, subject to the limitations herein and those described in "*Risk Factors—Risks Related to the Notes and our Structure—Each Guarantee and security may be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*" and "*Limitations on Validity and Enforceability of the Guarantees and Certain Insolvency Law Considerations*."

The Guarantees

On the Issue Date, the Notes will be guaranteed on a senior secured basis by Cecosa Hipermercados, S.L., Equipamiento Familiar y Servicios, S.A., Desarrollos Comerciales y de Ocio Algeciras, S.L., Cecosa Institucional, S.L., Cecogoico, S.A., Newcobeco, S.A., Peninsulaco, S.L.U., Sociedad de Franquicias Eroski Contigo, S.L.U., Forum Sport S.A. and Cecosa Diversificación, S.L. (together, the "Initial Guarantors").

Each Guarantee of a Guarantor will:

- be a general senior obligation of the applicable Guarantor secured by first-ranking interests in the Collateral as set forth under "*—Security*";
- rank *pari passu* in right of payment with any existing or future Debt or obligations of the applicable Guarantor that are not subordinated in right of payment to the applicable Guarantee, including such guarantor's obligations under the Term Loan A, the Bridge to Disposal Facility and the Confirming and Guarantee Facilities and, with respect to Cecosa Hipermercados, S.L., its obligations under loans made in an aggregate principal amount of up to €70 million pursuant to a loan agreement, dated January 26, 2016, among Cecosa Hipermercados, S.L. and certain lenders and financial institutions, as amended or restated from time to time;
- rank senior in right of payment to any existing or future Debt or obligations of the applicable Guarantor that are subordinated or subordinated by operation of law, in right of payment to the applicable Guarantee;
- be effectively subordinated to any existing or future Debt or obligations of the applicable Guarantor that are secured by property or assets that do not secure the Guarantee, to the extent of the value of the property and assets securing such Debt or obligation, including the Bridge to Disposal Facility;
- be structurally subordinated to any existing or future Debt or obligations (including obligations to trade creditors) of the Subsidiaries of the Issuer that are not Guarantors (including loans provided to Supratuc outstanding on the Issue Date in the amount of approximately €15.0 million and other local financing arrangements in the amount of €17.8 million); and
- be subject to the limitations described herein and in "*Risk Factors—Risks Related to the Notes and our Structure—Each Guarantee and security may be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*," " *Risk Factors—Risks Related to the Notes and our Structure—The insolvency laws*

of Spain may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes" and "*Limitations on Validity and Enforceability of the Guarantees and Certain Insolvency Law Considerations*."

General

Not all of the Issuer's direct and indirect Subsidiaries will guarantee the Notes.

As of and for the twelve months ended July 31, 2023, the Issuer and the Guarantors (excluding the respective contributions to revenue, assets and Adjusted EBITDA pre-IFRS 16 of Supratuc and Vegalsa, two joint ventures that are not wholly owned, and accounting for the contributions of Inmobiliaria Recare, S.A., a subsidiary that is not a Guarantor but is expected to merge into a Guarantor or on before the Issue Date) would have held 96.6% of corresponding total assets and generated 99.5% of corresponding revenue, and 100.7% of corresponding Adjusted EBITDA pre-IFRS 16. The Collateral will contain pledges over 60% of the issued Capital Stock (which is the share indirectly owned by the Issuer) of Aportaciones Financieras Eroski, S.A. and 50% of the issued Capital Stock (which is the share indirectly owned by the Issuer) of each of Supratuc and Vegalsa which collectively (including their relevant subsidiaries) represent 25.5% of our revenue, 21.1% of our total assets and 24.3% of our Adjusted EBITDA pre-IFRS 16 as of and for the twelve months ended July 31, 2023. As of and for July 31, 2023, our non-guarantor restricted subsidiaries had €31,830 thousand of debt outstanding.

The Notes are effectively subordinated in right of payment to all Debt and other liabilities and commitments (including trade payables and lease obligations) of the Issuer's Subsidiaries that are not Guarantors. Any right of the Issuer to receive assets of any of its Subsidiaries upon the Subsidiary's liquidation or reorganization (and the consequent right of the Holders to participate in those assets) will be effectively subordinated to the claims of that Subsidiary's creditors, except to the extent that the Issuer is itself recognized as a creditor of the Subsidiary, in which case the claims of the Issuer would still be subordinated in right of payment to any security over the assets of the Subsidiary and any Debt of the Subsidiary senior to that held by the Issuer. In addition, the Issuer's rights to the assets of any subsidiaries that are not wholly-owned will be limited to the Issuer's *pro rata* ownership stake in such assets, for example, our 50% owned joint ventures Supratuc and Vegalsa. Such limitations may be material. See "*Risk Factors—Risks Related to the Notes and our Structure—The Notes will be secured only to the extent of the value of the Collateral that will be granted as security for the Notes and future secured indebtedness may be secured by certain assets that do not secure the Notes*," "*Risk Factors—Risks Related to the Notes and our Structure—Each Guarantee and security may be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*" and "*Limitations on Validity and Enforceability of the Guarantees and Certain Insolvency Law Considerations*."

The obligations of a Guarantor under its Guarantee will be limited as necessary to prevent the relevant Guarantee from constituting a fraudulent conveyance or unlawful financial assistance or infringement of capital maintenance rules under applicable law, otherwise to reflect limitations under applicable law or as set out in the respective Guarantee. By virtue of these limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Risk Factors—Risks Related to the Notes and our Structure—Each Guarantee and security may be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*" The validity and enforceability of the Guarantees and the liability of each Guarantor will be subject to the limitations described in this Offering Memorandum under the caption "*Limitations on Validity and Enforceability of the Guarantees and Certain Insolvency Law Considerations.*"

As of the Issue Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries." Under the circumstances described below under *"—Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*," the Issuer will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries of the Issuer will not be subject to the restrictive covenants in the Indenture. Further, Unrestricted Subsidiaries of the Issuer will not Guarantee the Notes.

Although the Indenture will contain limitations on the amount of additional Debt that the Issuer, the Guarantors and the Restricted Subsidiaries may incur, the amount of such additional Debt could be substantial. The Indenture will permit additional Debt to be secured.

Supratuc and Vegalsa will be Restricted Subsidiaries, but will not Guarantee the Notes. Supratuc and Vegalsa are fully consolidated into the results of operations of the Group.

The Vegalsa business is operated through a joint venture, which has been in operation since February 13, 1998 and is 50% owned by the Ventura Gonzalez family. Vegalsa primarily operates supermarkets and hypermarkets in Galicia, but also has operations in the neighboring communities of Asturias and Castilla y Leon. See "*Business—Material Agreements—Vegalsa Agreement*."

The Supratuc business is operated through a joint venture, created in September 2021, when we sold 50% of our shares in Supratuc2020 S.L. to the EP Bidco A.S. Supratuc is the 100% owner of CECOSA Supermercados, S.L., which primarily operates supermarkets and hypermarkets in the Balearic Islands and Caprabo, S.A. which primarily operates supermarkets and hypermarkets in Catalonia. Supratuc operates as an extension of our brand, using our brands and insignias as well as our private label products. See "*Business—Material Agreements—Supratuc Agreement*."

Principal and Maturity

The Notes will mature on April 30, 2029, *provided that* if the OSEs have not been refinanced or repaid by July 31, 2027, the Notes will mature on July 31, 2027 (the "Maturity Date"). The Issuer will issue the Notes in the aggregate principal amount of €500.0 million. On the Maturity Date, the outstanding principal amount of the Notes will be due and payable, plus any accrued and unpaid interest, if any, at par.

Interest

Each Note will bear interest at a rate per annum of 10.625% and interest will be payable semi-annually in arrear on May 30 and November 30 of each year, commencing on May 30, 2024.

Interest will be payable to Holders of record on each Note in respect of the principal amount thereof outstanding as at the Clearing System Business Day immediately preceding the payment date, as the case may be; however, owners of beneficial interests in the Notes must rely on the procedures of Euroclear or Clearstream, as applicable. See "*Risk Factors—Risks Related to the Notes and our Structure—The Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies*." If the due date for any payment in respect of the Notes is not a Business Day at the place where such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of such delay. The rights of Holders in beneficial interest of the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and/or Clearstream.

Interest on the Notes will accrue from, and including, the original issuance date or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months on the aggregate nominal amount outstanding.

Form of Notes

The Notes will be issued only in fully registered form without coupons and only in denominations of €100,000 and integral multiples of €1,000 in excess thereof.

The Notes will be sold in the United States to qualified institutional buyers in reliance on Rule 144A ("Rule 144A") under the Securities Act, and to persons outside the United States in reliance on Regulation S ("Regulation S") under the Securities Act, and will initially be represented by one or more global notes in registered form without interest coupons attached (the "Global Notes").

The Notes will be subject to certain other restrictions on transfer and certification requirements, as described under "*Transfer Restrictions*."

The Global Notes will be deposited with a common depositary for Euroclear and Clearstream and registered in the name of the nominee of such common depositary. Ownership of interests in the Global Notes, referred to in this description as "book-entry interests," will be limited to persons that have accounts with Euroclear or Clearstream or their respective participants.

The terms of the Indenture will provide for the issuance of Definitive Registered Notes in certain limited circumstances.

See "*Book-Entry; Delivery and Form*."

Transfer

The Notes will be subject to certain restrictions on transfer and certification requirements, as described under "*Transfer Restrictions*."

A Holder may transfer or exchange Notes in accordance with the Indenture and the procedures of Euroclear and Clearstream. Upon any transfer or exchange, the Issuer, the Agents and/or the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuer may require a Holder to pay any taxes or other governmental charges payable in connection with the transfer or exchange. The Issuer will not be required to transfer or exchange any Note selected for redemption or repurchase or to transfer or exchange any Note for a period of 15 Business Days prior to any date on which all or any part of the Notes are to be redeemed or repurchased. The Notes will be issued in registered form and the Holder will be treated as the owner of such Note for all purposes. For further information about transfer and exchange procedures, see the section titled "*Book-Entry; Delivery and Form*."

All transfers of book-entry interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to applicable rules and procedures established by Euroclear or Clearstream and their respective participants. See "*Book-Entry; Delivery and Form*."

Payments on the Notes; Paying Agent, Transfer Agent and Registrar

The Issuer will make all payments, including principal of, premium, if any, and interest on the Notes, at its office or through its agent in London, England that it will maintain for these purposes. Initially, that agent will be Deutsche Bank AG, London Branch (the "Paying Agent"). The Issuer may change the Paying Agent without prior notice to the Holders. The Issuer will make all payments in same-day funds.

The Issuer will also maintain a registrar (the "Registrar") and a transfer agent (the "Transfer Agent"). The initial Registrar will be Deutsche Bank Luxembourg S.A. and the initial Transfer Agent will be Deutsche Bank AG, London Branch. The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Notes on behalf of the Issuer. A register of the Notes shall be left at the registered office of the Issuer. In case of inconsistency between the register of Notes kept by the Registrar and the one kept by the Issuer at its registered office, the register kept by the Issuer shall prevail. The Registrar has no responsibility for any register maintained by the Issuer.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders of such Notes. However, for so long as the Notes are admitted to trading on the Euro MTF Market and listed on the Official List of the Exchange and the rules and regulations of such stock exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent to the extent and in the manner permitted by such rules. In addition, for so long as any Notes are represented by Global Notes, such notices to Holders of the Notes may be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

Holders will not be responsible for any service charge for any registration of transfer, exchange or redemption of the Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange.

Additional Notes

From time to time, subject to the Issuer's compliance with the covenants described under the headings "*—Certain Covenants—Limitation on Debt*" and "*—Certain Covenants—Limitation on Liens*," the Issuer is permitted to issue Additional Notes, which shall have the terms set out in an Officer's Certificate supplied to the Trustee. The Notes and any Additional Notes issued from time to time will constitute separate series of Notes, but shall be treated, along with all other series of Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments, redemptions and offers to purchase and all other matters which are not specifically distinguished for in such series, except as otherwise provided for in the Indenture.

In the Issuer's sole discretion, the aforementioned Officer's Certificate may include provisions pertaining to (a) the redemption of such Additional Notes, in whole or in part, including, but not limited to, pursuant to any special mandatory redemption in the event that the release from any escrow into which proceeds of the issuance of such Additional Notes are deposited is conditioned on the consummation of any acquisition, Investment, refinancing or other transaction (such redemption, a "*Special Mandatory Redemption*"), (b) the escrow of all or a portion of the proceeds of such Additional Notes and the granting of Liens described in clause (y) of the definition of "*Permitted Liens*" in favor of the Trustee or a security agent solely for the benefit of the holders of such Additional Notes (and not, for the avoidance of doubt, for the benefit of the holders of any other Notes, including Notes of the same series as such Additional Notes), together with all necessary authorizations for the Trustee or such security agent to enter into such arrangements; *provided that*, for so long as the proceeds of such Additional Notes are in escrow, such Additional Notes shall benefit only from such Liens and shall not be subject to the Intercreditor Agreement or any Additional Intercreditor Agreement and shall not benefit from any security interest in the Collateral and (c) the maturity date, interest rate (which may be fixed or floating), interest payment dates and related record dates, currency, clearing system and denominations for such Additional Notes, it being understood that, with respect to the Additional Notes, all references to currency (including any government obligations related thereto) and denominations herein shall mean the currencies (including any government obligations related thereto) and denominations applicable to such Additional Notes. In addition, such Officer's Certificate may include provisions pursuant to which such Additional Notes are issued bearing a temporary CUSIP, ISIN or Common Code pending the satisfaction of certain conditions, such as the consummation of an acquisition, Investment, refinancing or other transaction, and such Additional Notes bearing a temporary CUSIP, ISIN or Common Code may be automatically exchanged for new Additional Notes bearing the same CUSIP, ISIN or Common Code as any existing Notes issued; *provided that* such Additional Notes are fungible with the Notes issued on the relevant issue date for U.S. federal income tax purposes. Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of the Notes*," references to "*Notes*" shall be deemed to include references to the Notes initially issued on the Issue Date as well as any Additional Notes. Additional Notes may be designated to be of the same series as any other series of Notes, including the Notes initially issued on the Issue Date, but only if they have terms substantially identical in all material respects to such other series, and shall be deemed to form one series with other series (including, if applicable, the Notes initially issued on the Issue Date) (it being understood that any Additional Notes that are substantially identical in all material respects to any other series of Notes but for being subject to a Special Mandatory Redemption shall be deemed to be substantially identical to such series of Notes only following the expiration of any provisions relating to such Special Mandatory Redemption).

The Initial Notes and any Additional Notes shall be deemed to form one series and references to the "Notes" shall be deemed to include the Initial Notes initially issued on the Issue Date as well as any Additional Notes. However, in order for any Additional Notes to have the same ISIN or Common Code, as applicable, as the Notes of the applicable series, such Additional Notes must be fungible with such series of the Notes for U.S. federal income tax purposes.

Guarantees

General

The Notes will initially be guaranteed by the Initial Guarantors. Under the Indenture, the Guarantors will jointly and severally agree to guarantee the due and punctual payment of all amounts payable under the Notes, including principal, premium, if any, and interest payable under the Notes.

Not all of the Subsidiaries of the Issuer will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer or another Subsidiary of the Issuer. In addition, the Issuer's rights to the assets of any subsidiaries that are not wholly-owned will be limited to the Issuer's *pro rata* ownership stake in such assets as well as the terms of the relevant joint venture agreements, for example, our 50% owned joint ventures Supratuc and Vegalsa. Such limitations may be material. See "*Risk Factors—Risks Related to the Notes and our Structure—The Notes will be secured only to the extent of the value of the Collateral that will be granted as security for the Notes and future secured indebtedness may be secured by certain assets that do not secure the Notes*." Each Guarantor that makes a payment or distribution under its Guarantee will be entitled to contribution from any other Guarantor, subject to the terms of the Intercreditor Agreement.

Release of the Guarantees

A Guarantee will be automatically and unconditionally released (and thereupon will terminate and be discharged and be of no further force and effect):

(1) upon the sale or disposition (including through merger, consolidation, amalgamation or other combination) or conveyance, transfer or lease of all or substantially all of the assets of the Guarantor to a Person that is not (either before or after giving effect to the transaction) the Issuer or a Restricted Subsidiary, if such sale or other disposition does not violate the covenants described under the caption *"—Certain Covenants—Limitation on Asset Sales*" or "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";

(2) in connection with any sale or other disposition of the Capital Stock of the Guarantor (or Capital Stock of any Holding Company of such Guarantor (other than the Issuer)) (whether by direct sale or through a Holding Company) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the covenant described under the caption *"—Certain Covenants—Limitation on Asset Sales*" and as a result of such disposition such Guarantor no longer qualifies as a Restricted Subsidiary of the Issuer;

(3) upon a defeasance or satisfaction and discharge of the Indenture that complies with the provisions under "*—Defeasance" or "—Satisfaction and Discharge*";

(4) upon the designation by the Issuer of the Guarantor (or a Holding Company thereof) as an Unrestricted Subsidiary in compliance with the terms of the Indenture;

(5) upon the liquidation or dissolution of the Guarantor; *provided* that no Default or Event of Default has occurred and is continuing;

(6) upon repayment in full of the Notes;

(7) in connection with the implementation of a Permitted Reorganization;

(8) in the case of any Restricted Subsidiary that after the Issue Date is required to guarantee the Notes pursuant to the covenant described under the caption "*—Certain Covenants—Limitation on Guarantees of Debt*," the release or discharge of the guarantee by such Restricted Subsidiary which resulted in the obligation to guarantee the Notes as provided under the caption "*—Certain Covenants—Limitation on Guarantees of Debt*";

(9) as described under "*—Amendments and Waivers*"; or

(10) as provided for under the Intercreditor Agreement or any Additional Intercreditor Agreement, including in accordance with certain enforcement actions taken pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement.

Upon any occurrence giving rise to a release of a Guarantee as specified above, the Trustee shall execute, subject to the receipt of an Officer's Certificate and an opinion of counsel from the Issuer, any documents reasonably requested by the Issuer in order to evidence such release, discharge and termination in respect of such Guarantee. Neither the Issuer nor any Guarantor will be requested by the Issuer to make a notation on the Notes to reflect any such Guarantee or any such release, termination or discharge. Each of the releases and amendments set forth above shall be effected by the Trustee without any consent of the Holders or any other action or consent on the part of the Trustee.

Limitations on the Value of the Guarantees

The obligations of each Guarantor under its Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by such Guarantor by law or without resulting in its obligations under its Guarantee being voidable or unenforceable under applicable laws relating to maintenance of share capital, fraudulent transfer, fraudulent conveyance, corporate benefit, financial assistance or similar laws affecting the rights of creditors generally and applicable to the Guarantors and their respective shareholders, directors and officers. By virtue of these limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Risk Factors—Risks Related to the Notes and our Structure—Each Guarantee and security may be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability*" and "*Limitations on Validity and Enforceability of the Guarantees and Certain Insolvency Law Considerations.*"

Additional Amounts

All payments made under or with respect to the Notes or the Guarantees will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or similar governmental charges (collectively, "Taxes") imposed or levied by or on behalf of Spain or any jurisdiction in which the Issuer or any Guarantor is organized, engaged in a business for tax purposes or resident for tax purposes, or from or through which payment on the Notes or the Guarantees is made by or on behalf of the Issuer, or any political subdivision or authority thereof or therein, having the power to tax (each, a "Relevant Taxing Jurisdiction"), unless the withholding or deduction of such Taxes is required by law. In the event that the Issuer or a Guarantor is required to so withhold or deduct any amount for or on account of any such Taxes imposed or levied by or on behalf of a Relevant Taxing Jurisdiction from any payment made under or with respect to the Notes or the Guarantees, the Issuer or Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by a Holder after such withholding or deduction will be not less than the amount that would have been received by such Holder if such Taxes had not been required to be withheld or deducted.

Notwithstanding the foregoing, neither the Issuer nor any Guarantor will pay Additional Amounts to a Holder of any Note in respect or on account of:

(a) any Taxes that are imposed or levied by a Relevant Taxing Jurisdiction by reason of a present or former connection of the Holder or beneficial owner (or a fiduciary, settler, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership or corporation) with such Relevant Taxing Jurisdiction (including, but not limited to, citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a place of business or a place of management present or deemed present within the Relevant Taxing Jurisdiction) other than the mere receipt or holding of any Note, the receipt of payments under such Note, any Guarantee or the Indenture or the exercise or enforcement of rights under such Note, any Guarantee or the Indenture;

(b) any Taxes that are imposed or withheld by reason of the failure of the Holder or beneficial owner of any Note, to comply with the Issuer's written request addressed to the Holder, providing at least 30 calendar days' notice, to satisfy any certification, identification, information or other reporting requirements concerning nationality, residence, identity or connection with the Relevant Taxing Jurisdiction, which is required by a law, statute, treaty, regulation or administrative practice of the Relevant Practice Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the Holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction), which is required by a law, statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction, *provided* that the relevant Holder or beneficial owner is legally entitled to satisfy such requirements;

(c) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(d) any Tax that is payable other than by deduction or withholding from payments made under or with respect to any Note or Guarantee;

(e) any Tax which would not have been so imposed but for the presentation (where presentation is required in order to receive payment) by the Holder for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the Holder would have been entitled to such Additional Amounts on presenting the same for payment on any day (including the last day) within such 30-day period;

(f) any withholding or deduction required to be made from a payment pursuant to Sections 1471-1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any current or future regulations or official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code;

(g) any Tax which would not have been so imposed if the Issuer (or, as applicable, the relevant Guarantor) received such information as it is required by the applicable Spanish tax laws and regulations, including a duly executed and completed certificate from the Paying Agent, pursuant to Law 10/2014 and Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011 of 29 July, and any implementing legislation or regulation; or

(h) any Taxes that were imposed with respect to any payment on a Note to any fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent that no Additional Amounts would have been payable had the beneficial owner of the applicable Note been the Holder of such Note.

In addition, Additional Amounts will not be payable with respect to any Taxes that are imposed in respect of any combination of the above items.

The Issuer or Guarantors will also make or cause to be made such withholding or deduction of Taxes and remit the full amount of Taxes so deducted or withheld to the relevant taxing authority in accordance with all applicable laws. The Issuer will, upon request, make available to the Holders, as soon as reasonably practicable, certified copies of tax receipts evidencing such payment by the Issuer or if, notwithstanding the Issuer's reasonable efforts to obtain such receipts, the same are not obtainable, other evidence reasonably satisfactory to the Trustee of such payment by the Issuer.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Issuer or a Guarantor becomes aware that it will be obliged to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case it will be promptly thereafter), the Issuer or Guarantor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating that such Additional Amounts will be payable and the amounts so payable and setting forth such other information as is necessary to enable the Trustee or Paying Agent to pay such Additional Amounts to the Holders on the payment date. The Trustee and the Paying Agent shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

In addition, the Issuer or the Guarantors will pay (i) any present or future stamp, issue, registration, transfer, documentation, court, excise or other similar taxes, charges and duties, including interest or penalties with respect thereto imposed or levied by any Relevant Taxing Jurisdiction, in respect of the execution, issue, delivery or registration of the Notes, the Indenture or the Guarantees, or any other document or instrument referred to thereunder (other than transfers of the Notes following the initial resale of the Notes by the Initial Purchasers); and (ii) any such taxes, charges or duties imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Notes, Guarantees or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes.

The foregoing provisions will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any Surviving Entity (as defined below) or successor person to the Issuer or a Guarantor is organized, engaged in a business for tax purposes or resident for tax purposes or any political subdivision or taxing authority or agency thereof or therein.

Whenever in the Indenture or this "*Description of the Notes*" there is mentioned, in any context, the payment of principal (and premiums, if any), redemption price, interest or any other amount payable under or with respect to any Note (including payments thereof made pursuant to any Guarantee), such mention will be deemed to include mention of the payment of Additional Amounts, if any, thereon.

Security

General

On or about the Issue Date, subject to applicable perfection requirements, the Notes and/or the Guarantees, as applicable, will be secured by the collateral, which will consist of:

- (i) (a) over 86.99% of the issued Capital Stock of Forum Sport S.A. (an Initial Guarantor) (the share indirectly owned by the Issuer); (b) over 50% of the issued Capital Stock (the share indirectly owned by the Issuer) of Desarrollos Comerciales y de Ocio Algeciras, S.L. (a Initial Guarantor); (c) over 100% of the issued Capital Stock of the remaining Initial Guarantors, which are listed below; (d) over 60% of the issued Capital Stock (the share indirectly owned by the Issuer) of Aportaciones Financieras Eroski, S.A., a non-Guarantor which is a holding company we use to hold AFSEs; and (e) over 50% of the issued Capital Stock (the share indirectly owned by the Issuer) of two non-Guarantors, Vegalsa and Supratuc (the "Pledged Companies");

- receivables under certain intercompany loans made to the Guarantors and the Pledged Companies; and

- the material bank accounts of the Issuer and the Guarantors.

The Collateral will also include any other additional security interests that may in the future be created to secure obligations under the Notes, the Guarantees and the Indenture. The Collateral will be executed pursuant to a notarial deed (a "zero deed"). Under the zero deed, effectiveness of the granting of the Collateral and the release of the security granted under the existing Syndicated Loan will be subject to the Syndicated Loan's agent confirming receipt of the prepayment amount, which may occur on or promptly following the Issue Date.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*Limitations on Validity and Enforceability of the Guarantees and Certain Insolvency Law Considerations.*"

Priority

Pursuant to the Intercreditor Agreement, the Security Agent will act on behalf of, and the Collateral will be shared equally and ratably among (but without prejudice to the agreed order of application of proceeds following the enforcement thereof), the holders of all Debt entitled to the first-ranking security under the Indenture. This Debt includes the Notes, obligations under the Term Loan A, the Bridge to Disposal Facility, the Confirming and Guarantee Facilities, obligations under certain Hedging Obligations, if any, and any other Debt permitted to be secured on the Collateral in compliance with the Indenture. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Risk Factors—Risks Related to the Notes and our Structure*." In addition, the Issuer and the Restricted Subsidiaries will be permitted to create, incur, assume or otherwise cause or suffer to exist other Permitted Collateral Liens as provided for under the caption "*—Certain Covenants—Limitation on Liens*." Under certain circumstances, the amount of such additional Debt secured by the Collateral could be significant.

Security Documents

Under the Security Documents, security will be granted over the Collateral to secure the payment, when due, of the Issuer's and the Guarantors' payment obligations under the Notes, the Guarantees and the Indenture, as well as the Issuer's and the Guarantors' payment obligations under the Term Loan A, the Confirming and Guarantee Facilities, the Bridge to Disposal Facility, and certain Hedging Obligations, if any. When entering into, confirming or extending the Security Documents, the Security Agent will act in its own name but for the benefit of the secured parties (including itself, the Trustee and the Holders of Notes from time to time), unless otherwise required in accordance with applicable law with respect to each relevant security interest. Under the Intercreditor Agreement, the Security Agent will also act as an agent of holders of the lenders under Term Loan A, the Confirming and Guarantee Facilities, the Bridge to Disposal Facility, the counterparties under certain Hedging Obligations, if any, and the lenders under any future Debt secured on the Collateral as permitted by the Indenture, if any, in relation to the security interests created in favor of such parties.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by applicable law, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the Holders. As a consequence of such contractual provisions, Holders will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the

Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent. Under the Intercreditor Agreement, the Security Agent will also act on behalf of Holders and the lenders under the Confirming and Guarantee Facilities, the Term Loan A, the Bridge to Disposal Facility and any future Debt, if any, in relation to the security interests in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by security interests in the Collateral until all obligations under the Notes and the Indenture have been discharged. However, the security interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under "*—Release of Security*."

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the security interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the security interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Related to the Notes and our Structure*."

The Indenture will permit, subject to certain conditions, including compliance with the covenant described under the caption "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Covenants—Limitation on Liens,*" the Issuer and the Guarantors to charge the Collateral in connection with future incurrences of Debt, including any Additional Notes and Debt of Restricted Subsidiaries.

Release of Security

The Collateral will be automatically and unconditionally released (and thereupon will terminate and be discharged and be of no further force and effect):

(1) in connection with any asset sale or disposition or transfer of assets to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger, Consolidation or Sale of Assets*"), if the sale or other disposition does not violate the covenant described under the caption "*—Certain Covenants— Limitation on Asset Sales*";

(2) upon a defeasance or satisfaction and discharge of the Notes that complies with the provisions under "*—Defeasance*" or "*—Satisfaction and Discharge*";

(3) as described under "*—Amendments and Waivers*" or "*—Certain Covenants—Limitation on Liens*";

(4) in the case of property and assets and Capital Stock of a Guarantor, to the extent such Guarantor is released from its Guarantee of the Notes pursuant to the terms of the Indenture;

(5) to the extent permitted in accordance with the covenant described under the caption "*—Certain Covenants—Impairment of Security Interest*" below;

(6) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture (to the extent of such Restricted Subsidiary's assets and property);

(7) upon repayment in full of the Notes;

(8) if the Lien granted in favor of such Debt that gave rise to the obligation to grant the Lien over such Collateral is released;

(9) as provided for under the Intercreditor Agreement or any Additional Intercreditor Agreement, including in accordance with certain enforcement actions taken pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement; or

(10) as otherwise permitted in accordance with the Indenture.

Each of the releases set forth above may be effected by the Security Agent without the consent of the Holders. The Indenture will provide that any release of a Lien on Collateral shall, if requested by the Issuer, be evidenced by the Security Agent. The Trustee (to the extent required) and the Security Agent shall take all necessary actions to effectuate the releases described above, subject to customary protections and/or indemnifications. Furthermore, each of the Security Agent and the Trustee shall be entitled to request and rely solely upon an Officer's Certificate and an opinion of counsel, each certifying which circumstance, as described above, giving rise to a release of Collateral has occurred, and that such release complies with the Indenture.

Optional Redemption

General

Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, without limitation, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering and, in the case of a redemption of the Notes, the incurrence of indebtedness the proceeds of which will be used to redeem the Notes). In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, *provided, however,* that, in any case such redemption date shall not be more than 60 days from the date on which such notice is first given, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

In the case of any partial redemption, unless otherwise required by law, the Notes to be redeemed will be selected in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and in compliance with the applicable procedures and requirements of the relevant clearing system(s), or, if the Notes are not listed, and the relevant clearing system(s) have no such procedures or requirements, then on a *pro rata* basis, although no Note of €100,000 in original principal amount or less will be redeemed in part, and only Notes in integral multiples of €1,000 will be redeemed. The Trustee, Paying Agent or Registrar shall not be liable for any selection made under this paragraph. If any Note is to be redeemed in part only, the notice of redemption relating to that Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued and delivered in the name of the Holder thereof upon cancellation of the original Note.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portion thereof called for redemption on the applicable redemption date.

The Issuer may provide in any notice of redemption that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

Subject to the applicable procedures of Euroclear and/or Clearstream, the Issuer may redeem Notes pursuant to one or more of the relevant provisions of the Indenture, and a single notice of redemption may be delivered with respect to redemptions made pursuant to different provisions. Any such notice may provide that redemptions made pursuant to different provisions will have different redemption dates.

Post-Tender Redemption

Notwithstanding the foregoing, in connection with any tender offer for the Notes, including a Change of Control Offer or Excess Proceeds Offer, if Holders of Notes of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such Holders, all of the Holders of Notes will be deemed to have consented to such tender offer, and accordingly the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other Holder of Notes (excluding any early tender or incentive fee) in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, such redemption date.

Optional Redemption of the Notes

Optional Redemption Prior to November 30, 2025 upon Equity Offering

At any time prior to November 30, 2025, upon not less than 10 nor more than 60 days' notice, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of Notes that were initially issued under the Indenture (calculated after giving effect to the issuance of any Additional Notes) at a redemption price of 110.625% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date), with the net proceeds from one or more Equity Offerings. The Issuer may only do this, however, if:

(a) at least 50% of the aggregate principal amount of Notes that were initially issued (calculated after giving effect to the issuance of any Additional Notes) would remain outstanding immediately after the proposed redemption; and

(b) the redemption occurs within 90 days after the closing of such Equity Offering.

Optional Redemption Prior to November 30, 2025

At any time prior to November 30, 2025, upon not less than 10 nor more than 60 days' notice, the Issuer may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium and accrued and unpaid interest, if any, to the redemption date (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Optional Redemption on or after November 30, 2025

At any time on or after November 30, 2025 and prior to maturity, upon not less than 10 nor more than 60 days' notice, the Issuer may redeem all or part of the Notes. These redemptions will be at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest, if any, to the redemption date (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning November 30 in each of the years set forth below:

Year	**Redemption Price**
2025	105.313%
2026	102.656%
2027 and thereafter	100.000%

Redemption upon Changes in Withholding Taxes

The Issuer may, at its option, redeem the Notes, in whole but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined above under "*—Guarantees—Additional Amounts*"), if any, then due and which will become due on the date of redemption as a result of the redemption or otherwise, if the Issuer determines in good faith that the Issuer or any Guarantor is or, on the next date on which any amount would be payable in respect of the Notes, would be obliged to pay Additional Amounts in respect of the Notes or the Guarantees pursuant to the terms and conditions thereof, which the Issuer or Guarantor cannot avoid by the use of reasonable measures available to it (including the use of reasonable measures to make payment through a Paying Agent located in another jurisdiction and, in the case of a Guarantor, making the payment giving rise to such requirement through another Guarantor who would not be obligated to pay Additional Amounts if payments through another Paying Agent or Guarantor, as applicable), as a result of:

(a) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction (as defined above under "*—Guarantees—Additional Amounts*") affecting taxation which is enacted or issued and becomes effective on or after the date of this Offering Memorandum or, if the Relevant Taxing Jurisdictions have changed since the date of this Offering Memorandum, on or after the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under the Indenture; or

(b) any change in the official written position regarding the application, administration, or interpretation of the laws, treaties, regulations or rulings of any Relevant Taxing Jurisdiction (including a holding, judgment or order by a court of competent jurisdiction) on or after the date of the Indenture or, if the Relevant Taxing Jurisdictions have changed since the date of the Indenture, on or after the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under the Indenture (each of the foregoing clauses (a) and (b), a "Change in Tax Law").

Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Issuer or Guarantor would be obliged to make such payment of Additional Amounts or withholding if a payment in respect of the Notes were then due.

Prior to the publication or, where relevant, sending of any notice of redemption pursuant to the foregoing, the Issuer will deliver to the Trustee:

(a) an Officer's Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have been satisfied (including that such obligation to pay such Additional Amounts cannot be avoided by the Issuer or Guarantor taking reasonable measures available to it); and

(b) an opinion of independent tax counsel of recognized standing, qualified under the laws of the Relevant Taxing Jurisdiction and reasonably satisfactory to the Trustee to the effect that the Issuer or Guarantor, as the case may be, is or would be obliged to pay such Additional Amounts as a result of a Change in Tax Law.

The Trustee will accept, and is entitled to rely on, such Officer's Certificate and opinion as sufficient evidence, without further enquiry, of the satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Holders.

The foregoing provisions will apply *mutatis mutandis* to any successor person, after such successor person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor person becomes a party to the Indenture.

Notice of Optional Redemption

For so long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the Exchange and the rules and regulations of such stock exchange so require, any notice of redemption to the Holders shall be published to the extent and in the manner permitted by such rules and regulations of the Exchange and, in connection with any redemption, the Issuer will notify the Exchange of any change in the principal amount of Notes outstanding. In addition to such publication, and to the extent and in the manner so required by the rules of the Exchange, not less than 10 nor more than 60 days prior to the redemption date, the Issuer will send such notice to Holders, except that redemption notices may be sent more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. For Notes which are represented by Global Notes, notices may be given by delivery of the relevant notices to Euroclear and Clearstream for communication to entitled account holders. The Notes will be selected in accordance with the methods described under "—*Optional Redemption—General*."

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Issuer will not be required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Notes as described under the captions "—*Certain Covenants—Change of Control*" and "—*Certain Covenants—Limitation on Asset Sales*." The Issuer and the Restricted Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise, at such price and on such terms as it sees fit.

Certain Covenants

The Indenture will contain, among others, the following covenants.

Limitation on Debt

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to "Incur" or, as appropriate, an "Incurrence") any Debt (including any Acquired Debt); *provided*, that the Issuer and any Restricted Subsidiary will be permitted to Incur Debt (including Acquired Debt) if on the date on which such additional Debt is Incurred, after giving *pro forma* effect to the Incurrence of such Debt (including the *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio would have been at least 2.0 to 1.0; and *provided further*, that the aggregate principal amount of Debt of Restricted Subsidiaries that are not Guarantors Incurred pursuant to this paragraph, including any Debt Incurred by Restricted Subsidiaries that are not Guarantors pursuant to clauses (a), (f), (p), (r), (s) or (t) of paragraph (2) below, shall not exceed the greater of €320 million and 100% of Consolidated EBITDA at any one time outstanding; and

(2) This "*Limitation on Debt*" covenant will not, however, prohibit the following (collectively, "Permitted Debt"):

(a) the Incurrence by the Issuer or any Restricted Subsidiary of Debt under Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed an amount equal to (i) €125 million plus (ii) the greater of €160 million and 50% of Consolidated EBITDA plus (iii) the maximum amount of Senior Secured Debt such that, after giving *pro forma* effect to such Incurrence, the Consolidated Senior Secured Net Leverage Ratio would have been no more than 1.5 to 1.0, plus (iv) in the case of any refinancing of any Debt Incurred under this clause, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(b) (x) (i) the Incurrence by the Issuer of Debt represented by the Notes (other than any Additional Notes) and (ii) the Incurrence of Debt by the Guarantors pursuant to the Guarantees (other than Guarantees of any Additional Notes) and (y) any Debt under the Bridge to Disposal Facility outstanding on the Issue Date;

(c) any Debt of the Issuer or any Restricted Subsidiary outstanding on the Issue Date (other than Debt described in clauses (a) or (b) of this paragraph (2));

(d) the Incurrence by the Issuer or any Restricted Subsidiary of Debt between the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; *provided* that:

(i) if the Issuer or a Guarantor is the obligor on any such Debt (other than Debt that represents intra-group cash management transactions in the ordinary course of business) and the lender of such Debt is not the Issuer or a Guarantor, it is unsecured and to the extent required under the terms of the Intercreditor Agreement expressly subordinated in right of payment to the prior payment in full in cash (whether upon Stated Maturity, acceleration or otherwise) and the performance in full of its obligations under the Notes or its Guarantee, as the case may be; and

(ii) (x) any disposition, pledge or transfer of any such Debt to any Person (other than a disposition, pledge or transfer to the Issuer or a Restricted Subsidiary) and (y) any transaction pursuant to which any Restricted Subsidiary that has Debt owing from the Issuer or another Restricted Subsidiary ceases to be a Restricted Subsidiary, will, in each case, be deemed to be an Incurrence of such Debt not permitted by this clause (d);

(e) (i) without limiting the covenant described under "*—Limitation on Guarantees of Debt*," the guarantee by the Issuer or any Restricted Subsidiary of Debt of the Issuer or any Restricted Subsidiary that was permitted to be incurred by another provision of this "*Limitation on Debt*" covenant; *provided* that if the Debt being guaranteed is subordinated to the Notes, then the guarantee shall be subordinated to the same extent as the Debt guaranteed;

(ii) without limiting the covenant described under "*—Limitation on Liens*," Debt arising by reason of any Lien granted by or applicable to such Person securing Debt of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Debt is not prohibited under the terms of the Indenture;

(f) the Incurrence by the Issuer or any Restricted Subsidiary of Debt represented by (i) Capitalized Lease Obligations, mortgage financings, purchase money obligations or other Debt Incurred or assumed in connection with the acquisition, lease, rental or development and improvement of real or personal, movable or immovable, property or assets (including, without limitation, material handling equipment), in each case, Incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense or cost of design, construction, installation or improvement of property, plant, equipment or other assets used or useful in a Permitted Business (including any reasonable related fees or expenses Incurred in connection with such acquisition, lease, rental or development) or (ii) Sale and Leaseback Transactions; *provided* that the principal amount of such Debt so Incurred, when aggregated with such other Debt previously Incurred in reliance on this clause (f) and still outstanding, shall not in the aggregate exceed the greater of €80 million and 25% of Consolidated EBITDA;

(g) the Incurrence by the Issuer or any Restricted Subsidiary of Debt arising from agreements providing for guarantees, indemnities or obligations in respect of earnouts or other purchase price adjustments in connection with the acquisition or disposition of assets, including, without limitation, shares of Capital Stock, other than guarantees or similar credit support given by the Issuer or any Restricted Subsidiary of Debt Incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Debt permitted pursuant to this clause (g) will at no time exceed the gross proceeds, including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value), actually received from the sale of such assets;

(h) the Incurrence by the Issuer or any Restricted Subsidiary of Debt under any Hedging Agreements for *bona fide* hedging purposes and not for speculative purposes;

(i) the Incurrence by the Issuer or any Restricted Subsidiary of Debt in respect of workers' compensation and claims arising under similar legislation, or pursuant to self-insurance obligations, and not in connection with the borrowing of money or the obtaining of advances or credit;

(j) Debt owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and the Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and the Restricted Subsidiaries;

(k) the Incurrence of Debt by the Issuer or any Restricted Subsidiary arising from (i) the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business; *provided* that such Debt is extinguished within 30 Business Dfays of Incurrence, (ii) bankers' acceptances, performance, surety, judgment, appeal, indemnity, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and (iii) completion, advance payment or customs guarantees provided or letters of credit or similar instruments obtained by the Issuer or any Restricted Subsidiary in the ordinary course of business;

(l) the Incurrence by the Issuer or any Restricted Subsidiary of Permitted Refinancing Debt in exchange for, or the net proceeds of which are used to, refund, replace, refinance, defease or discharge Debt Incurred by it pursuant to, or described in, paragraphs (1), (2)(b)(x), (2)(c), (2)(l) and (2)(p) of this "*Limitation on Debt*" covenant, as the case may be;

(m) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(n) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(o) Debt consisting of (i) the financing of insurance premiums, (ii) take or pay obligations or customary deferred payment arrangements contained in supply agreements or (iii) rental guarantees, in each case, in the ordinary course of business;

(p) (i) the Incurrence of Debt of the Issuer or any Restricted Subsidiary to finance an acquisition by the Issuer or a Restricted Subsidiary or any merger or consolidation of any Person with or into the Issuer or any Restricted Subsidiary, or (ii) Acquired Debt; *provided* that on the date of such acquisition, merger or consolidation, after giving effect thereto, either (A) the Issuer would have been able to Incur at least €1.00 of additional Debt pursuant to paragraph (1) of this "*Limitation on Debt*" covenant or (B) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect thereto;

(q) Debt of the Issuer or any Restricted Subsidiary relating to any VAT liabilities or deferral of pay-as-you-earn taxes with the agreement of, or pursuant to rules or guidance of, tax authorities;

(r) the Incurrence of Debt by the Issuer or any Restricted Subsidiary in an aggregate principal amount at any one time outstanding not to exceed the greater of €90 million and 30% of Consolidated EBITDA;

(s) Guarantees by the Issuer or any Restricted Subsidiaries of Debt of joint ventures in an aggregate principal amount which, when taken together with the principal amount of all other Debt Incurred in reliance on this clause (s) and then outstanding, shall not exceed the greater of €10.0 million and 3% of Consolidated EBITDA; and

(t) the Incurrence of Debt by the Issuer or any Restricted Subsidiary consisting of local lines of credit, bilateral facilities, working capital or overdraft facilities or other operating facilities in an aggregate principal amount at any one time outstanding not to exceed the greater of €80 million and 25% of Consolidated EBITDA,

provided, *however*, that the aggregate principal amount of Debt of Restricted Subsidiaries that are not Guarantors incurred or issued pursuant to clauses (a), (f), (p), (r), (s) or (t) of this paragraph, together with any Debt Incurred by any Restricted Subsidiaries that are not Guarantors pursuant to paragraph (1) above, shall not exceed the greater of €320 million and 100% of Consolidated EBITDA at any one time outstanding.

(3) Notwithstanding anything to the contrary herein, Debt Incurred under the Term Loan A outstanding on the Issue Date will be deemed to have been Incurred on such date in reliance on the exception provided by clause (a)(i) of paragraph (2) above, and Debt Incurred under the Term Loan A pursuant to clause (a)(i) of paragraph (2) above outstanding on the Issue Date may not be reclassified.

(4) For purposes of determining compliance with any restriction on the Incurrence of Debt in Euro where Debt is denominated in a different currency, the amount of such Debt will be the Euro Equivalent determined on the date of such determination; *provided* that (a) if any such Debt denominated in a different currency is subject to a Currency Agreement (with respect to Euro) covering principal amounts payable on such Debt, the amount of such Debt expressed in Euro will be adjusted to take into account the effect of such agreement; and (b) if such Debt is Incurred to refinance other Debt denominated in a currency other than Euro, and such refinancing would cause the applicable Euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such Euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Debt

does not exceed the amount set forth in clause (a) of the definition of "Permitted Refinancing Debt." Notwithstanding any other provision of this "*Limitation on Debt*" covenant, for purposes of determining compliance with this "*Limitation on Debt*" covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies will not be deemed to exceed the maximum amount that the Issuer or a Restricted Subsidiary may Incur under this "*Limitation on Debt*" covenant.

(5) For purposes of determining any particular amount of Debt under this "*Limitation on Debt*" covenant:

(a) obligations in the form of letters of credit, guarantees, Liens, bankers' acceptance or other similar instrument or obligation, in each case supporting Debt otherwise included in the determination of such particular amount will not be included;

(b) any Liens granted pursuant to the equal and ratable provisions referred to in the "—*Limitation on Liens*" covenant will not be treated as Debt; and

(c) accrual of interest, accrual of dividends, the accretion or amortization of original issue discount or of accreted value, the obligation to pay commitment fees and the payment of interest or dividends in the form of additional Debt, will not, in any case, be treated as Debt.

Limitation on Restricted Payments

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, take any of the following actions (each of which is a "Restricted Payment" and which are collectively referred to as "Restricted Payments"):

(a) declare or pay any dividend on or make any distribution (whether made in cash, securities or other property) with respect to any of the Issuer's or any Restricted Subsidiary's Capital Stock (including, without limitation, any payment in connection with any merger, consolidation, amalgamation or other combination involving the Issuer or any Restricted Subsidiary) (other than to the Issuer or any Restricted Subsidiary) except for dividends or distributions payable solely in shares of the Issuer's Qualified Capital Stock or in options, warrants or other rights to acquire such shares of Qualified Capital Stock or in Subordinated Shareholder Debt;

(b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger, consolidation, amalgamation or other combination), directly or indirectly, any shares of the Issuer's Capital Stock or any Capital Stock of a Holding Company of the Issuer held by persons other than the Issuer or a Restricted Subsidiary or any options, warrants or other rights to acquire such shares of Capital Stock;

(c) make any principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value, prior to any scheduled principal payment, sinking fund payment or Stated Maturity, any Subordinated Debt (other than (i) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (ii) intercompany Debt between the Issuer and any Restricted Subsidiary or among Restricted Subsidiaries);

(d) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value (i) any Subordinated Shareholder Debt (other than any payment of interest thereon in the form of additional Subordinated Shareholder Debt) or (ii) any AFSEs (other than any payment of interest thereon in accordance with the terms of the AFSEs as of the Issue Date); or

(e) make any Restricted Investment in any Person.

If any Restricted Payment described above is not made in cash, the amount of the proposed Restricted Payment will be the Fair Market Value of the asset to be transferred as at the date of transfer.

(2) Notwithstanding paragraph (1) above, the Issuer or any Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing (or would result therefrom);

(b) the Issuer could Incur at least €1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*—Limitation on Debt*" covenant after giving *pro forma* effect to such Restricted Payment; and

(c) the aggregate amount of all Restricted Payments declared or made after the Issue Date (excluding Restricted Payments permitted by the next succeeding paragraph other than clauses (a) and (n)) does not exceed the sum of (in each case, without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal financial statements are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit); plus

(ii) the aggregate Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received by the Issuer after the Issue Date as equity capital contributions or from the issuance or sale (other than to any Subsidiary or an employee ownership plan or trust established by the Issuer or any of its Subsidiaries for the benefit of their employees to the extent funded by the Issuer or any Restricted Subsidiaries) of shares of the Issuer's Qualified Capital Stock (including upon the exercise of options, warrants or rights) or warrants, options or rights to purchase shares of the Issuer's Qualified Capital Stock (except, in each case to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock or Subordinated Debt as set forth in clauses (c), (d) or (e) of paragraph (3) below or to make a Permitted Investment pursuant to clause (i) of the definition thereof) (excluding the Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received from the issuance of the Issuer's Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid); plus

(iii) (x) the amount by which the Issuer's Debt or Debt of any Restricted Subsidiary is reduced on the Issuer's consolidated balance sheet after the Issue Date upon the conversion or exchange (other than by a Subsidiary or an employee ownership plan or trust established by the Issuer or any of its Subsidiaries for the benefit of their employees to the extent funded by the Issuer or any Restricted Subsidiaries) of such Debt into the Issuer's Qualified Capital Stock and (y) the aggregate Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received after the Issue Date by the Issuer from the issuance or sale (other than to any Subsidiary) of Redeemable Capital Stock that has been converted into or exchanged for the Issuer's Qualified Capital Stock, to the extent such Redeemable Capital Stock was originally sold for cash or Cash Equivalents, together with, in the case of both clauses (x) and (y), the aggregate Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received by the Issuer at the time of such conversion or exchange (excluding the Net Cash Proceeds from the issuance of the Issuer's Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid); plus

(iv) (x) repurchases, redemptions or other acquisitions or retirements of any Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Issuer or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Issuer or any Restricted Subsidiary, less the cost of the disposition of such Investment and net of taxes, (y) if such Restricted Investment constituted a guarantee, an amount equal to the amount of such guarantee upon the full and unconditional release of such guarantee and (z) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or merger of an Unrestricted Subsidiary into a Restricted subsidiary (as long as the designation of such Subsidiary as an Unrestricted Subsidiary was deemed a Restricted Payment), the Fair Market Value of the Issuer's interest in such Subsidiary at the time such Unrestricted Subsidiary is designated as (or merges with) a Restricted Subsidiary; plus

(v) in the event that the Issuer or any Restricted Subsidiary makes any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary, an amount equal to the Fair Market Value of the Issuer's or such Restricted Subsidiary's existing interest in such Person that was previously treated as a Restricted Payment at the time such Person becomes a Restricted Subsidiary.

(3) Notwithstanding paragraphs (1) and (2) above, the Issuer and any Restricted Subsidiary may take the following actions (each, a "Permitted Payment"):

(a) the payment of any dividend or the consummation of any redemption within 60 days after the date of its declaration or giving of notice of redemption, as applicable, if at such date of its declaration or giving of notice of redemption, as applicable, such payment would have been permitted by the provisions of this "*Limitation on Restricted Payments*" covenant;

(b) cash payments in lieu of issuing fractional shares pursuant to the exchange or conversion of any exchangeable or convertible securities;

(c) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of any Capital Stock of the Issuer or any Restricted Subsidiary (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case, from, or for the benefit of, any current or former officer, director, consultant, customer or employee of the Issuer or any of the Restricted Subsidiaries or any Parent pursuant to any equity subscription agreement, management equity plan, warrant agreement, stock option agreement, shareholders' agreement or similar agreement or, with respect to any employees, pursuant to any employment agreement or as so required by the Issuer's corporate governance documents; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed an amount (net of repayments of any such loans or advances) equal to:

(i) €10.0 million in any twelve-month period (with unused amounts in any twelve-month period being carried over to succeeding periods); plus

(ii) the Net Cash Proceeds received by the Issuer or the Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Debt to a Parent), or as a contribution to the equity of the Issuer from the issuance or sale of Capital Stock (including any options, warrants or other rights in respect thereof) to any current or former officer, director or employee of the Issuer, any Restricted Subsidiary or any Parent; plus

(iii) the Net Cash Proceeds of key man life insurance policies, in each case, to the extent such Net Cash Proceeds are not included in any calculation under clause (2)(c)(ii) of this covenant, and

provided, *further*, that cancellation of Debt owing to the Issuer or any Restricted Subsidiary from members of management, directors or employees of any Parent, the Issuer or Restricted Subsidiaries in connection with a repurchase of Capital Stock of the Issuer or any Parent will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(d) the repurchase, redemption or other acquisition or retirement for value of any shares of the Issuer's Capital Stock or options, warrants or other rights to acquire such Capital Stock in exchange for (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares or scrip), or out of the Net Cash Proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of the Issuer's Qualified Capital Stock or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Debt;

(e) the prepayment, repayment, purchase, repurchase, redemption, defeasance or other acquisition or retirement for value or payment of principal of any Subordinated Debt in exchange for, or out of the Net Cash Proceeds of the issuance and sale (other than to a Subsidiary) of, shares of the Issuer's Qualified Capital Stock or Subordinated Shareholder Debt;

(f) (x) the prepayment, repayment, purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Debt (other than Redeemable Capital Stock) in exchange for, or out of the Net Cash Proceeds of the Incurrence (other than to a Subsidiary) of, Permitted Refinancing Debt or (y) the prepayment, repayment, purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of the OSEs (or in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity), in each case as set forth in this clause (y), due within two years of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement;

(g) the declaration or payment of any dividend or distribution to holders of Capital Stock of a Restricted Subsidiary on a pro rata basis or on a basis that results in the receipt by the Issuer or a Restricted Subsidiary of dividends or distributions of greater value than the Issuer or such Restricted Subsidiary would receive on a pro rata basis;

(h) the repurchase of Capital Stock deemed to occur upon the exercise of stock options with respect to which payment of the cash exercise price has been forgiven if the cumulative aggregate value of such deemed repurchases does not exceed the cumulative aggregate amount of the exercise price of such options received;

(i) the declaration and payment of dividends to holders of any class or series of Redeemable Capital Stock issued in accordance with the "*Limitation on Debt*" covenant;

(j) the purchase, repurchase, redemption, retirement or other acquisition for value of Capital Stock deemed to occur upon the exercise of stock options, warrants or other securities, if such Capital Stock represents a portion of the exercise price of such options, warrants or other securities;

(k) the repurchase, redemption, acquisition or retirement or making of any other payments with respect to Subordinated Debt of the Issuer or any Restricted Subsidiary with any Excess Proceeds remaining after the consummation of an Excess Proceeds Offer pursuant to the covenant described under the caption "*—Limitation on Asset Sales*" at a purchase price not greater than 100% of the principal amount of such Subordinated Debt *plus* accrued and unpaid interest;

(l) the repurchase, redemption, acquisition or retirement or making of any other payments with respect to Subordinated Debt of the Issuer or any Restricted Subsidiary following a Change of Control pursuant to provisions similar to those described under "—*Change of Control*" but only (x) if required, if the Issuer shall have complied with the terms of the covenant described below under the heading "—*Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all of the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Debt and (y) at a purchase price not greater than 101% of the principal amount of such Subordinated Debt *plus* accrued and unpaid interest;

(m) any other Restricted Payment; *provided* that the total aggregate amount of Restricted Payments made under this clause (m) does not exceed the greater of €90 million or 30% of Consolidated EBITDA;

(n) so long as no Default or Event of Default has occurred and is continuing, any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio would not be greater than 2.0 to 1.0 on a *pro forma* basis after giving effect to such Restricted Payment;

(o) payments pursuant to any Tax Sharing Agreement or arrangement among the Issuer and its Subsidiaries and other Persons with which the Issuer or any of its Subsidiaries is required or permitted to file a consolidated tax return or with which the Issuer or any of its Restricted Subsidiaries is a part of a group for tax purposes; *provided*, *however*, that such payments will not exceed the amount of tax that the Issuer and its Restricted Subsidiaries would owe on a standalone basis and the related tax liabilities of the Issuer and its Restricted Subsidiaries are relieved by the payment of such amounts to a relevant taxing authority;

(p) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Debt owed to the Issuer or a Restricted Subsidiary by, Unrestricted Subsidiaries; and

(q) payment of any Receivables Fees and purchases of receivables and other assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing.

Limitation on Transactions with Affiliates

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets or property or the rendering of any service), with, or for the benefit of, any Affiliate of the Issuer or any other Restricted Subsidiary having a value greater than the greater of €30 million and 10% of Consolidated EBITDA, unless such transaction or series of transactions is entered into in good faith and:

(a) such transaction or series of transactions is on terms that, taken as a whole, are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could have been obtained in a comparable arm's-length transaction (as determined in good faith by the Issuer) with a Person that is not an Affiliate of the Issuer; and

(b) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or the provision of services, in each case having a value greater than the greater of €60 million and 20% of Consolidated EBITDA, its Board of Directors shall resolve that such transaction complies with clause (a) above and that the fairness of such transaction has been approved by a majority of the Disinterested Members, if any, of the Board of Directors.

(2) Notwithstanding the foregoing, the restrictions set forth in the preceding paragraph will not apply to:

(a) reasonable directors' fees, indemnities and similar arrangements (including the payment of directors' and officers' insurance premiums), consulting and advisory fees, employee compensation, employee and director bonuses, directorship, employment or consulting agreements and arrangements, collective bargaining agreements, employee benefit arrangements, including vacation, health, insurance, deferred compensation, severance, retirement, savings or other similar plans, programs or arrangements or legal fees payable to any current or former employee, officer or director as long as the Issuer's Board of Directors has approved the terms thereof and deemed the services performed or thereafter to be performed for amounts to be fair consideration therefor;

(b) Permitted Investments (other than pursuant to clause (c)(iii), (p) or (t) of the definition thereof) and any Restricted Payment not prohibited by the "*Limitation on Restricted Payments*" covenant;

(c) agreements, instruments and arrangements existing on the Issue Date and any amendment, extension, renewal, refinancing, modification or supplement thereto and any payments or transaction in relation thereto; *provided* that any such amendment, extension, renewal, refinancing, modification or supplement to the terms thereof is not more disadvantageous (as determined in good faith by the Issuer), taken as a whole, to the Holders of the Notes and to the Issuer and the Restricted Subsidiaries, as applicable, in any material respect than the original agreement or arrangement as in effect on the Issue Date;

(d) the issuance of securities or other payments, awards or grants in cash, securities or similar transfers pursuant to, or for the purpose of the funding of, directorship, employment or consulting arrangements, stock options, stock ownership plans and other similar arrangements, as long as the terms thereof are or have been previously approved by the Issuer's Board of Directors;

(e) the granting and performance of registration rights for the Issuer's securities;

(f) transactions between or among the Issuer and the Restricted Subsidiaries or between or among Restricted Subsidiaries;

(g) any issuance of Capital Stock (other than Redeemable Capital Stock) of the Issuer or options, warrants or other rights to acquire such Capital Stock (other than Redeemable Capital Stock);

(h) the existence of, or the performance by the Issuer or any of the Restricted Subsidiaries of its obligations under the terms of, any stockholders agreement (including any registration rights agreement or purchase agreement relating thereto) to which it is a party as at the Issue Date and any similar agreements which it may enter into thereafter; *provided*, *however*, that the existence of, or the performance by the Issuer or any of the Restricted Subsidiaries of, obligations under any future amendment to any such existing agreement or under any similar agreement entered into after the Issue Date shall only be permitted by this clause (h) to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous in any material respect (as determined in good faith by the Issuer) to the Holders when taken as a whole;

(i) transactions with a Person that is an Affiliate of the Issuer or any Restricted Subsidiary solely (x) because the Issuer or a Restricted Subsidiary owns Capital Stock in such Person, (y) because the Issuer or a Restricted Subsidiary has the right to designate one or more members of the Board of Directors or similar governing body of such Person, or (z) as a result of both such ownership of Capital Stock and such right to so designate;

(j) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer or the relevant Restricted Subsidiary or are on terms materially no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party (as determined in good faith by the Issuer);

(k) the execution of, delivery of and performance under any Tax Sharing Agreement; and

(l) any transaction effected as part of a Qualified Receivables Financing.

Limitation on Liens

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist any Lien on any of its property or assets, whether owned on the date of the Indenture or thereafter acquired, securing any Debt of the Issuer or any Restricted Subsidiary (the "Initial Lien"), unless (a) in the case of any property or assets that does not constitute Collateral, (i) such Lien is a Permitted Lien or (ii) contemporaneously therewith effective provision is made to secure the Notes and the Indenture or, in respect of Liens on property or assets of any Guarantor, such Guarantee thereof, equally and ratably with (or, in the case of Subordinated Debt of the Issuer or a Guarantor, on a senior basis to) such Debt for so long as such Debt is so secured by such Initial Lien, and (b) in the case of any property or assets that constitute Collateral, such Lien is a Permitted Collateral Lien.

(2) Any such Lien created as a result of this covenant "*Limitation on Liens*" in favor of the Notes or any such Guarantee will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates or (ii) as set forth under the caption "*—Security*."

Change of Control

(1) If a Change of Control occurs at any time, the Issuer will make an offer (a "Change of Control Offer") to each Holder of Notes to purchase such Holder's Notes, in whole or in part, in a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof at a purchase price (the "Change of Control Purchase Price") in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (the "Change of Control Purchase Date").

(2) Within 30 days following any Change of Control, the Issuer will send notice of the Change of Control Offer, with a copy to the Trustee, Registrar and the Paying Agent, to each Holder of Notes appearing in the register on such date, which notice will state:

(a) that a Change of Control has occurred and the date it occurred;

(b) the circumstances and relevant facts regarding such Change of Control;

(c) the Change of Control Purchase Price and the Change of Control Purchase Date, which will be a business day no earlier than 10 days nor later than 60 days after the date such notice is sent, or such later date as is necessary to comply with any requirements under the Exchange Act or any other applicable securities laws or regulations;

(d) that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Purchase Date unless the Change of Control Purchase Price is not paid on such date;

(e) that any Note or part thereof not tendered will continue to accrue interest; and

(f) any other procedures that a Holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

(3) Upon receipt by the Trustee from the Issuer of an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control, the Trustee (or an authenticating agent) will promptly authenticate and deliver a new Note or Notes in a principal amount equal to any unpurchased portion of Notes surrendered, if any, to the Holder of Notes in global form or to each Holder of certificated Notes; *provided* that each such new Note will be in a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer will publicly announce the results of a Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

(4) The Issuer will not be required to make a Change of Control Offer following a Change of Control if (i) the Notes have been irrevocably and unconditionally called for redemption as described under "Optional Redemption" or (ii) a third party has made, and not terminated, a tender offer for all of the Notes in the manner and at the times applicable to a Change of Control Offer, at a tender offer purchase price in cash equal to at least 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, and such third party purchases all of the Notes validly tendered and not withdrawn under such tender offer. No Note will be purchased in part if less than €100,000 in original principal amount of such Note would remain outstanding following such purchase.

Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer and the Guarantors will comply with the applicable tender offer rules and any other applicable securities laws and regulations in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer and the Guarantors will comply with such applicable securities laws and regulations and will not be deemed to have breached their obligations under the Indenture by virtue of such conflict.

For so long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the Exchange and the rules and regulations of such stock exchange so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer to the extent and in the manner permitted by such rules. In addition, for so long as any Notes are represented by Global Notes, such notices to Holders of the Notes may be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

The occurrence of certain events that would constitute a Change of Control could lead to a mandatory prepayment and cancellation of all amounts and facilities under the Term Loan A. The Issuer's future debt and the future debt of its Subsidiaries may also contain provisions that, if certain events occur, would require such debt to be repurchased. Not all business combinations or acquisitions of us by third parties would necessarily result in a Change of Control and may not result in a Change of Control Offer to Holders of the Notes. The provisions of the Indenture will not give Holders the right to require the repurchase of the Notes in the event of certain transactions including a reorganization, restructuring, merger or similar transaction that may adversely affect Holders of the Notes, if such transaction is not a transaction defined as a Change of Control. Any such transaction, however, would have to comply with the applicable provisions of the Indenture, including those described under "*—Limitation on Debt*." The existence, however, of a Holder of the Notes' right to require the Issuer to repurchase such Holder's Notes upon a Change of Control may deter a third party from acquiring the Issuer or any of its Subsidiaries if such acquisition would constitute a Change of Control.

If a Change of Control Offer is made, the Issuer will not be able to provide any assurance that it will have available funds sufficient to pay the Change of Control Purchase Price for all the Notes that might be delivered by Holders of the Notes seeking to accept the Change of Control Offer. Even if sufficient funds were available, the terms of any other debt of the Issuer and its Subsidiaries may prohibit the repurchase of the Notes prior to their scheduled maturity. If the Issuer were not able to prepay any debt containing any such restrictions, or obtain requisite consents, the Issuer would be unable to fulfil its repurchase obligations to Holders of Notes who accept the Change of Control Offer. If a Change of Control Offer was not made or consummated or the Change of Control Purchase Price was not paid when due, such failure would result in an Event of Default and would give the Trustee and the Holders of the Notes the rights described under "*—Events of Default*." An Event of Default under the Indenture, unless waived, would result in a cross-default under certain of the financing arrangements described under "*Description of Certain Financing Arrangements*," including under the Term Loan A and the Bridge to Disposal Facility.

The definition of "Change of Control" includes a disposition of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries to any Person. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of such phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and the Restricted Subsidiaries. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder of Notes may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes following a Change of Control may be waived or modified with the prior written consent of the Holders of a majority in principal amount of the Notes. See "—*Amendments and Waivers*" below.

Limitation on Asset Sales

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale unless:

(a) the consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) the Issuer or such Restricted Subsidiary receives for such Asset Sale is not less than the Fair Market Value of the assets sold (as determined in good faith by the Issuer, and the Issuer's determination (including the Board of Directors' determination, as applicable) will be conclusive (as to the value of any and all non-cash consideration)); and

(b) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Sale consists of:

(i) cash (including any Net Cash Proceeds received from the conversion to cash within 180 days of such Asset Sale of securities, notes or other obligations received in consideration of such Asset Sale);

(ii) Cash Equivalents (including any Net Cash Proceeds received from the conversion to cash or Cash Equivalents within 180 days of such Asset Sale of securities, notes or other obligations received in consideration of such Asset Sale);

(iii) the assumption by the purchaser of (x) the Issuer's Debt or Debt of any Restricted Subsidiary (other than Subordinated Debt) as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obliged in respect of such Debt or (y) Debt of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Debt (and such Debt is not Subordinated Debt) as a result of such Asset Sale;

(iv) Replacement Assets;

(v) any Designated Non-cash Consideration received by the Issuer or any of the Restricted Subsidiaries in such Asset Sale; *provided* that the aggregate Fair Market Value of such Designated Non-cash Consideration, taken together with the Fair Market Value at the time of receipt of all other Designated Non-cash Consideration received pursuant to this clause (v), less the amount of Net Cash Proceeds previously realized in cash from prior Designated Non-cash Consideration does not exceed (with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value) the greater of €60 million and 20% of Consolidated EBITDA; or

(vi) a combination of the consideration specified in clauses (i) through (v).

(2) If the Issuer or any Restricted Subsidiary consummates an Asset Sale, the Net Cash Proceeds of the Asset Sale, within 365 days of the receipt of the Net Cash Proceeds of such Asset Sale (or the Issuer or any such Restricted Subsidiary may enter into a binding commitment to so use; *provided* that such Net Cash Proceeds are so used within 180 days after the expiration of the aforementioned 365 day period), may be used by the Issuer or such Restricted Subsidiary to:

(a) (i) to prepay, repay, purchase or redeem any Debt Incurred under clause (2)(a) and (2)(b)(y) of the covenant described under "—*Limitation on Debt*," that is secured by the Collateral on a basis *pari passu* with or in priority to the Notes and is not subordinated in right of payment to the Notes or any Guarantee; (ii) to prepay, repay, purchase or redeem any Debt of a Restricted Subsidiary that is not a Guarantor or any Debt that is secured by

Liens on assets which do not constitute Collateral (in each case other than Subordinated Debt or Debt that is owed to the Issuer or any Restricted Subsidiary); (iii) to prepay, repay, purchase or redeem Pari Passu Debt secured by a Lien on the Collateral at a price of no more than 100% of the principal amount of such Pari Passu Debt plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer shall redeem, repay, repurchase or redeem any such Pari Passu Debt pursuant to this clause (iii) only if the Issuer makes an offer to the Holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Excess Proceeds Offer on a ratable basis with any such Pari Passu Debt repaid pursuant to this clause (iii) (which offer shall be deemed to be an Excess Proceeds Offer for purposes hereof); or (iv) to make (at such time or subsequently in compliance with this covenant) an offer to the Holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Excess Proceeds Offer (which offer shall be deemed to be an Excess Proceeds Offer for purposes hereof);

(b) to invest in any Replacement Assets or make capital expenditures (including by means of capital expenditure by, or an investment in Replacement Assets by, a Restricted Subsidiary with an amount equal to some or all of the Net Cash Proceeds received by the Issuer or another Restricted Subsidiary); or

(c) do any combination of the foregoing.

The amount of such Net Cash Proceeds actually received by the Issuer or any Restricted Subsidiary but not so used as set forth in this paragraph (2) constitutes "Excess Proceeds." Pending the final application of any such Net Cash Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise use such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

(3) When the aggregate amount of Excess Proceeds exceeds the greater of €60 million and 20% of Consolidated EBITDA, the Issuer will, within 30 Business Days, make an offer to purchase (an "Excess Proceeds Offer") from all Holders of Notes and, at the Issuer's election, from the holders of any Pari Passu Debt, to the extent required by the terms thereof, on a pro rata basis, in accordance with the procedures set forth in the Indenture or the agreements governing any such Pari Passu Debt, the maximum principal amount, in the case of the Notes (expressed as a minimum amount of €100,000 and integral multiples of €1,000 in excess thereof) of the Notes and any such Pari Passu Debt that may be purchased with the amount of the Excess Proceeds. The offer price as to each Note and any such Pari Passu Debt will be payable in cash in an amount equal to (solely in the case of the Notes) 100% of the principal amount of such Note being repurchased and (solely in the case of Pari Passu Debt) no greater than 100% of the principal amount (or accreted value, as applicable) of such Pari Passu Debt being redeemed or repurchased, plus, in each case, accrued and unpaid interest, if any, to the date of purchase.

To the extent that the aggregate principal amount of Notes and any such Pari Passu Debt tendered pursuant to an Excess Proceeds Offer is less than the aggregate amount of Excess Proceeds, the Issuer may use the amount of such Excess Proceeds not used to purchase Notes and Pari Passu Debt, if any, for general corporate purposes that are not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and any such Pari Passu Debt validly tendered and not withdrawn by holders thereof exceeds the aggregate amount of Excess Proceeds, the Notes and any such Pari Passu Debt to be purchased will be allocated on a pro rata basis (based upon the principal amount of Notes and the principal amount or accreted value of such Pari Passu Debt tendered by each holder). Upon completion of each such Excess Proceeds Offer, the amount of Excess Proceeds will be reset to zero.

(4) If the Issuer is obliged to make an Excess Proceeds Offer, the Issuer will purchase the Notes and Pari Passu Debt, at the option of the holders thereof, in whole or in part (with respect to the Notes, in a minimum amount of €100,000 and integral multiples of €1,000 in excess thereof) on a date that is not earlier than 30 days and not later than 60 days from the date the notice of the Excess Proceeds Offer is given to such Holders, or such later date as may be required under the Exchange Act.

If the Issuer is required to make an Excess Proceeds Offer, the Issuer will comply with the applicable tender offer rules and any other applicable securities laws and regulations, including the requirements of any applicable securities exchange on which Notes are then listed. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this "*Limitation on Asset Sales*" covenant, the Issuer will comply with such securities laws and regulations and will not be deemed to have breached its obligations described in this "*Limitation on Asset Sales*" covenant by virtue thereof.

Limitation on Guarantees of Debt

(1) Subject to the Agreed Security Principles, the Issuer will not permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any Debt outstanding under any Credit Facility Incurred under clause (2)(a) of the covenant described under "*—Limitation on Debt*" or any other Public Debt of the Issuer or any Guarantor (other than the Notes), unless such Restricted Subsidiary executes and delivers within 30 days a supplemental indenture to the Indenture providing for a Guarantee of payment of the Notes by such Restricted Subsidiary on the same terms as the guarantee of such other Debt; and with respect to any guarantee of Subordinated Debt by such Restricted Subsidiary, any such guarantee shall be subordinated to such Restricted Subsidiary's Guarantee with respect to the Notes at least to the same extent as such Subordinated Debt is subordinated to the Notes. Any Guarantee of payment of the Notes may contain limitations on Guarantor liability to the extent reasonably necessary (as determined in good faith by the Issuer) to recognize certain defenses generally available to guarantors or other considerations under applicable law or regulation.

(2) The provisions of the preceding paragraph will not be applicable to any guarantee of any Restricted Subsidiary existing on the Issue Date or that existed at the time such Person became a Restricted Subsidiary if the guarantee was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary.

(3) Any Guarantee of the Notes granted pursuant to the provisions described in the first paragraph of this covenant may provide by its terms that it will be automatically and unconditionally released and discharged on the terms and conditions and in the circumstances described under the heading "*—Guarantees—Release of the Guarantees*." A Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Debt of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. At the cost and reasonable request of the Issuer, the Trustee shall take all necessary actions to effectuate any release of any Guarantee of the Notes in accordance with these provisions, subject to customary protections and indemnifications.

(4) Notwithstanding the foregoing, the Issuer will not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent and for so long as the Incurrence of such Guarantee is contrary to the Agreed Security Principles or to the extent such Guarantee would reasonably be expected (as determined in good faith by the Issuer) to give rise to or result in (a) any conflict with or violation of applicable law, rule, regulation or order; (b) any risk of liability (civil, criminal, administrative or other) for the officers, directors, shareholders or partners of such Restricted Subsidiary; or (c) any cost, expense, liability or obligation (including with respect to any Taxes but excluding any reasonable guarantee or similar fee payable to the Issuer or any Restricted Subsidiary) other than reasonable expenses and other than reasonable governmental expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to the first paragraph of this covenant undertaken in connection with, such Guarantee.

Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to:

(a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock or any other interest or participation in, or measured by, its profits;

(b) pay any Debt owed to the Issuer or any other Restricted Subsidiary;

(c) make loans or advances to the Issuer or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its properties or assets to the Issuer or any other Restricted Subsidiary,

provided that (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (ii) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Debt Incurred by the Issuer or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

(2) The provisions of the "*Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*" covenant described in paragraph (1) above will not apply to:

(a) encumbrances and restrictions imposed by the Notes, the Indenture, the Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents, the Term Loan A, the Bridge to Disposal Facility, or any agreement governing any Confirming and Guarantee Facilities;

(b) encumbrances or restrictions imposed by Debt permitted to be Incurred under Credit Facilities or any guarantee thereof in accordance with the "*Limitation on Debt*" covenant or pursuant to paragraph (2) of such "*Limitation on Debt*" covenant; *provided* that in the case of any such encumbrances or restrictions imposed under any Credit Facilities, such encumbrances or restrictions taken as a whole are not materially less favorable to the Holders taken as a whole than those imposed by the Term Loan A as at the Issue Date (as determined in good faith by the Issuer);

(c) encumbrances or restrictions contained in any agreement or instrument in effect on the Issue Date;

(d) with respect to restrictions or encumbrances referred to in clause (1)(d) above, encumbrances and restrictions: (i) that restrict in a customary manner the subletting, assignment or transfer of any properties or assets that are subject to a lease, sublease, license, sublicense, conveyance or other similar agreement to which the Issuer or any Restricted Subsidiary is a party; or (ii) contained in operating leases for real property and restricting only the transfer of such real property upon the occurrence and during the continuance of a default in the payment of rent;

(e) encumbrances or restrictions contained in any agreement or other instrument of a Person or relating to assets acquired by the Issuer or any Restricted Subsidiary in effect at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;

(f) encumbrances or restrictions contained in contracts for sales of Capital Stock or assets permitted by the "*Limitation on Asset Sales*" covenant with respect to the assets or Capital Stock to be sold pursuant to such contract or in customary merger or acquisition agreements (or any option to enter into such contract) for the purchase or acquisition of Capital Stock or assets or any of the Issuer's Subsidiaries by another Person;

(g) encumbrances or restrictions imposed by applicable law or regulation or by governmental licenses, authorizations, concessions, franchises or permits;

(h) encumbrances or restrictions on cash or other deposits or net worth imposed by customers or suppliers or surety, insurance or bonding companies under contracts entered into the ordinary course of business;

(i) customary limitations on the distribution or disposition of assets or property of a Restricted Subsidiary in joint venture agreements, asset sale agreements, sale and leaseback agreements, stock sale agreements and other similar agreements entered into the ordinary course of business and in good faith; *provided* that:

(i) the encumbrance or restriction is not materially less favorable to the Holders taken as a whole than is customary in comparable agreements (as determined in good faith by the Issuer); and

(ii) the Issuer determines in good faith that any such encumbrance or restriction will not materially affect the ability of the Issuer or any Guarantor to make any principal or interest payments on the Notes;

(j) customary encumbrances or restrictions in connection with purchase money obligations, mortgage financings and Capitalized Lease Obligations for property acquired in the ordinary course of business;

(k) any encumbrance or restriction arising by reason of customary non-assignment or similar provisions in agreements;

(l) any encumbrance or restriction arising pursuant to an agreement or instrument of the Issuer or any of its Restricted Subsidiaries relating to any Debt not prohibited from being Incurred after the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Debt*": (i) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders taken as a whole than the encumbrances and restrictions contained in the Indenture (as determined in good faith by the Issuer); or (ii) if such encumbrance or restriction is not materially more disadvantageous to the Holders of the Notes than is customary in comparable financings (as determined in good faith by the Issuer);

(m) with respect to restrictions or encumbrances referred to in clause (1)(d) above, encumbrances or restrictions existing by reason of any Lien permitted under "*—Limitation on Liens*";

(n) any encumbrance or restriction pursuant to any Hedging Agreements;

(o) any encumbrance or restriction pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easements agreements of the Issuer or any Restricted Subsidiary;

(p) any encumbrance or restriction that arises or is agreed to in the ordinary course of business and does not detract from the value of property or assets of the Issuer or any Restricted Subsidiary in any manner material to the Issuer or such Restricted Subsidiary (as determined in good faith by the Issuer);

(q) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination by the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; and

(r) any encumbrances or restrictions imposed by any amendments, modifications, restatements, renewals, extensions, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (a) through (q), or in this clause (r), of this paragraph (2); *provided* that such amendments, modifications, restatements, renewals, extension, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Issuer, no more restrictive (taken as a whole) with respect to such encumbrances or restrictions than those contained in the encumbrances or restrictions prior to such amendment, modification, restatement, renewal, extension, increase, supplement, refunding, replacement or refinancing.

Designation of Unrestricted and Restricted Subsidiaries

(1) The Issuer's Board of Directors may designate any Subsidiary (including newly acquired or newly established Subsidiaries) to cease to be a "Restricted Subsidiary" and instead to be an "Unrestricted Subsidiary" only if:

(a) no Default has occurred and is continuing at the time of or after giving effect to such designation;

(b) the Issuer would be permitted to make an Investment at the time of designation (assuming the effectiveness of such designation) pursuant to the "*Limitation on Restricted Payments*" covenant (and may classify such amount within its capacity to make Restricted Payments and ability to make payments that would otherwise be Restricted Payments under the "*Limitation on Restricted Payments*" covenant as it sees fit) in an amount equal to the greater of (i) the net book value of the Issuer's interest in such Subsidiary calculated in accordance with IFRS or (ii) the Fair Market Value of the Issuer's interest in such Subsidiary (in each case, as determined by the Issuer in good faith); and

(c) the Issuer would be permitted under the Indenture to Incur at least €1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt*" covenant at the time of such designation (assuming the effectiveness of such designation).

(2) In the event of any such designation, the Issuer will be deemed to have made an Investment constituting a Restricted Payment pursuant to the "*Limitation on Restricted Payments*" covenant for all purposes of the Indenture in an amount equal to the greater of (i) the net book value of the Issuer's interest in such Subsidiary calculated in accordance with IFRS or (ii) the Fair Market Value of the Issuer's interest in such Subsidiary (in each case, as determined by the Issuer in good faith), and may classify such amount within its capacity to make Restricted Payments and permissions to make payments that would otherwise be Restricted Payments under the "*Limitation on Restricted Payments*" covenant as it sees fit.

(3) The Issuer's Board of Directors may designate any Unrestricted Subsidiary as a Restricted Subsidiary:

(a) if no Default or Event of Default has occurred and is continuing at the time of, or will occur and be continuing after giving effect to, such designation; and

(b) unless such designated Unrestricted Subsidiary shall not have any Debt outstanding (other than Debt that would be Permitted Debt), immediately before and after giving effect to such proposed designation, and after giving *pro forma* effect to the Incurrence of any such Debt of such designated Unrestricted Subsidiary as if such Debt was Incurred on the date of its designation as a Restricted Subsidiary, the Issuer could Incur at least €1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt*" covenant.

(4) Any such designation as an Unrestricted Subsidiary or Restricted Subsidiary by the Issuer's Board of Directors will be evidenced to the Trustee by promptly filing a resolution of the Issuer's Board of Directors with the Trustee giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions, and giving the effective date of such designation.

Reports to Holders

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days (or, in the case of the fiscal year ending January 31, 2024, 150 days) after the end of the Issuer's fiscal year beginning with the fiscal year ended January 31, 2024, annual reports containing: (i) an operating and financial review of the audited financial statements, including a discussion of the financial condition and results of operations, and a discussion of liquidity and capital resources and critical accounting policies of the Issuer; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most

recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent fiscal year with comparative balance sheet information as at the end of the prior fiscal year and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years with comparative income statement and cash flow statement information for the applicable prior fiscal year, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) a brief description of any material change in the business and a description of the management and shareholders of the Issuer, all material affiliate transactions and a description of all material debt instruments; and (v) a description of material risk factors and material subsequent events; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the audited financial statements;

(2) within 60 days (or, in the case of the fiscal quarters ending October 31, 2023 and every second quarter of every fiscal year, 75 days) following the end of each of the first and third fiscal quarters in each fiscal year of the Issuer, beginning with the quarter ending October 31, 2023, quarterly financial statements containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter and year-to-date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited pro forma income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates; provided that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations and material changes in liquidity and capital resources of the Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; and (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; provided that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Issuer and its Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

In addition, to the extent not satisfied by the foregoing, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act. The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer's website.

The Trustee shall have no obligation whatsoever to monitor the Issuer's website (or a website of a Parent or a Subsidiary of the Issuer) to ascertain whether such reports have in fact been made available. All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. GAAP.

The Issuer will, either (i) on or before 10 Business Days after the delivery of each report discussed in clauses (1) and (2) above, conduct a conference call to discuss such report and answer questions about such report, which conference call will be open to all holders or (ii) provide holders with access to and the opportunity to participate in any public conference call, investor presentation, webcast or other event, the primary purpose of which is to discuss results of operations or any material event referenced in clause (3). Details of such conference calls will either (x) be delivered with each report or (y) posted on an electronic website that is used by the Issuer to communicate to the holders generally for which the holders have been, prior to the posting of such notice, informed of the website address and relevant password specifications, which notice shall constitute reasonable notice of such public calls for the purpose of this paragraph.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, would (if it were restricted) constitute a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "—Reports to Holders" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the notes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All reports provided pursuant to this "—*Reports to Holders*" covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the Commission or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the Commission , would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the Commission pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

The Issuer may comply with any requirement to provide reports or financial statements of the Issuer under this covenant by providing any financial statements or reports of a direct or indirect Parent of the Issuer, in which case references to the Issuer in clauses (1), (2) and (3) of the first paragraph hereof will be deemed to be references to such Parent; *provided* that, to the extent the comparable prior period consolidated or condensed financial information of such Parent, does not exist, the comparable prior period consolidated or combined financial information of the Parent may be provided in lieu thereof; *provided*, further that such report or financial statements shall include a reasonably detailed description of the financial condition and results of operations of such Parent separate from the financial condition and results of operations of the Issuer and its Restricted Subsidiaries and explains in reasonable detail any material differences.

Delivery of any reports, information and documents to the Trustee pursuant to this section will be for informational purposes only, and the Trustee's receipt thereof shall not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Group's compliance with any of its covenants under the Indenture or documents related thereto.

Statement as to Compliance

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

Merger, Consolidation or Sale of Assets

Issuer

(1) The Issuer will not, directly or indirectly, in a single transaction or through a series of transactions, merge, consolidate, amalgamate or otherwise combine with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of, or take any action pursuant to any resolution passed by the Issuer's Board of Directors or shareholders with respect to a demerger or division pursuant to which the Issuer would dispose of, all or substantially all of the Issuer's and the Restricted Subsidiaries' properties and assets, taken as a whole, to any other Person. The previous sentence will not apply if at the time and immediately after giving effect to any such transaction or series of transactions:

(a) either: (i) the Issuer will be the continuing corporation; or (ii) the Person (if other than the Issuer) formed by or surviving any such merger, consolidation, amalgamation or other combination or to which such sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Issuer and the Restricted Subsidiaries, taken as a whole, has been made (the "Surviving Entity"):

(x) will be a corporation duly incorporated and validly existing under the laws of any member state of the European Union as at the Issue Date, the United Kingdom, the United States of America, any state thereof, or the District of Columbia, Canada or any province of Canada, Norway or Switzerland; and

(y) will expressly assume, by a supplemental indenture, an accession agreement or one or more other documents or instruments, each in a form reasonably satisfactory to the Trustee, the Issuer's obligations under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(b) immediately after giving effect to such transaction or series of transactions on a *pro forma* basis (and treating any Debt of the Issuer or any Restricted Subsidiary Incurred in connection with or as a result of such transaction or series of transactions as having been Incurred by the Issuer or such Restricted Subsidiary at the time of such transaction), no Default or Event of Default will have occurred and be continuing;

(c) immediately after giving effect to such transaction or series of transactions on a *pro forma* basis, (i) the Issuer (or the Surviving Entity if the Issuer is not the continuing obligor under the Indenture) could Incur at least €1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt*" covenant or (ii) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect to such transaction; and

(d) the Issuer or the Surviving Entity has delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that such merger, consolidation, amalgamation or other combination or sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Notes constitute legal, valid and binding obligations of the Issuer or the Surviving Entity, enforceable in accordance with their terms (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability).

(2) The Surviving Entity will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable; *provided*, *however*, that in the case of a lease of all or substantially all of the Issuer's assets, the Issuer will not be released from the obligation to pay the principal of, premium, if any, and interest, on the Notes.

(3) Nothing in this covenant will prevent (i) any Restricted Subsidiary from consolidating with, merging into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary or (ii) the Issuer from consolidating or otherwise combining with or merging into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction or changing the legal form of the Issuer, *provided* the requirements of clauses (a)(ii) and (d) of paragraph (1) above are satisfied, *mutatis mutandis*.

For so long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the Exchange, and the rules and regulations of such stock exchange so require, the Issuer will publish a notice of any merger of the Issuer to the extent and in the manner permitted by such rules and regulations. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes may be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

Guarantors

(1) Subject to the provisions described under "*—Guarantees—Release of the Guarantees*," no Guarantor will, directly or indirectly, in a single transaction or through a series of transactions, merge, consolidate, amalgamate or otherwise combine with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of, or take any action pursuant to any resolution passed by such Guarantor's Board of Directors or shareholders with respect to a demerger or division pursuant to which such Guarantor will dispose of, all or substantially all of such Guarantor's properties and assets to any other Person. The previous sentence will not apply if at the time and immediately after giving effect to any such transaction or series of transactions:

   (a) either: (i) such Guarantor is the surviving corporation, or (ii) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation organized or existing under the laws of any member state of the European Union as at the Issue Date, the United Kingdom, the United States of America, any state thereof, or the District of Columbia, Canada or any province of Canada, Norway or Switzerland (such Guarantor or such Person, as the case may be, being herein called the "Successor Guarantor");

   (b) the Successor Guarantor (if other than such Guarantor), by a supplemental indenture, an accession agreement or one or more other documents or instruments, each in a form reasonably satisfactory to the Trustee, expressly assumes the obligations of such Guarantor under its Guarantee, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

   (c) immediately after giving *pro forma* effect to such transaction, no Default or Event of Default exists and is continuing; and

   (d) the Guarantor or the Successor Guarantor has delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that such merger, consolidation, amalgamation or other combination or sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Guarantee constitutes a legal, valid and binding obligation of the Guarantor or Successor Guarantor, enforceable in accordance with its terms (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability).

(2) The Successor Guarantor will succeed to, and be substituted for, and may exercise every right and power of, the relevant Guarantor under its Guarantee, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable.

(3) Nothing in the preceding paragraphs (1) or (2) will prevent any Restricted Subsidiary from consolidating with, merging into or transferring all or substantially all of its properties and assets to the Issuer or a Guarantor.

Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Impairment of Security Interest

The Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action, which action or omission would or is reasonably likely to, in each case, in the good faith determination of the Issuer, have the result of materially impairing the security interest with respect to the Collateral (it being understood that the incurrence of Permitted Collateral Liens or of Debt secured by the Collateral shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent and the holders of the Notes (other than of any Additional Notes), the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral (other than pursuant to a sale, lease, transfer, disposition, merger or conveyance not otherwise prohibited by the Indenture), *provided* that (a) nothing in this provision will restrict the discharge or release of the Collateral in accordance with the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) subject to the second paragraph of this covenant, the Issuer and the Restricted Subsidiaries may incur Permitted Collateral Liens.

The Indenture will provide that, at the direction of the Issuer and without the consent of the Holders, the Security Agent (and/or any other party to each Security Document) shall from time to time enter into one or more amendments, extensions, renewals, restatements, supplements, modifications or replacements to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) provide for Permitted Collateral Liens to the extent not prohibited under the Indenture (including by way of release and retaking of Security Documents), (iii) comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, (iv) add to the Collateral, (v) evidence the succession of another Person to the Issuer, a Guarantor or any security provider, as applicable, and the assumption by such successor of the obligations under the Indenture, Notes or its Guarantee, as the case may be, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable, in each case, in accordance with the caption "*—Merger, Consolidation or Sale of Assets*," (vi) provide for the release of property and assets constituting Collateral from the Liens created under the Security Documents and/or the release of a Guarantor from its Guarantee of the Notes, in each case, in accordance with (and if permitted by) the terms of the Indenture, (vii) conform the Security Documents to this "*Description of the Notes,"* (viii) evidence and provide for the acceptance of the appointment of a successor Security Agent, (ix) provide for Additional Notes or other Permitted Debt not prohibited by the Indenture that may be secured by Liens on the Collateral to also benefit from the Collateral, or (x) make any other change thereto that does not adversely affect the holders of the Notes in any material respect (as determined in good faith by the Issuer); *provided*, *however*, that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced (otherwise than for reasons specified in clauses (i), (iii) (in connection with any enforcement action) or (iv) through (x)), unless contemporaneously with such amendment, extension, renewal, restatement, supplement, modification or renewal, the Issuer delivers to the Trustee and the Security Agent, one of:

(a) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an Independent Financial Advisor confirming the solvency of the Issuer and the Restricted Subsidiaries, taken as a whole, on a consolidated basis, in each case, after giving effect to any transaction related to such amendment, extension, renewal, restatement, supplement, modification or replacement;

(b) a certificate from the Board of Directors or responsible accounting or financial officer of the Issuer (acting in good faith) that confirms the solvency of the Issuer and the Restricted Subsidiaries, taken as a whole, on a consolidated basis, in each case, after giving effect to any transaction related to such amendment, extension, renewal, restatement, supplement, modification or replacement; or

(c) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary assumptions, exceptions, reservations and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the security interest or security interests created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid security interests not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law that such security interest or security interests were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

In the event that this covenant is complied with, the Trustee shall (subject to customary protections and indemnifications) consent to and instruct the Security Agent to enter into all necessary documentation to implement such amendment, extension, renewal, restatement, supplement, modification or replacement without the need for instructions from the Holders.

Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that, at the request of the Issuer and without the consent of Holders, in connection with the Incurrence by the Issuer or any Guarantor of any Debt not prohibited by the covenant described under the caption "*—Certain Covenants—Limitation on Debt*", the Issuer, the relevant Guarantors, the Trustee and the Security Agent shall enter into with the holders of such Debt (or their duly authorized representatives) an amended and/or restated Intercreditor Agreement or an additional intercreditor agreement (an "Additional Intercreditor Agreement") containing substantially the same terms as the Intercreditor Agreement (or terms more favorable to the Holders) including with respect to the subordination, payment blockage, limitation on enforcement and release of guarantees (or such other terms or with such changes as are necessary to facilitate compliance with the covenant described under the caption "*—Certain Covenants—Limitation on Guarantees of Debt*") and priority and release of the Security Documents (or such other terms or with such changes as the Issuer may in good faith determine to be necessary or appropriate relating to the Security Documents, in connection with the Incurrence of such Debt, *provided* that such other terms are not materially more adverse to the Holders taken as a whole than the terms contained in the Intercreditor Agreement); *provided further*, that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement without the consent of the Trustee and the Security Agent. If more than one such intercreditor agreement is outstanding at any one time, the collective terms of such intercreditor agreements must not conflict in any material respect.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall subject to the terms of the Intercreditor Agreement from time to time enter into one or more amendments to any Intercreditor Agreement or Additional Intercreditor Agreement to: (1) cure any ambiguity, manifest error, omission, defect or inconsistency of any Intercreditor Agreement or any Additional Intercreditor Agreement, (2) increase the amount of Debt of the types covered by any Intercreditor Agreement or any Additional Intercreditor Agreement that may be Incurred by the Issuer or any of its Restricted Subsidiaries that is subject to any Intercreditor Agreement or any Additional Intercreditor Agreement (including the addition of provisions relating to new Debt that is contractually subordinated in right of payment to the Notes or its Guarantee, as the case may be, as applicable), (3) add Restricted Subsidiaries to any Intercreditor Agreement or an Additional Intercreditor Agreement, (4) add security to or for the benefit of the Notes (including Additional Notes), or confirm and evidence the release, termination or discharge of any Notes, its Guarantee, or any Lien (including Liens on the Collateral and the Security Documents) when such release, termination or discharge is provided for or not prohibited under the Indenture, any Intercreditor Agreement or any Additional Intercreditor Agreement, (5) make provision for charges of the Collateral securing Additional Notes to rank pari passu with the Liens under the Security Documents or to implement any Permitted Collateral Liens, (6) provide for the assumption by a successor of the obligations of the Issuer under any Intercreditor Agreement or any Additional Intercreditor Agreement, (7) conform the text of any Intercreditor Agreement or Additional Intercreditor Agreement to any provision of this "*Description of the Notes*," or (8) make any other change to any Intercreditor Agreement or Additional Intercreditor Agreement that does not materially adversely affect the Holders. The Issuer shall not otherwise request the Trustee and the Security Agent to enter into any amendment to any Intercreditor Agreement or Additional Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*," and the Issuer may only request the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee and the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee and the Security Agent under the Indenture or any Intercreditor Agreement or an Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or an Additional Intercreditor Agreement, no consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby will be required; *provided*, however, that such transaction would comply with the covenant described under the caption "*—Certain Covenants—Limitation on Restricted Payments*."

The Indenture will also provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of each Intercreditor Agreement or an Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have irrevocably appointed and authorized the Trustee and the Security Agent to give effect to the provisions in the Intercreditor Agreement or Additional Intercreditor Agreement and to act on its behalf to enter into and comply with the provisions of such Intercreditor Agreement or Additional Intercreditor Agreement.

A copy of each Intercreditor Agreement or an Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the Issuer or at the offices of the listing agent.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "Reversion Date"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "*—Limitation on Restricted Payments*";

(2) "*—Limitation on Debt*";

(3) "*—Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*";

(4) "*—Limitation on Transactions with Affiliates*";

(5) "*—Limitation on Guarantees of Debt*";

(6) clause (1)(c) of "*—Merger, Consolidation or Sale of Assets—Issuer*" in respect of each of the Issuer and the Guarantors;

(7) "*—Limitation on Asset Sales*"; and

(8) "*—Designation of Unrestricted and Restricted Subsidiaries*,"

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and the Restricted Subsidiaries.

During any period that the foregoing covenants have been suspended, neither the Issuer nor any Restricted Subsidiary may designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described under the caption "*—Designation of Unrestricted and Restricted Subsidiaries*," unless such designation would have complied with the covenant described under the caption "*—Limitation on Restricted Payments*" as if such covenant would have been in effect during such period.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer or the Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Debt Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (c) of the second paragraph of the covenant described under "*—Limitation on Debt*." In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. Upon the occurrence of a Suspension Event, the amount of Excess Proceeds shall be reset at zero. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption have been satisfied, *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. The Trustee shall have no duty to monitor the ratings of the Notes, shall not be deemed to have any duty to notify Holders if the Notes achieve Investment Grade Status or upon the occurrence of a Reversion Date. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Financial Calculations

When calculating the availability or permission under any basket or ratio under the Indenture, in each case in connection with any acquisition, disposition, merger, joint venture, Investment or any other similar transaction (the "Applicable Transaction") where there is a time difference between commitment and closing or Incurrence (including in respect of Incurrence of Debt, Restricted Payments and Permitted Investments), the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be (A) the date the definitive agreements for such Applicable Transaction are entered into and such baskets or ratios shall be calculated on a *pro forma* basis after giving effect to such Applicable Transaction and the other transactions to be entered into in connection therewith (including any Incurrence of Debt and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such transaction (and not for purposes of any subsequent availability of any basket or ratio), (B) the date of consummation of any Applicable Transaction or (C) any other date relevant to the Applicable Transaction determined by the Issuer in good faith, in which case such baskets or ratios shall likewise be calculated on a *pro forma* basis after giving effect to the Applicable Transaction and the other transactions to be entered into in connection therewith (including any Incurrence of Debt and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such transaction. For the avoidance of doubt, (x) if any of such baskets or ratios are determined to be in compliance under (A) or (C) above and are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated EBITDA or *pro forma* Consolidated EBITDA) subsequent to such date of determination and at or prior to the consummation of the relevant Applicable Transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transactions are permitted hereunder and (y) if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement or on another date as contemplated by (C) above, any such transactions (including any Incurrence of Debt and the use of proceeds thereof and the fixing of any exchange rates) shall be deemed to have occurred on the date the definitive agreements are entered or such other date as contemplated by (C) above, and in each case to be outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture (except to the extent such Applicable Transaction is subsequently abandoned).

Unless otherwise specified in the Indenture, in the event that any amount or transaction meets the criteria of more than one of the baskets or exceptions set out in a particular provision of the Indenture (subject to the limitations imposed under paragraph (3) of the covenant described under "*—Limitation on Debt*"), the Issuer may classify (and may from time to time reclassify) that amount or transaction to a particular basket or exception in respect of the same provision and will only be required to include that amount or transaction in one of those baskets or exceptions (and, for the avoidance of doubt, an amount or transaction may at the option of the Issuer be split between different baskets or exceptions). This paragraph notwithstanding, no such reclassification shall be permitted with respect to, between or among paragraph 2(c) of the covenant set forth in "*— Limitation on Restricted Payments*" or Permitted Payments or the definition of "Permitted Investments" set forth herein.

Subject to the limitations imposed under paragraph (3) of the "*Limitation on Debt*" covenant, if a proposed action, matter, transaction or amount (or a portion thereof) is Incurred or entered into pursuant to a fixed permission and at a later time would subsequently be permitted under a ratio-based permission, unless otherwise elected by the Issuer, such action, matter, transaction or amount (or a portion thereof) shall automatically be reclassified to such ratio-based permission. This paragraph notwithstanding, no such reclassification shall be permitted with respect to, between or among paragraph 2(c) of the covenant set forth in "*—Limitation on Restricted Payments*" or Permitted Payments or the definition of "Permitted Investments" set forth herein.

In the event any fixed permissions are intended to be utilized together with any ratio-based permissions in a single transaction or series of related transactions, (i) compliance with or satisfaction of any ratio-based permission for the portion of such indebtedness or other applicable transaction or action to be incurred under such ratio-based permission shall first be calculated without giving effect to amounts being utilized pursuant to any fixed permission but giving full *pro forma* effect to all applicable and related transactions (including, subject to the foregoing with respect to fixed baskets, any incurrence and repayments of indebtedness) and all other permitted *pro forma* adjustments, and (ii) thereafter, incurrence of the portion of such indebtedness or other applicable transaction or action to be incurred under any fixed permissions shall be calculated.

Events of Default

Each of the following will be an "Event of Default" under the Indenture:

(a) default for 30 days in the payment when due of any interest or any Additional Amounts on any Note;

(b) default in the payment of the principal of or premium, if any, on any Note at its Maturity (upon acceleration, optional or mandatory redemption, if any, required repurchase or otherwise);

(c) failure by the Issuer to comply with the provisions of "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";

(d) failure to comply with any covenant or agreement of the Issuer or of any Restricted Subsidiary that is contained in the Indenture (other than specified in clauses (a), (b) or (c) (solely as it relates to the Issuer) above) and such failure continues for a period of 60 days after notice by the Trustee on behalf of the Holders or the Holders of at least 25% in principal amount of the outstanding Notes;

(e) default under the terms of any instrument evidencing or securing the Debt for borrowed money (other than any such Debt owed to the Issuer or any Restricted Subsidiary) of the Issuer or any Restricted Subsidiary, if that default:

(i) results in the acceleration of the payment of such Debt; or

(ii) is caused by the failure to pay such Debt at final maturity thereof after giving effect to the expiration of any applicable grace periods (and other than by regularly scheduled required prepayment) and such failure to make any payment has not been waived or the maturity of such Debt has not been extended (a "Payment Default"),

and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates €30.0 million or more;

(f) any Guarantee by any Guarantor that is a Significant Subsidiary, or of other Restricted Subsidiaries that are not Significant Subsidiaries but would, in the aggregate, when taken together (as of the end of the most recently completed fiscal period) constitute a Significant Subsidiary if considered as a single Person, ceases to be, or shall be asserted in writing by any Guarantor that is a Significant Subsidiary, or any Person acting on behalf of any Guarantor that is a Significant Subsidiary or of other Restricted Subsidiaries that are not Significant Subsidiaries but would, in the aggregate, when taken together (as of the end of the most recently completed fiscal period) constitute a Significant Subsidiary if considered as a single Person, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Indenture or any Guarantee), if such Default continues for 10 days;

(g) one or more final judgments, orders or decrees (not subject to appeal and not covered by insurance) shall have been rendered against the Issuer or any Restricted Subsidiary for the payment of money either individually or in an aggregate amount, in each case in excess of €30.0 million (after deducting any insurance or indemnity or contribution amounts actually recovered by the Issuer or a Restricted Subsidiary within 60 days of such judgment, order or decree), and either a creditor shall have commenced an enforcement proceeding upon such judgment, order or decree or there shall have been a period of 60 consecutive days or more during which a stay of enforcement of such judgment, order or decree was not (by reason of pending appeal or otherwise) in effect;

(h) the occurrence of certain events of bankruptcy, insolvency, receivership, schemes of arrangement (where any creditors are materially impaired) or reorganization with respect to the Issuer, any Significant Subsidiary, or of other Restricted Subsidiaries that are not Significant Subsidiaries but would, in the aggregate, when taken together (as of the end of the most recently completed fiscal period) constitute a Significant Subsidiary if considered as a single Person; and

(i) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Indenture, as applicable) with respect to Collateral having a Fair Market Value in excess of €15.0 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents, as applicable, or any such security interest created thereunder shall be declared by a court of competent jurisdiction to be invalid or unenforceable or the Issuer or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days.

However, a Default under clauses (e) or (g) above will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the Default and, with respect to clauses (d) and (g) the Issuer does not cure such default within the time specified in clauses (d) or (g) above, as applicable, after receipt of such notice.

If an Event of Default (other than as specified in clause (h) above) occurs and is continuing, the Trustee or the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding by written notice to the Issuer (and to the Trustee if such notice is given by the Holders) may, and the Trustee, upon the written request of such Holders, shall, declare the principal of, premium, if any, any Additional Amounts and accrued and unpaid interest on all of the outstanding Notes immediately due and payable, and upon any such declaration all such amounts payable in respect of the Notes will become immediately due and payable.

If an Event of Default specified in clause (h) above occurs and is continuing, then the principal of, premium, if any, and accrued and unpaid interest on all of the outstanding Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder of Notes.

In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (e) under "*—Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (e) shall be remedied or cured, or waived by the holders of the Debt, or the Debt that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

The Holders of not less than a majority in aggregate principal amount of the outstanding Notes may, on behalf of the Holders of all of the Notes, waive any past defaults under the Indenture (except a default in the payment of the principal of, premium, if any, or interest on any Note in which case, the consent of the Holders of 90% of the then outstanding Notes shall be required) and rescind any such acceleration with respect to such Notes and its consequences if such rescission would not conflict with any judgment or decree of a court of competent jurisdiction, and *provided* that the fees and expenses of the Trustee have been paid.

No Holder of any of the Notes has any right to institute any proceedings with respect to the Indenture or any remedy thereunder unless the Holders of at least 25% in aggregate principal amount of the outstanding Notes have made a written request and offered an indemnity and/or security satisfactory to the Trustee to institute such proceedings as Trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 60 days after receipt of such written notice and receipt of indemnity and/or security satisfactory to it and the Trustee within such 60-day period has not received directions inconsistent with such written request by Holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a Holder of a Note for the enforcement of the payment of the principal of, premium, if any, or interest on such Note on or after the respective due dates expressed in such Note.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

If a Default occurs and is continuing and written notice from the Issuer is given to a responsible officer of the Trustee in accordance with the notice provisions of the Indenture, the Trustee will deliver to each Holder of the Notes notice of the Default within 60 Business Days after its occurrence. Except in the case of a Default in the payment of principal of, premium, if any, or interest on any Notes, the Trustee may withhold the giving of such notice to the Holders of such Notes if it determines in good faith that withholding the giving of such notice is in the best interests of the Holders of the Notes. The Issuer will be required to deliver to the Trustee, within 120 days after the end of each fiscal year (or, in the case of the fiscal year ending January 31, 2024, 150 days), an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer will be required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (1) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "Initial Default") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (2) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*—Certain Covenants—Reports to Holders*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery prior to acceleration in respect of the relevant breach of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Trustee may assume without inquiry, in the absence of written notice, that the Issuer is duly complying with its obligations contained in the Indenture required to be observed and performed by it, and that no Default or Event of Default or other event that would require repayment of the Notes has occurred.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders of the Notes unless such Holders provide to the Trustee indemnity and/or security satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred thereby.

Defeasance

The Indenture will provide that the Issuer may, at its option and at any time prior to the Stated Maturity of the Notes, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Notes ("Legal Defeasance"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Debt represented by the outstanding Notes except as to:

(a) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due from the trust referred to below;

(b) the Issuer's obligations to issue temporary Notes, register, transfer or exchange any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments on trust;

(c) the rights, powers, trusts, duties, indemnities and immunities of the Trustee and the obligations of the Issuer and the Guarantors in connection therewith; and

(d) the Legal Defeasance provisions of the Indenture.

If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default other than an Event of Default under clauses (a) or (b) of the definition thereof.

In addition, the Issuer may, at its option and at any time, terminate its and the Guarantors' obligations under the covenants described under "*—Certain Covenants*" (other than clauses (1)(a), (b) and (d) under "*—Certain Covenants—Merger, Consolidation or Sale of Assets—Issuer*") and "*—Change of Control*" and the default provisions relating to such covenants described under "*—Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" ("Covenant Defeasance") and thereafter any failure to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event that a Covenant Defeasance occurs, certain events described under "*—Events of Default*" will no longer constitute an Event of Default with respect to the Notes. These events will not include events relating to non-payment, bankruptcy, insolvency, receivership and reorganization. The

Issuer may exercise its Legal Defeasance option regardless of whether it has previously exercised any Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuer must irrevocably deposit or cause to be deposited on trust with the Trustee, or such other entity as may be directed, designated or appointed (as agent) by the Trustee for this purpose, for the benefit of the Holders of the Notes, cash in Euros, European Government Obligations or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay and discharge the principal of, premium, if any, and interest, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must:

   (i) specify whether the Notes are being defeased to maturity or to a particular redemption date; and

   (ii) if applicable, have delivered to the Trustee an irrevocable notice to redeem all of the outstanding Notes;

(b) in the case of Legal Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee stating that: (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the Issue Date, there has been a change in applicable U.S. federal income tax law, in either case to the effect that (and based thereon such opinion shall confirm that) the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an opinion of counsel reasonably acceptable to the Trustee confirming that the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default will have occurred and be continuing: (i) on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit); or (ii) insofar as bankruptcy or insolvency events described in clause (h) of "—*Events of Default*" above are concerned, at any time during the period ending on the 670thday after the date of such deposit;

(e) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a Default under (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit), the Indenture or any material agreement or instrument to which the Issuer or any Restricted Subsidiary is a party or by which the Issuer or any Restricted Subsidiary is bound;

(f) the Issuer must have delivered to the Trustee an opinion of counsel (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability), in the country of the Issuer's incorporation to the effect that after the 670th day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and an opinion of counsel (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability) reasonably acceptable to the Trustee that the Trustee shall have a perfected security interest in such trust funds for the rateable benefit of the Holders of the Notes;

(g) the Issuer must have delivered to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders of the Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or other creditors, or removing assets beyond the reach of the relevant creditors or increasing debts of the Issuer to the detriment of the relevant creditors;

(h) no event or condition exists that would prevent the Issuer from making payments of the principal of, premium, if any, and interest on the Notes on the date of such deposit or at any time ending on the 670^{th} day after the date of such deposit; and

(i) the Issuer must have delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

If the funds deposited with the Trustee or such other entity to effect Covenant Defeasance are insufficient to pay the principal of, premium, if any, and interest on the Notes when due because of any acceleration occurring after an Event of Default, then the Issuer and the Guarantors will remain liable for such payments.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes as expressly provided for in the Indenture) when:

(a) the Issuer has irrevocably deposited or caused to be deposited with the Trustee (or such other entity as may be directed, designated or appointed (as agent) by the Trustee for this purpose) as funds on trust for such purpose an amount in Euros or European Government Obligations sufficient to pay and discharge the entire Debt on such Notes that have not, prior to such time, been delivered to the Trustee for cancellation, for principal of, premium, if any, and accrued and unpaid interest on the Notes to the date of such deposit (in the case of Notes which have become due and payable) or to the Stated Maturity or redemption date, as the case may be, and the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of Notes at Stated Maturity or on the redemption date, as the case may be and either:

    (i) all of the Notes that have been authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or paid and Notes for which payment money has been deposited by the Issuer and thereafter repaid to the Issuer as provided for in the Indenture) have been delivered to the Paying Agent for cancellation; or

    (ii) all Notes that have not been delivered to the Trustee for cancellation: (x) have become due and payable (by reason of the sending, or delivery to Euroclear and Clearstream in the case of a Global Note, of a notice of redemption or otherwise); (y) will become due and payable within one year of Stated Maturity; or (z) are to be called for redemption within one year of the proposed discharge date under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption provided to it by the Issuer by the Paying Agent in the Issuer's name and at the Issuer's expense;

(b) the Issuer has paid or caused to be paid all other sums payable by the Issuer under the Indenture; *provided* that if requested by the Issuer in writing to the Trustee and the Paying Agent (which request may be included in the applicable notice of redemption or pursuant to an Officer's Certificate), the Trustee or the Paying Agent shall distribute to the Holders any amounts deposited prior to maturity or the redemption date, as the case may be; *provided, however,* that the Holders shall have received at least five Business Days' prior written notice from the Issuer of such earlier repayment date (which may be included in the notice of redemption); *provided, further*, that in such case, the payment to each Holder will equal the amount such Holder would have been entitled to receive at maturity or on the relevant redemption date, as the case may be, and, for the avoidance of doubt, the distribution and payment to Holders prior to the maturity or relevant redemption date as set forth above will not include any negative interest, present value adjustment, break cost or any other premium on such amounts. To the extent that the Notes are represented by Global Notes deposited with a depositary for a clearing system, any payment to the beneficial holders holding interests as a participant of such clearing system shall be subject to the then applicable procedures of the clearing system;

(c) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity, on the redemption date or such earlier date as instructed by the Issuer in accordance with clause (b) above, as the case may be; and

(d) the Issuer has delivered to the Trustee (i) an Officer's Certificate and (ii) an opinion of counsel (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability), each stating that all conditions precedent provided in the Indenture relating to the satisfaction and discharge of the Indenture have been satisfied.

The Trustee shall be entitled to rely conclusively on such Officer's Certificate and opinion of counsel without independent verification, *provided* that any such counsel may rely on an Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (a), (b), (c) and (d)).

Amendments and Waivers

With the consent of the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes), the Issuer, the Guarantors, the Trustee and the Security Agent (as applicable) are permitted to amend or supplement (or, with respect to any Security Document, require the other relevant parties thereto to amend or supplement) the Indenture, the Notes, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Guarantees or the Security Documents or waive any default or compliance with any provisions thereof (unless a modification, amendment, supplement or waiver will only affect one series of the Notes, in which case, only the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding in such series shall be required); *provided*, that no such modification, amendment, supplement or waiver may, without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Notes then outstanding (or, if a modification or consent will only affect one series of the Notes, the consent of the Holders of at least 90% of the aggregate principal amount of the Notes then outstanding in such series):

(a) extend the Stated Maturity of the principal of, or any instalment of or Additional Amounts or interest on, any Note (or change any Default or Event of Default under clause (a) of the definition thereof related thereto);

(b) reduce the principal amount of any Note (or Additional Amounts or premium, if any) or the rate of or extend the stated time for payment of interest on any Note (or change any Default or Event of Default under clause (b) of the definition thereof related thereto);

(c) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under "*—Optional Redemption*";

(d) change the coin or currency in which the principal of any Note or any premium or any Additional Amounts or the interest thereon is payable on or after the due dates thereof;

(e) impair the right to institute suit for the enforcement of any payment of any Note in accordance with the provisions of such Note and the Indenture;

(f) make any change to the amendment or waiver provisions which require the Holders' consent described in this sentence;

(g) release any Guarantee, other than in compliance with the guarantor release provisions of the Indenture and the Intercreditor Agreement (and any Additional Intercreditor Agreement);

(h) release any Lien on the Collateral granted for the benefit of the Holders, other than in compliance with the terms of the Indenture and the Intercreditor Agreement (and any Additional Intercreditor Agreement);

(i) make any change in the provision of the Indenture described under "*—Additional Amounts*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the applicable payor agrees to pay Additional Amounts, if any, in respect thereof; and

(j) waive a Default or Event of Default with respect to the non-payment of principal, premium or interest or Additional Amounts, if any, (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in principal amount of such Notes and a waiver of the payment default that resulted from such acceleration).

It is understood and agreed that any amendment or waiver with respect to any matter described in clause (a), (b), (c), (d), (e), (f), (i) and (j) in the preceding paragraph that by its terms applies to only one series of Notes (including the Notes or any other series of Notes that may be issued under the Indenture in the future) shall require the consent of Holders holding not less than 90% of the then outstanding principal amount of such series of Notes in order for it to be binding on all Holders of such series of Notes.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Guarantors, the Trustee and the Security Agent (as applicable) may modify, amend or supplement (or, with respect to any Security Document, require the other relevant parties thereto to amend or supplement) the Indenture, the Notes, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Guarantees or the Security Documents, as applicable, to:

(a) evidence the succession of another Person to the Issuer or a Guarantor and the assumption by any such successor of the covenants in the Indenture, the Notes, any Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents, as applicable, in accordance with "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";

(b) add to the Issuer's covenants or those of any Guarantor or any other obligor in respect of the Notes for the benefit of the Holders of the Notes or to surrender any right or power conferred upon the Issuer or any Guarantor or any other obligor in respect of the Notes, as applicable, in the Indenture, the Notes, the Security Documents or any Guarantee;

(c) cure any ambiguity, omission, defect error or inconsistency;

(d) conform the text of the Indenture, the Notes, the Security Documents, or any Guarantee to any provision of this Description of the Notes to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim or substantially verbatim recitation of a provision of the Indenture, the Notes, the Security Documents or any Guarantee;

(e) release any Guarantor in accordance with (and if permitted by) the terms of the Indenture or the Intercreditor Agreement (or any Additional Intercreditor Agreement);

(f) provide for any Restricted Subsidiary to provide a Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Debt*" or "*—Certain Covenants—Limitation on Guarantees of Debt*," to add Guarantees, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is permitted or not prohibited by the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

(g) evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture;

(h) make any change that would provide additional rights of or benefits to the Trustee or the Holders or that does not adversely affect the rights of or benefits to any of the Holders in any material respect under the Indenture, the Notes, any Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents (as determined by the Issuer in good faith in respect of Holders); and

(i) provide for the issuance of Additional Notes in accordance with and if permitted by the terms of and limitations set forth in the Indenture.

The Trustee shall be entitled to receive and rely absolutely on an Officer's Certificate and an opinion of counsel as to the permissibility of any such amendment, supplement or waiver.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment to the Indenture, the Notes or any Guarantee. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of the Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Currency Indemnity

The Euro is the sole currency of account and payment for all sums payable under the Notes, the Guarantees and the Indenture. Any amount received or recovered in respect of the Notes or the Guarantees in a currency other than Euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Subsidiary or otherwise) by the Trustee and/or a Holder of the Notes in respect of any sum expressed to be due to such Holder from the Issuer or the Guarantors will constitute a discharge of their obligation only to the extent of the Euro amount which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to purchase Euro on that date, on the first date on which it is possible to do so). If the Euro amount that could be recovered following such a purchase is less than the Euro amount expressed to be due to the recipient under any Note, the Issuer and the Guarantors will jointly and severally indemnify the recipient against the cost of the recipient's making a further purchase of Euro in an amount equal to such difference. For the purposes of this paragraph, it will be *prima facie* evidence of the matter stated herein for the Trustee and/or Holder to certify that it would have suffered a loss had the actual purchase of Euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of Euro on that date had not been possible, on the first date on which it would have been possible). These indemnities, to the extent permitted by law:

(a) constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations;

(b) give rise to a separate and independent cause of action;

(c) apply irrespective of any waiver granted by any Holder of a Note or the Trustee; and

(d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Notices

For so long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the Exchange, and the rules and regulations of such stock exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent to the extent and in the manner permitted by such rules and regulations. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes may be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed; and *provided, further*, that any notice delivered via e-mail or other electronic means shall be deemed to have been "sent" in accordance with the terms of this paragraph. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to send a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is sent in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given via Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture, the Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note will waive and release all such liability. The waiver and release will be part of the consideration for issuance of the Notes.

The Trustee and the Security Agent

Deutsche Trustee Company Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which written notice from the Issuer is given to a responsible officer of the Trustee in accordance with the notice provisions of the Indenture, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, of which written notice from the Issuer is given to a responsible officer of Trustee in accordance with the notice provisions of the Indenture, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, certain taxes and expenses incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Indenture.

The Indenture will also contain provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

Banco Santander, S.A. will act as Security Agent under the Intercreditor Agreement and the Security Documents on behalf of the secured creditors, including the Trustee and the Holders. The Security Agent, acting in its capacity as such, shall have such duties with respect to the Collateral as are set forth in the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents. Under certain circumstances, the Security Agent may have obligations under the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents that are in conflict with the interests of the Holders. The Security Agent will be under no obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the secured creditors (other than the Trustee) unless such secured creditors (other than the Trustee) have provided to the Security Agent indemnity and/or security satisfactory to the Security Agent against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Security Agent, that it is solely responsible for its own independent appraisal of, and investigation into, all risks arising under or in connection with the Security Documents and has not relied on or will not at any time rely on the Security Agent or the Trustee in respect of such risks.

Governing Law

The Indenture, the Notes and the Guarantees will be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement, and any Additional Intercreditor Agreement will be, governed by and construed in accordance with, English law. The Security Documents will be governed by and construed in accordance with Spanish law.

Certain Definitions

"Acquired Debt" means Debt of a Person:

(a) existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with the Issuer or any Restricted Subsidiary; or

(b) assumed in connection with the acquisition of assets from any such Person,

provided that, in each case, such Debt was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, as the case may be.

Acquired Debt shall be deemed to be Incurred on the date the acquired Person becomes a Restricted Subsidiary (or is merged into or consolidated with the Issuer or any Restricted Subsidiary, as the case may be) or the date of the related acquisition of assets from any Person.

"Affiliate" means, with respect to any specified Person any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person.

For the purposes of this definition, "control," when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling," "controlled" have meanings correlative to the foregoing.

"AFSEs" means the subordinated negotiable securities (*Aportaciones Financieras Subordinadas*) issued by the Issuer in the nominal principal amount of €60 million in 2002, €70 million in 2003, €125 million in 2004 and €225 million in 2007, of which a total nominal value of €280,041,025 remains outstanding as of the date of this Offering Memorandum.

"Agent" means the Paying Agent, the Registrar and the Transfer Agent (each an "Agent" and together the "Agents").

"Agreed Security Principles" means the agreed security principles appended to the Indenture.

"Applicable Redemption Premium" means, with respect to any Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Note; and

(b) the excess of:

(i) the present value at such redemption date of: (x) the redemption price of such Note at November 30, 2025 (such redemption price being set forth in the table appearing below the caption "*Optional Redemption—Optional Redemption of the Notes—Optional Redemption on or after , 2025*") plus (y) all required interest payments that would otherwise be due to be paid on such Note during the period between the redemption date and November 30, 2025 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(ii) the outstanding principal amount of the Note.

For the avoidance of doubt, calculation of the Applicable Redemption Premium shall be made by or on behalf of the Issuer and shall not be a duty or obligation of the Trustee or any Agent.

"Asset Sale" means any sale, issuance, conveyance, transfer, lease (other than operating leases) or other disposition (including, without limitation, by way of merger, consolidation, amalgamation or other combination or sale and leaseback transaction) (collectively, a "transfer"), directly or indirectly, in one or a series of related transactions, of:

(a) any Capital Stock of any Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or a Subsidiary); or

(b) any of the Issuer's or any Restricted Subsidiary's properties or assets.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(i) any single transaction or series of related transactions that involves assets or Capital Stock having a Fair Market Value of less than the greater of €20 million and 5% of Consolidated EBITDA;

(ii) any transfer or disposition of assets (including Capital Stock of any Subsidiary) by the Issuer to any Restricted Subsidiary, or by any Restricted Subsidiary to the Issuer or any Restricted Subsidiary;

(iii) any transfer or disposition of obsolete, damaged, surplus, worn out or permanently retired equipment or facilities or other assets that are no longer useful in the conduct of the Issuer's and any Restricted Subsidiary's business;

(iv) sales, discounts or dispositions of receivables (a) on commercially reasonable terms in the ordinary course of business, (b) in any factoring or supply chain financing transaction or similar transaction in the ordinary course of business or (c) in connection with any Qualified Receivables Financing;

(v) any transfer or disposition of assets that is governed by the provisions of the Indenture described under "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" or "*—Certain Covenants— Change of Control*";

(vi) any "fee in lieu" or other disposition of assets to any governmental authority or agency that continue in use by the Issuer or any Restricted Subsidiary, so long as the Issuer or any Restricted Subsidiary may obtain title to such assets upon reasonable notice by paying a nominal fee;

(vii) transfers of Capital Stock in a Restricted Subsidiary to a Person making contributions to such Restricted Subsidiary to fund its capital expenditure, to the extent the Issuer determines in good faith appropriate to reflect the level of such contribution compared to the contribution, if any, made by the Issuer or any Restricted Subsidiary;

(viii) the sale, lease, sublease, assignment or other disposition of any real or personal property or any equipment, inventory, trading stock or other assets in the ordinary course of business, including, without limitation, pursuant to agreements entered into in the ordinary course of business;

(ix) (a) an issuance or transfer of Capital Stock by a Restricted Subsidiary (i) to the Issuer or to another Restricted Subsidiary or (ii) as part of, or pursuant to, an equity incentive or compensation plan approved by the Board of Directors of the Issuer or (b) the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(x) any issuance, sale or disposition of Capital Stock, Debt or other securities of an Unrestricted Subsidiary;

(xi) any making of a Restricted Payment that does not violate the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Investment, or, solely for purposes of paragraphs (1)(b) and (2) under "*—Certain Covenants—Limitation on Asset Sales*," asset sales, in respect of which (but only to the extent that) the proceeds are used to make such Restricted Payments or Permitted Investments;

(xii) any transfer, termination, unwinding or other disposition of any Hedging Agreements in the ordinary course of business and not for speculative purposes;

(xiii) sales of assets received by the Issuer or any Restricted Subsidiary upon the foreclosure on a Lien granted in favor of the Issuer or any Restricted Subsidiary or any other transfer of title with respect to any secured investment in default;

(xiv) any disposition in connection with a Permitted Lien;

(xv) the licensing, sub-licensing, lease, sublease, conveyance or assignment of intellectual property or other general intangibles and licenses, sub-licenses, leases, subleases, conveyances or assignments of other property, in each case, in the ordinary course of business;

(xvi) the abandonment or disposition of patents, trade marks or other intellectual property that are, in the good faith opinion of the Issuer, no longer economically practicable to maintain or useful in the conduct of the business of the Issuer and its Subsidiaries taken as a whole;

(xvii) any disposition arising from foreclosure, condemnation or any similar action with respect to any property or other assets;

(xviii) the surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(xix) any disposition with respect to property, whether tangible or intangible, built by or on behalf of, or owned or otherwise acquired by, the Issuer or any Restricted Subsidiary on behalf of, or for the benefit of, a customer, or with the intention to transfer such property to a customer, in connection with a transaction or series of transactions under which the Issuer or any Restricted Subsidiary earns a fee for, or derives a benefit from, participating in such transaction or series of transactions;

(xx) a disposition of cash or Cash Equivalents;

(xxi) sales, transfers or other disposition of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "—*Certain Covenants—Limitation on Asset Sales*" covenant;

(xxii) any sale or other disposition made pursuant to, or as a result of, a final judgment or court order related to a liquidation or unpaid claim;

(xxiii) any disposition in connection with a Tax Sharing Agreement;

(xxiv) discount or disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements; or

(xxv) any disposition of assets to any governmental authority or agency pursuant to state asset acquisition laws, regulations or rules.

"Board of Directors" means:

(a) with respect to any corporation, the board of directors or managers of the corporation (which, in the case of any corporation having both a supervisory board and an executive or management board, shall be the executive or management board) or any duly authorized committee thereof (including any *Consejo Rector* or *Consejo Directivo* of the Issuer or any Restricted Subsidiary);

(b) with respect to any partnership, the board of directors of the general partner of the partnership or any duly authorized committee thereof;

(c) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and

(d) with respect to any other Person, the board or any duly authorized committee thereof or committee of such Person serving a similar function (including any *Consejo Rector* or *Consejo Directivo* of the Issuer or any Restricted Subsidiary).

"Bridge to Disposal Facility" means the bridge facility agreement, dated November 16, 2023, among, *inter alios*, the Issuer, as borrower, certain of the Guarantors, Deutsche Bank AG, London Branch, as agent, the lenders as described therein and other parties named therein from time to time, as amended and restated from time to time.

"Bund Rate" as selected by the Issuer, means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds* or *Bundesanleihen*) with a constant maturity as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the repayment date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Issuer) most nearly equal to the period from the repayment date to November 30, 2025; *provided*, *however*, that if the period from the repayment date to November 30, 2025 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such repayment date to November 30, 2025 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used and provided that "Bund Rate" shall be at least 0.00%.

"Business Day" means a day other than a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, Madrid, Spain, New York, United States or a place of payment under the Indenture are authorized or required by law to close other than a day which is not a TARGET Settlement Day.

"Capital Stock" means, with respect to any Person, any and all shares, interests, partnership interests (whether general or limited), participations, rights in or other equivalents (however designated) of such

Person's equity, any other interest or participation that confers the right to receive a share of the profits and losses, or distributions of assets of, such Person and any rights (other than debt securities convertible into or exchangeable for Capital Stock), warrants or options exchangeable for, or convertible into, such Capital Stock, whether now outstanding or issued after the Issue Date.

"Capitalized Lease Obligation" means, with respect to any Person, any obligation of such Person under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed), which obligation is required to be classified and accounted for as a capital lease obligation under IFRS (as defined herein), and, for purposes of the Indenture, the amount of such obligation at any date will be the capitalized amount thereof at such date, determined in accordance with IFRS and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"Cash Equivalents" means any of the following:

(a) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the Pre-Expansion European Union or the United States of America, Switzerland, Norway or Canada, as the case may be, and which are not callable or redeemable at the Issuer's or any Restricted Subsidiary's option;

(b) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits (and similar instruments) with maturities of twelve months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland or Canada; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of €250.0 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "Baa3" or higher by Moody's, "BBB-" or higher by S&P, "BBB-" or higher from Fitch or the equivalent rating category of another internationally recognized rating agency;

(c) commercial paper having one of the two highest ratings obtainable from Moody's, S&P or Fitch and, in each case, maturing within one year after the date of acquisition;

(d) repurchase obligations with a term of not more than thirty days for underlying securities of the type described in clause (a) or (b) above, entered into with any financial institution meeting the qualifications described in clause (b) above; and

(e) interests in any investment company or money market fund at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (d) above.

"Change of Control" means the occurrence of any of the following events:

(a) the Issuer becomes aware of any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date) becoming the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent; or

(b) the sale (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all the assets of the Issuer and its Subsidiaries, taken as a whole, to another Person other than a Restricted Subsidiary.

"Clearing System Business Day" means Monday to Friday, inclusive, except December 25 and January 1.

"Clearstream" means Clearstream Banking S.A. and its successors.

"Collateral" means the rights, property and assets securing or otherwise benefitting the Notes and/or the Guarantees as described under the caption "*—Security*" and any rights, property or assets over which a Lien has been granted to secure the obligations of the Issuer or the Guarantors under the Notes, the Guarantees or the Indenture (other than any assets secured by a Lien described in clause (y) of the definition of "*Permitted Liens*" securing Additional Notes).

"Commission" means the U.S. Securities and Exchange Commission.

"Commodities Agreement" means any agreement or arrangement designed to protect the relevant Person against fluctuations in commodities prices.

"Confirming and Guarantee Facilities" means any facilities (including, without limitation, working capital, confirming, or guarantee or COMEX lines or facilities) documented by means of a framework agreement dated November 16, 2023, among, *inter alios*, the Issuer, the Guarantors, Kutxabank, S.A. as agent, the lenders as described therein and other parties named therein from time to time and, if requested by any lenders therein due to operational reasons, any bilateral agreement (*póliza bilateral*), as amended and restated from time to time, in an aggregate principal amount not to exceed the maximum amounts per instrument agreed thereunder as of the Issue Date.

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(a) provision for taxes based on income or profits of the Issuer and the Restricted Subsidiaries for such period, and any charge for such taxes incurred and any charge for or in respect of any surrender of group relief by the Issuer or a Restricted Subsidiary pursuant to a Tax Sharing Agreement; plus

(b) the Consolidated Fixed Charges of the Issuer and the Restricted Subsidiaries for such period; plus

(c) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees), goodwill and other non-cash charges and expenses (including, without limitation, write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on the Issuer and the Restricted Subsidiaries for such period) of the Issuer and the Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) for such period; plus

(d) any expenses, charges or other costs related to the issuance, offer or sale of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalization or listing or the Incurrence of Debt, in each case, whether or not successful; plus

(e) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Capital Stock held by such parties; plus

(f) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds, or such amount becoming payable, were included in computing Consolidated Net Income; plus

(g) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by the Issuer or any Restricted Subsidiary to the extent such expenses were included in computing Consolidated Net Income; plus

(h) any income, charge or other expense attributable to post-employment benefit, pension, fund or similar obligation other than the current service costs and any past service costs and curtailments and settlements attributable to the scheme; plus

(i) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Qualified Receivables Financing or any other receivables financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period; minus

(j) non-cash items reducing such Consolidated Net Income for such period, other than the reversal of a reserve for cash charges in a future period in the ordinary course of business.

For purposes of calculating the availability under any basket or limitation that is or may be based on a percentage of Consolidated EBITDA on any date of determination, Consolidated EBITDA shall be calculated based on the aggregate amount of Consolidated EBITDA for the four most recent fiscal quarters ending prior to such date of determination for which internal financial statements are available, calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Net Leverage Ratio.

"Consolidated Fixed Charges" means, for any period, without duplication and in each case determined in accordance with IFRS, the sum of:

(a) consolidated interest expense of the Issuer and the Restricted Subsidiaries to the extent deducted in calculating Consolidated Net Income for such period, plus, to the extent not otherwise included in consolidated interest expense:

    (i) amortization of original issue discount (but not including deferred financing fees, debt issuance costs and premium, commissions, fees and expenses owed or paid with respect to financings);

    (ii) the net payments made or received pursuant to any Hedging Agreements (including amortization of fees and discounts);

    (iii) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and similar transactions; and

    (iv) the interest portion of any deferred payment obligation and amortization of debt issuance costs; plus

(b) the interest component of the Issuer's and the Restricted Subsidiaries' Capitalized Lease Obligations accrued and/or scheduled to be paid or accrued during such period other than the interest component of Capitalized Lease Obligations between or among the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; plus

(c) the Issuer's and the Restricted Subsidiaries non-cash interest expenses and interest that was capitalized during such period; plus

(d) the interest expense on Debt of another Person to the extent such Debt is guaranteed by the Issuer or any Restricted Subsidiary or secured by a Lien on the Issuer's or any Restricted Subsidiary's assets, but only to the extent that such interest is actually paid by the Issuer or such Restricted Subsidiary; plus

(e) cash and non-cash dividends due (whether or not declared) on the Issuer's Redeemable Capital Stock and any Restricted Subsidiary's Preferred Stock (to any Person other than the Issuer or any Restricted Subsidiary), in each case for such period,

minus (i) accretion or accrual of discounted liabilities other than Debt; (ii) any expense resulting from the discounting of any Debt in connection with the application of purchase accounting in connection with any acquisition; (iii) interest with respect to Debt of any Holding Company of any Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS; (iv) any Additional Amounts with respect to the Notes or other similar tax gross-up on any Debt (including, without limitation, under any Credit Facility), which is included in interest expenses under IFRS; (v) any capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Debt; and (vi) any interest income of the Issuer and the Restricted Subsidiaries.

"Consolidated Net Debt" means, as of any date of determination, the sum of the total amount of Debt of the Issuer and the Restricted Subsidiaries, less cash and Cash Equivalents, in each case that would be stated on the balance sheet of the Issuer and the Restricted Subsidiaries on a consolidated basis on such date.

"Consolidated Net Income" means, for any period, the Issuer's and the Restricted Subsidiaries' consolidated net income (or loss) for such period as determined in accordance with IFRS, adjusted by excluding (to the extent included in such consolidated net income or loss), without duplication:

(a) the portion of net income (and the loss unless and to the extent funded in cash by the Issuer or a Restricted Subsidiary) of any Person (other than the Issuer or a Restricted Subsidiary), including Unrestricted Subsidiaries, in which the Issuer or any Restricted Subsidiary has an equity ownership interest, except that the Issuer's or a Restricted Subsidiary's equity in the net income of such Person for such period shall be included in such Consolidated Net Income to the extent of the aggregate amount of dividends or other distributions actually paid to the Issuer or any Restricted Subsidiary in cash dividends or other distributions during such period;

(b) solely for the purpose of determining the amount available for Restricted Payments under paragraph (2)(c)(i) of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," the net income (but not the loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary is not at the date of determination permitted, directly or indirectly, by operation of the terms of its articles of incorporation, charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released, (ii) restrictions pursuant to the Indenture, (iii) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary, and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (iv) restrictions specified in the covenant described under "*—Certain Covenants—Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*") except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(c) net after-tax gains attributable to the termination of any employee pension benefit plan;

(d) any restoration to net income of any contingency reserve, except to the extent provision for such reserve was made out of income accrued at any time following the Issue Date;

(e) any net gain or loss arising from the acquisition of any securities or extinguishment, under IFRS, of any Debt of such Person;

(f) the net income attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued);

(g) the cumulative effect of a change in accounting principles;

(h) the net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiary (including pursuant to a sale and leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(i) any pre-tax special, extraordinary, one-off, irregular, exceptional, unusual or non-recurring gain, loss, expense or charge (including one-off investment in plant, property and equipment, for example vehicles or material handling equipment), or any charges in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the refinancing or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development costs, costs related to governmental investigations and curtailments or modifications to pension or postretirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(j) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(k) any unrealized gains or losses in respect of any Hedging Agreements or other derivative instruments or forward contracts or any ineffectiveness recognized in earnings related to a qualifying hedge transaction or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of any Hedging Agreements;

(l) any unrealized foreign currency transaction gains or losses in respect of Debt or other obligations of the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from re-measuring assets and liabilities denominated in foreign currencies;

(m) any unrealized foreign currency translation or transaction gains or losses in respect of Debt or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(n) any goodwill or other intangible asset impairment charge or write-off or write-down; and

(o) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Debt.

"Consolidated Net Leverage Ratio" means, as at any date of determination, the ratio of: (1) the *pro forma* Consolidated Net Debt on such date, to (2) the *pro forma* Consolidated EBITDA for the four most recent fiscal quarters ending prior to such date of determination for which internal financial statements are available; *provided* that:

(a) if the Issuer or any Restricted Subsidiary has Incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is an Incurrence of Debt or both, Consolidated EBITDA and Consolidated Net Debt for such period shall be calculated, without duplication, after giving effect on a *pro forma* basis to such Debt as if such Debt had been Incurred on the first day of such period;

(b) if the Issuer or any Restricted Subsidiary has repaid, repurchased, redeemed, defeased or otherwise acquired, retired or discharged any Debt (each a "Discharge") since the beginning of such period that is no longer outstanding or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is a Discharge of Debt or both, Consolidated EBITDA and Consolidated Net Debt for such period shall be calculated, without duplication, after giving effect on a *pro forma* basis to such Discharge as if such Discharge had occurred on the first day of such period;

(c) if, since the beginning of such period, the Issuer or any Restricted Subsidiary shall have made any Asset Sale or other disposition, Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Sale or other disposition for such period, or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto, for such date or period and the Consolidated Net Debt for such period shall be reduced by an amount equal to the Consolidated Net Debt directly attributable to any Debt of the Issuer or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Restricted Subsidiaries in connection with such Asset Sale or other disposition for such date or period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Net Debt for such period directly attributable to the Debt of such Restricted Subsidiary to the extent the Issuer and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);

(d) if, since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger, consolidation, amalgamation or other combination or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated EBITDA and Consolidated Net Debt for such period shall be calculated after giving *pro forma* effect thereto as if such Investment or acquisition occurred on the first day of such period; and

(e) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Sale or other disposal or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (c) or (d) if made by the Issuer or a Restricted Subsidiary during such period, Consolidated EBITDA and Consolidated Net Debt for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Sale or other disposal or Investment or acquisition occurred on the first day of such period,

provided, *however*, the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to (i) any Debt Incurred on the date of determination pursuant to paragraph (2) of "*—Certain Covenants—Limitation on Debt*" (other than with respect to clause (p) of such covenant) or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to paragraph (2) of "*—Certain Covenants—Limitation on Debt*."

If any Debt bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Debt shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Agreement).

For purposes of this definition, without double counting, (1) *pro forma* effect may be given to any transaction referred to in clauses (a) through (e) above, or the amount of income or earnings relating thereto, and the *pro forma* calculations in respect thereof (including, without limitation, in respect of anticipated cost savings or synergies relating to any such transaction (calculated on a *pro forma* basis as though such cost savings or synergies had been realized on the first day of the relevant period) net of the amounts of any actual benefits realized during the relevant period from such actions) shall be as determined in good faith by the Group Finance Director of the Issuer or an authorized responsible financial or accounting Officer of the Issuer and (2) when determining *pro forma* Consolidated EBITDA of the Issuer and the Restricted Subsidiaries, the Issuer may adjust Consolidated EBITDA to add an amount equal to the cost savings projected to be realized as the result of actions taken or to be taken on or prior to the date that is 18 months after the consummation of any operational change (calculated on a *pro forma* basis as though such cost savings had been realized on the first day of the relevant period), net of the amount of any actual benefits realized during the relevant period from such actions, as determined in good faith by the Group Finance Director of the Issuer or an authorized responsible financial or accounting Officer of the Issuer.

"Consolidated Senior Secured Net Leverage" means, as of the date of determination, the sum of the total amount of Senior Secured Debt of the Issuer and its Restricted Subsidiaries less cash and Cash Equivalents, in each case on a consolidated basis.

"Consolidated Senior Secured Net Leverage Ratio" means, as at any date of determination, the ratio of: (1) Consolidated Senior Secured Net Leverage on such date, to (2) Consolidated EBITDA for the four most recent fiscal quarters ending prior to such date of determination for which internal financial statements are available, with such *pro forma* adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Net Leverage Ratio.

"Contingent Obligations" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Debt ("primary obligations") of any other Person (the "primary obligor"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"Credit Facility" or "Credit Facilities" means, one or more debt facilities or indentures, as the case may be, (including the Term Loan A) or commercial paper facilities, arrangements, instruments, note purchase agreements or commercial paper facilities and overdraft facilities, in each case, with banks, insurance companies or other institutional lenders or investors providing for revolving credit loans, term loans, bankers acceptances, receivables or inventory financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), notes, letters of credit or other Debt, in each case, as amended, supplemented, restated, modified, renewed, refunded, replaced, refinanced, repaid, increased or extended in whole or in part from time to time (each, for purposes of paragraph (2)(a) of "*—Certain Covenants—Limitation on Debt*," a "refinancing") (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the Term Loan A or one or more other credit or other agreements, indentures, note purchase agreements, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, charges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (a) changing the maturity of any Debt Incurred thereunder or contemplated thereby, (b) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (c) increasing the amount of Debt Incurred thereunder or available to be borrowed thereunder or (d) otherwise altering the terms and conditions thereof.

"Currency Agreements" means, in respect of a Person, any spot or forward foreign exchange agreements and currency swap, currency option or other similar financial agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in foreign currency exchange rates.

"Debt" means, with respect to any Person on any date of determination, without duplication:

(a) the principal of indebtedness of such Person for borrowed money (including overdrafts) or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities Incurred in the ordinary course of business;

(b) the principal of obligations of such Person evidenced by bonds, notes, debentures or other similar instruments;

(c) all reimbursement obligations of such Person in connection with any letters of credit, bankers' acceptances or other similar facilities (the amount of such obligation being equal at any time to the aggregate amount of drawings thereunder that have not then been reimbursed);

(d) all debt of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), which is due more than one year after its incurrence but excluding trade payables arising in the ordinary course of business;

(e) all Capitalized Lease Obligations of such Person;

(f) all obligations of such Person under or in respect of any Hedging Agreements (the amount of any such obligation to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);

(g) all Debt referred to in (but not excluded from) the preceding clauses (a) through (f) of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt (the amount of such obligation being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the obligation so secured);

(h) all guarantees by such Person of Debt referred to in this definition of any other Person;

(i) all Redeemable Capital Stock of such Person valued at the greater of its voluntary maximum fixed repurchase price and involuntary maximum fixed repurchase price; and

(j) Preferred Stock of any Restricted Subsidiary,

in each case to the extent it appears as a liability on the balance sheet in accordance with IFRS; *provided* that the term "Debt" shall not include: (i) non-interest bearing instalment obligations and accrued liabilities Incurred in the ordinary course of business that are (a) not more than 180 days past due or (b) more than 180 days past due but with the consent of the payee or as the result of a *bona fide* ongoing negotiation over such liabilities; (ii) obligations under the Confirming and Guarantee Facilities and AFSEs; (iii) any pension obligations of the Issuer or a Restricted Subsidiary; (iv) Debt incurred by the Issuer or one of the Restricted Subsidiaries in connection with a transaction where (a) such Debt is borrowed from a bank or trust company organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland, Norway or Canada or any commercial banking institution that is a member of the U.S. Federal Reserve System, in each case having a combined capital and surplus and undivided profits of not less than €250.0 million, whose long-term, unsecured, unsubordinated and unguaranteed debt has a rating immediately prior to the time such transaction is entered into, of "BBB-" or higher by S&P, "Baa3" or higher by Moody's, "BBB-" or higher from Fitch or the equivalent rating category of another internationally recognized rating agency and (b) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such Debt, or a Subsidiary or affiliate thereof, in amount equal to such Debt; (v) obligations under a Tax Sharing Agreement, up to an amount not to exceed, with respect to such obligations, the amount of such Taxes that the Issuer and the Restricted Subsidiaries would have been required to pay on a separate company basis, or on a consolidated basis if the Issuer and the Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and the Restricted Subsidiaries; (vi) any guarantee, indemnity, bond, standby letter of credit or similar instrument in respect of commercial obligations of the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such guarantees, indemnities, bonds or letters of credit are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms; (vii) Subordinated Shareholder Debt; and (viii) in connection with any previous or future purchase by the Issuer of any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not definitively determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 60 days thereafter, (ix) obligations under or in respect of Qualified Receivables Financings; and (x) Contingent Obligations Incurred in the ordinary course of business.

For the avoidance of doubt and notwithstanding the above, the term "Debt" excludes any accrued expenses, trade payables and any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under IFRS as in effect immediately prior to the adoption of IFRS 16 (*Leases*).

For purposes of this definition, the "maximum fixed repurchase price" of any Redeemable Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Debt will be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Redeemable Capital Stock, such Fair Market Value will be determined in good faith by the Board of Directors of the issuer of such Redeemable Capital Stock; *provided*, that if such Redeemable Capital Stock is not then permitted to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Redeemable Capital Stock as reflected in the most recent financial statements of such Person.

"Default" means any event that is, or after the giving of notice or passage of time or both would be, an Event of Default.

"Designated Non-cash Consideration" means the Fair Market Value of non-cash consideration received by the Issuer or one of the Restricted Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-cash Consideration" pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-cash Consideration.

"Disinterested Member" means, with respect to any transaction or series of related transactions, a member of the Issuer's Board of Directors who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions, *provided* that the ownership of Capital Stock in a Person that has a direct or indirect financial interest in or with respect to such transactions or series of related transactions will not in itself disqualify a member of the Issuer's Board of Directors from being a Disinterested Member with respect to any transaction or series of related transactions.

"Equity Offering" means an issuance or sale of Capital Stock (which is Qualified Capital Stock) of the Issuer, or any Holding Company of the Issuer, other than on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions; *provided* that the net proceeds of such issuance or sale are contributed to the equity capital of, or as Subordinated Shareholder Debt to, the Issuer or any of the Restricted Subsidiaries.

"Escrowed Proceeds" means the proceeds from the offering or Incurrence of any debt securities or other Debt paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events, *provided* that the term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"Euro" or "€" means the single currency of participating Member States of the Economic and Monetary Union as contemplated in the Treaty on European Union.

"Euroclear" means Euroclear Bank SA/NV and its successors, as operator of the Euroclear System.

"Euro Equivalent" means, with respect to any monetary amount in a currency other than Euro, at any time for the determination thereof, the amount of Euro obtained by converting such foreign currency involved in such computation into Euro at the spot rate for the purchase of Euro with the applicable foreign currency as published under "Currency Rates" in the section of The Financial Times entitled "Currencies, Bonds & Interest Rates" (or, if the Financial Times is no longer published, or if such information is no longer available in the Financial Times, such source as may be selected in good faith by an Officer of the Issuer) on the date two Business Days prior to such determination.

"European Government Obligations" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"Fair Market Value" means, with respect to any asset or property, the sale value that would be obtained in an arm's-length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Issuer's Board of Directors, Chief Executive Officer or Group Finance Director, in each case whose determination will be conclusive.

"Fitch" means Fitch Ratings Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"Fixed Charge Coverage Ratio" means, as of any date of determination, the ratio of (1) *pro forma* Consolidated EBITDA to (2) *pro forma* Consolidated Fixed Charges for the four most recent fiscal quarters ending prior to such date of determination for which internal financial statements are available; *provided* that:

(a) if the Issuer or any Restricted Subsidiary has Incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is an Incurrence of Debt or both, Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated, without duplication, after giving effect on a *pro forma* basis to such Debt as if such Debt had been Incurred on the first day of such period;

(b) if the Issuer or any Restricted Subsidiary has Discharged (as defined under the definition of "Consolidated Net Leverage Ratio") any Debt since the beginning of such period that is no longer outstanding or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is a Discharge of Debt or both (in each case other than Debt Incurred under any revolving credit facility unless such Debt has been permanently repaid), Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated, without duplication, after giving effect on a *pro forma* basis to such Discharge as if such Discharge had occurred on the first day of such period;

(c) if, since the beginning of such period, the Issuer or any Restricted Subsidiary shall have made any Asset Sale or disposition, Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Sale or disposition for such period, or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto, for such period and the Consolidated Fixed Charges for such period shall be reduced by an amount equal to the Consolidated Fixed Charges directly attributable to any Debt of the Issuer or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Restricted Subsidiaries in connection with such Asset Sale or disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Fixed Charges for such period directly attributable to the Debt of such Restricted Subsidiary to the extent the Issuer and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);

(d) if, since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger, consolidation, amalgamation or other combination or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto as if such Investment or acquisition occurred on the first day of such period; and

(e) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Sale or disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (c) or (d) if made by the Issuer or a Restricted Subsidiary during such period, Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Sale, disposition or Investment or acquisition occurred on the first day of such period,

provided, *however*, the *pro forma* calculation of the Fixed Charge Coverage Ratio shall not give effect to (i) any Debt Incurred on the date of determination pursuant to paragraph (2) of "*—Certain Covenants—Limitation on Debt*" (other than with respect to clause (p) of such covenant) or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to paragraph (2) of "*—Certain Covenants—Limitation on Debt*."

If any Debt bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Debt shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Agreement).

For purposes of this definition, without double counting, (1) *pro forma* effect may be given to any transaction referred to in clauses (a) through (e) above, or the amount of income or earnings relating thereto, and the *pro forma* calculations in respect thereof (including, without limitation, in respect of anticipated cost savings or synergies relating to any such transaction (calculated on a *pro forma* basis as though such cost savings or synergies had been realized on the first day of the relevant period) net of the amounts of any actual benefits realized during the relevant period from such actions) shall be as determined in good faith by the Group Finance Director of the Issuer or an authorized responsible financial or accounting Officer of the Issuer and (2) when determining *pro forma* Consolidated EBITDA of the Issuer and the Restricted Subsidiaries, the Issuer may adjust Consolidated EBITDA to add an amount equal to the cost savings projected to be realized as the result of actions taken or to be taken on or prior to the date that is 18 months after the consummation of any operational change (calculated on a *pro forma* basis as though such cost savings had been realized on the first day of the relevant period), net of the amount of any actual benefits realized during the relevant period from such actions, as determined in good faith by the Group Finance Director of the Issuer or an authorized responsible financial or accounting Officer of the Issuer.

"Group" means the Issuer and its Subsidiaries.

"guarantee" means, as applied to any obligation:

(a) a guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation; and

(b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of all or any part of such obligation, including, without limiting the foregoing, by the pledge of assets and the payment of amounts drawn down under letters of credit.

When used as a verb, "guarantee" shall have a corresponding meaning.

"Guarantee" means any guarantee of the Issuer's obligations under the Indenture and the Notes by any Restricted Subsidiary or any other Person in accordance with the provisions of the Indenture. When used as a verb, "Guarantee" shall have a corresponding meaning.

"Guarantors" means (a) the Initial Guarantors and (b) any other Person that executes a Guarantee in accordance with the provisions of the Indenture and the Intercreditor Agreement, and their respective successors and assigns, in each case, until the Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"Hedging Agreements" means non-speculative Currency Agreements, Interest Rate Agreements and Commodities Agreements entered into in the ordinary course of business.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Hedging Agreements.

"Holder" means the Person in whose name a Note is recorded on the Registrar's books.

"Holding Company" of a Person means any other Person (other than a natural person) of which the first Person is a Subsidiary.

"IFRS" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect on the Issue Date, or, with respect to the covenant entitled "*—Certain Covenants— Reports to Holders*" as in effect from time to time; *provided* that at any date after the Issue Date, the Issuer may make an irrevocable election to establish that "IFRS" shall mean IFRS as in effect on a date that is after the Issue Date on or prior to the date of such election. The Issuer shall give notice of any such election to the Trustee and the Holders.

Notwithstanding the foregoing, the impact of IFRS 16 (*Leases*) and any successor standard thereto shall be disregarded with respect to all ratios, calculations and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to the Indenture and (without limitation) any lease, concession or license of property that would be considered an operating lease under IFRS immediately prior to the implementation of IFRS 16 and any guarantee given by the Issuer or any Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Issuer or any Restricted Subsidiary under any such operating lease shall be accounted for in accordance with IFRS as in effect immediately prior to the implementation of IFRS 16 (as determined in good faith by a responsible accounting or financial Officer of the Issuer).

"Incur" has the meaning given to such term in paragraph (1) under the caption "*—Certain Covenants—Limitation on Debt*"; *provided* that any Debt or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Subsidiary at the time it becomes a Subsidiary. Accrual of interest, the accretion of accreted value, the payment of interest in the form of additional Debt, and the payment of dividends on Capital Stock constituting Debt in the form of additional shares of the same class of Capital Stock, will not be deemed to be an Incurrence of Debt. Any Debt issued at a discount (including Debt on which interest is payable through the issuance of additional Debt) shall be deemed Incurred at the time of original issuance of the Debt at the initial accreted amount thereof.

"Independent Financial Advisor" means an investment banking or accounting firm of international standing or any third-party appraiser of international standing.

"Initial Guarantors" means Cecosa Hipermercados, S.L., Equipamiento Familiar y Servicios, S.A., Desarrollos Comerciales y de Ocio Algeciras, S.L., Cecosa Institucional, S.L., Cecogoico, S.A., Newcobeco, S.A., Peninsulaco, S.L.U., Sociedad de Franquicias Eroski Contigo, S.L.U., Forum Sport S.A. and Cecosa Diversificación, S.L.

"Intercreditor Agreement" means the intercreditor agreement dated as of the Issue Date (as amended from time to time) and among, *inter alios*, the Issuer, the Guarantors, the Trustee and the Security Agent, as amended and restated from time to time.

"Interest Rate Agreements" means, in respect of a Person, any interest rate protection agreements and other types of interest rate hedging agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) designed to protect such Person against or manage exposure to fluctuations in interest rates.

"Investment Grade Status" shall occur when all of the Notes receive two of the following:

(a) a rating of "BBB-" or higher from S&P;

(b) a rating of "Baa3" or higher from Moody's; and/or

(c) a rating of "BBB-" or higher from Fitch,

or the equivalent of such rating by any such rating organization or, if no rating of Moody's, Fitch or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization.

"Investments" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other similar obligations), advances or capital contributions (excluding advances or extension of credit to officers, customers, licensees, leases, suppliers, directors or employees made in the ordinary course of business), or purchases or other acquisitions in consideration of Debt, Capital Stock or other securities, together with all items that are or would be classified as investments on a balance sheet (excluding the notes thereto) prepared in accordance with IFRS. The acquisition by the Issuer or any Subsidiary of the Issuer of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final sentence of paragraph (1) of the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*." If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the Fair Market Value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final sentence of paragraph (1) of the covenant described above under the caption *"—Certain Covenants—Limitation on*

Restricted Payments." The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"Issue Date" means November 30, 2023.

"Issuer" means Eroski, S. Coop., a cooperative organized under the laws of Spain, and any successor thereto.

"Lien" means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), security interest, hypothecation, assignment for or by way of security or encumbrance upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired. A Person will be deemed to own subject to a Lien any property which such Person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

"Maturity" means, with respect to any debt, the date on which any principal of such debt becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Nationally Recognized Statistical Rating Organization" means a nationally recognized statistical rating organization within the meaning of Rule 15c3- 1(2)(vi)(F) under the Exchange Act.

"Net Cash Proceeds" means:

(a) with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents actually received (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of:

(i) brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel, accountants, investment banks and other consultants) related to such Asset Sale;

(ii) provisions for all taxes paid or payable, or required to be accrued as a liability under IFRS as a result of such Asset Sale;

(iii) all distributions and other payments required to be made to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale; and

(iv) appropriate amounts required to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve in accordance with IFRS against any liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations or potential purchase price adjustments associated with such Asset Sale, all as reflected in an Officer's Certificate delivered to the Trustee; and

(b) with respect to any capital contributions, issuance or sale of Capital Stock or options, warrants or rights to purchase Capital Stock, or debt securities or Capital Stock that have been converted into or exchanged for Capital Stock as referred to under "*—Certain Covenants—Limitation on Restricted Payments*," the proceeds of such issuance or sale in the form of cash or Cash Equivalents, payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed of for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of attorney's fees, accountant's fees and brokerage, consultation, underwriting and other fees and expenses actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of thereof.

"Officer" means (a) with respect to the Issuer or any Guarantor, the Chairman of the Board, the Chief Executive Officer, the Group Finance Director, the General Counsel, the Secretary, any member of the Management Board (*Comite de Dirección)* or any administrator (i) of such Person or (ii) if such Person is owned or managed by a single entity, of such entity, or (b) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors.

"Officer's Certificate" means with respect to any Person a certificate signed by an Officer of such Person.

"OSEs" means the subordinated negotiable securities (*Obligaciones Subordinadas*) originally issued by the Issuer on February 1, 2016 in a maximum nominal amount of up to €337,041,320 with an initial scheduled maturity date of February 1, 2028.

"Parent" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established for purposes of holding an investment in any Parent.

"Pari Passu Debt" means Debt of the Issuer or any Guarantor that is not Subordinated Indebtedness.

"Permitted Business" means any businesses in which the Issuer or any of its Subsidiaries is engaged on the Issue Date, or that is similar, related, complementary, enhancing (in the reasonable opinion of the Issuer), incidental, ancillary thereto or an extension, development or expansion thereof.

"Permitted Collateral Liens" means:

(a) Liens on the Collateral that are described in one or more of the clauses (f), (g), (i), (j), (k), (n), (o) (to the extent the acquired assets become Collateral and any Liens on such assets at the time they are acquired are not released), (p), (q), (r), (s), (w), (y), (aa) and (cc) of the definition of Permitted Liens;

(b) Liens on the Collateral to secure any Debt of the Issuer or any Restricted Subsidiary that is permitted to be Incurred under clauses (a), (b), (e)(i) (but only to the extent such guarantee is in respect of Debt that is permitted to be secured on the Collateral pursuant to any other clause of this definition), (f) (*provided* that any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Debt and any improvements or accessions to such assets and property), (h), (p) (*provided* that immediately following the Incurrence of Debt pursuant to such clause (p) and after giving effect thereto on a *pro forma* basis, the Consolidated Senior Secured Net Leverage Ratio would have been less than 1.5 to 1.0 or would not be greater than it was immediately prior to giving effect to the relevant acquisition, merger or consolidation) or (r), in each case, of paragraph (2) of the covenant described under the caption "*—Certain Covenants—Limitation on Debt*";

(c) any Permitted Refinancing Debt in respect of Debt referred to in the foregoing clause (b); and

(d) Liens on the Collateral to (x) secure any obligations Incurred by the Issuer or any Restricted Subsidiary under Confirming and Guarantee Facilities, and (y) secure any Permitted Refinancing Debt incurred in respect of any OSEs outstanding on the Issue Date;

provided further, however, that, with respect to clauses (b), (c), and (d) above, any such Lien ranks equal or junior to all other Liens on such Collateral securing the Notes or the Guarantees and each of the secured parties to any such Debt (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement.

A Lien shall be deemed to rank equally with another Lien notwithstanding (i) any different preference or hardening period applicable thereto, (ii) any other difference in priority so long as an "assignment of ranking" or other sharing arrangement has been entered into by or for the benefit of beneficiaries of each such Lien or (iii) any difference in validity or enforceability.

For purposes of determining compliance with this definition, (i) a Lien need not be incurred solely by reference to one category of Permitted Collateral Liens described in this definition but may be incurred under any combination of such categories (including in part under one such category and in part under any other such category), (ii) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Collateral Liens, the Issuer shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition, (iii) the principal amount of Debt secured by a Lien outstanding under any category of Permitted Collateral Liens shall be determined after giving effect to the application of proceeds of any such Debt to refinance any such other Debt, (iv) any Lien securing Debt that was permitted to secure such Debt at the time of the Incurrence of such Debt shall also be permitted to secure any increase in the amount of such Debt in connection with the accrual of interest and the accretion of accreted value, (v) if any Debt or other obligation is secured by any Lien outstanding under any category of Permitted Collateral Liens measured by reference to a percentage of Consolidated EBITDA at the time of incurrence of such Debt or other obligations, and is refinanced by any Debt or other obligation secured by any Lien incurred by reference to such category of Permitted Collateral Liens, and such refinancing would cause the percentage of Consolidated EBITDA to be exceeded if calculated based on the Consolidated EBITDA on the date of such refinancing, such percentage of Consolidated EBITDA shall not be deemed to be exceeded (and such refinancing Lien shall be deemed permitted) so long as the principal amount of such refinancing Debt or other obligation does not exceed an amount equal to the principal amount of such Debt or other obligation being refinanced, plus the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses (including accrued and unpaid interest) incurred or payable in connection with such refinancing and (vi) if any Debt or other obligation is secured by any Lien outstanding under any category of Permitted Collateral Liens measured by reference to an amount in Euro, and is refinanced by any Debt or other obligation secured by any Lien incurred by reference to such category of Permitted Collateral Liens, and such refinancing would cause such Euro amount to be exceeded, such Euro amount shall not be deemed to be exceeded (and such refinancing Lien shall be deemed permitted) so long as the principal amount of such refinancing Debt or other obligation does not exceed an amount equal to the principal amount of such Debt being refinanced, plus the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses (including accrued and unpaid interest) incurred or payable in connection with such refinancing.

"Permitted Investments" means any of the following (in each case made by the Issuer or any of the Restricted Subsidiaries):

(a) Investments in cash or Cash Equivalents;

(b) intercompany Debt to the extent permitted under clause (d) of paragraph (2) of "*—Certain Covenants—Limitations on Debt*";

(c) Investments in: (i) the Issuer; (ii) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary); or (iii) another Person (including the Capital Stock of such Person) if as a result of such Investment such other Person becomes a Restricted Subsidiary or such other Person is merged or consolidated or amalgamated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;

(d) Investments as a result of or retained in connection with an Asset Sale permitted under or made in compliance with *"—Certain Covenants—Limitation on Asset Sales*" to the extent such Investments are non-cash proceeds permitted thereunder;

(e) Investments (i) in payroll, travel, entertainment, moving, other relocation and similar advances to cover matters that are expected at the time of such advances to be treated as expenses in accordance with IFRS and (ii) Investments in the ordinary course of business consisting of endorsements for collection or deposit and customary trade arrangement with customers;

(f) Investments in the Notes, any Additional Notes and other Debt of the Issuer or any Restricted Subsidiary;

(g) Investments existing, or made pursuant to legally binding commitments in existence, at the Issue Date and any Investment that amends, extends, renews, replaces or refinances an Investment existing on the date of the Indenture; *provided* that the amount of any such Investment may be increased (i) as required by the terms of such Investment as in existence on the Issue Date or (ii) as otherwise not prohibited under the Indenture;

(h) Investments in any Hedging Agreements permitted under clause (2)(h) of "*—Certain Covenants—Limitation on Debt*";

(i) Investments in a Person to the extent that the consideration therefor consists of the Issuer's Qualified Capital Stock or the net proceeds of the substantially concurrent issue and sale (other than to any Subsidiary) of shares of the Issuer's Qualified Capital Stock or Subordinated Shareholder Debt (to the extent such proceeds are not used for the making of any Restricted Payments);

(j) any Investments received (i) in satisfaction of judgments, foreclosure, perfection or enforcement of any liens or settlement of debts; (ii) in compromise of obligations of such persons that were Incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; (iii) in compromise or resolution of obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of the Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (iv) litigation, arbitration or other disputes;

(k) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of clauses (a), (f), (g) and (h) of paragraph (2) of the covenant described under "*—Certain Covenants—Limitation on Transactions with Affiliates*";

(l) lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business;

(m) Investments consisting of purchases and acquisitions of inventory, supplies, trading stock, materials and equipment or licenses or leases of intellectual property, in any case, either in the ordinary course of business or in furtherance of a Permitted Business and, in either case, as not prohibited by the Indenture;

(n) guarantees permitted to be incurred under the "*—Certain Covenants—Limitation on Debt*" covenant and (other than with respect to, or given in connection with the incurrence of, Debt) guarantees, keepwells and similar arrangements in the ordinary course of business;

(o) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the "*—Certain Covenants—Limitation on Liens*" covenant;

(p) Investments by the Issuer or any Restricted Subsidiary in Qualified Joint Ventures or Unrestricted Subsidiaries, including a guarantee thereof or loans or letter of credit thereto, the amount of which, measured by reference to the Fair Market Value of each such Investment on the day it was made but net of any distributions, dividends payments or other returns in respect of such Investments, not to exceed the greater of €60 million and 20% of Consolidated EBITDA in the aggregate outstanding at any one time; *provided*, that if an Investment is made pursuant to this clause (p) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (c) of the definition of "Permitted Investments" and not this clause (p);

(q) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of the Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of the Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(r) (i) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and (ii) advance payments made in relation to capital expenditures in the ordinary course of business;

(s) any acquisition of assets or Capital Stock solely in exchange for the issuance of the Issuer's Capital Stock (other than Redeemable Capital Stock);

(t) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made but net of any distributions, dividends payments or other returns in respect of such Investments), when taken together with all other Investments made pursuant to this clause (t) that are at the time outstanding, not to exceed the greater of €60 million or 20% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause (t) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (c) of the definition of "Permitted Investments" and not this clause (t); and

(v) Investments in receivables made in connection with any Qualified Receivables Financing, including Investments held in accounts permitted or required by the arrangements governing such Qualified Receivables Financing or any related Debt.

"Permitted Liens" means the following types of Liens:

(a) Liens existing or contemplated by written arrangements as of the Issue Date;

(b) Liens on any property or assets of a Restricted Subsidiary granted in favor of the Issuer or any Restricted Subsidiary;

(c) Liens securing Debt (including Liens securing any obligations in respect thereof) consisting of the Notes or the Guarantees, as the case may be;

(d) any interest or title of a lessor under any lease or any Capitalized Lease Obligation;

(e) Liens to secure Debt (including Capitalized Lease Obligations) permitted by clause (2)(f) of "*—Certain Covenants—Limitation on Debt*"; *provided* that any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Debt and any improvements or accessions to such assets and property;

(f) Liens arising out of conditional sale, title retention, consignment, deferred payment, supply agreements or similar arrangements for the sale or purchase of goods entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business;

(g) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, employees, pension plan administrators or other like Liens arising in the ordinary course of the Issuer's or any Restricted Subsidiary's business and with respect to amounts not yet delinquent for more than 60 days or being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made;

(h) Liens arising solely by virtue of any statutory or common law provisions relating to attorney's liens or bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution;

(i) Liens for taxes, assessments, government charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made;

(j) Liens Incurred or deposits made to secure the performance of tenders, bids or trade or government contracts, or to secure leases, statutory or regulatory obligations, trade contracts, surety or appeal bonds, performance bonds or other obligations of a like nature Incurred in the ordinary course of business;

(k) zoning restrictions, survey exceptions, easements, licenses, reservations, title defects, rights of others for rights-of-way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions, encroachments and other similar charges, encumbrances or title defects incurred in the ordinary course of business that do not in the aggregate materially interfere with in any material respect the ordinary conduct of the business of the Issuer and the Restricted Subsidiaries on the properties subject thereto, taken as a whole;

(l) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(m) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(n) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(o) Liens on property of, or on shares of Capital Stock or Debt of, any Person existing at the time such Person is acquired by, merged with or into or consolidated with, the Issuer or any Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, Capital Stock or Debt); *provided* that such Liens: (i) do not extend to or cover any property or assets of the Issuer or any Restricted Subsidiary other than the property or assets acquired or than those of the Person merged into or consolidated with the Issuer or Restricted Subsidiary; and (ii) were created prior to, and not in connection with or in contemplation of, such acquisition, merger, consolidation, amalgamation or other combination;

(p) Liens securing the Issuer's or any Restricted Subsidiary's obligations under any Hedging Agreements permitted under clause (2)(h) "*—Certain Covenants—Limitation on Debt*" or any collateral for the Debt to which such Hedging Agreements relate;

(q) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance;

(r) Liens Incurred in connection with any cash management program established in the ordinary course of business for the Issuer's or any Restricted Subsidiary's benefit;

(s) Liens made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Issuer or any Restricted Subsidiary, including rights of offset and set-off;

(t) Liens on assets of a Restricted Subsidiary that is not a Guarantor to secure Debt of such Restricted Subsidiary (or any other Restricted Subsidiary that is not a Guarantor) and that is otherwise not prohibited under the Indenture;

(u) any extension, renewal or replacement, in whole or in part, of any Lien (excluding any Liens pursuant to clause (x) of this definition) permitted by the Indenture; *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets;

(v) Liens securing Debt Incurred to refinance Debt that has been secured by a Lien (excluding any Liens pursuant to clause (x) of this definition) permitted by the Indenture; *provided* that: (i) any such Lien shall not extend to or cover any assets not securing the Debt so refinanced; and (ii) the Debt so refinanced shall have been permitted to be Incurred;

(w) purchase money Liens to finance property or assets of the Issuer or any Restricted Subsidiary acquired in the ordinary course of business; *provided* that: (i) the related purchase money Debt shall not exceed the cost of such property or assets and shall not be secured by any property or assets of the Issuer or any Restricted Subsidiary other than the property and assets so acquired; and (ii) the Lien securing such Debt shall be created within 90 days of any such acquisitions;

(x) Liens Incurred by the Issuer or any Restricted Subsidiary with respect to obligations that do not exceed the greater of €80 million and 25% of Consolidated EBITDA;

(y) Liens on Escrowed Proceeds or Liens for the benefit of the related holders of debt securities (including holders of a specific series of Notes and not any other series) or other Debt (or the underwriters, arrangers, trustees (including the Trustee) or security agent (including the Security Agent) thereof) or on cash set aside at the time of the Incurrence of any Debt or government securities purchased with such cash, in either case, to the extent such cash or government securities are held in an escrow account or similar arrangement;

(z) any right of refusal, right of first offer, option or other arrangement to sell or otherwise dispose of an asset of the Issuer or any Restricted Subsidiary;

(aa) leases, subleases, licenses, sublicenses and other conveyances of assets (including real property) entered into in the ordinary course of business;

(bb) any encumbrance or restriction (including, but not limited to, pursuant to put and call agreements or buy/ sell arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(cc) Liens (including put and call arrangements) on Capital Stock, Debt or other securities of an Unrestricted Subsidiary or a joint venture that is not a Subsidiary of the Issuer that secure Debt or other obligations of such Unrestricted Subsidiary or joint venture respectively;

(dd) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(ee) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Debt;

(ff) Liens on receivables and other assets of the type described in the definition of "Qualified Receivables Financing" Incurred in connection with a Qualified Receivables Financing; or

(gg) Liens securing the Bridge to Disposal Facility.

For purposes of determining compliance with this definition, (i) a Lien need not be incurred solely by reference to one category of Permitted Liens described in this definition but may be incurred under any combination of such categories (including in part under one such category and in part under any other such category), (ii) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens, the Issuer shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition, (iii) the principal amount of Debt secured by a Lien outstanding under any category of Permitted Liens shall be determined after giving effect to the application of proceeds of any such Debt to refinance any such other Debt, (iv) any Lien securing Debt that was permitted to secure such Debt at the time of the Incurrence of such Debt shall also be permitted to secure any increase in the amount of such Debt in connection with the accrual of interest and the accretion of accreted value, (v) if any Debt or other obligation is secured by any Lien outstanding under any category of Permitted Liens measured by reference to a percentage of Consolidated EBITDA at the time of incurrence of such Debt or other obligations, and is refinanced by any Debt or other obligation secured by any Lien incurred by reference to such category of Permitted Liens, and such refinancing would cause the percentage of Consolidated EBITDA to be exceeded if calculated based on the Consolidated EBITDA on the date of such refinancing, such percentage of Consolidated EBITDA shall not be deemed to be exceeded (and such refinancing Lien shall be deemed permitted) so long as the principal amount of such refinancing Debt or other obligation does not exceed an amount equal to the principal amount of such Debt or other obligation being refinanced, plus the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses (including accrued and unpaid interest) incurred or payable in connection with such refinancing, and (vi) if any Debt or other obligation is secured by any Lien outstanding under any category of Permitted Liens measured by reference to an amount in Euro, and is refinanced by any Debt or other obligation secured by any Lien incurred by reference to such category of Permitted Liens, and such refinancing would cause such Euro amount to be exceeded, such Euro amount shall not be deemed to be exceeded (and such refinancing Lien shall be deemed permitted) so long as the principal amount of such refinancing Debt or other obligation does not exceed an amount equal to the principal amount of such Debt being refinanced, plus the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses (including accrued and unpaid interest) incurred or payable in connection with such refinancing.

"Permitted Refinancing Debt" means any renewals, extensions, substitutions, defeasances, discharges, refinancings, exchanges or replacements (each, for purposes of this definition and paragraph (2) of "—*Certain Covenants—Limitation on Debt*," a "refinancing") of any Debt of the Issuer or a Restricted Subsidiary or pursuant to this definition, including any successive refinancings, as long as:

(a) such Debt is in an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) not in excess of the sum of: (i) the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding of the Debt being refinanced; and (ii) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;

(b) if the Debt being refinanced is Subordinated Debt, the Stated Maturity of such Debt is no earlier than the Stated Maturity of the Debt being refinanced or, if shorter, the Stated Maturity of the Notes; and

(c) if the Debt being refinanced is subordinated in right of payment to the Notes or the Guarantees (as applicable), such Permitted Refinancing Debt is subordinated in right of payment to, the Notes or the Guarantees (as applicable) on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Debt being renewed, extended, substituted, defeased, discharged, refinanced or replaced, *provided* further, however, that Permitted Refinancing Debt shall not include (i) Debt of the Issuer or a Restricted Subsidiary that refinances Debt of an Unrestricted Subsidiary or (ii) Debt of a Restricted Subsidiary that is not a Guarantor that refinances Debt of the Issuer or a Guarantor;

provided that clauses (b) and (c) of this definition shall not apply to any Debt incurred to refinance the OSEs outstanding as of the Issue Date; *provided* that the maturity date of such Debt is at least two years after the final Stated Maturity of the Notes (without giving effect to any "springing" maturity set forth under "—*Principal and Maturity*").

"Permitted Reorganization" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving any Parent, the Issuer or any of its Restricted Subsidiaries (a "Reorganization") that is made on a solvent basis; *provided* that:

(a) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries;

(b) if any of the Guarantees are released pursuant to "—*Guarantees—Release of the Guarantees*," substantially equivalent Guarantees must be granted by a surviving entity, if any; and

(c) if any shares or other assets form part of the Collateral and are not liquidated, cancelled or otherwise cease to exist, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral (ignoring for the purposes of assessing such equivalence any limitations required in accordance with the Agreed Security Principles or hardening periods (or any similar or equivalent concept)).

"Person" means any individual, corporation, cooperative or *cooperativa*, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Pre-Expansion European Union" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of, or leaves, the European Union after January 1, 2004.

"Preferred Stock" means, with respect to any Person, Capital Stock of any class or classes (however designated) of such Person that is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class of such Person, whether now outstanding or issued after the Issue Date and including, without limitation, all classes and series of preferred or preference stock of such Person.

"*pro forma*" means, with respect to any calculation made or required to be made pursuant to the terms of the Notes, a calculation made in good faith by the Issuer's Group Finance Director.

"Public Debt" means any Debt consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the Commission for public resale. The term "Public Debt" shall not include (i) the Notes, (ii) any Debt issued to institutional investors in a direct placement of such Debt that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than ten Persons (*provided* that multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall be deemed not underwritten), (iii) any bank Debt, commercial bank or similar Debt, Capitalized Lease Obligation or recourse transfer of any financial asset or (iv) any other type of Debt Incurred in a manner not customarily viewed as a "securities offering."

"Qualified Capital Stock" of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

"Qualified Joint Venture" means a joint venture in which the Issuer or any of the Restricted Subsidiaries has a direct or indirect ownership interest that is engaged in a Permitted Business and that is not a Subsidiary of (i) the Issuer or (ii) any of the Restricted Subsidiaries.

"Qualified Receivables Financing" means any transaction or series of transactions that may be entered into by the Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), or may grant a security interest in, any receivables (whether now existing or arising in the future) of the Issuer or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such receivables, the bank accounts into which the proceeds of such receivables are collected and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with receivables securitizations, receivable sale facilities, factoring facilities or invoice discounting facilities involving receivables; *provided* that the Board of Directors will have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the applicable Restricted Subsidiary or Receivables Subsidiary.

"Receivables Fees" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Qualified Receivables Financing.

"Receivables Repurchase Obligation" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"Receivables Subsidiary" means a wholly owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Debt or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Debt) pursuant to Standard Securitization Undertakings), (b) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any Restricted Subsidiary, (c) is recourse to or obligates the Issuer

or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (d) subjects any property or asset of the Issuer or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary of the Issuer has any material contract, agreement, arrangement or understanding (except in connection with a Qualified Receivables Financing) other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any Restricted Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"Redeemable Capital Stock" means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the Notes or is redeemable at the option of the Holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of the Issuer in circumstances in which the Holders of the Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity; *provided* that any Capital Stock that would constitute Qualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of any "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes will not constitute Redeemable Capital Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in "*—Certain Covenants—Limitation on Asset Sales*" and "*—Certain Covenants—Change of Control*" and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's repurchase of such Notes as are required to be repurchased pursuant to "*—Certain Covenants— Limitation on Asset Sales*" and "*—Certain Covenants—Change of Control*."

"Replacement Assets" means (i) non-current properties and assets (including Capital Stock of a Person that is or becomes a Restricted Subsidiary and such Restricted Subsidiary's property, business or assets are used or useful in a Permitted Business or any and all businesses that in the good faith judgment of the Board of Directors of the Issuer are reasonably related) that replace the properties and assets that were the subject of an Asset Sale, or (ii) non-current properties and assets that are used or useful in a Permitted Business or any and all businesses that in the good faith judgment of the Board of Directors of the Issuer are reasonably related.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"S&P" means Standard and Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. and its successors.

"Sale and Leaseback Transaction" means any arrangement providing for the leasing by the Issuer or any of the Restricted Subsidiaries of any real or tangible personal property, which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to a third person in contemplation of such leasing.

"Securities Act" means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"Security Agent" means Banco Santander, S.A.

"Security Documents" means the security arrangements, charge agreements, collateral assignments, debentures and any other instrument and document executed and delivered pursuant to the Intercreditor Agreement or any of the foregoing, and in each case pursuant to which the Collateral is charged, assigned or granted to or on behalf of the Security Agent for the benefit of the holders of the Notes and the Trustee or notice of such charge, assignment or grant is given, in each case as the same may be amended, supplemented or otherwise modified from time to time.

"Senior Secured Debt" means, as of any date of determination, with respect to any specified Person, the total amount of Debt under Credit Facilities of such Person and its Restricted Subsidiaries on a consolidated basis that is secured by a first-priority Lien on the Collateral that is incurred under clauses (b) and (d)(y) of the definition of "Permitted Collateral Liens" and any Permitted Refinancing Debt incurred under clause (c) of the definition of "Permitted Collateral Liens" in respect thereof.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "significant subsidiary" of the Issuer within the meaning of Rule 1-02 (but excluding clause (1) of the definition of "significant subsidiary") under Regulation S-X promulgated by the SEC, as in effect on the Issue Date.

"Standard Securitization Undertakings" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Qualified Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"Stated Maturity" means, when used with respect to any Note or any instalment of interest thereon, the date specified in such Note as the fixed date on which the principal of such Note or such instalment of interest, respectively, is due and payable, and, when used with respect to any other debt, means the date specified in the instrument governing such debt as the fixed date on which the principal of such debt, or any instalment of interest thereon, is due and payable, including pursuant to any mandatory redemption provision, but shall not include any Contingent Obligations to repay, redeem or repurchase such principal prior to the date originally scheduled for the payment thereof.

"Subordinated Debt" means Debt of the Issuer or any of the Guarantors that is expressly subordinated in right of payment, or subordinated by operation of law, to the Notes or the Guarantees of such Guarantors, as the case may be, including the OSEs.

"Subordinated Shareholder Debt" means, collectively, any funds provided to the Issuer by any direct or indirect Parent of the Issuer, or Affiliate of such Parent, pursuant to any security, instrument or agreement, other than Capital Stock, that pursuant to its terms:

(a) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Qualified Capital Stock or for any other security or instrument meeting the requirements of the definition);

(b) does not (including upon the happening of any event) require the payment in cash or otherwise, of interest or any other amounts prior to the first anniversary of the maturity of the Notes (*provided* that interest may accrete while such Subordinated Shareholder Debt is outstanding and accretion interest may become due upon maturity as permitted by clause (a) or acceleration of maturity as permitted by clause (c) below and any interest may be satisfied at any time by the issue to the holders thereof of additional Subordinated Shareholder Debt);

(c) does not (including upon the happening of any event) provide for the acceleration of its maturity and its holders have no right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, prior to the first anniversary of the maturity of the Notes;

(d) is not secured by a Lien or any assets of the Issuer or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Issuer;

(e) is contractually subordinated and junior in right of payment to the prior payment in full in cash of all obligations (including principal, interest, premium (if any) and Additional Amounts (if any)) of the Issuer under the Notes and the Guarantors under the Guarantees pursuant to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(f) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Qualified Capital Stock of the Issuer; *provided* that in any event or circumstance that results in such Debt ceasing to qualify as Subordinated Shareholder Debt, such Debt shall constitute an Incurrence of such Debt by the Issuer, and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Debt since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

"Subsidiary" means, with respect to any Person:

(a) a corporation, a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person;

(b) any other Person (other than a corporation), including, without limitation, a partnership, limited liability company, business trust or joint venture, in which such Person, one or more Subsidiaries of such Person or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Person performing similar functions); and

(c) any corporation, association, or other business entity whose financial statements are consolidated with those of such Person as a subsidiary in accordance with IFRS (including, without limitation, Supratuc and Vegalsa and each of their respective Subsidiaries) as of the Issue Date.

"Successor Parent" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"Supratuc" means Supratuc2020, S.L. and its successors.

"TARGET Settlement Day" means any day on which the real time gross settlement system operated by the Eurosystem or any successor system (T2) is open.

"Tax Sharing Agreement" means any tax consolidation agreement or any similar arrangements in respect of any consolidated, combined, affiliated or unitary tax group or an arrangement relating to the surrender of group relief to which the Issuer or any of the Restricted Subsidiaries is a party.

"Term Loan A" means the term facility agreement, dated November 16, 2023, among, *inter alios*, the Issuer, as borrower, certain of the Guarantors, Kutxabank, S.A., as agent, the lenders as described therein and other parties named therein from time to time, as amended and restated from time to time.

"U.S. GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time.

"Unrestricted Subsidiary" means any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Issuer's Board of Directors pursuant to the covenant under the caption "*—Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*") and any Subsidiary thereof.

"Vegalsa" means Vegonsa Agrupación Alimentaria, SA, and its successors.

"Voting Stock" means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the Board of Directors, managers or trustees (or Persons performing similar functions) of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes sold within the United States to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Notes**").

The Notes sold outside the United States in offshore transactions pursuant to Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the 144A Global Notes, the "**Global Notes**").

On the Issue Date, the Global Notes will be deposited with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes ("**144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, Book-Entry Interests will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by, Euroclear and Clearstream and their participants. Book-Entry Interests for the Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Group will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream, as applicable.

Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit a participant's account on their respective book-entry registration and transfer systems with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the owners or "holders" of the Notes for any purpose.

So long as the Notes are held in global form, the common depositary of Euroclear and/or Clearstream (or its respective nominee) will be considered the sole holder of the Global Notes for all purposes under the Notes Indenture. As such, participants must rely on the procedures of Euroclear and/or Clearstream and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests to transfer their interests or to exercise any rights of holders of the Notes under the Indenture.

None of the Issuer, the Initial Purchasers and the Registrar, Paying Agent, Security Agent, Transfer Agent, and Trustee under the Indenture nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of Definitive Registered Notes

Under the terms of the Notes Indenture, owners of the Book-Entry Interests will receive definitive registered Notes in certified form (the "**Definitive Registered Notes**") only in the following circumstances:

(1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by such Issuer within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an Event of Default under an Indenture and enforcement action is being taken in respect thereof under such Indenture.

Euroclear and Clearstream have advised the Notes Issuer that upon request by an owner of a Book- Entry Interest described in the immediately preceding clause (2), their current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Notes Indenture or applicable law.

To the extent permitted by law, the Issuer and each of the Trustee, Paying Agent, Security Agent, Transfer Agent and Registrar and their respective agents shall be entitled to treat the registered holder of any Definitive Registered Note as the absolute owner thereof, and no person will be liable for treating the registered holder as such. Ownership of the Definitive Registered Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

The Issuer will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Notes, (ii) any date fixed for redemption of the Notes or (iii) the date fixed for selection of the Notes to be redeemed in part. The Issuer is also not required to register the transfer or exchange of any Notes selected for redemption or which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or Asset Disposition Offer. In the event of the transfer of any Definitive Registered Note, the Trustee and the Transfer Agent may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indenture. The Issuer may require a holder to pay any transfer taxes and fees required by law and permitted by the Indenture and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of the Transfer Agent, the Group will issue and the Trustee (or an authenticating agent appointed by the Trustee) will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and us to protect us, the Registrar, the Transfer Agent or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer and each Registrar and/or Trustee may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by us pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests only in accordance with the Indenture and, if required, only after the transferor first delivers to the relevant Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Notice to Investors*."

Redemption of the Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream (or their respective nominee), as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis (including by application of a pool factor) as they deem fair and appropriate in accordance with their respective operational procedures; *provided, however, that* no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

Payments on the Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) to the Paying Agent for onward payment to Euroclear and Clearstream. In turn, Euroclear and Clearstream will distribute such payments to participants in accordance with their respective procedures. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee, the Paying Agent, the Security Agent, the Transfer Agent, the Registrar and any of their respective agents will treat the registered holder of the Global Notes (*i.e.*, the common depositary for Euroclear and Clearstream (or its nominee)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Security Agent, the Transfer Agent, the Paying Agent nor any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book- Entry Interest;

- any other matter relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant; or

- the records of the common depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid through Euroclear and/or Clearstream in Euro.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of the Issuer, the Guarantors, the Initial Purchasers, the Trustee, the Agents or any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with such payment.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, Euroclear and Clearstream, at the request of the holders of Book-Entry Interests, reserve the right to exchange the Global Notes for definitive registered notes in certificated form (the "**Definitive Registered Notes**") and to distribute such Definitive Registered Notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in jurisdictions that require physical delivery of securities or to pledge such Notes, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set out in the Indenture.

The Global Notes will have a legend to the effect set out under "*Transfer Restrictions*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*." Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of Rule 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Pledges

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a Book-Entry Interest to pledge such interest to persons or entities who or that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Guarantors, the Trustee, the Agents, the Initial Purchasers or any of their respective agents is responsible for those operations or procedures.

We understand as follows with respect to Euroclear and Clearstream. Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Official List of the Exchange. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, the Trustee, the Agents, or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in Euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of the Notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information

The Issuer expects that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes for the Notes are set out under "*Listing and General Information*."

CERTAIN TAX CONSIDERATIONS

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Offering Memorandum and is subject to any change in law that may take effect after such date whether or not such change in law has retroactive effect.

Investors should also note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Spanish Tax Considerations

Payments Made by the Issuer

The following is a general description of certain Spanish tax considerations. The information provided below does not purport to be a complete overview of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect.

This taxation summary solely addresses the principal Spanish tax consequences of the acquisition, the ownership and disposal of Notes issued by the Issuer after the date hereof held by a holder of Notes. It does not consider every aspect of taxation that may be relevant to a particular holder of Notes under special circumstances or who is subject to special treatment under applicable law or to the special tax regimes applicable in the Basque Country and Navarra ("***Territorios Forales***"). Where in this summary English terms and expressions are used to refer to Spanish concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Spanish concepts under Spanish tax laws. This summary assumes that each transaction with respect to the Notes is at arm's length.

This overview is based on the law as in effect on the date of this Offering Memorandum and is subject to any change in law that may take effect after such date. References in this section to noteholders include the beneficial owners of the Notes, where applicable.

Any prospective holder of the Notes should consult their own tax advisers who can provide them with personalized advice based on their particular circumstances. Likewise, investors should consider the legislative changes which could occur in the future.

Introduction

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this document:

- of general application, (i) Additional Provision One of Law 10/2014, of June 26, on supervision and solvency of credit entities ("**Law 10/2014**"); (ii) Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as amended by Royal Decree 1145/2011, of 29 July ("**Royal Decree 1065/2007**"); (iii) Additional Provision One of Foral Law 1/2012, of 29 February, approving the transitional measures for 2012 and 2013 and other Tax measures of the territory of Biscay ("**Foral Law 1/2012**"); and Foral Decree 205/2008, of December 22, regulating the formal tax obligations of the Historical Territory of Biscay ("**Foral Decree 205/2008**");

- for individuals resident for tax purposes in Spain which are subject to the Personal Income Tax ("**PIT**"), (i) Law 35/2006, of 28 November, on the PIT and on the Partial Amendment of the CIT Law, the Non-Residents Income Tax Law and the Net Wealth Tax Law, as amended by Law 26/2014, of 27 November ("**PIT Law**"), and (ii) Royal Decree 439/2007, of 30 March passing the PIT regulations, as amended by Royal Decree 633/2015, of 10 July, along with (iii) Law 19/1991, of June 6, on Net Wealth Tax ("**Net Wealth Tax Law**"), along with (iv) Law 29/1987, of December 18 on the Inheritance and Gift Tax ("**IGT Law**") and Law 38/2022, for the establishment of temporary levies on energy and on financial credit institutions and introducing a temporary solidarity tax on large fortunes;

- for legal entities resident for tax purposes in Spain which are subject to the CIT, (i) Law 27/2014, of 27 November governing the CIT ("**CIT Law**"), and (ii) Royal Decree 634/2015, of 10 July passing the CIT regulations ("**CIT Regulation**"); and

- for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("**NRIT**"), (i) Royal Legislative Decree 5/2004, of 5 March promulgating the NRIT, as amended, and (ii) Royal Decree 1776/2004, of 30 July promulgating the NRIT regulations, along with (iii) the Net Wealth Tax Law, along with (iv) the IGT Law and Law 38/2022, for the establishment of temporary levies on energy and on financial credit institutions and introducing a temporary solidarity tax on large fortunes.

Indirect taxation

Whatever the nature and residence of the noteholder, the acquisition and transfer of Notes will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax passed by Royal Legislative Decree 1/1993, of 24 September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December regulating such tax.

Direct taxation

Individuals with Tax Residency in Spain

Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)

Spanish individuals with tax residency in Spain are subject to PIT on a worldwide basis. Accordingly, income obtained from the Notes will be taxed in Spain when obtained by individuals that are considered resident in Spain for tax purposes. The fact that a Spanish company pays interest or guarantee payments under a Note will not lead an individual or entity being considered tax-resident in Spain.

Both interest payments periodically received and income derived from the transfer, redemption or exchange of the Notes constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25.2 of the PIT Law, and therefore must be included in the investor's PIT savings taxable base and taxed at a flat rate of 19% on the first €6,000, 21% for taxable income between €6,000.01 and €50,000, 23% for taxable income between €50,000.01 and €200,000.00, 27% for taxable income between €200,000.01 and €300,000 and 28% for taxable income exceeding €300,000.

As a general rule, both types of income are subject to a withholding tax on account at the rate of 19%.

However, it should be noted that Royal Decree 1065/2007 and Foral Decree 205/2008 established certain procedures for the provision of information which are explained under section "*Certain Tax Considerations—Spanish Tax Considerations— Disclosure of Information in Connection with the Notes*" below and that, in particular, in the case of debt listed securities issued under Law 10/2014 and Foral Law 1/2012 and initially registered in a foreign clearing and settlement entity that is recognized under Spanish regulations or under those of another OECD member state, as the Notes:

- it would not be necessary to provide the relevant Issuer with the identity of the noteholders who are individuals resident in Spain for tax purposes or to indicate the amount of income attributable to such individuals; and

- interest paid to all noteholders (whether tax resident in Spain or not) should be paid free of withholding tax; *provided that* the information procedures are complied with.

Therefore, no withholding on account of PIT will be imposed on interest as well as on income derived from the redemption or repayment of the notes, by individual investors subject to PIT; *provided that* certain requirements are met (including that the paying agent provides the Issuer, in a timely manner, with a duly executed and completed payment statement as established under Royal Decree 1065/2007 and Foral Decree

205/2008). If those requirements are not met, such interest and income will be subject to withholding on account of PIT at the applicable rate 19%. See "*Certain Tax Considerations—Spanish Tax Considerations—Disclosure of Information in connection with the Notes.*"

For the interpretation of Royal Decree 1065/2007 and Foral Decree 205/2008 and the information procedures, refer to section "*Certain Tax Considerations— Spanish Tax Considerations—Disclosure of Information in connection with the Notes*" below.

Nevertheless, Spanish withholding tax at the applicable rate (currently 19%) may have to be deducted by other entities (such as depositaries or financial entities); *provided that* such entities are resident for tax purposes in Spain or have a permanent establishment in the Spanish territory. The amounts withheld, if any, may be credited by the relevant investors against its final PIT liability.

On the other hand, income derived from the transfer of the Notes may be subject, under certain circumstances, to withholding on account of PIT at the applicable rate (19%). In any event, the individual holder may credit taxes withheld against his or her final PIT liability for the relevant tax year.

<u>Net Wealth Tax *(Impuesto sobre el Patrimonio)* and Solidarity Tax *(Impuesto Temporal de Solidaridad de las Grandes Fortunas)*</u>

Individuals with tax residency in Spain are subject to Net Wealth Tax to the extent that their net wealth exceeds €700,000 (please note that the Spanish Autonomous Community where the taxpayer resides may determine a minimum exempt amount different from the abovementioned €700,000 threshold). Therefore, they should consider the corresponding value of the Notes which they hold as of December 31 each year, the applicable rates ranging between 0.2% and 3.5% of the average market value of the notes during the last quarter of such year. However, this may vary depending on the legislation of the autonomous region of residency of the taxpayer. Accordingly, prospective noteholders should consult their tax advisers.

In addition to the above, the so-called "**Solidarity Tax**" was approved in December 2022, which is a direct wealth tax currently established as a temporary (which, as such shall only be payable in 2023 and 2024, with respect to the net wealth of eligible individuals as of December 31, 2022 and 2023, respectively).

The scope of the Solidarity Tax is generally equivalent to that of Wealth Tax, as it is also triggered on the individuals' total net wealth on December 31 (and, broadly, the same valuation rules will apply for the purposes of assessing an individual's net wealth). Solidarity Tax will only be payable by individuals with net assets worth, at least, € 3,000,000, plus a €700,000 minimum tax-free allowance, and certain exemptions which shall be assessed on a case-by-case basis. Furthermore, the amount paid for Wealth Tax will be deductible from the Solidarity Tax in order to avoid double taxation, meaning that Solidarity Tax will mainly have an impact on those residents in an autonomous region where the Wealth Tax is partially or fully exempt (as Madrid and Andalusia).

The rates of the "**Solidarity Tax**" are:

Taxable base up to (Euros)	**Tax due (Euros)**	**Rest of taxable base (Euros)**	**Rate**
0.00	0.00	3,000,000.00	0%
3,000,000.00	0.00	2,347,998.03	1.7%
5,347,998.03	39,915.97	5,347,998.03	2.1%
10,695,996.06	152,223.93	Any excess	3.5%

Note that the regulation lays down a minimum exempt amount of €700,000 which means that its effective impact, in general, will occur when the net wealth, not tax exempt, is greater than €3,700,000.

<u>Inheritance and Gift Tax *(Impuesto sobre Sucesiones y Donaciones)*</u>

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax ("**IGT**") in accordance with the applicable Spanish regional and State rules.

The effective tax rates currently range between 0% and 81.6% depending on relevant factors and the applicable regional tax rules.

It is necessary to take into account that the IGT is a tax, in some relevant aspects (including certain tax benefits), which has been transferred to the Spanish regions and, following this power, some territories have, in practice, eliminated the taxation.

Then, a particular analysis should be made in each specific case since there might be relevant differences *vis-a-vis* the tax treatment above summarized. Thus, noteholders should consult their tax advisers according to the particulars of their situation.

Legal Entities with Tax Residency in Spain

Corporate Income Tax *(Impuesto sobre Sociedades)*

Legal entities with tax residency in Spain are subject to CIT on a worldwide basis. Both interest periodically received and income deriving from the transfer, redemption or repayment of the Notes constitute a return on investments for tax purposes obtained from the transfer to third parties of own capital and must be included in the profit and taxable income of legal entities with tax residency in Spain for CIT purposes in accordance with the CIT rules. The current general tax rate according to CIT Law is 25%. However, such a tax rate will not be generally applicable to all CIT taxpayers and, for instance, it will not apply to banking institutions which will be taxable at a 30% rate.

According to Royal Decree 1065/2007 and Foral Decree 205/2008, in the case of listed debt instruments issued under Law 10/2014 or Foral Law 1/2012 by an entity recognized under Spanish regulations or under those of another OECD member state (such as the Notes), interest and income from the redemption or repayment of the Notes paid to investors should be paid free of Spanish withholding tax. The foregoing is subject to certain information procedures having been fulfilled. These procedures are described in "*Certain Tax Considerations— Spanish Tax Considerations— Disclosure of Information in connection with the Notes*" below.

Therefore, the Issuer considers that, pursuant to Royal Decree 1065/2007 and Foral Decree 205/2008, it has no obligation to withhold any tax on interest paid on the Notes or income derived from the redemption or repayment in respect of noteholders who are CIT payers; *provided that* the information procedures are complied with.

For the interpretation of Royal Decree 1065/2007 and Foral Decree 205/2008 and the information procedures, refer to section "*Risk Factors—Risks Related to our Indebtedness—There are risks related to Spanish withholding tax, including in conjunction with the collection of certain documentation from the Paying Agent*" above.

Nevertheless, Spanish withholding tax at the applicable rate (currently 19%) may have to be deducted by other entities (such as depositaries or financial entities); *provided that* such entities are resident for tax purposes in Spain or have a permanent establishment in the Spanish territory. The amounts withheld, if any, may be credited by the relevant investors against its final CIT liability.

In addition, the Spanish Directorate General for Taxation (*Dirección General de Tributos*) on July 27, 2004 issued a ruling indicating that, in the case of debt issuances made by entities resident in Spain, as in the case of the Issuer, application of the withholding tax exemption requires that, in addition to being traded on an organized market in an OECD country, the Notes be placed outside Spain in another OECD country.

With regard to income derived from the transfer of the Notes, pursuant to Section 61(s) of the CIT Regulation, there is no obligation to deduct withholding tax on income obtained subject to Spanish CIT (which, for the avoidance of doubt, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organized markets in OECD countries.

Net Wealth Tax *(Impuesto sobre el Patrimonio)* and Solidarity Tax *(Impuesto Temporal de Solidaridad de las Grandes Fortunas)*

Legal entities resident in Spain for tax purposes are neither subject to Net Wealth Tax nor to Solidarity Tax.

Inheritance and Gift Tax *(Impuesto sobre Sucesiones y Donaciones)*

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to IGT but must include the market value of the notes in their taxable income for CIT purposes.

Individuals and Legal Entities with No Tax Residency in Spain

Non Resident Income Tax *(Impuesto sobre la Renta de no Residentes)*

With Permanent Establishment in Spain: Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain. If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those previously set out for Spanish CIT taxpayers, without prejudice to the provisions set out by the eventual tax Treaty that could be of application. See "*—Spanish Tax Considerations—Legal Entities with Tax Residency in Spain—Corporate Income Tax (Impuesto sobre Sociedades)*."

Without permanent establishment in Spain: Both interest payments periodically received and income deriving from the transfer, redemption or repayment of the Notes, obtained by individuals or legal entities who have no tax residency in Spain, being Non-Resident Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax on the same terms laid down for income from Public Debt.

In order for such exemption to apply, it is necessary that the Notes are and admitted to listing on a regulated market, on a multi-lateral trading facility or on any other organized market and to comply with the information procedures (including that the Paying Agent provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement), see "*Certain Tax Considerations—Spanish Tax Considerations—Disclosure of Information in connection with the Notes*" as set out in Article 44 of Royal Decree 1065/2007 and Article 55 of Foral Decree 205/2008.

If the Paying Agent fails or for any reason is unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income under the Notes, the Issuer will withhold Spanish withholding tax at the then-applicable rate (currently 19%) on such payment of income on the Notes.

Noteholders that are not resident in Spain for tax purposes and entitled to exemption from NRIT, but the payment to whom was not exempt from Spanish withholding tax due to the failure by the Paying Agent to deliver a duly executed and completed payment statement, may apply directly to the Spanish tax authorities for any refund to which they may be entitled pursuant to the Direct Refund from Spanish Tax Authorities Procedures set out below. See "*—Procedures for Direct Refund from the Spanish Tax Authorities*" below.

Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself render such investors resident for tax purposes in Spain. The Spanish CIT law, however, provides for certain rules whereby entities based in no-tax or tax haven jurisdictions pursuant to Spanish laws may be deemed to have their tax residency in Spain where such entities' main assets, directly or indirectly, are properties or rights located in Spain, or that can be exercised within the Spanish territory, or where their main activity is carried on in Spain (subject to certain exceptions).

Net Wealth Tax *(Impuesto sobre el Patrimonio)* and Solidarity Tax *(Impuesto Temporal de Solidaridad de las Grandes Fortunas)*

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to Net Wealth Tax would generally not be subject to such tax.

Otherwise, non-Spanish resident individuals who own assets and rights that are deemed to be located in Spain, or that can be exercised within the Spanish territory or have to be met in Spain (as defined by the Wealth Tax Law) on December 31 of each year shall be subject to Net Wealth Tax on the value of the assets and rights that can be exercised or have to be met in Spain. However, taxpayers may deduct the minimum allowance of €700,000, the applicable rates ranging between 0.2% and 3.5% of the average market value of the Notes during the last quarter of such year.

Non-Spanish resident noteholders shall be entitled to apply the specific regulation of the autonomous community where their most valuable assets are located and which trigger this Spanish Net Wealth Tax due to the fact that they are located or are to be exercised within the Spanish territory. Prospective investors should consult their tax advisors in that respect.

However, to the extent that income derived from the Notes is exempt from NRIT, individual noteholders not resident in Spain for tax purposes who hold Notes on the last day of any calendar year will be exempt from Net Wealth Tax.

Non-Spanish tax resident legal entities are not subject to Net Wealth Tax.

In addition to the above, the so-called "Solidarity Tax" was approved in December 2022, which is a direct wealth tax currently established as a temporary (which, as such shall only be payable in 2023 and 2024, with respect to the net wealth of eligible individuals as of December 31, 2022 and 2023, respectively).

The scope of the Solidarity Tax is generally equivalent to that of Wealth Tax, as it is also triggered on the individuals' total net wealth at December 31 (and, broadly, the same valuation rules will apply for the purposes of assessing an individual's net wealth). Solidarity Tax will only be payable by individuals with net assets worth, at least, € 3,000,000, plus a €700,000 minimum tax-free allowance, and certain exemptions which shall be assessed on a case-by-case basis. Furthermore, the amount paid for Wealth Tax will be deductible from the Solidarity Tax in order to avoid double taxation, meaning that Solidarity Tax will mainly have an impact on, to those residents in an autonomous region were the Wealth Tax is partial or fully exempt (as Madrid and Andalusia).

The rates of the "**Solidarity Tax**" are:

Taxable base up to (Euros)	**Tax due (Euros)**	**Rest of taxable base (Euros)**	**Rate**
0.00	0.00	3,000,000.00	0%
3,000,000.00	0.00	2,347,998.03	1.7%
5,347,998.03	39,915.97	5,347,998.03	2.1%
10,695,996.06	152,223.93	Any excess	3.5%

Inheritance and Gift Tax *(Impuesto sobre Sucesiones y Donaciones)*

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy will not be subject to IGT in Spain if the country in which such individual resides has entered into a double tax treaty with Spain in relation to IGT providing for exclusive taxation on the State of residency.

Otherwise, the individual will be subject to IGT when the acquisition involves assets located in Spain or rights that can be exercised or have to be complied with in Spain, in accordance with the applicable regional and state legislation.

The tax rate, after applying all relevant factors, ranges between 0% and 81.6%, depending on various factors, such as the amount of the gift or inheritance, the net wealth of the heir or beneficiary of the gift, the kinship with the deceased or the donor and the qualification for tax benefits. These factors may vary depending on the application of the state's or the autonomous region's IGT laws. Generally, non-Spanish tax resident individuals are subject to Spanish state rules. However, non-resident taxpayers may be able to claim the applicability of the rules of the Spanish Autonomous Regions of residence of the deceased person, or of the donee or of the Autonomous Region where the majority of the assets received are located (including any available rebates) in accordance with the law. As such, investors are advised to consult their tax advisors or lawyers.

Non-resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to IGT. The income they obtain by gifts is generally taxed as capital gains and will be subject to NRIT, without prejudice of any applicable double tax treaty. If the entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of the treaty will apply. In general, tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

Payments Made by Each Guarantor

In the opinion of the Guarantors, any payments of principal and interest made by the Guarantor under a Guarantee may be characterized as an indemnity and, accordingly, be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Kingdom of Spain or any political subdivision or authority thereof or therein having power to tax.

However, although no clear precedent, statement of law or regulation exists in relation thereto, in the event that the Spanish Tax Authorities take the view that the Guarantors have validly, legally and effectively assumed all the obligations of the relevant Issuer under the Notes subject to and in accordance with the Guarantee, they may attempt to impose withholding tax in the Kingdom of Spain on any payments made by the Guarantor in respect of interest. In this case, should Law 10/2014 of Mainland Territory or Foral Law 1/2012 of Biscay be applicable, the Guarantors, in accordance with Law 10/2014 of Mainland Territory and Foral Law 1/2012 of Biscay and Royal Decree 1065/2007 of Mainland Territory and Foral Decree 205/2008 of Biscay, would not be obliged to withhold taxes in Spain on any interest paid under the Guarantee to the noteholders, that (i) can be regarded as listed debt securities issued under Law 10/2014/Foral Law 1/2012; and (ii) are initially registered at a foreign clearing and settlement entity that is recognized under Spanish regulations or under those of another OCDE member state; *provided that* the Paying Agent fulfills with the information procedures described in "*Certain Tax Considerations— Spanish Tax Considerations—Disclosure of Information in connection with the Notes*" below.

Obligation to Inform the Spanish Tax Authorities of the Ownership of the Notes

With effect as from January 1, 2013, Law 7/2012, of October 29, as implemented by Royal Decree 1558/2012, of November 15, introduced annual reporting obligations applicable to Spanish residents (i.e., individuals, legal entities, permanent establishments in Spain of non-resident entities) in relation to certain foreign assets or rights.

Consequently, if the Notes are deposited with or placed in the custody of a non-Spanish entity, noteholders resident in Spain will be obliged, if certain thresholds are met as described below, to declare before the Spanish Tax Authorities, between January 1 and March 31 every year, the ownership of the Notes held on December 31 of the immediately preceding year (*e.g.* to declare between January 1, 2021 and March 31, 2021 the Notes held on December 31, 2020).

This obligation would only need to be complied with if certain thresholds are met: specifically, if the only rights/assets held abroad are the Notes, this obligation would only apply if the value of the Notes together with other qualifying assets held on December 31 exceeds €50,000 (with the corresponding valuation to be made in accordance with Wealth Tax rules). If this threshold is met, a declaration would only be required in subsequent years if the value of the Notes together with other qualifying assets increases by more than €20,000 as against the declaration made previously. Similarly, cancellation or extinguishment of the ownership of the Notes before December 31 should be declared if such ownership was reported in previous declarations.

Disclosure of Information in Connection with the Notes

In accordance with section 5 of Article 44 of Royal Decree 1065/2007 and section 5 of Article 55 of Foral Decree 205/2008; and *provided that* the Notes issued are initially registered for clearance and settlement in Euroclear and Clearstream and admitted to listing on a regulated market, on a multi-lateral trading facility or on any other organized market, the Paying Agent designated by the Issuer would be obliged to provide the Issuer (or the Guarantor in relation to the payments made under the Deed of Guarantee) with a declaration (or payment statement), which should include the following information (in accordance with the form attached as Annex to Royal Decree 1065/2007):

- description of the Notes (and date of payment of the interest income derived from such Notes);
- total amount of income derived from the Notes; and
- total amount of income allocated to each non-Spanish clearing and settlement entity involved (such as Euroclear and Clearstream).

In particular, the Paying Agent must certify the information above relating to the Notes by means of a certificate.

In light of the above, the Issuer and the Paying Agent have entered into an agreement whereby, amongst other things, the Paying Agent agrees to implement certain procedures for the timely provision by the Paying Agent to the Issuer (or, where applicable, the Guarantors) of a duly executed and completed declaration or Payment Statement in connection with each income payment under the Notes and set out certain procedures which aim to facilitate such process, along with a form of a Payment Statement to be used by the Paying Agent.

According to section 6 of Article 44 of Royal Decree 1065/2007 and section 6 of Article 55, section 5 of Foral Decree 205/2008, the relevant declaration (or payment statement) will have to be provided to the Issuer (or the Guarantors, as the case may be) on the business day immediately preceding each Interest Payment Date. If this requirement is complied with, the Issuer (or the Guarantor) will pay gross (without deduction of any withholding tax) all interest under the Notes to all noteholders (irrespective of whether they are tax resident in Spain).

Prospective investors should note that none of the Issuer, the Guarantors, the Trustee, the Paying Agent, the Registrar, the Security Agent, the Transfer Agent and the Initial Purchasers accepts any responsibility relating to the procedures established for the timely provision by the Paying Agent of a duly executed and completed Payment Statement in connection with each payment of income under the Notes. Accordingly, none of the Issuer, the Guarantors, the Trustee, the Paying Agent, the Registrar, the Security Agent, the Transfer Agent and the Initial Purchasers will be liable for any damage or loss suffered by any holder of the Notes who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, the Issuer will not pay any Additional Amounts with respect to any such withholding tax. In that case, the holders of the Notes may apply directly to the Spanish tax authorities for any refund to which they may be entitled. See "*Risk Factors—Risks Related to the Notes and our Structure—There are risks related to Spanish withholding tax, including in conjunction with the collection of certain documentation from the Paying Agent*."

If the Paying Agent fails or for any reason is unable to deliver a duly executed and completed Payment Statement to the Issuer (or, where applicable, the Guarantors) in a timely manner in respect of a payment of income under the Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 19%. If this were to occur, affected holders of the Notes will receive a refund of the amount withheld, with no need for action on their part, if the Paying Agent submits a duly executed and completed Payment Statement to the Issuer (or, where applicable, the Guarantors) no later than the tenth calendar day of the month immediately following the relevant payment date. In addition, following the tenth calendar day of the month immediately following the relevant Interest Payment Date, holders of the Notes may apply directly to the Spanish tax authorities for any refund to which they may be entitled. See "*Certain Tax Considerations—Procedures for direct refund from the Spanish tax authorities*" below.

In the event that the current applicable procedures were to be modified, amended or supplemented by, amongst others, a Spanish law, regulation, interpretation or ruling of the Spanish Tax Authorities, the Issuer would inform the noteholders of such information procedures and of their implications, as the Issuer (or the Guarantors, as the case may be) may be required to apply withholding tax on interest payments under the Notes if the noteholders were not to comply with such information procedures.

Procedures for Direct Refund from the Spanish Tax Authorities

Noteholders entitled to receive income payments in respect of the Notes free of any withholding taxes may claim amounts withheld from the Spanish Treasury no earlier than February 1 of the year immediately following the year in which the relevant payment was made.

Noteholders may claim the amount withheld from the Spanish Treasury within the first four years following the last day on which the Issuer (or, where applicable, the Guarantors) may pay any amount so withheld to the Spanish Treasury (which is generally the 20th calendar day of the month immediately following the relevant payment date), by filing with the Spanish tax authorities (i) the relevant Spanish tax form (currently, Form 210), (ii) proof of ownership and (iii) a certificate of residency issued by the tax authorities of the country of tax residence of such noteholders, amongst other documents.

Further details of the direct refund process may be found through the Spanish Tax Administration, at the webpage as of the date hereof at http://www.agenciatributaria.es/AEAT.internet/en_gb/Inicio.shtml and through the Biscay Tax Administration, at the webpage as of the date hereof at Hacienda de Bizkaia - Bizkaia.eus.

The Spanish financial transactions tax ("FTT")

Law 5/2020, dated October 15, 2020, on the Tax on Financial Transactions (the "**Spanish FTT Law**") has implemented the tax in Spain (the "**Spanish FTT**").

According to the Spanish FTT Law, the Spanish FTT is aligned with the French and Italian financial transaction taxes. Specifically, the Spanish FTT is levied at a rate of 0.2% on certain acquisitions of listed shares issued by Spanish companies whose market capitalization exceeds €1 billion, regardless of the jurisdiction of residence of the parties involved in the transaction. The Spanish FTT does not apply in relation to an issue of Notes. However, the Spanish FTT Law could be modified and therefore there can be no assurance that the Spanish FTT would not apply to an issue of Notes in the future.

Noteholders are advised to seek their own professional advice in relation to the Spanish FTT.

Tax Rules for Notes Not Listed on a Regulated Market, Multilateral Trading Facility or Other Organized Market

Withholding on Account of PIT, NRIT and CIT

If the Notes are not listed on a regulated market, multilateral trading facility or other organized market on any date on which income in respect of the Notes will be paid, payments of income to noteholders in respect of the Notes will be subject to Spanish withholding tax at the then-applicable rate (currently 19%). noteholders which are: (A) residents in a Member State of the European Union or the European Economic Area other than Spain and obtain such income either directly or through a permanent establishment located in another Member State of the European Union or the European Economic Area; *provided that* such noteholder (i) does not obtain such income on the Notes through a permanent establishment in Spain, (ii) is the actual beneficial owner of the Notes and (iii) is not a resident of, is not located in, nor obtains income through, a non-cooperative jurisdiction for Spanish tax purposes; or (B) residents for tax purposes in a country which has entered into a convention for the avoidance of double taxation with Spain which provides for an exemption from Spanish tax or a reduced withholding tax rate with respect to income payable to any noteholder may be entitled to an exemption from, or reduction of, such tax. Individuals and entities that may benefit from such exemptions or reduced tax rates should apply directly to the Spanish tax authorities for any refund to which they may be entitled pursuant to the "*—Procedures for direct refund from the Spanish tax authorities*."

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Spain) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date final regulations defining "foreign passthru payments" are published in the U.S. Federal Register, and instruments characterised as debt for U.S. federal income tax purposes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Accordingly, any withholding under FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Prospective investors should consult their tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

Certain U.S. Federal Income Tax Consequences

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with U.S. Holders who purchase Notes in this offering at their "issue price" (*i.e.*, the first price at which a substantial amount of Notes are sold for money to investors, excluding sales to underwriters, placement agents or wholesalers) and that will hold the Notes as "capital assets" (generally, property held for investment). This summary is based on the tax laws of the United States, including the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect. There can be no assurances that the Internal Revenue Service (the "**IRS**") will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to U.S. tax consequences of acquiring, owning or disposing of the Notes.

The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under alternative minimum tax, corporate alternative minimum tax or Medicare tax on net investment income), and does not address state, local, non-U.S. or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, traders in securities or commodities that elect mark-to-mark treatment, entities or arrangements taxed as partnerships for U.S. federal income tax purposes or partners therein, investors that will hold the Notes as part of straddles, hedging transactions, conversion transactions or other integrated transactions for U.S. federal income tax purposes, persons that use an accrual method of accounting for U.S. federal income tax purposes and prepare an "applicable financial statement" (within the meaning of Section 451 of the Code), persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

As used herein, the term "**U.S. Holder**" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisors concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

THIS DISCUSSION DOES NOT ADDRESS ANY U.S. STATE, LOCAL, OR NON-U.S. TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP OR DISPOSITION OF THE NOTES. IN ADDITION, THIS DISCUSSION DOES NOT ADDRESS ANY U.S. FEDERAL TAX CONSEQUENCES OTHER THAN U.S. FEDERAL INCOME TAX CONSEQUENCES, SUCH AS THE ESTATE AND GIFT TAX CONSEQUENCES, OF THE ACQUISITION, OWNERSHIP OR DISPOSITION OF THE NOTES. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE SPECIFIC U.S. FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER RELEVANT TAXING JURISDICTION.

Payments of Stated Interest

Stated interest on a Note (including any Additional Amounts and without reduction for any non-U.S. tax withheld) will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes constitutes foreign-source income and generally will be considered "passive category income" for purposes of computing the U.S. holder's foreign tax credit. The rules governing foreign tax credits are complex, and recent changes to these rules have introduced additional limitations and conditions to U.S. Holders' ability to claim foreign tax credits. Alternatively, a U.S. Holder may be able to take a tax deduction for non-US. Tax withheld on its Note, if it does not elect to claim a foreign tax credit for any foreign taxes during that taxable year. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits or deductions and the application of the limitations to foreign tax credits or deductions in their particular circumstances.

A U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes will be required to include in ordinary income the U.S. dollar value of the Euro interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash-method U.S. Holder will not recognize foreign currency exchange gain or loss on the receipt of the interest income but may recognize foreign exchange gain or loss on the actual disposition of any Euro received.

A U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes will be required to include in income the U.S. dollar value of the amount of interest income in Euros that has accrued during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate for the partial period within the U.S. Holder's taxable year. A U.S. Holder may elect, however, to translate such accrued interest income using the spot rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate of exchange on the last day of the portion of the accrual period within the U.S. Holder's taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder may translate such interest at the spot rate on the date of receipt. The above election will apply to other obligations held by the U.S. Holder and may not be changed without the consent of the IRS. A U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize foreign currency exchange gain or loss with respect to accrued interest income on the date such interest is received in an amount equal to the difference, if any, between the U.S. dollar value of the payment received (translated at the spot rate on the date such payment is received) in respect of such accrual period and the U.S. dollar value of the interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Any such exchange gain or loss generally will constitute U.S.-source ordinary income or loss.

U.S. Holders should consult their own tax advisors regarding how to account for payments made or received in Euro.

Original Issue Discount

If the issue price of the Notes is less than their principal amount by more than a de minimis amount, U.S. Holders will be subject to special U.S. federal income tax rules with respect to this original issue discount ("**OID**"). OID will be considered to be *de minimis* if it is less than 25% of the principal amount of the Notes multiplied by the number of complete years to stated maturity. U.S. Holders will be required to include any OID in income for U.S. federal tax purposes as it accrues in accordance with a constant-yield method based on a compounding of interest, even though the cash attributable to this income will not be received until the Notes are sold, exchanged, redeemed, retired or otherwise disposed of in a taxable disposition. OID on the Notes generally would be accrued in the Euro and foreign currency exchange gain or loss, if any, would be recognized, in a manner similar to accruals of interest by accrual-method taxpayers discussed above. U.S. Holders should consult their own tax advisers concerning how to account for any OID that may accrue on the Notes.

U.S. Holders should consult their own tax advisers regarding how to account for payments made or received in Euro.

Taxable Disposition of the Notes

A U.S. Holder generally will recognize gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a Note in an amount equal to the difference between the U.S. dollar amount realized on such disposition (less any amounts attributable to accrued but unpaid stated interest, which will be treated like a payment of stated interest subject to the rules discussed above) and the U.S. Holder's adjusted basis in the Note. A U.S. Holder's adjusted basis in a Note will be determined by reference to the U.S. dollar cost of the Note and increased for any accruals of OID.

A U.S. Holder will recognize U.S.-source foreign currency exchange gain or loss (taxable as ordinary income or loss) on the sale, exchange, redemption, retirement or other taxable disposition of the Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note in Euros measured on (i) the date of the sale, exchange, redemption, retirement or other taxable disposition and (ii) the date on which the U.S. Holder acquired the Note. Any such foreign currency exchange gain or loss will be realized only to the extent of total gain or loss realized on the sale, exchange, redemption, retirement or other taxable disposition (including any foreign currency exchange gain or loss with respect to the receipt of accrued but unpaid interest).

Any additional gain or loss on the sale, exchange, redemption, retirement or other taxable disposition generally will be U.S.-source capital gain or loss and will be long-term capital gain or loss if, at the time of the sale, exchange, redemption, retirement or other taxable disposition, the U.S. Holder has held the Note for more than one year. Long-term capital gains recognized by a non-corporate U.S. Holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deduction of capital losses is subject to limitations.

U.S. Holders should consult their tax own advisors regarding how to account for payments made or received in a currency other than the U.S. dollar.

Backup Withholding and Information Reporting

Payments of principal and interest (including OID, if any) on, and the proceeds of sale or other taxable disposition of, Notes paid by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or otherwise fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding or information reporting but may be required to provide certification of exempt status. Backup withholding is not an additional tax. The amount of any backup withholding will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund; *provided that* the required information is timely furnished to the IRS. U.S. Holders should consult their tax advisors regarding any additional tax reporting or filing requirements they may have as a result of the acquisition, ownership or disposition of the Notes.

Tax Return Disclosure Requirements

U.S. Holders should consult their tax advisors regarding any tax reporting or filing requirements they may have as a result of the acquisition, ownership or disposition of the Notes. Prospective investors who fail to report or file required information could become subject to substantial penalties and other unfavourable tax consequences.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

Spain

Insolvency of the Guarantors

In the event of insolvency of the Issuer or a Guarantor whose centre of main interest ("**COMI**") is in Spain, insolvency proceedings may proceed under, and be governed by, the Royal Legislative-Decree 1/2020, of 5 May, approving a recast insolvency law (*Real Decreto-Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la ley concursal*) as amended by the Law 16/2022, of 5 September, amongst other (the "**Spanish Insolvency Act**").

The latest amendment of the Spanish Insolvency Act for the transposition of Directive (EU) 2019/1023 on restructuring and insolvency has introduced important amendments on the pre-insolvency regime and also some additional amendments to the insolvency regime. These amendments to the Spanish Insolvency Act came into force, subject to certain exceptions, on 26 September 2022 excluding micro-enterprises special proceeding which came into force as from 1 January 2023.

The following is a brief description of certain aspects of the Spanish Insolvency Act that are in force as of the date of this Offering Memorandum.

Pre-insolvency Regime

The general debtor's (in the case of a company, its directors) duty to file for insolvency proceedings within two months after it becomes aware, or should have become aware, of its state of current insolvency (*insolvencia actual*) (as further explained below) is temporarily waived if the debtor notifies the competent court that it has initiated (or its intention to immediately initiate) negotiations with its creditors to reach a restructuring plan, as set out in Articles 585 *et seq.* of the Spanish Insolvency Act (the "**Opening of Negotiations Communication**").

By filing the Opening of Negotiations Communication with the competent court, in addition to the two months for the compulsory filing for an insolvency petition, the debtor gains an additional grace period of three months (or up to six months, if extended) as from the date when the debtor files such notice, to reach a restructuring plan (a "**Restructuring Plan**") with its creditors and one additional month to file for bankruptcy if, after the above mentioned period of three months (or of six months if extended) has elapsed, no agreement has been reached with the debtor's creditors and the situation of current insolvency (*insolvencia actual*) persists.

Once the Opening of Negotiations Communication is filed, creditors cannot initiate judicial or extrajudicial enforcements on assets or rights necessary for the continuity of the debtor's business or professional activity (Article 600 of the Spanish Insolvency Act) during the following three months (or 6 months if an extension is granted). In addition, all ongoing enforcement actions that affect those assets will be suspended. In the case of *in rem* security interests over assets or rights necessary for the continuity of the debtor's business or professional activity, enforcement could be initiated but will be immediately suspended.

Notwithstanding the above, upon the debtor's request, the competent court before whom the Opening of Negotiations Communication has been filed, may eventually extend the prohibition to initiate or continue enforcement proceedings over all or some of the assets of the debtor (including assets that are not necessary for the continuation of its business or professional activity), against any, some or all of the debtor's creditors when it finds that such decision is necessary to ensure the success of the restructuring negotiations. Such decision may not only cover the first three months following the filing of the Opening of Negotiations Communication, but also its eventual extension.

The court may lift the grace period extension at the request of (i) the debtor; (ii) the restructuring expert; (iii) creditors holding more than 40% of the debt that the Restructuring Plan may affect at that time (net of any credits that would qualify as subordinated claims in an insolvency situation), or (iv) any creditor that proves that such extension no longer fulfils the objective of supporting the Restructuring Plan negotiations. Any creditor may also ask to be excluded from the effects of the grace period extension if it could be unfairly prejudiced by it, and particularly if it could lead to its current insolvency or a significant loss of the value of its collateral.

This prohibition does not affect enforcement of financial collateral, enforcement of claims that will not be affected by the Restructuring Plan, nor assets that the competent court confirms should not be considered as "necessary" for the debtor's activity.

The three-month Pre-Insolvency Period may be extended if, no later than the end of the initial three-month grace period, either the debtor or creditors holding more than 50% of the debt that may be affected by the Plan at that time (net of any credits that would qualify as subordinated claims in an insolvency situation), apply to the court for an extension of up to three months (*provided that* the restructuring expert, if appointed, issues a favorable report in support of the application). The court may revoke the extension of the grace period at the request of (i) the debtor, (ii) the restructuring expert, (iii) creditors holding more than 40% of the debt that may be affected by the Plan at that time (net of any credits that would qualify as subordinated claims in an insolvency situation), or (iv) any creditor that demonstrates that such extension no longer serves the purpose of supporting the Plan negotiations. Any creditor may also request that it be excluded from the effects of the extension of the grace period if could be unfairly prejudiced thereby, in particularly if it could lead to its current insolvency or a suffer a material loss in the value of its collateral.

Filing of a pre-insolvency communication also entails that any application for compulsory insolvency proceedings (*concurso necesario*) will not be processed until 4 months have elapsed (i.e., 3 months for filing the Opening of Negotiations Communication and 1 month to file for insolvency) (or 7 months – 6 months for filing the Opening of Negotiations Communication and 1 to file for insolvency, if an extension is granted) elapses.

Further, whilst the effects of the pre-insolvency filing are in place, there is no obligation for the debtor to agree its corporate winding-up (*disolución*) if the debtor is in a situation of patrimonial imbalance. A Spanish debtor is in a situation of patrimonial imbalance when losses bring its net worth (*patrimonio neto*) below 50% of its share capital.

Restructuring Plans

After the last reform of the Spanish Insolvency Act, all the refinancing instruments foreseen by the insolvency law for the pre-insolvency stage have been consolidated into one: Restructuring Plans. These Restructuring Plans allow restructuring measures to be adopted when the company is in a situation of likelihood of insolvency (*probabilidad de insolvencia*), i.e., when the debtor foresees that it will not be able to meet its obligations within the next two years. Restructuring Plans will also be possible when the debtor is in a situation of imminent insolvency (*insolvencia inminente*) (i.e., when the debtor foresees it will not meet its payment obligations within the next three months), and actual insolvency (*insolvencia actual*) (in the latter case, subject to certain limitations if a petition for necessary insolvency has been filed by the debtor's creditors).

Restructuring Plans allow for the adoption of a wide range of measures affecting not only the debt, including debt write-offs, postponements, debt capitalizations, restructuring of the collateral structure, termination of agreements and different measures for debt payment (such as the conversion of debt into any other financial instrument), but also other restructuring measures over the debtor's assets, and liabilities or its equity, including mergers, demergers and other corporate transactions, potential changes in the debtor, addition or release of debtors or other obligors, divestments of assets or businesses with the prior release of guarantees and security interests, provided it is sufficient and proportionate to ensure the viability of the business and its continuation as a going concern.

The Restructuring Plans must include a minimum content set out in article 633 of the Spanish Insolvency Act and will need to be formalized in a public document (*formalizado en instrumento público*), attaching a certificate issued by either the restructuring expert (if one is appointed) or, otherwise by the debtor's auditor, evidencing that the relevant majorities required for approval have been met (these majorities are calculated individually with respect to each debtor company, even if it belongs to a group of companies).

Any Restructuring Plans proposal must be notified to all affected creditors individually (by mail or electronically) or, if that is not possible when their identity or address are unknown, through the debtor's website or, as a last resort (if requested) by the restructuring expert when appointed, or by the applicants of the court approval (*homologación judicial*), by being published in the Spanish Public Insolvency Registry (*Registro Público Concursal*). As to syndicated claims, the Restructuring Plans proposal must be notified according to the provisions of the syndicated agreement.

Creditors affected by a Restructuring Plan approve the Restructuring Plan by classes of creditors. The Spanish Insolvency Act sets out certain criteria for the formation of classes of creditors as well as a specific judicial proceeding to approve creditors classes. In order to obtain the approval of a Restructuring Plans by a class of creditors (i) more than two thirds of the creditors (by value) of such class must support the Restructuring Plan if the relevant class is comprised of unsecured creditors; or (ii) at least three quarters of the creditors (by value) of such class must support the Restructuring Plan if the relevant class is comprised of secured creditors.

As to the rules to calculate whether the required thresholds have been reached, all creditors holding an interest in a syndicated claim will be deemed to have adhered to the Restructuring Plan (for the purposes of petitioning protection against claw back) if it is favorably voted upon by at least 75% of the liabilities represented by the syndicated claim, or a lower majority if so established in the syndicated agreement.

Under the Spanish Insolvency Act, the effects of a Restructuring Plan can be imposed on all types of creditors and claims (subject to specific and limited exceptions), such us financial claims, non-financial claims (including trade creditors), one or multiple classes of creditors and, with certain exceptions, even the debtor's shareholders. Public creditors (e.g., tax authorities and the Social Security) can only be subject to the Restructuring Plan if very strict requirements are complied with and may be only subject to limited postponements. In particular, claims held by public creditors cannot be subject to a haircut, debt-for-equity swap, change of debtor or change of governing law. According to this special regime, as a general rule, their maturity can be extended up to 12 months since the issuance of the homologation ruling and up to 6 months since the issuance of the homologation ruling if a deferral or division in instalments (*aplazamiento o fraccionamiento de pago*) of such debt has been agreed with the public administration.

Finally, a "pre-packed" scheme would be available within the context of a voluntary insolvency proceeding. This tool permits the company to anticipate (under supervision) the steps to sell a productive unit immediately following the opening of formal insolvency proceedings. Competing bids can be submitted, and the successful offer is selected in the best interest of the insolvency estate.

Effects of Restructuring Plans

A Restructuring Plan may modify the composition, conditions or structure of the assets and liabilities of the debtor, or its net equity, including the transmissions of assets, productive units, or the entire business as a going concern, as well as any operative change, or a combination of the above.

In principle, a Restructuring Plan will not affect the validity of contracts with ongoing reciprocal obligations. However, the Spanish Insolvency Act specifies the termination of such type of contracts that aim to ensure a Plan's success, as well as the termination of senior management contracts, and trade supply agreements. Claims arising from the termination of contracts with ongoing reciprocal obligations is subject to the effects of the restructuring.

The judicial sanctioning of a Restructuring Plan (*homologación*) can be requested where the debtor is under likely (*probabilidad de insolvency*) or imminent insolvency (*insolvencia inminente*). If the debtor is actually insolvent (*insolvencia actual*), the judicial sanctioning of the Restructuring Plan can also be requested *provided that* no mandatory petition for the insolvency of the debtor has been filed by a creditor and been admitted to processing by the relevant court.

The court should sanction a Restructuring Plan as long as: (a) the debtor is in a likelihood of insolvency, imminent insolvency or current insolvency, and the Restructuring Plan offers a reasonable prospect of avoiding an insolvency declaration (*concurso de acreedores*) and ensuring the debtor's viability in the short and medium term; (b) the Restructuring Plan complies with the minimum content and formal requirements established under the Spanish Insolvency Act; (c) the Restructuring Plan has been approved by all classes of affected creditors (except where a cross-class cram down needs to be sought, in which case a different rule will apply), as well as by the debtor or, if applicable, its shareholders; (d) all claims within the same class are treated equally (*paritario*); and (e) the Restructuring Plan has been notified to all affected creditors in accordance with the formalities set forth in the Spanish Insolvency Act.

In addition, the court-sanctioning request must comply with the following general rules: (a) the debtor or any affected creditor supporting the Restructuring Plan must request the court-approval; (b) if the debtor is in a state of current insolvency, the Restructuring Plan's court approval can be requested as long as there is no creditor's involuntary insolvency petition (*solicitud de concurso necesario*) admitted for processing (*admitida a trámite*); and (c) if a court has approved a Restructuring Plan, no new requests regarding the same debtor will be admitted for a period of one year as from the date when the previous Restructuring Plan was filed for court-approval.

Judicial sanctioning of a Restructuring Plan (*homologación*) may be obtained upon request by the debtor or by any creditor having entered into such Restructuring Plan, if certain majority thresholds upon the classes that the "affected debt" is divided into votes in favour, and any of the following three scenarios happen: (i) all classes vote in favour of the Restructuring Plan; (ii) at least one of the classes that votes in favour of the Restructuring Plan holds privileged debt; or (iii) at least the class that votes in favour of the Restructuring Plan is "in the money." The debtor's restructuring expert shall certify that the required thresholds have been reached. Further, the agreement setting out the Restructuring Plan must be executed by means of a notarial deed.

The judicial sanctioning of a Restructuring Plan would be required where (i) the provisions of the Restructuring Plan are to be mandatorily applied to dissenting creditors who did not vote in favor of the Restructuring Plan or the shareholders (cram-down or cross-class-cram-down); (ii) where contracts of the debtor with third parties are to be mandatorily terminated for the benefit of the restructuring; and (iii) where the transactions envisaged under the Restructuring Plan, are to be protected from claw-back actions in the event of a subsequent insolvency of the debtor, or interim or new money injected to the debtor is to benefit of certain privileges and protections and receive the preferred ranking provided by the Spanish Insolvency Act. Cramdown effects of homologated Restructuring Plans may be imposed on financial and non-financial debt subject to certain exceptions (i.e., commercial debt).

Judicially sanctioned Restructuring Plans may be challenged by affected creditors under a specific proceeding set out by the Spanish Insolvency Act.

Enforcement and Termination in a Pre-insolvency Scenario

The obligations under the Notes, any future Guarantee granted by a Guarantor, or a Spanish security interest might not necessarily be enforced in accordance with its terms in every circumstance. Such enforcement is subject to, *inter alia*, the nature of the remedies available in the Spanish courts, the acceptance by such court of jurisdiction, the discretion of the courts, the power of such courts to stay proceedings, the provisions of the Spanish Civil Procedure Act (*Ley 1/2000, de 7 de enero, de Enjuiciamento Civil*) (the "**Spanish Civil Procedure Act**") regarding remedies and enforcement measures available under Spanish law, the provisions of the Spanish Insolvency Act and other principles of law of general application. Among others:

- Spanish law does not expressly recognize the concept of an indemnity. Article 1,152 of the Spanish Civil Code (*Código Civil*) establishes that any penalty (*cláusula penal*) agreed by the parties in an agreement will substitute damages (*indemnización de daños*) and the payment of interest (*abono de intereses*) in an event of breach, unless otherwise agreed. Spanish courts may modify the penalty agreed on an equitable basis if the debtor has partially or irregularly performed its obligations, unless the penalty (liquidated damages) was aimed at such partial performance. There is doubt as to the enforceability of punitive damages in Spain;

- where obligations are to be performed in a jurisdiction outside Spain, they may not be enforceable in Spain to the extent that performance would be illegal under the laws of the applicable jurisdiction;

- Spanish law precludes the validity and performance of contractual obligations to be left at the discretion of one of the contracting parties. Therefore, Spanish courts may refuse to uphold and enforce terms and conditions of an agreement giving discretionary authority to one of the contracting parties;

- Spanish law, as applied by the Spanish Supreme Court (*Tribunal Supremo*), permits Spanish courts to preclude termination of an agreement if the basis of the breach of obligations, undertakings or covenants are merely ancillary or complementary to the main undertakings foreseen under the relevant agreement (such as payment obligations under financing agreements), and allows Spanish courts not to enforce any such early termination because of the relevant obligor's breach of those ancillary, complementary or non-essential undertakings;

- under Spanish law, acts carried out in accordance with the terms of a legal provision whenever said acts seek a result which is forbidden by or contrary to law, shall be deemed to have been executed in circumvention of law (*fraude de ley*) and the provisions whose application was intended to be avoided shall apply;

- a Spanish court may award damages if the specific performance of an obligation is deemed impracticable;

- specific-performance obligations may not automatically convert into a claim for damages;

- Spanish courts may modify the obligations deriving from a contract in the manner they deem necessary to restore the balance of obligations in the event of unexpected and exceptional circumstances that (i) could not have been foreseen when the contract was signed, (ii) were not expressly or implicitly assumed in the objective risk assessment of the transaction and the subjective risk assessment of the parties, and (iii) entail a drastic change in the consideration or the reciprocal obligations assumed in the contract, to such an extent that strict compliance with the obligations assumed by one of the parties becomes almost impossible or extremely burdensome;

- under Spanish law, powers of attorney, appointments and authorizations are generally revocable by the grantor (regardless of whether they are described as revocable or irrevocable), *provided that* the revocation is made in good faith; however, this general rule would not apply if the powers of attorney, appointments or authorizations are a necessary consequence of the underlying relationship between the grantor and the beneficiary and such revocation is intended to defeat the purpose for which such powers were granted;

- under the general principles of Spanish civil procedure, the rules of evidence in judicial proceedings cannot be changed by agreement of the parties. Accordingly, any provision in an agreement that deems a party's findings to be conclusive would not be upheld by a Spanish court. A determination, designation, calculation or certification by a party with respect to any matter provided for in the secured documents could, under certain circumstances, be held by a Spanish court not to be final, conclusive and binding if it could be shown to have an unreasonable or arbitrary basis or to be manifestly erroneous, notwithstanding any provision to the contrary in the secured documents;

- a Spanish court could not recognize the acceleration (*vencimiento anticipado*) of a contract if the default was of minimal importance. To be recognized by the Spanish courts as giving rise to the remedy of acceleration, a default must be material. The decision to accelerate an agreement must be based on objective facts and cannot be left to the sole discretion of either party, as this would not be permitted by Article 1,256 of the Spanish Civil Code. Under certain exceptional circumstances, the guarantee or security granted by a Spanish guarantor may not grant direct access to the enforcement process;

- under Spanish law, claims may be barred by the statute of limitations (five years being the general period established for personal obligations under Article 1,964 of the Spanish Civil Code) or may be or become subject to the defenses of set-off or counterclaim, abuse of rights (*abuso de derecho*), misrepresentation, force majeure, unforeseeable circumstances, undue influence, duress or mistake;

- Article 1,851 of the Spanish Civil Code establishes that an extension granted by a creditor to a debtor without the consent of the guarantor extinguishes the guarantee; and

- under the Spanish Companies Act, Spanish public limited companies and private limited companies may issue and guarantee (or provide security for) numbered series of notes and other securities recognizing or creating indebtedness, subject to certain restrictions applicable to private limited companies. In particular, pursuant to Article 401 of the Spanish Companies Act, Spanish private limited companies may only issue notes up to an amount equal to twice their net equity (*recursos propios*), unless the notes are secured by a mortgage, a pledge over securities, a public guarantee (*garantía pública*) or a joint and several guarantee granted by a credit institution.

Insolvency regime

Concept and Petition for Insolvency

In Spain, insolvency proceedings are only triggered in the event of a debtor's current insolvency (*insolvencia actual*) or imminent insolvency (*insolvencia inminente*). Under the Spanish Insolvency Act, a debtor is insolvent when it becomes unable to regularly meet its obligations as they become due and payable (current insolvency) or when it expects that it will be unable to do so within the next three months (imminent insolvency). A petition for current insolvency may be initiated by the debtor, by any creditor (*provided that* it has not acquired the credit within the six months prior to the filing of the petition for insolvency, for *inter vivos* acts, on a singular basis and once the credit was mature) or by certain other interested third parties. Notwithstanding, only the debtor may file a petition for insolvency on the basis of its imminent insolvency.

Voluntary Insolvency

Insolvency is considered voluntary (*concurso voluntario*) if filed by the debtor.

The debtor is obliged to file a petition for insolvency within two months after it becomes aware, or should have become aware, of its current state of insolvency. It is presumed that the debtor becomes aware of its insolvency, unless otherwise proved, if any of the circumstances that qualify as the basis for a petition for mandatory insolvency occurs.

Notwithstanding the foregoing, the general duty to file for insolvency within the referred two months does not apply if the debtor files the Opening of Negotiations Communication, as explained above.

Effectively, by means of the Opening of Negotiations Communication, the debtor gains (as from the Opening of Negotiations Communication filing) an additional three-month period (which may be extended to up to six months *provided that* certain requirements are met) to achieve an agreement with its creditors and one further month to file for the declaration of insolvency. During such period of time, creditors' petitions for mandatory insolvency will not be accepted and court or out-of-court enforcement actions, other than those arising from public law claims, over those assets or rights deemed necessary for the continuity of the debtor's business activities, are prohibited or suspended (as applicable).

Mandatory Insolvency

Insolvency is considered mandatory (*concurso necesario*) if filed by a third-party creditor.

Under Article 2.4 of the Spanish Insolvency Act, a creditor can seek a debtor's declaration of insolvency if the creditor can prove that the debtor has failed to attach any assets, or sufficient assets, to pay the amount owed.

A creditor may also apply for a declaration of insolvency if, *inter alia*: (i) there is a generalized default on payments by the debtor; (ii) there is a seizure of assets affecting or comprising the generality of the debtor's assets; (iii) there is a misplacement, "fire sale" or sale or ruinous liquidation of the debtor's assets; or (iv) there is a generalized default on certain tax, social security and employment obligations during the applicable statutory period (three months).

Certain Effects of the Insolvency on the Debtor, on Contracts and on Enforcement Proceedings

On the Debtor

The court's decision to open the insolvency proceedings will determine the scope of the restrictions imposed on the debtor's management powers and will include the appointment of an insolvency administrator (*administrador concursal*) Please note that the insolvency administrator will be appointed by the court in charge of the insolvency (and not by creditors or by another court at the request of the creditors).

As a general rule and subject to certain exceptions, the debtor in a voluntary insolvency retains its powers to manage its business but is subject to the court appointed intervention of the insolvency administrators (*administración concursal*) (e.g. intervention regime). In case of mandatory insolvency, as a general rule and subject to certain exceptions, the debtor no longer has power over its assets, and management's powers (including the power to dispose of assets) are conferred solely upon the insolvency administrators (e.g., suspension regime). However, the court has the power to modify this general regime subject to the specific circumstances of the case. In addition, upon the insolvency administrator request, the court has the power to swap the intervention regime for a suspension regime or *vice versa*.

The referred limitations on the management's powers also affect the representation powers under powers of attorney granted by the company. This may affect, for instance, irrevocable powers of attorney granted by the debtor in favor of a security agent or lenders in relation to any *in rem* security interest granted, that will not be unilaterally enforceable if the debtor is declared insolvent given that the exercise of the powers conferred therein may require the insolvency administrator's approval.

Actions carried out by the debtor that breach any required supervision of the insolvency authorities may be declared null and void unless ratified by the insolvency administrators.

On Contracts

Early acceleration, suspension or amendment clauses triggered solely by the declaration of insolvency, liquidation, pre-insolvency or filing for a Restructuring Plan are deemed void and unenforceable, except when such provisions are legally permitted.

A declaration of insolvency does not affect agreements with reciprocal obligations pending performance by either the insolvent party or the counterparty (e.g., executory contracts), which remain in full force and effect, and the obligations of the insolvent debtor will be fulfilled against the insolvent estate. The court can nonetheless terminate any such contracts at the request of the insolvency administrators (*provided that* management's powers have been solely conferred upon the insolvency administrators), or the company itself (if its powers to manage its business are only subject to the intervention of the insolvency administrators), when such termination is in the interest of the estate (rejection) (*resolución del contrato en interés del concurso*) or at the request of the non-insolvent party if there has been a breach of such contract. The termination of such contracts may result in the insolvent debtor having to return, and indemnify damages to, its counterpart. Such damages will be considered as insolvency debt (other than in those cases where termination is agreed based on a breach of the debtor's contractual obligations after the opening of formal insolvency proceedings, which shall be considered as post-insolvency debt).

On the other hand, the judge may decide to cure any breach of the insolvent debtor at its request or the insolvency administrators' request (assumption) (*mantenimiento del contrato en interés del concurso*), in which case the non-insolvent party shall be entitled to seek specific performance against the insolvency estate (pre-deductible claim from the estate) of any further obligations that become due together with those already accrued (which, if the breach has taken place after the declaration of insolvency, shall be also settled against the insolvency estate within the next three months). Lastly, under Articles 156, 597 and 618 of the Spanish Insolvency Act, pursuant to which all clauses in contracts that entitle any party to terminate an agreement based solely on (i) insolvency of any of the parties or for the right of the non-defaulting party to terminate, modify or suspend the obligations or effects of such agreement upon the insolvency of the other party, (ii) the submission or acceptance of a preventive restructuring framework and the request for general or singular stay of enforcement actions and procedures (like the filing of the Opening of Negotiations Communication) or (iii) for the submission or confirmation of Restructuring Plans are deemed as not included in the agreement (void) and, therefore, unenforceable, except if expressly permitted by specific laws (i.e., agency laws).

Additionally, the declaration of insolvency determines that accrual of unsecured interest (whether ordinary or default interest) shall be suspended from the date of the declaration of insolvency and any amount of interest accrued up to such date shall become subordinated. In the case of secured ordinary interests, (i) these shall be deemed as specially privileged (to the extent that the value of the relevant collateral is sufficient to cover them), and (ii) interests shall keep accruing after the declaration of insolvency up to the limit of the secured amount and the effective value of the collateral, and only if a contingent credit for secured ordinary interests that may accrue after the declaration of insolvency is included in the statement of claim to be sent to the insolvency administrator (as per the Spanish Supreme Court (*Tribunal Supremo*) judgment dated 20 February 2019). In the case of secured default interests, (i) these shall be deemed as specially privileged, and (ii) these shall not accrue after the declaration of insolvency, in accordance with the Spanish Supreme Court (*Tribunal Supremo*) judgment dated 11 April 2019.

On Declarative and Enforcement Proceedings

As a general rule, declarative court proceedings already initiated prior to the declaration of insolvency will continue to be processed by the same court who was handling them, until the final judgment is handed down. Some legal exceptions apply as to either suspend, or accumulate to the insolvency proceedings, certain declarative actions. On the contrary, social or civil declarative actions brought after the declaration of insolvency against the insolvent debtor will be processed by the commercial court hearing the insolvency proceedings, as long as such court has jurisdiction pursuant to the Spanish Insolvency Act.

New enforcement proceedings against the debtor's estate, including administrative and tax enforcement proceedings, will not be admitted as from the declaration of insolvency, unless expressly provided as an exception by law.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings as such proceedings can have an effect on the estate (excluding enforcement proceedings with regard to financial collateral (as defined in Royal Decree Law 5/2005, of March 11, 2005, as amended from time to time, the **Royal Decree Law 5/2005**)). When compatible, in order to protect the interests of the debtor and creditors, the Spanish Insolvency Act extends the jurisdiction of the court dealing with insolvency proceedings, which is then legally authorized to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labor, or administrative law).

The enforcement of any security over certain assets that are necessary to the continuation of the commercial or professional activity of the insolvent company (*in rem* securities) is prohibited until the earlier of: (i) an arrangement of a composition agreement being reached, *provided that* the composition agreement does not affect such right; (ii) one year having elapsed as of the declaration of the insolvency without the opening of the liquidation phase; or (iii) one year has elapsed after the opening of the liquidation phase and the relevant secured asset has not been sold by the insolvency administrator.

On Guarantees

The declaration of insolvency of the debtor does not prevent creditors from enforcing personal guarantees against their guarantors. Although the Spanish Insolvency Act is silent on this, the same rule should apply in respect of enforcement of *in rem* security provided by third parties. Creditors holding a third party guarantee will be recognized in the insolvency proceedings for the full amount without any limitation and, without prejudice to the fact that if the guarantor is subrogated in the creditor's place when the guarantee is enforced, the claim of the guarantor will be classified in accordance with the lower ranking corresponding to either the original creditor or the guarantor.

If the guarantor is declared insolvent, the following circumstances should be considered when the creditor lodges its claim against the guarantor: (a) guarantees that cannot be enforced against the insolvent guarantor without the prior seizure of the assets of the main debtor (*beneficio de excusión*) will be recognised as contingent claims if the creditor does not fully justify that is has seized all the assets of the debtor, in which case recognition of the claim for the remaining balance will be confirmed; (b) in cases of joint-and-several guarantees (*garantías solidarias*), Spanish case law has consistently held that (i) the claim against the guarantor will not be recognised as a claim against the debtor's estate (*crédito contra la masa*), although the guarantee may be enforced after the guarantor's insolvency declaration; (ii) pursuant to the ancillary nature of personal guarantees, the claim against the guarantor will be recognised as contingent or conditional until the guaranteed debt becomes due and payable; and (c) the ancillary nature of guarantees implies that the guarantor cannot owe any amount higher than the debt owed by the debtor.

Ranking of Credits

Creditors are required to report their claims to the insolvency administrators within one month from the day following the last official publication of the court order declaring the insolvency, providing documentation to justify such claims. Based on the documentation provided by the creditors and documentation held by the debtor, the insolvency administrators draw up a list of acknowledged creditors/ claims and classify them according to the categories established in the Spanish Insolvency Act.

Under the Spanish Insolvency Act, claims are classified in two groups:

- ***Estate Claims (créditos contra la masa)***: Article 242 of the Spanish Insolvency Act sets out the "estate claims" which are pre-deductible (when they become due and payable) claims from the estate (excluding those assets of the insolvent debtor subject to *in rem* security interests). Debt against the insolvency estate includes, among others, (i) certain amounts of the employee payroll, (ii) costs and expenses of the insolvency proceedings, (iii) certain amounts arising from services provided by the insolvent debtor under reciprocal contracts and outstanding obligations that remain in force after insolvency proceedings are declared and deriving from obligations to return and indemnity in cases of voluntary termination or breach by the insolvent debtor, (iv) those that derive from the exercise of a claw back action within the insolvency proceedings of acts performed by the insolvent debtor and correspond to a refund of consideration received by it (except in cases of bad faith), (v) certain amounts arising from obligations created by law or from the non-contractual liability of the insolvent debtor after the declaration of insolvency and until its conclusion, (vi) certain debts incurred by the debtor following the declaration of insolvency, (vii) in case of liquidation, the credit rights granted to the debtor under a composition agreement, (viii) 50% of the interim and new money (as long as the claims affected by the Restructuring Plan represent at least 51% of the total liabilities (at least 60% in case of interim and new money provided by specially-related parties, excluding the claims held by any specially related person from the calculation)) lent under a Restructuring Plan entered into in compliance with the requirements set forth in Title II (*Título II*) of the Second Book (*Libro Segundo*) of the Spanish Insolvency Act.

- ***Insolvency Claims (créditos concursales)***: Insolvency claims are classified as follows:

  - ***Specially Privileged Claims***: Creditors benefiting from special privileges, representing security over certain assets (*in rem* security interests) up to the amount of the value of their security, *provided that* such security is listed in the creditors' list (in this regard, the value of a security shall be 90% of the reasonable value -calculated as provided for in the Spanish Insolvency Act- of the secured asset minus those claims that hold higher ranking security over such asset). The part of the claim exceeding the value of its security will be classified according to the nature of the claim. These claims benefiting from special privileges may entail separate enforcement proceedings, though subject to certain restrictions derived from the previously mentioned stay period and certain additional limitations set forth in the Spanish Insolvency Act. However, within such waiting period or while any enforcement proceedings remain suspended under the Spanish Insolvency Act, the insolvency administrator has the option to pay the relevant claims against the insolvency estate under specific payment rules. Privileged creditors are not subject to the CVA (as defined below) unless they give their express support by voting in favor of the CVA or, in case they do not give such express support, if creditors holding security which represent at least 60% (or 75% depending on the conditions of the CVA) of the total value of secured claims of the same class vote in favor of such CVA. In the event of liquidation, they are the first to collect payment against the assets on which they are secured.

  - ***Generally Privileged Claims***: Creditors benefiting from a general privilege, including, among others, specific labor claims and specific claims brought by public entities or authorities are recognized for half their amount, and claims held by the creditor taking the initiative to apply for the insolvency proceedings, for up to 50% of the amount of its unsecured not subordinated debt. New funds under a Restructuring Plan entered into in compliance with the requirements set forth in Title II (*Título II*) of the Second Book (*Libro Segundo*) of the Spanish Insolvency Act in the amount not admitted as a debt against the insolvency estate (*crédito contra la masa*) will also be credits with general privileges. The holders of general privileges are not to be affected by the CVA except if they give their express support by voting in favor of the CVA (as defined below) unless creditors holding claims benefiting from general privileges which represent at least 60% (or 75% depending on the conditions of the CVA) of the total value of claims benefiting from general privileges of the same class vote in favour of such CVA. In the event of liquidation, they will collect payment, in accordance with the ranking established under the Spanish Insolvency Act.

  - ***Ordinary Claims***: Ordinary creditors (non-subordinated and non-privileged claims) are paid *pro rata* once estate claims and both generally and specially privileged claims have been paid.

  - ***Subordinated Claims***: Subordinated creditors (thus classified by virtue of an agreement or pursuant to law), include, among others: credits communicated outside the specific one-month period established by the Spanish Insolvency Act; credits which are contractually subordinated *vis-à-vis* all other credits of the debtor; credits relating to unpaid unsecured interest claims (including default interest) except for those ordinary interest credits secured with an *in rem* right up to the secured amount; fines; and claims of creditors which are "specially related parties" to the insolvent debtor.

In the case of individuals, the following shall be deemed as "specially related parties" their relatives, legal entities controlled by the debtor or its relatives, the factual or legal administrators of such legal entities, any other legal entity forming part of the same group of companies and the legal entities in respect of which the people described in this paragraph are their factual and legal administrators.

In the case of a legal entity, the following shall be deemed as "specially related parties": (i) shareholders with unlimited liability (in case such shareholders are natural persons it would include any special related party to these shareholders, as described herein); (ii) limited liability shareholders holding, directly or indirectly, 10% or more of the insolvent company's share capital (or 5% if the company is listed or has securities listed in a secondary official market) at the time when the relevant credit right arises; or (iii) directors (either *de jure* or *de facto*), insolvency liquidators and general managers holding general powers of attorney from the insolvent company (including those people that have held these position during the two years prior to the insolvency declaration); and (iv) companies pertaining to the same group as the debtor and their common shareholders provided such shareholders meet the minimum shareholding requirements set forth in (ii) above. Notwithstanding the above, creditors who have directly or indirectly capitalized their credit rights pursuant to a Restructuring Plan entered into in compliance with the requirements set forth in Title II (*Título II*) of the Second Book (*Libro Segundo*) of the Spanish Insolvency Act shall not be considered as being in a special relationship with the debtor, in respect of credits against the debtor, as a result of the financing granted under such Restructuring Plan. Subordinated creditors are second-level creditors; they may not vote on a CVA (as defined below) and have limited chances of collection. Furthermore, in the absence of evidence to the contrary, assignees or awardees of claims belonging to any specially related parties are presumed to be persons specially related to the insolvent debtor as long as the acquisition has taken place within two years prior to the insolvency proceedings being declared.

As an exception to the subordination regime, new money granted to the debtor pursuant to a refinancing arrangement regulated under Title II (*Título II*) of the Second Book (*Libro Segundo*) of the Spanish Insolvency Act, which also contemplates a debt-for-equity swap executed before the granting of fresh money, shall not be classified as subordinated claim under Article 281.5 of the Spanish Insolvency Act *provided that* the requirements set out in Article 283.2 of the Spanish Insolvency Act are met. This is an incentive to promote fresh money and debt-for-equity swaps in order to remove insolvency out-of-court. Subordinated creditors do not vote on the CVA (as defined below) and in the event of liquidation collect payment according to the ranking established in the Spanish Insolvency Act (once ordinary creditors have been paid in full).

Claw Back and Hardening Periods

There are no prior transactions that automatically become void as a result of the initiation of insolvency proceedings. Instead, the insolvency administrators (or creditors that have asked the insolvency administrators to do so in the absence of action by the insolvency administrators) must expressly challenge those transactions. Under the Spanish Insolvency Act, upon the declaration of insolvency, transactions that may be challenged are those that could be deemed as having damaged (*perjudiciales*) the insolvent debtor's estate (i.e., causing a so-called "**detriment**") (i) during the two years prior to the date of the filing of insolvency or from the date of that filing of insolvency to the date in which the insolvency is declared; or (ii) *provided that* certain conditions set out in Article 226.2 of the Spanish Insolvency Act, during the two years prior the date of the filing of the Opening of Negotiations Communication or the intention to initiate them in order to reach a Restructuring Plan or from the date of that communication to the date in which the insolvency is declared. Transactions taking place earlier than two years prior to the filing of insolvency or the filing of the Opening of Negotiations Communication may be declared null and void subject to ordinary Spanish Civil Code (*Código Civil*) based actions.

The Spanish Insolvency Act does not define the meaning of "Detriment" Although provides a number of rules that allow to presume the existence thereof. Detriment does not refer to the intention of the parties, but to the consequences of the transaction on the debtor's interest or on the equality of treatment among creditors.

There are several "irrebuttable presumptions" expressly set forth by the Spanish Insolvency Act (i.e., free disposals or creation of security without consideration and prepayment or cancellation of the company's unsecured claims or obligations prior to them being due and where the due dates of the relevant unsecured claims or payment obligations fall after the date of declaration of insolvency), in which case such transactions are rescinded if they fall within the hardening period. In addition to the above, the Spanish Insolvency Act sets forth certain actions which are deemed to be "detrimental" to the insolvent company, but which are "rebuttable presumptions" and therefore subject to being contested by the other party (i.e., disposals in favor of "specially related parties" (as described above), the provision of security with respect to previously existing obligations or with respect to new obligations replacing existing ones and the prepayment and cancellation of the company's secured claims or obligations which fall due after the date of declaration of insolvency). Ordinary transactions carried out within the debtor's ordinary course of the business cannot be rescinded, *provided that* they are carried out at arm's length.

In any event, fraudulent acts that have been entered into by creditors may always be rescinded and also those payments made by the debtor in respect of obligations which the debtor, at the time of payment, could not be compelled to pay. The consequence of the court resolution rescinding a prejudicial act is that the parties involved are required to return their reciprocal consideration with any accrued rents or interest. Such claims are generally regarded as claims against the estate unless in case of bad faith of the relevant creditor in which case its claims will be subordinated.

Intragroup guarantees (upstream and cross-stream guarantees and security) must be granted cautiously as they may trigger some of the presumptions described above. While guarantees provided by a parent company with respect to obligations of its subsidiary (downstream guarantees) may be considered to be implicitly compensated by the benefits that the guaranteed transaction imply for the subsidiary (and, indirectly, for the parent company), some courts have considered in the past that upstream guarantees and cross-stream guarantees were transactions for no consideration, and therefore, if granted within the two years preceding the filing of insolvency, they should be deemed detrimental with no possibility to provide evidence to the contrary. It is therefore key that creditors prove that the intragroup guarantor received some form of "equivalent compensation" (monetary or otherwise) in exchange for their financial assistance. Recent case law has clarified that upstream and cross-stream guarantees may not be considered gifts, particularly if granted simultaneously with the execution of the facility agreement (*garantías contextuales*). However, this does not mean that they cannot be set aside. On the contrary, the granting guarantees still needs to be justified.

The main difficulty is that in Spain the interest of the group is not always sufficient to justify actions that may be detrimental to the subsidiary (such as the delivery of a guarantee). The Supreme Court has ruled that a reasonable balance should be reached between achieving the group goals and acting in the best interest of the subsidiary. Among others, the subsidiary must benefit - directly or indirectly - from the transaction determined as a whole (e.g., by receiving intragroup financing or having access to shareholders´ support). In addition, the Spanish Supreme Court (*Tribunal Supremo*) has ruled that the acts carried out in the best interest of the group but to the detriment of the subsidiary shall not put the solvency of such subsidiary into jeopardy.

Notwithstanding the foregoing, pursuant to Article 730 of the Spanish Insolvency Act or Article 16 of the Recast Insolvency Regime (with regard to cases subject to the laws of another Member State), acts and transactions governed by laws other than Spanish law will not be subject to claw back actions if such act or transaction cannot be rescinded or challenged by any means and under any grounds whatsoever (i.e., not only in insolvency scenarios) under the relevant non-Spanish applicable laws.

Conclusion of Insolvency

The Spanish Insolvency Act provides that insolvency proceedings conclude following either the implementation of a composition or agreement between the creditors and the debtor (the "**CVA**") or the liquidation of the debtor.

An insolvency proceeding can also conclude if all acknowledged credits are paid, if the totality of creditors waive their credit rights once the common stage concludes, if the situation of insolvency disappears, if the definitive texts reflect that there is a single creditor or if there is not enough liquidity even to pay post-insolvency debt.

Composition or CVA

Once the debtor's assets and liabilities have been identified, the Spanish Insolvency Act encourages creditors to reach an agreement regarding payment of the insolvency debts. This agreement may be proposed either by the debtor or by creditors, and it shall set forth how, when and up to what amount creditors are to be paid.

After being admitted for processing, creditors have two months to adhere to, or oppose, the composition agreement, pursuant to the voting rules and formalities provided in the Spanish Insolvency Law. Holders of contingent claims, subordinated claims, and also ordinary and privileged claims purchased by specially related parties after the declaration of insolvency, are not entitled to vote on a composition agreement.

Once executed, this agreement must be honored by the debtor and respected by creditors.

The composition or CVA can contain proposals for write-offs and/or stays and it may also contain alternative or complementary proposals for all creditors or for certain classes of creditors (except for public law creditors), including conversion of debt into shares, into profit-sharing credits, convertible bonds or subordinated debt, or any financial instrument different from the original debt. It may also include proposals for allocation of all assets or of certain assets to a specific person with a commitment from the acquirer to continue the activity and to pay off the debt as determined in the composition.

The proposals in the composition shall include a payment schedule.

In order for a composition or CVA to be deemed approved by the creditors, certain majorities must be obtained pursuant to the rules set forth in the Spanish Insolvency Act by reference to the intensity of the measures to be imposed on creditors. The holders of subordinated credits are not entitled to vote.

Although in principle secured creditors are not subject to an approved composition or CVA (unless they have expressly voted in its favor) the effects of an approved CVA can be also extended to secured and privileged creditors *provided that* the relevant CVA has been approved by certain majorities of creditors within its category pursuant to the rules set forth in the Spanish Insolvency Act.

In case the composition agreement is breached and the liquidation phase is opened, among other consequences, any claims created during the period of compliance of the breached or annulled composition agreement will rank as pre-insolvency claims (*créditos concursales*), and not as claims against the insolvency estate (*créditos contra la masa*).

Liquidation

Liquidation is conceived as an outcome subsidiary to composition. It operates where a CVA is not filed, reached or breached. The insolvent company is entitled to request the liquidation at any time and, in any event, it must file a petition for liquidation if, during the period while the composition is in force, it becomes aware of no longer being able to meet the payment commitments and obligations undertaken after the approval of such composition. In such a case, the company will be aimed at dissolution and the directors and liquidators will be removed. Deferred credits will compulsorily fall due and credits consisting of other benefits are converted into cash credits.

The opening of the liquidation phase entails certain consequences, such as: (a) the debtor's management will be replaced by the insolvency administrator (although the management bodies will continue to represent the company within the insolvency proceedings and related court processes); (b) the court will declare the debtor's dissolution (which would have otherwise required the approval of its shareholders); and (c) deferred claims will be accelerated and non-monetary claims will be converted into monetary claims. Even if the court orders the liquidation, the debtor's business operations may continue until the conclusion of the liquidation.

Termination of the Insolvency Proceedings

Insolvency proceedings can also be terminated at any stage, among others, when it is proven that all credits have been paid or that all creditors have been entirely satisfied by other means.

Finally, it must be noted that Article 473 of the Spanish Insolvency Act foresees the termination of the insolvency proceeding at any time when assets are not enough to pay post-insolvency claims (*créditos* *contra la masa*) so long as no future claw back actions are envisaged, nor actions claiming liability to third parties, nor the assessment of the proceedings as guilty (*concurso culpable*).

Fraudulent Conveyance Laws

Under Spanish law, in addition to the insolvency claw back action, the insolvency administrator and any creditor may bring an action to rescind a contract or agreement (*acción rescisoria pauliana*) against the debtor and the third party which is a party to such contract or agreement, *provided that* the same is performed or entered into fraudulently and the creditor cannot obtain payment of the amounts owed in any other way. Although case law is not entirely consistent, it is broadly accepted that the following requirements must be met in order for a creditor to bring such action:

- the debtor owes the creditor an amount under a valid contract and the fraudulent action took place after such debt was created;
- the debtor has carried out an act that is detrimental to the creditor and beneficial to the third party;
- such act was fraudulent;
- there is no other legal remedy available to the creditor to obtain compensation for the damages suffered; and
- debtor's insolvency, construed as the situation where there has been a relevant decrease in the debtor's estate making it impossible or more difficult to collect the claim.

The existence of fraud (which must be evidenced by the creditor) is one of the essential requirements under Spanish law for the action to rescind to succeed. Pursuant to Article 1,297 of the Spanish Civil Code (*Código Civil*): (i) agreements by virtue of which the debtor transfers assets for no consideration, and (ii) transfers for consideration carried out by parties who have been held liable by a court (*sentencia condenatoria*) or whose assets have been subject to a writ of attachment (*mandamiento de embargo*) will be considered fraudulent. The presumption referred to in (i) above is an *iuris et de iure* presumption (i.e., it cannot be rebutted by evidence), unlike the presumption indicated in (ii) above, which is an *iuris tantum* presumption (i.e., it is a rebuttable presumption).

If the rescission action were to be upheld, the third party would be liable to return to the debtor the consideration received under the contract in order to satisfy the debt owed to the creditor. Following that, the creditor would need to carry out the actions necessary to obtain the amount owed by the debtor. If the consideration received by the third party under the contract cannot be returned to the debtor, the third party must indemnify the creditor for such damages if it is proved that such third party incurred in willful misconduct when entering into the fraudulent agreement with the debtor. In any other case (i.e., if it is proved that the third party acted in good faith and was not aware of the debtor's fraudulent intention) it will be the person who has actually and consciously caused the damage to the creditor who will have to reimburse the corresponding amount.

Set-off

Spanish Insolvency Act generally prohibits set-off of the credits and debts of the insolvent company once it has been declared insolvent, but such set-off whose requirements in order to operate were met before the declaration of insolvency can still apply. However, set-off may still be exercised after the opening of insolvency proceedings by a creditor *vis-à-vis* the insolvent company if (i) pursuant to Article 153 of the Spanish Insolvency Act, both credit rights arise under the same legal relationship; (ii) pursuant to Article 9 of the Recast Insolvency Regulation, the governing law of the claim held by the insolvent debtor allows for set-off in such scenario (and such governing law is the law of a Member State); and (iii) pursuant to Article 727 of the Spanish Insolvency Act, the governing law of the reciprocal credit right of the insolvent company permits it under insolvency scenarios.

Further, the Spanish Insolvency Act permits set-off in the context of the "liquidation" of derivatives contracts.

Applicable Jurisdiction

The applicable jurisdiction to conduct an insolvency proceeding is the one where the insolvent party has its COMI. This COMI is deemed to be where the insolvent party conducts the administration of its interests on a regular basis and which may be recognized as such by third parties. Insolvency proceedings conducted by the court of the "centre of main interests" are considered "the principal insolvency proceedings" and have universal reach affecting all the assets of the insolvent party worldwide, with certain exceptions, such as security interests over assets located outside of Spain. If the "centre of main interests" is not in Spain, but the insolvent party has a permanent establishment in Spain, Spanish courts will only have jurisdiction over the assets located in Spain.

Limitation on Validity and Enforcement of Guarantees by any Guarantor

Under the Spanish Companies Act, (Texto refundido de la Ley, de Sociedades de Capital aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio) (the "**Spanish Companies Act**"), Spanish companies (both public limited companies (sociedades anónimas (S.A.)) and private limited liability companies (sociedades de responsabilidad limitada (S.L.) ("**S.L.s**"))) may issue and guarantee (or provide security for) numbered series of notes and other securities that recognize or create debt, with certain restrictions applicable to S.L.s. In particular, the issuance by Spanish issuers under the form of S.L.s are subject to the following restrictions in accordance with Article 401.2 of the Spanish Companies Act: (i) S.L.s can only issue notes up to an aggregate maximum amount of twice its own equity (recursos propios), unless the issue is secured by a mortgage, a pledge of securities, a public guarantee (garantía pública) or a joint guarantee (aval solidario) from a credit institution (the "**S.L.s Notes Issue Limitation**"); and (ii) S.L.s are prohibited to issue or guarantee (or provide security for) notes convertible into quota shares (participaciones sociales). It is important to note that there is no consistent opinion among scholars and practitioners yet nor case law regarding the interpretation of Article 401.2 of the Spanish Companies Act in relation to the ability of S.L.s to guarantee notes for an aggregate maximum amount higher than twice its own equity (recursos propios), unless the issue is secured by a mortgage, a pledge of securities, a public guarantee or a joint guarantee from a credit institution. Accordingly, the guarantee and security interests granted by S.L.s in the context of the transaction may be subject to the limitation referred to in above.

The terms "**enforceable**," "**enforceability**," "**valid**," "**legal**," "**binding**" and "**effective**" (or any combination thereof) mean that all the obligations assumed by the relevant party under the relevant documents are of a type enforced by Spanish courts; the terms do not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms. In particular, enforcement before the Spanish courts will in any event be subject to:

- ***Financial assistance restrictions***. Spanish law imposes a restriction on the granting of guarantees and security interests by Spanish companies such that guarantees or security in respect of the guaranteed obligations shall not include nor extend to any obligations or amounts that would render such guarantees or security interests in contravention of the financial assistance restrictions provided for in the Spanish Companies Act.

In particular, pursuant to the Spanish Companies Act, Spanish companies cannot provide any kind of financial assistance (*asistencia financiera*) (within the meaning of the Spanish Companies Act), including but not limited to advancing funds, creating security interests or guarantees to any party, for the purposes of financing or refinancing the acquisition of:

- with respect to Spanish public limited companies (*sociedades anónimas*), their own shares or the shares of any direct or indirect parent company, and

- with respect to S.L.s, in relation to the acquisition of their own shares and the shares of any member of their corporate group. This limitation may also apply to the refinancing of acquisition debt. Accordingly, any guarantee or security granted by any the Guarantors shall not guarantee or secure the repayment of any of the proceeds that are used to repay our existing indebtedness if such existing indebtedness was used for the purposes described above. No whitewash procedures are available under Spanish law.

For the purposes of the previous paragraphs, a reference to a "**parent company**" of a company shall mean the company (if any) which, directly or indirectly, owns the majority of the voting rights of such company or that may have a dominant influence on the company. It shall be presumed that a company has a dominant influence on another company when:

- any of the scenarios set out in section 1 of Article 42 of the Spanish Commercial Code (*Código de Comercio*) are met; or
- when at least half plus one of the members of the managing body of the relevant company are also members of the managing body or top managers (*altos directivos*) of the parent company or of another company controlled by such parent company.

In addition, a reference to the "**group**" of a company shall mean the group of companies that have in common the same parent company (as this term is described above).

In addition, Article 158 the Spanish Companies Act provides that the financial assistance restrictions referred to above in relation to transactions targeting shares of a Spanish parent company shall also be applicable to its non-Spanish subsidiaries carrying out such transactions.

In accordance with the abovementioned, the guarantee and security interest granted by the Spanish companies belonging to the Group shall not guarantee those obligations or liabilities which, if guaranteed, will constitute an infringement of Spanish financial assistance laws in accordance with Articles 143.2 and/or 150 of the Spanish Companies Act.

- The nature of the remedies available to the Spanish courts.
- ***Corporate benefit***. All acts and transactions performed and carried out by a Spanish company must be in pursuit of and aligned with its corporate benefit and interest and, in particular, directors have a duty to act in the best interest of the company, although there is no express mandatory law provision that requires an express and direct corporate benefit. The absence of such a corporate benefit and interest may constitute grounds to challenge in the context of a insolvency proceeding such acts and transactions on the basis that such guarantees and security have no consideration unless evidence could be *provided that* there was a tangible and identifiable economic interest for the Spanish companies (beyond an abstract group interest). Whether there is a specific consideration in favour of the guarantor or grantor of security for the granting of the security or guarantee is a factual matter that will need to be proven on a case by case basis. Likewise, when assessing whether or not directors have acted in the best interest of the company, only the interest of such company (on an individual basis) is taken into account. Accordingly, transactions undertaken for the benefit of the group may not always be considered consistent with the best interest of the company. In the context of upstream and cross-stream guarantees, the Spanish Supreme Court (*Tribunal Supremo*) has ruled that the subsidiary granting the guarantee or security interest to secure the debt of its parent company or other company of its group should receive some kind of consideration or benefit, either directly or indirectly, to compensate the financial burden assumed in the interest of the group. This compensation (i) must be verifiable, even if it is not received simultaneously to the granting of the guarantee or security; (ii) must be adequate and proportional to the burden assumed by the relevant company in the interest of its group; and (iii) must have an economic value. Furthermore, the action undertaken in the interest of the group shall be justified and shall not put the solvency of the subsidiary at risk.
- ***Spanish public policy and the general principle of good faith (buena fe)***. Spanish courts may not grant enforcement in the event that they deem that a right has been exercised in such a manner to constitute an abuse of right (*abuso de derecho*).
- ***Availability of defenses.*** The availability of defenses such as (without limitation), set-off (unless validly waived), circumvention of law (*fraude de ley*), abuse in the exercise of rights (*abuso de derecho*), misrepresentation, force majeure, unforeseen circumstances, statute of limitations, undue influence, fraud, duress, abatement and counter-claim.
- ***Ancillary nature***. Spanish law is based, *inter alia*, on the principle of ancillary nature (*principio de accesoriedad*), by virtue of which a guarantee or a security interest, in general terms, under Spanish law, must secure another obligation to which it is ancillary so the guarantee or security interest follows the underlying obligation in such a way that nullity of the underlying obligation entails nullity of the guarantee or the security and termination of the underlying obligation entails

termination of the relevant guarantee or security. Therefore, a Guarantee given by a Guarantor or Spanish security interest may be deemed null and void under Spanish law in the event that all or part of our obligations under the Notes are null or void. In the event that the guarantors or security providers are able to prove that there are no existing and valid guaranteed obligations, Spanish courts may consider that the guarantors' or security providers´ obligations under the relevant guarantees or security are not enforceable.

- ***Specialty nature***. Spanish law is based, *inter alia*, on the principle of specialty (*principio de especialidad*), by virtue of which, as a general rule, any guarantee or security interest must guarantee or secure a primary obligation to which it is ancillary. As a general principle, where two different main obligations are to be secured, two different security interests must be created. No statutory provision of Spanish law regulates the possibility of creating concurrently a diversity of pledges of equal or different rank over the same asset. However, Spanish law allows the creation of concurrent and second or subsequent ranking real estate mortgages. As a consequence of the above, there are grounds to sustain the effectiveness of concurrent equal ranking pledges, even though a different view from the competent courts cannot be completely disregarded.

- In addition, a guarantee or security interest may not be enforced in Spain without having validly accelerated (totally or partially, as applicable) the underlying agreements governing the guaranteed or secured obligations, and may be affected by any amendment, supplement, waiver, repayment, novation or extinction of the Issuer's obligations under the Notes. Therefore, the primary obligation must be clearly identified in the guarantee or security agreement and they should be amended, extended and/or ratified in parallel to any amendment of the primary obligation to clearly reflect the scope of the guaranteed and secured obligations and the identity of the guaranteed or secured parties.

The enforcement of guarantees may be limited since the guarantor may not be required to pay any amount in excess of the amount owed by the principal debtor or under conditions that are less favorable than those applying to the principal debtor.

- ***Limitation on claims***. Under Spanish law, claims may become time-barred (five years since the obligation becomes enforceable being the general term established for obligations *in personam* under Article 1,964 of the Spanish Civil Code *(Código Civil)*) or may be or become subject to the defense of set-off or counterclaim. In addition, an extension of maturity granted to a debtor by a creditor without the consent of the Guarantor extinguishes the guarantee.

Under Spanish law, the valid creation of an *in rem* right of security requires the formalization of the relevant security document as a public deed (*escritura o póliza*) (unless the security qualifies as a financial collateral under Royal Decree Law 5/2005), without prejudice to any additional formalities or perfection requirements that may be required depending on the type of secured asset. Without notarization of the security documents, the secured parties (i) will not have access to the executive summary proceedings (*juicio ejecutivo*) in case of judicial enforcement of the security documents in Spain, having the secured parties to follow necessarily the ordinary judicial proceedings (*juicio ordinario*) and (ii) will not be considered as secured creditors having a special privilege over the assets part of the security package in case of insolvency of the relevant Spanish security provider.

According to Spanish law, the law governing *in rem* legal aspects of a pledge is the law applicable in the place of location of the pledged asset (*lex rei sitae*). When the pledged asset is a credit right—such as receivables or intercompany loans—the determination of the *lex rei sitae* is unclear given its lack of physical existence. In these cases, several theories have been construed among Spanish scholars so as to determine the *lex rei sitae* (such as domicile -or centre of main interest- of the debtor of the credit rights being pledged, law governing the credit right being pledged or, further to the EU proposal of Directive l on the law applicable to the third party effects of assignments of claims, the domicile of the pledgor). In addition, according to the traditional interpretation of Spanish law, the law governing the pledge over shares (*acciones*) represented by share certificates to the bearer is the law of the jurisdiction where the certificates are located. If the certificates were moved to a particular place on or shortly before creating the pledges and that place had no connection with the circumstances of the case, a judge could consider that the change of location was done in circumvention of the law and consider that the law that should be applied to the *in rem* legal aspects is the *lex rei sitae* that was intended to be circumvented. As to the law governing *in rem* aspects of a pledge over shares represented by registered certificates, considering that the *lex rei sitae* of the shares is that of the place where the certificates are located is not unanimously accepted, being sustained in certain cases that the law of the corporate seat of the company must be considered the applicable law. Finally, in relation to shares represented by book entries, the prevailing position is to consider that the law of the place where the relevant account is located is the applicable law to pledges, as provided for in the case of financial collateral.

Spanish law does not expressly contemplate the possibility of creating a single global pledge to secure several obligations which would be contrary to the principle of specialty, and the Spanish Civil Code (*Código Civil*) provides that one of the requirements of a pledge or mortgage agreement is that the *in rem* right of mortgage or pledge be created to secure one main underlying obligation. However, current real estate laws and regulations expressly recognize the possibility to create "global" or "floating" mortgages securing several payment obligations if the beneficiary is a financial institution or a public administration. Even though this possibility is not expressly legally recognized in respect of pledges, the Spanish Directorate General of Registries and Notaries (DGRN) has admitted the creation of a single pledge to secure multiple obligations, subject to the existence of a common causal link (*nexo causal común*) or a relationship of reciprocal dependence between the obligations to be secured and *provided always that* the defining aspects (*aspectos definidores*) of such obligations are determined. As a consequence, there are also grounds to argue that pledges securing several obligations are valid, although a competent court may reach a different view. In addition, Royal Decree Law 5/2005, seems to allow the possibility of creating a single pledge to secure several obligations. Therefore, any security interest governed by Spanish common law (*Derecho Común*) may be created to secure various obligations, but because it is neither expressly foreseen nor tested by Spanish courts, a court may conclude that any such security interest is void and null.

- ***Acceleration.*** A Spanish court may not accept acceleration (*vencimiento anticipado*) of an agreement if the default were of minimal importance. To be recognized by the Spanish courts as giving rise to the remedy of acceleration, a default must be material. The decision to accelerate an agreement must be based on objective facts and cannot be left to the sole discretion of one party as this would not be permitted by Article 1,256 of the Spanish Civil Code (*Código Civil*).

- In accordance with the general principles of Spanish Civil Procedural laws, the rules of evidence in any judicial proceeding cannot be modified by agreement of the parties. Accordingly, provisions in an agreement in which determinations by a party are to be deemed to be conclusive would not be upheld by a Spanish court. A determination, designation, calculation or certificate from one party as to any matter provided in the secured documents might, in certain circumstances, be held by a Spanish court not to be final, conclusive and binding, if it could be shown to have an unreasonable or arbitrary basis or in the event of manifest error despite any provision in the secured documents to the contrary.

- A Spanish court may award damages if the specific performance of an obligation is deemed impracticable.

- A specific performance obligation may not automatically convert in a damages claim.

- A Spanish court may modify the obligations deriving from contracts in the terms considered necessary in order to restore the balance between the obligations, if unexpected and exceptional circumstances arise, which were unforeseeable when the contracts were executed.

- It may not be disregarded that the enforcement of a Guarantee or Collateral granted by a Spanish company could require a judgment to be previously rendered in New York declaring the default or acceleration of the secured obligations and the amount due and payable thereunder.

- A certified translation into Spanish by an official translator of any document not executed in Spanish will be required to make such document admissible in evidence before any court in Spain.

- Enforceability of any Spanish security documents' provisions relating to application of enforcement proceeds will be subject to mandatory Spanish law requirements on the order of distributions.

Financial Collateral Arrangements

The Directive 2002/47/EC of the European Parliament and of the council of June 6, 2002 on financial collateral arrangements was implemented in Spain by means of the Royal Decree Law 5/2005 and it implements, among others, the provisions related to the special protection regime for security interests over cash and securities (financial collateral).

However, in order to benefit from the provisions of the Royal Decree Law 5/2005: (A) the parties to the security documents must be those referred to in article 4 (mainly public entities, credit entities and financial institutions in accordance with article 4.5 of the Directive 2006/48/CE of June 14), (B) the object of the security must consist exclusively of (i) cash, meaning money paid into an account in any currency; (ii) securities and other financial instruments as defined in the Spanish Securities Market Act and its implementing regulations and any other direct or indirect regulation over them; and (iii) credit claims, meaning pecuniary claims arising out of an agreement whereby a credit institution grants credit in the form of a loan or a credit to an entity (other than consumers or a micro or small enterprises, save where the collateral take or the collateral provider of such credit claims is one of the institutions referred to in article 4.1(d) of the Royal Decree Law 5/2005).

Only if a security qualifies as a financial collateral arrangement in accordance with the requirements set out under the Royal Decree Law 5/2005, the relevant security interest can be enforced by means of direct appropriation and benefit from a simplified enforcement procedure, otherwise, the security interest shall be enforced through other procedures available such as judicial proceeding in accordance with Articles 681 to 698 of the Spanish Civil Procedure Act or notarial proceedings in accordance with Article 1,872 of the Spanish Civil Code (*Código Civil*), as complemented by Chapter V of the Title VII of the Notarial Law dated 28 May 1962 in both cases the relevant asset is required to be sold by public auction. If the sale price obtained in the public auction exceeds the outstanding secured amount, the amount of which it exceeds the outstanding secured amount must be delivered to the grantor of the relevant collateral. The judicial or notarial procedure can be a very complex and long process (which might be subject to formalities, granting of judicial powers of attorney, waiting periods, legal notice requirements, valuation of assets, material costs and expenses etc.) and the result may differ from what was expected or might not be successful.

Capitalization

Under Spanish law there are some provisions in relation to a company's capitalization which have to be taken into account when guarantees are enforced. Enforcement of guarantees may cause the amount of the relevant Guarantor's net equity (*patrimonio neto*) to fall below half of its share capital and, in such case, the Guarantor will need to be wound up (*disolverse*), unless its share capital is increased or decreased in the required amount to reestablish the balance between its net equity and its share capital, and *provided that* it is not required to declare its insolvency. Pursuant to the special regulations approved in the context of COVID-19, there is an interim regime whereby any losses incurred during financial years 2020 and 2021 will not be taken into account to determine if a Spanish company is in a capital impairment situation until closing of financial year 2024.

First Demand Guarantee

The structure of first demand guarantees is not specifically regulated in the Spanish Civil Code (*Código Civil*) but their validity and effectiveness have been reviewed in several judgments and defined by the Spanish Supreme Court (*Tribunal Supremo*) as autonomous, independent and abstract guarantees, detached from the underlying agreement whose obligations are being guaranteed. These judgments acknowledge the validity of provisions pursuant to which Guarantors waive the ability to call on enforceability exceptions different to those stated in the guarantee. Notwithstanding the foregoing, certain case law has also admitted the possibility that, with certain limitations, the Guarantor automatically raises the enforceability exception of fraud, bad faith or abuse of right (*abuso de derecho*) in the event where the beneficiary enforces the guarantee in a fraudulent manner or in bad faith. Certain case law has also admitted that the Guarantor can stay enforcement by showing that there has been no event of default (the Guarantor bearing the burden of proof), usually through a motion for declaratory relief filed by the Guarantor.

Trust and Security Agent under Spanish law

Security interests must be granted in favor of each and every one of the Secured Parties under the relevant security document, and each secured party must accept said security interest.

The security interests in the collateral that will secure the obligations of the Issuer under the Notes will not be granted directly to the Holders of the Notes but will be granted only in favor of the Security Agent. Spanish law does not recognize the concept of security agents and, therefore, security agency structures may not be recognized by Spanish courts. Nonetheless, Article 405.3 of the Spanish Companies Act provides in relation to Spanish companies issuing debt securities (*obligaciones*) (roughly instruments creating or recognizing debt) abroad that the law governing the issuance will determine, amongst others, how the holders of the notes will be organized collectively and it seems to us that Spanish courts may not refuse to recognize that the Trustee carries out functions equivalent to those that a *comisario*, as a representative of the Holders, would have carried out in an issuance governed by Spanish law. However, we are not aware of any precedent where this has been recognized by a Spanish court.

Under Spanish law there could be some uncertainty as to whether the beneficial owners of the Notes that are not identified as registered holders will be deemed to have a valid and perfected guarantee or security interest under such guarantee or security. Holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture and the Intercreditor Agreement) provide instructions to the Security Agent in respect of the collateral. Notwithstanding the foregoing, if enforcement of any security interest in Spain was to be carried out by the Security Agent in Spain, it may be necessary (i) that each of the secured parties benefiting from such collateral prove its title to the secured obligations, ratify such collateral and accept the benefit of the security interest in their respective names and (ii) to prove that the Security Agent is duly and expressly empowered by means of duly notarized powers of attorney granted in favor of the Security Agent by each of the actual or future creditors, if necessary, with the Apostille of The Hague Convention dated October 5, 1961. Therefore, there could be a delay in the enforcement of the collateral in Spain while the Security Agent obtains such powers and the relevant public deeds as granted.

In the absence of the abovementioned powers of attorney, the Security Agent may not be able to enforce the relevant Spanish security interest on behalf of all of the secured creditors (including the holders of the Notes), and there is a risk that the Security Agent would only be able to enforce the security interest against the debt that it individually holds, and not for the full amount owed to creditors for whom it may be acting as Security Agent. Therefore, those secured creditors which do not grant powers of attorney in favor of the Security Agent may need to enforce the security interest (together with the Security Agent) against the debt that they individually hold.

Further, those beneficial holders of the security who have not duly accepted the security or duly empowered (by means of notarial and apostilled powers of attorney) the Security Agent to do so may be treated, from a Spanish law perspective including without limitation in an insolvency scenario, as unsecured creditors.

Furthermore, the relevant court or notary public before whom any Spanish security interest may be enforced might request both the notarization of the documents from which the relevant obligations arise, and the notarization of each and every one of the transfer certificates regarding each and every transfer of the Notes.

Parallel Debt

The concept of "parallel debt" may be questioned under Spanish law and we are not aware of any court precedent where it has been recognized by a Spanish court. On the contrary, guarantee/ security interests to be valid, enforceable and perfected require that the beneficiary of the guarantee/ security interest and the creditor are the same person. Therefore, we cannot assure you that by creating any such structure it will eliminate or mitigate the risk of unenforceability posed by applicable law, but on the contrary it may increase the risk of not recognition of the secured obligation in favor of those creditors which do not appear as beneficiaries of the guarantee / security interest. If any challenge to the validity, perfection or enforceability of the guarantee or security interests created by the relevant security documents were successful, the Holders of the Notes may be unable to enforce such guarantees or security interests.

Also, under Spanish law, in the event that the relevant obligor enters into insolvency proceedings, the securities or the parallel debt obligation could be subject to potential challenges by an insolvency administrator, the obligor itself or by other creditors of such obligor under the rules of avoidance or claw back of Spanish insolvency laws and the relevant law on the non-insolvency avoidance or claw back of transactions by the debtor.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement, the Initial Purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased. If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by counsel.

The Initial Purchasers initially propose to offer the Notes for resale at the prices indicated on the cover page of this Offering Memorandum. After the initial offering of the Notes, the offering prices and other selling terms of the Notes may, from time to time, be varied by the Initial Purchasers without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates who are qualified broker dealers under applicable law, including in respect of sales into the United States.

In connection with the Offering, the Initial Purchasers are not acting for anyone other than us and will not be responsible to anyone other than us for providing the protections afforded to their customers nor for providing advice in relation to the Offering.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offering price set forth on the cover page hereof.

The Issuer has agreed to pay the Initial Purchasers certain customary fees for their services in connection with the Offering and to reimburse them for certain out-of-pocket expenses. The Issuer has also agreed that it will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

EEA

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision:

- the expression "**retail investor**" means a person who is one (or more) of the following: (i) a "retail client" as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

    (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

    (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

- has complied and will comply with all applicable provisions of the FSMA in respect of anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Notes are Not being Registered

The Notes have not been, and will not be, registered under the U.S. Securities Act or any state securities laws. The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the U.S. Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Initial Purchasers will not offer or sell the Notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the U.S. Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "*Notice to Investors*."

Settlement

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be nine business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T +9"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in one business day unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on any date prior to one business day before delivery will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 45 days after the Issue Date, without first obtaining the prior written consent of Deutsche Bank Aktiengesellschaft , offer, sell, contract to sell or otherwise dispose of, except as otherwise provided in the purchase agreement, any debt securities of, or guaranteed by, the Issuer or the Guarantors or any of their subsidiaries that are substantially similar to the Notes.

New Issue of Notes, Stabilization and Short Positions

The Notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the Notes on any national securities exchange or for inclusion of the Notes on any automated dealer quotation system, except that application will be made, through the listing agent, to the Exchange for the Notes to be admitted to the Official List of the Exchange. We cannot assure you that this application will be approved or that, if approved, such listing will be maintained. The Initial Purchasers may make a market in the Notes after completion of the Offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice and in their sole discretion. In addition, such market making activities will be subject to the limits imposed by the U.S. Securities Act and the Exchange Act.

We cannot assure the liquidity of the trading market for the Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

In connection with the Offering of the Notes, Deutsche Bank Aktiengesellschaft, one of its affiliates or persons acting on its behalf (the "**Stabilizing Manager**") may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager may bid for and purchase the Notes in the open markets for the purpose of pegging, fixing or maintaining the price of such Notes. The Stabilizing Manager may also over allot the offering of the Notes creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the applicable syndicate short position. In addition, the Stabilizing Manager may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and the Stabilizing Manager may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the offering of the Notes is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over the counter market or otherwise.

In addition, in connection with the offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the Offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the Offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

In addition, certain of the Initial Purchasers may not be U.S. registered broker-dealers and accordingly will not effect any offers or sales of any Notes in the United States unless it is through one or more U.S. registered broker-dealers as permitted by applicable securities laws and the regulations of the Financial Industry Regulatory Authority.

Neither we nor any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor any of the Initial Purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking, commercial purpose lending, transaction and clearing services, consulting and financial advisory services and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary advisory and transaction fees, commissions and expense reimbursement for these transactions. Certain of the Initial Purchasers may from time to time also enter into swap and other derivative transactions with us or our affiliates. Certain of the Initial Purchasers are also lenders under the Bridge to Disposal Facility.

In addition, in the ordinary course of their business activities, the Initial Purchasers or their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to customers that they acquire, long and/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

The following restrictions will apply to the Notes. You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or any state securities laws or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or other jurisdiction. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act and to persons outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. As used in this section, the terms "**United States**" and "**offshore transaction**" have the meanings given to them in Regulation S. Accordingly, we are offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to "qualified institutional buyers," commonly referred to as "QIBs," as defined in Rule 144A in compliance with Rule 144A; and
- outside the United States in an offshore transaction in accordance with Regulation S (and, in this case, only to investors who, if resident in a Member State of the European Economic Area or in the United Kingdom, are not retail investors), each defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

In addition, until 40 days after the later of the commencement of the offering and the closing date, an offer or sale of the Notes and Guarantees within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

Each purchaser of the Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or any other applicable securities law, and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any state securities law, including sales pursuant to Rule 144A and Regulation S, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) It is not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer or acting on behalf of the Issuer and it is either:

    (a) a qualified institutional buyer and is aware that any sale of the Notes to it will be made in reliance on Rule 144A under the U.S. Securities Act and the acquisition of the Notes will be for its own account or for the account of another qualified institutional buyer; or

    (b) is purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

(3) It acknowledges that neither we nor the Initial Purchasers, nor any person representing us or the Initial Purchasers, has made any representation to it with respect to the Issuer and its subsidiaries or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of the information contained in this Offering Memorandum. It also acknowledges that it has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes,

including an opportunity to ask questions of and request information from us and the Initial Purchasers.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) Each holder of the Notes agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes sold pursuant to Rule 144A (the "**Rule 144A Notes**"), and each subsequent holder of the Rule 144A Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Rule 144A Notes only (i) to the Issuer, the Guarantors or any subsidiaries thereof; (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act; (iv) pursuant to offshore transactions occurring outside the United States within the meaning of Regulation S under the U.S. Securities Act and in reliance on Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable securities laws and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clauses (iv) or (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them, (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the other side of the security is completed and delivered by the transferor to the Trustee and (III) agrees that it will give to each person to whom this security is transferred a notice substantially to the effect of this legend.

(6) Each purchaser acknowledges that each 144A Global Note and each Definitive Registered Note issued in exchange for 144A Book-Entry Interests will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, (1) REPRESENTS THAT (A) IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**")) OR (B) IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND (2) AGREES NOT TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY EXCEPT (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT, OR ANY PERSON ACTING ON ITS BEHALF, REASONABLY BELIEVES IS A "**QUALIFIED INSTITUTIONAL BUYER**" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED

INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFSHORE TRANSACTIONS OCCURRING OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLY WITH ANY APPLICABLE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

BY ACCEPTANCE OF THIS SECURITY, EACH ACQUIRER AND SUBSEQUENT TRANSFEREE OF THIS SECURITY WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (A) NO PORTION OF THE ASSETS USED BY SUCH ACQUIRER OR TRANSFEREE TO ACQUIRE AND HOLD THE SECURITY CONSTITUTES ASSETS OF ANY (I) EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), (II) PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), OR PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON-UNITED STATES OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO THE PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, "**SIMILAR LAWS**"), OR (III) ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "**PLAN ASSETS**" OF SUCH PLAN, ACCOUNT AND ARRANGEMENT (EACH, A "**PLAN**") OR (B) THE ACQUISITION AND HOLDING OF THE SECURITY WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR ANY SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS. ADDITIONALLY, EACH HOLDER USING THE ASSETS OF A PLAN THAT IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE (EACH, AN "**ERISA PLAN**") TO ACQUIRE OR HOLD THIS SECURITY OR ANY INTEREST HEREIN WILL BE DEEMED TO REPRESENT THAT (I) NEITHER THE ISSUER OR ANY OF ITS AFFILIATES HAS ACTED AS THE ERISA PLAN'S FIDUCIARY, OR HAS BEEN RELIED UPON FOR ANY ADVICE, WITH RESPECT.

TO THE ERISA PLAN'S DECISION TO ACQUIRE OR HOLD THIS SECURITY OR ANY INTEREST HEREIN AND NEITHER THE ISSUER OR ANY OF ITS AFFILIATES SHALL AT ANY TIME BE RELIED UPON AS THE ERISA PLAN'S FIDUCIARY WITH RESPECT TO ANY DECISION TO ACQUIRE, CONTINUE TO HOLD OR TRANSFER ITS INTEREST HEREIN, (II) THE ERISA PLAN IS AWARE OF AND ACKNOWLEDGES THAT (A) NONE OF THE ISSUER OR ANY OF ITS AFFILIATES IS UNDERTAKING TO PROVIDE IMPARTIAL INVESTMENT ADVICE, OR TO GIVE ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH THE ERISA PLAN'S INVESTMENT HEREIN AND (B) THE ISSUER AND ITS AFFILIATES HAVE A FINANCIAL INTEREST IN THE ERISA PLAN'S INVESTMENT IN THIS SECURITY AND (III) THE DECISION TO INVEST IN THIS SECURITY HAS BEEN MADE AT THE RECOMMENDATION OR DIRECTION OF AN "INDEPENDENT FIDUCIARY" ("**INDEPENDENT FIDUCIARY**") WITHIN THE MEANING OF THE U.S. CODE OF FEDERAL REGULATIONS 29 C.F.R. SECTION 2510.3-21(C), AS AMENDED FROM TIME TO TIME (THE "**FIDUCIARY RULE**") WHO (A) IS INDEPENDENT OF THE ISSUER AND ITS AFFILIATES; (B) IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH

RESPECT TO PARTICULAR TRANSACTIONS AND INVESTMENT STRATEGIES (WITHIN THE MEANING OF THE FIDUCIARY RULE); (C) IS A FIDUCIARY (UNDER ERISA AND/OR SECTION 4975 OF THE CODE) WITH RESPECT TO THE ERISA PLAN'S INVESTMENT HEREIN AND IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT HEREIN; (D) IS EITHER (A) A BANK AS DEFINED IN SECTION 202 OF THE U.S. INVESTMENT ADVISERS ACT OF 1940, AS AMENDED (THE "**ADVISERS ACT**") OR SIMILAR INSTITUTION THAT IS REGULATED AND SUPERVISED AND SUBJECT TO PERIODIC EXAMINATION BY A STATE OR FEDERAL AGENCY OF THE UNITED STATES; (B) AN INSURANCE CARRIER WHICH IS QUALIFIED UNDER THE LAWS OF MORE THAN ONE STATE OF THE UNITED STATES TO PERFORM THE SERVICES OF MANAGING, ACQUIRING OR DISPOSING OF ASSETS OF SUCH AN ERISA PLAN; (C) AN INVESTMENT ADVISER REGISTERED UNDER THE U.S. INVESTMENT ADVISERS ACT OF 1940 (THE "**ADVISERS ACT**") OR, IF NOT REGISTERED AN AS INVESTMENT ADVISER UNDER THE ADVISERS ACT BY REASON OF PARAGRAPH (1) OF SECTION 203A OF THE ADVISERS ACT, IS REGISTERED AS AN INVESTMENT ADVISER UNDER THE LAWS OF THE STATE (REFERRED TO IN SUCH PARAGRAPH (1)) IN WHICH IT MAINTAINS ITS PRINCIPAL OFFICE AND PLACE OF BUSINESS; (D) A BROKER DEALER REGISTERED UNDER THE U.S. EXCHANGE ACT OF 1934, AS AMENDED; AND/OR (E) AN INDEPENDENT FIDUCIARY (NOT DESCRIBED IN CLAUSES (A), (B), (C) OR (D) ABOVE) THAT HOLDS OR HAS UNDER MANAGEMENT OR CONTROL TOTAL ASSETS OF AT LEAST $50 MILLION, AND WILL AT ALL TIMES THAT SUCH ERISA PLAN HOLDS AN INTEREST HEREIN, HOLDS OR HAS UNDER MANAGEMENT OR CONTROL, TOTAL ASSETS OF AT LEAST $50 MILLION; AND (E) IS AWARE OF AND ACKNOWLEDGES THAT (I) NEITHER THE ISSUER OR ANY OF ITS AFFILIATES IS UNDERTAKING TO PROVIDE IMPARTIAL INVESTMENT ADVICE, OR TO GIVE ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH ERISA PLAN'S INVESTMENT HEREIN, AND (II) THE ISSUER AND ITS AFFILIATES HAVE A FINANCIAL INTEREST IN THE ERISA PLAN'S INVESTMENT HEREIN. NOTWITHSTANDING THE FOREGOING, ANY ERISA PLAN WHICH IS AN INDIVIDUAL RETIREMENT ACCOUNT THAT IS NOT REPRESENTED BY AN INDEPENDENT FIDUCIARY SHALL NOT BE DEEMED TO HAVE MADE THE REPRESENTATION IN SECTION (III) ABOVE.

A purchaser of the Notes will also be deemed to acknowledge that the forgoing restrictions apply to holders of beneficial interest in such Notes as well as to holders of such Notes.

(7) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of such Notes.

(8) It acknowledges that the Registrar will not be required to accept for registration of transfer any Notes acquired by it except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with.

(9) It acknowledges that we, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(10) It represents and agrees that either (a) no portion of the assets used by such acquirer or transferee to acquire and hold the security constitutes assets of any employee benefit plan subject to Title I of ERISA, any plan, individual retirement account or other arrangements that are subject to Section 4975 of the Code, or provisions under any federal, state, local, non-United States or other laws or regulations that are similar to the provisions of ERISA or the Code (collectively, "**similar laws**"), or any entity whose underlying assets are considered to include "plan assets" of such plan, account and arrangement (each, a "**plan**") or (b) the acquisition and holding of the security will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or any similar violation under any applicable similar laws.

(11) It understands that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation, or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."

(12) It acknowledges that until 40 days after the commencement of the Offering, any offer or sale of Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

LEGAL MATTERS

Various legal matters will be passed upon for us by Clifford Chance LLP, as to matters of U.S. federal and New York state law, and by Clifford Chance, S.L.P., as to matters of Spanish law. Certain legal matters will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, as to matters of U.S. federal and New York state law and by Latham & Watkins LLP, as to matters of Spanish law.

INDEPENDENT AUDITORS

The original Spanish-language consolidated annual accounts of the Issuer and its subsidiaries as of and for each of the years ended January 31, 2021, 2022 and 2023, have been audited by KPMG Auditores, S.L., independent auditors. English translations of these consolidated annual accounts are appended as the F-pages to this Offering Memorandum.

With respect to the original Spanish-language unaudited condensed consolidated interim financial statements of the Issuer as of and for the six-month period ended July 31, 2023, KPMG Auditores, S.L., independent auditors, has reported that they applied limited procedures in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." However, KPMG Auditores, S.L. independent auditors' separate report states that they did not audit, and they do not express an opinion on those interim financial statements. Accordingly, the degree of reliance on KPMG Auditores, S.L., independent auditors' report on such information should be restricted in light of the limited nature of the review procedures applied. English translations of these unaudited condensed consolidated interim financial statements and the related independent auditors' separate report are also appended as F-pages. The review report covering the July 31, 2023 unaudited condensed consolidated interim financial statements contains two emphasis of matter paragraphs that state that (i) the condensed consolidated interim financial statements indicate that total current liabilities exceed total current assets by €813,743 thousand, mainly due to a substantial portion of the Group's bank loans and borrowings maturing in July 2024. In these circumstances, Group management is working to obtain sufficient financing from various sources to meet the debt commitments assumed at maturity, and this financing has yet to be finalized and formalized. These events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, and (ii) the interim financial statements do not include all the information that would be required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended January 31, 2023.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

Spain

The United States and Spain currently do not have a treaty in force providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States, whether or not predicated solely upon U.S. federal securities laws or other laws, would not automatically be recognized or enforceable in Spain.

In order to enforce any such U.S. judgment in Spain recognition proceedings (*exequatur*) under Law 29/2015, of 30 July 2015 on International Legal Cooperation in Civil Matters ("**Law on International Cooperation**") must first be initiated before the First Instance Court (*Juzgado de Primera Instancia*) or Commercial Court (*Juzgado de lo Mercantil*), as the case may be, of the domicile of the party against whom recognition and/or enforcement is sought, or of the party to whom the effects of the foreign judgment relate. Ancillary, exequatur proceedings may be also initiated before the courts of the place where the relevant foreign resolution shall produce effects in Spain. In accordance with Article 523 of the Spanish Civil Procedure Act (*Ley 1/2000, de 7 de enero de Enjuiciamiento Civil*), the enforcement of such judgments will take place in accordance with the Spanish procedural rules, considering the relevant provisions of international regulations that may be applicable.

This procedure requires that the U.S. judgement is final (*firme*), that is, not subject to further appeal to the courts of origin.

In such an action, a Spanish court would not reinvestigate the merits of the original matter decided by the U.S. court (Section 48 of the Law on International Cooperation). Recognition and enforcement of a U.S. judgment by a Spanish court in such an action is conditional upon (among other things) the following:

- That the U.S. judgment is not contrary to Spanish public policy.
- That the U.S. judgment was not rendered in breach of the rights of defense of either party. If the judgment was rendered *in absentia* (*en rebeldía*), a breach of the rights of defense shall be presumed if the defendant was not served with a writ of summons or an equivalent document in due manner and with sufficient time to enable that party to organize the defense.
- That the U.S. judgment has not ruled on a matter over which the Spanish courts have exclusive jurisdiction or, with regard to other matters, if the U.S. courts did not base their jurisdiction on a reasonable connection point.
- That the U.S. judgment is not irreconcilable (i) with a judicial decision rendered in Spain; or (ii) with a judicial decision previously issued in another State, when it fulfils the conditions necessary for its recognition in Spain.
- That there is no pending litigation in Spain between the same parties and with the same subject matter, initiated prior to the U.S. proceedings.

Subject to the foregoing, investors may be able to enforce in Spain final judgments in civil and commercial matters that have been obtained from U.S. federal or state courts.

Additionally, the Spanish procedural laws permit the application of foreign rules by national courts (in this sense, foreign law becomes an element that has to be evidenced during the process). Therefore, if the jurisdiction rules permit the intervention of Spanish courts, there is a possibility that a Spanish court would accept jurisdiction and impose civil liability if the origin action is commenced in Spain even if the laws applicable to the case are not Spanish laws.

The enforcement of U.S. judgments in Spain involves, *inter alia*, the following principal actions and costs: (a) documents in a language other than Spanish must be accompanied by a sworn translation into Spanish (translator's fees will be payable); (b) payment of certain professional fees required for the verification of the legal authority of a party litigating in Spain (if needed); (c) the payment of certain court fees; (d) the procedural acts of a party litigating in Spain must be directed by an attorney-at-law and the party must be represented by a court agent (*procurador*); and (e) original or authenticated copy of the judgment duly apostilled or legalized must be filed; (f) a document evidencing the service of process in the event that the judgment was rendered in default of appearance must be filed; and (g) evidence of the judgment being final and conclusive (*firme*) and executory must be filed. In addition, Spanish civil proceedings rules cannot be amended by agreement of the parties and such rules will therefore prevail notwithstanding any provision to the contrary in the relevant agreement.

On another issue, any judgment obtained against either the Issuer or any of the Guarantors in any country bound by the provisions of EU Regulation 1215/2012 of the European Parliament and of the Council or any other international convention to which Spain is a party (such as, among others, the Hague Convention dated June 30, 2005 on Choice of Court Agreements or Lugano Convention dated 30 October 2007 on jurisdiction and the recognition of judgements in civil and commercial matters) would be recognized and enforced in accordance with the terms set forth thereby.

In addition, Spain and the United States are signatories to the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of 15 November 1965, and, therefore, all notices and service should be made in accordance with the provisions set forth therein.

WHERE YOU CAN FIND OTHER INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

- such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- except as provided pursuant to the first bullet above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes are "restricted securities" within the meaning of the Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the Exchange Act, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act. Any such request should be directed to the Issuer, Barrio San Agustín, s/n Elorrio, 48230 Spain.

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the Indenture governing the Notes and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. See "*Description of the Notes—Certain Covenants—Reports*."

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

Application is expected to be made for the listing of and permission to deal in the Notes on the Official List and to admit the Notes to trading on the professional segments of the Euro MTF market. There can be no assurance that the Notes will be listed on the Official List, that such permission to deal in the Notes will be granted or that such listing will be maintained.

Listing Information

For so long as the Notes are listed on the Exchange and the rules of the Exchange so require, copies of the following documents (translated into English, where relevant) may be obtained free of charge in physical / electronic form at the registered office of the Issuer during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded):

- the by-laws of the Issuer;
- the audited consolidated annual accounts of Eroski, S. Coop. and its subsidiaries for the fiscal years 2020, 2021 and 2022 prepared in accordance with IFRS as adopted by the European Union;
- the unaudited condensed consolidated interim financial statements of Eroski, S. Coop. and its subsidiaries for the six-month period ended July 31, 2023 prepared in accordance with IAS 34;
- the listing wrapper document in connection with the listing and this Offering Memorandum; and
- the Indenture (which includes the form of the Notes).

For so long as any of the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices with respect to the Notes will be published on the official website of the Luxembourg Stock Exchange (www.luxse.com).

The Issuer has appointed Deutsche Bank AG, London Branch as Paying Agent and Transfer Agent, Banco Santander, S.A. as Security Agent and Deutsche Bank Luxembourg S.A. as Registrar to make payments on, when applicable, and transfers of, the Notes. The Issuer reserves the right to vary such appointments and we will provide notice of such change of appointment to holders of the Notes and the Exchange.

Application may be made to the Exchange to have the Notes removed from listing on the Official List of the Exchange, including if necessary to avoid any new withholding taxes in connection with the listing.

The Guarantors are certain wholly-owned subsidiaries of the Issuer. See "*—Legal Information—The Guarantors*." Eroski, S. Coop.'s audited consolidated annual accounts include the Issuer, the Guarantors and non-guarantor companies. The Guarantees are full and unconditional, joint and several.

Any information contained in this Offering Memorandum which has been sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by any third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Save as disclosed herein, there are no potential conflicts of interest between the duties of the director of the Issuer and their private or other duties.

Litigation

Except as disclosed in this Offering Memorandum, there has been no material adverse change in our consolidated financial position since fiscal year 2022 (being the last day of the period in respect of which the Issuer published its latest audited consolidated annual accounts) and neither the Issuer nor any of its subsidiaries is involved, or has been involved during the 12 months preceding the date of this Offering Memorandum, in any legal, arbitration or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on their results of operations, condition (financial or other) or general affairs and, so far as each is aware, having made all reasonable inquiries, there are no such legal, arbitration or administrative proceedings pending or threatened.

No Material Adverse Change

Except as disclosed in this Offering Memorandum, there has been no material adverse change in our prospects since fiscal year 2022 (being the last day of the period in respect of which the Issuer published its latest audited consolidated annual accounts).

No Significant Change

Except as disclosed in this Offering Memorandum, there has been no significant change in the Issuer's consolidated financial and trading position since fiscal year 2022.

Clearing Information

The Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 271132077 and 271132107, respectively. The ISIN for the Notes sold pursuant to Regulation S is XS2711320775 and the ISIN for the Notes sold pursuant to Rule 144A is XS2711321070.

Legal Information

The Issuer

EROSKI, S. Coop., is a consumer cooperative organized under the laws of Spain, registered with the Registry of Cooperatives of Euskadi (*Registro de Cooperativas de Euskadi*), an unitary body ascribed to the Office of Social Economy of the Department of Justice, Employment and Social Security of the Basque Government (*Dirección de Economía Social del Departamento de Justicia, Empleo y Seguridad Social del Gobierno Vasco*), with number 2003.0.088 of inscription on page 1,812, and with tax identification number F-20033361. The Issuer's registered office is located at Barrio San Agustín, 48230 Elorrio, Spain. Its telephone number is +34 946 21 12 11 and its LEI code is 959800J76YJMWZP6S661. The share capital of the Issuer is of a variable nature, and its bylaws set the minimum amount at €1,000,000, fully subscribed and paid up. As of 31 January 2023, the share capital of the Issuer amounted to EUR 332,939,000, from which EUR 331,276,000 correspond to mandatory contributions from employee cooperative members and EUR 1,663,000 correspond to mandatory contributions from consumer cooperative members.

See "*Management*" for the Issuer's corporate purpose and a description of its corporate governance.

The Guarantors

Cecosa Hipermercados, S.L., is a limited liability company (*sociedad de responsabilidad limitada*) organized under the laws of Spain. It is registered in Spain under tax identification number B-48231351. Its registered office is located at Madrid, 22B Casas de Miravete Street, 1º, 4º. As of July 31, 2023, Cecosa Hipermercados, S.L. had an authorized share capital of €46,014,423.10.

Equipamiento Familiar y Servicios, S.A., is a limited liability company (*sociedad anónima*) organized under the law of Spain. It is registered in Spain under tax identification number A-20372306. Its registered office is located at Elorrio (Vizcaya), Barrio de San Agustín s/n. As of July 31, 2023, Equipamiento Familiar y Servicios, S.A. had an authorized share capital of €4,086,800.

Desarrollos Comerciales y de Ocio Algeciras, S.L., is a limited liability company (*sociedad de responsabilidad limitada*) organized under the laws of Spain. It is registered in Spain under tax identification number B-85316818. Its registered office is located at Madrid, calle Velazquez 75. As at July 31, 2023, Desarrollos Comerciales y de Ocio Algeciras, S.L. had an authorized share capital of €1,000,000.

Cecosa Institucional, S.L., is a limited liability company (*Sociedad de responsabilidad limitada*) organized under the laws of Spain. It is registered in Spain under tax identification number B-95390787. Its registered office is located at Elorrio (Vizcaya), Barrio de San Agustín s/n. As of July 31, 2023, Cecosa Institucional, S.L. had an authorized share capital of €10,874,937.

Cecogoico, S.A., is a limited liability company (*sociedad anónima*) organized under the law of Spain. It is registered in Spain under tax identification number A-88430749. Its registered office is located at Elorrio (Vizcaya), Barrio de San Agustín s/n. As of July 31, 2023, Cecogoico, S.A. had an authorized share capital of €141,828,174. The book value of Cecogoico, S.A., which primarily acts as the owner of Supratuc and Vegalsa, was €974 million as of January 31, 2023.

Newcobeco, S.A., is a limited liability company (*sociedad anónima*) organized under the laws of Spain. It is registered in Spain under tax identification number A-88430756. Its registered office is located at Elorrio (Vizcaya), Barrio de San Agustín s/n. As of July 31, 2023, Newcobeco, S.A. had an authorized share capital of €141,828,174.

Peninsulaco, S.L.U., is a limited liability company (*sociedad de responsabilidad limitada*) organized under the laws of Spain. It is registered in Spain under tax identification number B-88512975. Its registered office is located at Madrid, 22B Casas de Miravete Street, 1º, 4º. As of July 31, 2023, Peninsulaco, S.L.U. had an authorized share capital of €19,042,999.50.

Sociedad de Franquicias Eroski Contigo, S.L.U., is a limited liability company (*sociedad de responsabilidad limitada*) organized under the laws of Spain. It is registered in Spain under tax identification number B-95907150. Its registered office is located at Elorrio (Vizcaya), Barrio de San Agustín s/n. As of July 31, 2023, Sociedad de Franquicias Eroski Contigo, S.L.U. had an authorized share capital of €3,000.

Forum Sport, S.A. is a limited liability company (*sociedad anónima*) organized under the laws of Spain. It is registered in Spain under tax identification number A-48450456. Its registered office is located at Barrio Etxerre s/n, Basauir (Vizcaya). As of July 31, 2023, Forum Sport, S.A. had an authorized share capital of €27,159,995.34.

Cecosa Diversificación, S.L., is a limited liability company (*sociedad de responsabilidad limitada*) organized under the laws of Spain. It is registered in Spain under tax identification number B-95390753. Its registered office is located at Elorrio (Vizcaya), Barrio de San Agustín s/n. As of July 31, 2023, Cecosa Diversificación, S.L. had an authorized share capital of €42,076,396.

Consents

The Issuer has obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes.

Statement

The Issuer accepts responsibility for the information contained in this Offering Memorandum and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and contains no omission likely to affect the import of such information.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

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

Report on Limited Review of Condensed Consolidated Interim Financial Statements

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

To the Shareholders of Eroski S. Coop. commissioned by management

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the "interim financial statements") of Eroski S. Coop. (the " Parent") and subsidiaries (together the "Group"), which comprise the statement of financial position as at 31 July 2023, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and the related explanatory notes (all condensed and consolidated). The Directors of the Parent are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

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

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 31 July 2023 have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial statements.

Emphasis of Matters

We draw attention to note 2 (d) to the condensed consolidated interim financial statements, which indicates that total current liabilities exceed total current assets by Euros 813,743 thousand, mainly due to a substantial portion of the Group's bank loans and borrowings maturing in July 2024. In these circumstances, Group management is working to obtain sufficient financing from various sources to meet the debt commitments assumed at maturity, and this financing has yet to be finalised and formalised. As mentioned in said note, these events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

We draw your attention to the accompanying note 2, which states that these interim financial statements do not include all the information that would be required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group’s consolidated annual accounts for the year ended 31 January 2023. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim directors’ report for the six-month period ended 31 July 2023 contains such explanations as the Directors of the Parent consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim directors’ report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial statements for the six-month period ended 31 July 2023. Our work is limited to the verification of the consolidated interim directors’ report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Eroski, S. Coop. and subsidiaries.

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

Other Matter

This report has been prepared at the request of Eroski, S. Coop.'s management in relation to the publication of the half-yearly financial report required by article 100 of Law 6/2023 of 17 March 2023 on Securities Markets and Investment Services.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Cosme Carral López-Tapia

5 October 2023

Eroski, S. Coop. and Subsidiaries

(Condensed Consolidated Interim Financial Statements for the six-month period ended 31 July 2023)

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

EROSKI, S. COOP. & SUBSIDIARIES

Condensed Consolidated Interim Statement of Financial Position
as at 31 July 2023

(Expressed in thousands of euros)

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

Asset	Note	31.07.2023	31.01.2023
Property, plant and equipment	6	717,401	741,870
Investment property		31,352	31,349
Rights of use	8	895,329	1,050,438
Goodwill and other intangible assets	7	845,184	846,086
Equity-accounted investee		7,669	6,398
Trade and other receivables	10	7,273	6,733
Financial assets	9	156,154	176,109
Deferred tax assets	14	255,247	275,482
Uncalled members' contributions		542	600
Total non-current assets		**2,916,151**	**3,135,065**
Inventories		441,184	400,556
Financial assets	9	45,777	10,864
Trade and other receivables	10	155,155	146,713
Current income tax assets		7,198	4,343
Unpaid calls on members' contributions		2,286	2,253
Cash and cash equivalents		224,399	216,033
Non-current assets held for sale	11	16,802	21,738
Total current assets		**892,801**	**802,500**
Total assets		**3,808,952**	**3,937,565**

Equity	Note	31.07.2023	31.01.2023
Equity	12		
Capital		323,762	332,939
Share premium		3,808	3,808
Capitalised funds		95,525	95,525
Other comprehensive income		25,531	26,238
Retained earnings		(260,355)	(309,871)
Interim dividend		(3,137)	(2,206)
Equity attributable to equity holders of the Parent		185,134	146,433
Non-controlling interests		333,157	213,025
Total equity		**518,291**	**359,458**
Liabilities			
Financial liabilities	13	1,371,460	2,176,901
Provisions		27,026	27,131
Other non-current liabilities		13,123	13,117
Deferred tax liabilities	14	172,508	190,371
Total non-current liabilities		**1,584,117**	**2,407,520**
Financial liabilities	13	696,669	178,772
Trade and other payables		991,999	969,882
Current income tax liabilities		17,876	5,552
Liabilities associated with non-current assets held for sale	11	-	16,381
Total current liabilities		**1,706,544**	**1,170,587**
Total liabilities		**3,290,661**	**3,578,107**
Total equity and liabilities		**3,808,952**	**3,937,565**

The accompanying explanatory notes form an integral part of the condensed consolidated interim financial statements for the six-month period ended 31 July 2023.

EROSKI, S. COOP. & SUBSIDIARIES

Condensed Consolidated Interim Income Statement
for the six-month period ended
31 July 2023

(Expressed in thousands of euros)

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

	Note	31.07.2023	(Restated) 31.07.2022
Continuing operations			
Revenue	4	2,526,702	2,313,533
Other income		142,977	125,603
Self-constructed non-current assets		124	-
Raw materials and other consumables used		(1,860,486)	(1,696,132)
Personnel expenses		(346,641)	(327,843)
Amortisation and depreciation		(134,548)	(114,778)
Provisions/(reversals) for impairment of non-current assets		1,546	1,694
Other expenses		(187,725)	(209,702)
Profit before finance items and taxes		141,949	92,375
Finance income	15	5,992	3,053
Finance costs	15	(64,506)	(45,339)
Share of profit/(loss) of equity-accounted investees		1,272	61
Profit/(loss) before tax from continuing operations		84,707	50,150
Income tax expense		(14,821)	(8,292)
Profit/(loss) from continuing operations		69,886	41,858
Profit/(loss) from discontinued operations		-	-
Profit/(loss) for the period		**69,886**	**41,858**
Profit/(loss) for the period attributable to equity holders of the Parent			
Continuing operations		48,676	31,387
Discontinued operations		-	-
		48,676	31,387
Profit/(loss) for the period attributable to non-controlling interests			
Continuing operations		21,210	10,471
Discontinued operations		-	-
		21,210	10,471

The accompanying explanatory notes form an integral part of the condensed consolidated interim financial statements for the six-month period ended 31 July 2023.

EROSKI, S. COOP.
AND SUBSIDIARIES

Condensed Consolidated Interim Statement of Comprehensive Income
Results for the six-month period ended
31 July 2023

(Expressed in thousands of euros)

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

	31.07.2023	(Restated) 31.07.2022
Profit/(loss) for the period	69,886	41,858
Other Comprehensive Income:		
Items to be reclassified to profit and loss		
Gains/(losses) on equity instruments at fair value through other comprehensive income	(706)	1,655
Tax effect	-	-
Share of net income/(expense) recognised in equity of equity-accounted investees	-	-
Other comprehensive income	(706)	1,655
Total comprehensive income for the period	**69,180**	**43,513**
Total comprehensive income attributable to:		
Equity holders of the Parent	47,969	33,040
Non-controlling interests	21,211	10,473
	69,180	**43,513**

The accompanying explanatory notes form an integral part of the condensed consolidated interim financial statements for the six-month period ended 31 July 2023.

EROSKI, S. COOP.
AND SUBSIDIARIES

Condensed Consolidated Interim Statement of Changes in Equity
for the six-month period ended
31 July 2023

(Expressed in thousands of euros)

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

	Equity attributable to equity holders of the Parent									
	Capital	Share premium	Capitalised funds	Capitalised funds acquired	Equity instruments at fair value	Retained earnings	Interim dividend	Total	Non-controlling interests	Total equity
Balance as at 31 January 2023	332,939	3,808	125,372	(29,847)	26,238	(309,871)	(2,206)	146,433	213,025	359,458
Total comprehensive income for the period	-	-	-	-	(707)	48,676	-	47,969	21,211	69,180
Distribution of profits										
Dividends	-	-	-	-	-	(2,206)	2,206	-	(21,300)	(21,300)
New contributions	1,187	-	-	-	-	292	-	1,479	-	1,479
Withdrawal of members	(10,364)	-	-	-	-	2,807	-	(7,557)	-	(7,557)
Transfers (note 2c and 13)	-	-	-	-	-	-	-	-	120,221	120,221
Interim dividend (note 12)	-	-	-	-	-	-	(3,137)	(3,137)	-	(3,137)
Other movements	-	-	-	-	-	(53)	-	(53)	-	(53)
Balance as at 31 July 2023	323,762	3,808	125,372	(29,847)	25,531	(260,355)	(3,137)	185,134	333,157	518,291

	Equity attributable to equity holders of the Parent								(Restated)	(Restated)
	Capital	Share premium	Capitalised funds	Capitalised funds acquired	Equity instruments at fair value	Retained earnings	Interim dividend	Total	Non-controlling interests	Total equity
Balance as at 31 January 2022	331,563	3,808	125,372	(29,847)	24,591	(340,130)	(2,147)	113,210	312,711	425,921
Total comprehensive income for the period	-	-	-	-	1,653	31,387	-	33,040	10,473	43,513
Distribution of profits										
Dividends	-	-	-	-	-	(2,147)	2,147	-	-	-
New contributions	87	-	-	-	-	8	-	95	-	95
Withdrawal of members	-	-	-	-	-	-	-	-	(1,090)	(1,090)
Interim dividend (note 12)	-	-	-	-	-	-	(1,094)	(1,094)	-	(1,094)
Other movements	(457)	-	-	-	-	(4,330)	-	(4,787)	4,354	(433)
Balance as at 31 July 2022	331,193	3,808	125,372	(29,847)	26,244	(315,212)	(1,094)	140,464	326,448	466,912

The accompanying explanatory notes form an integral part of the condensed consolidated interim financial statements for the six-month period ended 31 July 2023.

EROSKI, S. COOP. AND SUBSIDIARIES

Condensed Consolidated Interim Statement of Cash Flows
(Indirect method)
for the six-month period ended
31 July 2023

(Expressed in thousands of euros)

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

	31.07.2023	(Restated) 31.07.2022
Cash flows from operating activities		
Profit for the period before income tax	84,707	50,150
Adjustments for:		
Amortisation and depreciation	134,548	114,778
Impairment losses	104	231
Change in provisions	5	-
Exchange (gains)/losses	29	9
Finance income	(5,266)	(3,053)
Finance cost	62,649	44,490
Share of profit/(loss) of equity-accounted investees	(1,272)	(61)
Net result on sale of property, plant and equipment, investment property and other intangible assets	(822)	3,647
Gain due to loss of control of a subsidiary	(7,665)	-
Proceeds from disposals of financial instruments	(726)	-
Allocation of subsidies to profit and loss	(199)	(351)
	266,092	**209,840**
Change in operating assets and liabilities:		
Increase/decrease in trade and other receivables	(9,761)	2,065
Increase/decrease in inventories	(40,628)	(59,048)
Increase/decrease in trade and other payables	22,784	122,190
Increase/decrease in provisions	(111)	(322)
Increase/decrease in other non-current assets and liabilities	599	937
Cash flows from operating activities	**238,975**	**275,662**
Income tax received/(paid)	(1,774)	(1,472)
Net cash from operating activities	**237,201**	**274,190**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	7,975	477
Proceeds from sale of intangible assets	31	10
Proceeds from the sale of financial assets	4,122	744
Interest received	5,528	2,597
Proceeds from disposals of investments in associate and joint ventures	-	4
Proceeds from the sale of subsidiaries net of cash and cash equivalents	9,575	-
Acquisition of property, plant and equipment	(57,513)	(68,572)
Acquisition of intangible assets	(3,804)	(2,959)
Acquisition of investment property	(30)	(11)
Payments for investments in associate and joint ventures	(1,547)	(110)
Acquisition of other financial assets	(18,575)	(1,554))
Net cash used in investing activities	**(54,238)**	**(69,374)**
Cash flows from financing activities		
From the issue of capital	1,588	483
Redemption of own shares and other own equity instruments	(4,309)	(4,612)
From subsidies	105	183
From other financial liabilities	5,350	208
Repayment of loans and borrowings	(35,010)	(15,567)
Repayment of other financial liabilities	(733)	(253)
Repayment of lease liabilities	(87,920)	(69,627)
Interest paid	(41,668)	(30,716)
Dividends paid	(12,000)	-
Net cash used in financing activities	**(174,597)**	**(119,901)**
Net Increase/(decrease) in cash and cash equivalents	8,366	84,915
Cash and cash equivalents at 1 February	**216,033**	**213,359**
Cash and cash equivalents at 31 July	**224,399**	**298,274**

The accompanying explanatory notes form an integral part of the condensed consolidated interim financial statements for the six-month period ended 31 July 2023.

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

(1) Nature, Activities and Composition of the Group

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

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

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

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

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

c) Cultural supplies, services and activities.

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

The principal activity of the Company consists of retailing all types of consumer goods through its own commercial network in Spain, which at 31 July 2023 is comprised of 36 Eroski Hypermarkets, 475 Eroski Supermarkets (Eroski/Center and Eroski/City), 76 Familia establishments, 180 Caprabo establishments, 39 Eroski petrol stations, 1 Caprabo petrol station, 17 Cash & Carry, 615 franchised shops, 49 Forum Sport shops and 17 Dooers shops. In the past, the Group was active in property development and still owns certain assets of this nature, which are currently undergoing the necessary steps and developments to enable them to be sold. The operating cycle of this activity exceeds twelve months.

During the six-month period ended 31 July 2023 the changes in the consolidation perimeter relate to the sale, to a third party, of 100% of the shares of Viajes Eroski S.A. in February 2023 (see note 11). The impact of the sale gave rise to a gain of 7,665 thousand euros, recognised under other income in the condensed consolidated interim income statement as of 31 July 2023.

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

(Continued)

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

(2) Basis of Presentation

These condensed consolidated interim financial statements have been prepared on the basis of the accounting records of Eroski, S. Coop. and the companies included in the Group and have been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union (EU-IFRS). In accordance with this standard, the interim financial information is prepared solely for the purpose of updating the content of the latest consolidated annual accounts prepared by the Group, with emphasis on new activities, events and circumstances occurring during the six-month period and not duplicating the information previously published in the consolidated annual accounts for the year ended 31 January 2023. Therefore, for a proper understanding of the information included in these condensed consolidated interim annual accounts, they should be read in conjunction with the consolidated annual accounts for the year ended 31 January 2023 prepared in accordance with EU-IFRS.

The Group's consolidated annual accounts for the year ended 31 January 2023 were approved by the General Meeting of Shareholders held on 25 May 2023. The condensed consolidated interim financial statements for the six-month period ended 31 July 2023 have been prepared by the Board of Directors of Eroski S.Coop. on 4 October 2023.

The information included in the explanatory notes, unless otherwise stated, is expressed in thousands of euros.

(a) Significant accounting estimates and significant assumptions and judgements made in the application of accounting policies

The preparation of the condensed consolidated interim financial statements in conformity with IFRS-EU requires the application of significant accounting estimates and the making of judgements, estimates and assumptions in the process of applying the Group's accounting policies. In this regard, in the preparation of these interim financial statements, there have been no significant changes in the accounting judgements and estimates used by the Group's management with respect to its consolidated annual accounts for the year ended 31 January 2023.

Although the estimates made by the directors of the Company have been calculated on the basis of the best information available as at 31 July 2023, it is possible that future events may require changes to be made in future periods. The effect of any changes arising from adjustments to be made in future periods would be recognised prospectively.

(Continued)

(b) Materiality

In deciding how to recognise, measure, classify or disclose information about items in the condensed consolidated interim financial statements, the Group has assessed materiality in relation to the half-year financial data.

(c) Comparison of the information

The information contained in these condensed consolidated interim financial statements for the six-month period ended 31 July 2022 is presented solely and exclusively for comparative purposes with the information relating to the six-month period ended 31 July 2023.

As indicated in note 2b) of the consolidated annual accounts for the 2022 financial year (year ending 31 January 2023), the Governing Board decided to record a financial liability at the suggestion of the Spanish National Securities Market Commission (CNMV as per the Spanish acronym), on 31 January 2023, by restating the Consolidated Financial Position Statement as at 31 January 2022. The Shareholders' Agreement that regulates the governance of Supratuc2020, S.L. a Group company, hereinafter Supratuc, in which the Eroski Group holds a 50% stake (see Annex I) included a clause stating that both parties undertook to vote in favour of the distribution of a dividend of 90% of Supratuc's profits, provided that there was sufficient cash, and that it was compatible with the cash requirements of this company and its subsidiaries established in the latest business plans and budgets approved by Supratuc's Board of Directors. The intention with which both parties established this clause was not to establish a minimum dividend or an obligation to pay dividends, but rather a dividend policy that would maximise the distribution of surplus cash under the control of the Board of Directors, the body that approves the business plans and annual budgets. This understanding of the clause, endorsed by both partners of Supratuc, led the directors to consider that the non-controlling interest was not a compound instrument, but an equity instrument, and therefore it was not appropriate to record a financial liability in the consolidated annual accounts for 2021. However, after several meetings with the Spanish Securities and Exchange Commission (CNMV), given that the wording of the clause, according to their advice, could lead to the interpretation that there was an obligation to distribute a dividend, a financial liability was recorded for the estimated fair value as at 31 January 2022 and 2023, in the amounts of 107,629 thousand euros and 117,521 thousand euros, respectively. In this regard, the Condensed Consolidated Interim Income Statement for the six-month period ended 31 July 2022 presented for comparative purposes has been restated to reflect the financial expense accrued in that period in respect of such financial liability.

(Continued)

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

Condensed Consolidated Interim Income Statement for the six-month period ended 31 July 2022

	Thousands of euros		
	31.07.2022	Adjustments	31.07.2022 Restated
Finance costs	(40,393)	(4,946)	(45,339)
Profit/(loss) before tax from continuing operations	55,096	(4,946)	50,150
Profit for the period from continuing operations	46,804	(4,946)	41,858
Profit for the period attributable to equity holders of the Parent Company	15,417	(4,946)	10,471

On 25 April 2023, the shareholders of Supratuc2020, S.L. amended the shareholders' agreement, which stated that the distribution of dividends of the company was an intentional rather than compulsory distribution and, therefore, the financial liability, which at that date had a value of 120,221 thousand euros, was transferred to external shareholders (note 13 c).

(d) Going concern principle

As indicated in note 13 b) Financial liabilities for debts with credit institutions, an amount of approximately 500 million euros of the debts corresponding to the framework restructuring agreement signed with a group of financial institutions in July 2019, mature on 31 July 2024, and are therefore classified as at 31 July 2023 as short term. As a result, total current liabilities exceed total current assets by 813,743 thousand euros. To the extent that, at the date of preparation of these Condensed Consolidated Interim Financial Statements, the Group does not have sufficient available financing, nor are the cash flows generated in its ordinary ongoing activities sufficient to meet the payment of the aforementioned debt when due, significant doubts could arise as to the Group's ability to meet all its obligations and to continue as a going concern.

(Continued)

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

As stated in Note 18 Financial Liabilities for Bank Borrowings in the Annual Accounts for the year ended 31 January 2023, the Group has been working on various alternatives for meeting its commitments. In this regard, the above-mentioned alternatives are being defined, which will probably take the form of a combination of bank loans and funds raised on the capital markets, for the formalisation of which the relevant authorisation has been requested from the General Assembly of Eroski, S. Coop. which has been called for 10 October 2023. The directors consider that the General Assembly will give its approval and that the instruments required to meet the aforementioned commitments will be able to be subscribed.

Based on the above, the directors have prepared these Condensed Consolidated Interim Financial Statements on the going concern basis, as they believe that in the coming months the actions in progress will be completed and the necessary agreements will be formalised to enable the Group to obtain the financing to enable it to pay its debts and continue in business.

(3) Relevant Applied Accounting Principles

In preparing the condensed consolidated interim financial statements, the same accounting principles and valuation rules were followed as described in the Group's consolidated annual accounts as at 31 January 2023, prepared in accordance with EU-IFRS and its interpretations (EU-IFRIC) as adopted by the European Union (EU-IFRS).

The standards approved by the European Union for application on 1 January 2023 have had no material impact on the Eroski Group's condensed consolidated interim financial statements.

(4) Segment Reporting

The Group reports internally by operating segments, some of which are not relevant enough to be reported on a separate basis in these condensed consolidated interim financial statements.

Practically all sales are made on the domestic market.

The Group identifies the operating segments according to the different products or services. As at 31 July 2023, the Eroski Group's main operating segments are as follows:

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

(Continued)

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

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

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

Inter-segment sales prices are set according to the normal commercial terms and conditions that are available to unrelated third parties.

Total assets by segment have not changed significantly compared to the consolidated annual accounts for the year ended 31 January 2023. Details of revenue by segment and reconciliation to profit or loss for the period ended 31 July 2023 and 31 July 2022 are as follows:

(Continued)

EROSKI, S. COOP. & SUBSIDIARIES

Notes to the Condensed Interim Consolidated Financial Statements for the six-month period ended 31 July 2023

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

	Thousands of euros									
	Food		Real estate		Other segments		Other operations		Consolidated	
	31.07.2023	31.07.2022	31.07.2023	31.07.2022	31.07.2023	31.07.2022	31.07.2023	31.07.2022	31.07.2023	(Restated) 31.07.2022
Revenue from external customers	2,465,953	2,244,055	6,323	5,502	54,426	63,976	-	-	2,526,702	2,313,533
Inter-segment revenue	-	-	-	-	147	806	(147)	(806)	-	-
Total revenue from the segments	2,465,953	2,244,055	6,323	5,502	54,573	64,782	(147	(806)	2,526,702	2,313,533
Segment profit/(loss)	135,500	97,112	381	(1,624)	6,477	(3,182)	(409)	69	141,949	92,375
Unallocated profit/(loss)									(57,242)	(42,225)
Profit before income tax									84,707	50,150
Income tax									(14,821)	(8,292)
Profit for the period from continuing operations									69,886	41,858
Profit after income tax for discontinued operations									-	-
Profit for the period									69,886	41,858

(Continued)

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

The following table shows the breakdown of the Group's revenue by geographic market and type of service, as well as a reconciliation of the disaggregated income according to the Group's segments:

Thousands of euros	Segments									
	Food		Real estate		Other segments		Other operations		Consolidated	
Main geographic markets	31.07.2023	31.07.2022	31.07.2023	31.07.2022	31.07.2023	31.07.2022	31.07.2023	31.07.2022	31.07.2023	31.07.2022
Basque Country	790,002	753,166	330	174	31,883	37,628	(147)	(806)	822,068	790,162
Galicia	665,457	510,015	1,069	768	490	849	-	-	667,016	511,632
Catalonia	345,017	314,972	29	27	1,078	1,227	-	-	346,124	316,226
Balearic Islands	286,161	248,459	-	-	-	-	-	-	286,161	248,459
Navarre	155,483	147,780	687	577	3,720	5,332	-	-	159,890	153,689
Others	223,833	269,663	4,208	3,956	17,402	19,746	-	-	245,443	293,365
	2,465,953	2,244,055	6,323	5,502	54,573	64,782	(147)	(806)	2,526,702	2,313,533

(Continued)

(5) Seasonality of the Interim Period Transactions

The Group's commercial activities and results are affected by a certain degree of seasonality, with the second half of the year historically showing a better performance than the first half; the demand for the Christmas campaign is the main factor behind this different performance between the two interim periods. Nevertheless, this seasonality does not significantly affect the comparability of the information and therefore no specific disclosures are required in these explanatory notes to the condensed consolidated interim financial statements as at 31 July 2023.

However, the real estate segment does not follow the same pattern, with the realisation of operations being subject to the circumstances of each individual transaction, and there is no regular behaviour in the interim periods.

(6) Property, plant and equipment

The main movements in this heading during the six-month period ended 31 July 2023 and 2022 are as follows:

	Thousands of euros	
	31.07.23	31.07.22
Balance as at 31 January	741,870	737,192
Additions	32,576	36,527
Net disposals	(4,378)	(822)
Depreciation	(40,558)	(39,432)
Reversal of impairment	1,467	1,587
Transfer to non-current assets held for sale (note 11)	(13,417)	-
Transfers	(159)	(6)
Balance as at 31 July	717,401	735,046

The main additions in the period relate to technical installations, machinery and furniture necessary for the opening and refurbishment of various centres.

As at 31 July 2023 there were firm commitments for the acquisition of property, plant and equipment amounting to 7,772 thousand euros (10,680 thousand euros as at 31 July 2022).

(Continued)

(7) Goodwill and Other Intangible Assets

The commercial policies, business strategy, brand image and administrative management are clearly differentiated between Eroski Management, Supratec Management and Vegalsa Management and therefore give rise to three distinct managements in the food segment.

The amount at cash generating unit level (CGU) of the Group's most significant goodwill as at 31 July 2023 and 31 January 2023, classified in accordance with the above definition, is presented below:

	Thousands of euros	
	Food	
	31.07.2023	31.01.2023
Eroski CGU	391,584	391,584
Supratuc CGU	273,048	273,048
Vegalsa CGU	153,779	153,779
	818,411	818,411

There were no movements in this item during the six-month period ended 31 July 2023.

The Group's management is developing a new business plan for the coming years, which is expected to improve the results of the current plan. Additionally, no impairment indicators have been identified as at 31 July 2023, therefore the directors have decided not to carry out a new analysis, which will be carried out, in compliance with the applicable regulations, at the end of the financial year.

(8) Rights of Use

The main movements under this heading during the six-month period ended 31 July 2023 and 31 July 2022 are as follows:

- Additions of 60,958 thousand euros (82,162 thousand euros as at 31 July 2022) arising from changes in the estimated future cash flows from various contract renegotiations in which the lease term has been increased and/or there have been changes in the rental amounts.

- 2,231 thousand euros for new contracts signed by the Group for openings mainly of food shops (32,913 thousand euros as at 31 July 2022)

(Continued)

- Derecognitions amounting to approximately 121,248 thousand euros correspond to changes in estimates with respect to the length of stay in supermarkets and hypermarkets, estimating a term of 5 years (the period in which the Group makes projections) for long-term leases and which include cancellation clauses without penalty. These changes have not had a significant impact on consolidated results for the period.

- Derecognitions of approximately 8,022 thousand euros (5,940 thousand euros as at 31 July 2022) mainly related to contract terminations as at 31 July 2023 and changes in estimated lease payments for contracts renegotiated during the current financial year as at 31 July 2023.

- Amortisations amounting to 89,113 thousand euros (70,476 thousand euros as at 31 July 2022).

(Continued)

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

(9) Financial Assets

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

	Thousands of euros			
	31.07.2023		31.01.2023	
	Non-current	Current	Non-current	Current
Financial assets at fair value through other comprehensive income				
Unlisted equity instruments				
Caja Laboral Popular, Coop. de Credito	40,709	-	40,709	-
Other investments	2,125	-	2,105	-
MCC Inversiones S.P.E., S. Coop.	33,968	-	33,968	-
Other holdings	1,898	23	1,898	23
Total	78,700	23	78,680	23
Financial assets at amortised cost				
Loans and other receivables	30,206	26,965	51,555	7,719
Loans to associates and joint ventures	53,652	31,938	52,105	31,938
Interest accrued on loans to associates and joint ventures	2,623	4,549	2,623	4,788
Receivables from sales of non-current assets	823	182	823	222
Security and other deposits	39,972	20,295	39,581	2,397
Other financial assets	168	1,318	168	2,006
Total	127,444	85,247	146,855	49,070
	206,144	85,270	225,535	49,093
Impairment of loans and other receivables	(25,614)	(6,710)	(25,612)	(6,435)
Impairment of loans to associates	(24,376)	(32,783)	(23,814)	(31,794)
Total financial assets	156,154	45,777	176,109	10,864

(Continued)

Accrued income from financial assets amounted to 5.992 thousand euros (3,053 thousand euros as at 31 July 2022).

Current deposits and guarantees at 31 July 2023 include short term bank deposits amounting to 18 million euro.

(10) Trade and Other Receivables

Details of trade and other receivables as at 31 July 2023 and 31 January 2023 are as follows:

	Thousands of euros			
	31.07.2023		31.01.2023	
	Non-current	Current	Non-current	Current
Trade receivables	-	56,640	-	56,740
Volume discounts and other promotions	-	64,156	-	62,368
Advances to suppliers	1,883	2,536	3,877	3,123
Advances and loans to personnel	-	301	-	306
Advances to Group and associates	-	304	-	304
Receivable from Group companies and associates	-	286	-	626
Other receivables	5,390	37,946	2,856	31,092
Public entities	-	14,535	-	14,809
	7,273	176,704	6,733	169,368
Impairment due to uncollectibility	-	(21,549)	-	(22,655)
Total	7,273	155,155	6,733	146,713

(11) Non-current assets held for sale

Non-current assets held for sale and liabilities directly associated with non-current assets held for sale as at 31 January 2023, amounting to 18,353 thousand euros and 16,381 thousand euros, respectively, included the assets and liabilities corresponding to Viajes Eroski S.A. on the basis of the sale and purchase agreement signed with a third party in November 2022. On 28 February 2023, once all the conditions precedent had been fulfilled, the sale and purchase agreement was notarised, giving rise to a gain of 7,665 thousand euros (note 1). As this is not considered a significant line of business, the Company concluded that it does not meet the criteria to be reported as discontinued operations.

(Continued)

As at 31 July 2023, this heading includes 13,417 thousand euros (see note 6) for several supermarkets for which Eroski, S. Coop. has entered into a sale and purchase agreement with leaseback on 1 August 2023 (see note 17). Under the agreement, those supermarkets are expected to be delivered in the second half of 2023. At 31 July 2023 negotiations were at an advanced stage and the directors therefore considered it probable that they would be sold in order to reclassify them under this heading.

(12) Equity and Dividends paid

The composition and movement of equity are presented in the statement of changes in equity.

(a) Cooperative subscribed capital

Cooperative subscribed capital is basically made up of compulsory and voluntary contributions made by members, both working and consumer, cooperative returns from distributions of profits, capitalisations of interest on contributions and capitalisations of revaluation reserves covered by revaluation laws when they are available.

Each year the General Meeting of Members approves the amount of the compulsory contributions to be subscribed by new working members. For each financial year, the General Meeting decides whether or not interest is to be paid on the contributions of working members, establishing, where appropriate, the applicable annual interest rate, which may not exceed 7.5% gross annual interest, nor a % of the gross ordinary profit figure if the cooperative complies with certain ratios laid down in the Articles of Association. In any case, the remuneration shall not exceed the legal limits and a lower interest rate than the aforementioned may be agreed. In any case, the remuneration of members' contributions is conditional upon the existence of positive net profits or sufficient unrestricted reserves to meet these contributions.

For consumer members, the compulsory contribution is set at 1.20 euros.

Contributions are transferable between members of the same status by inter vivos acts in accordance with the conditions laid down by the Governing Board and by "mortis causa" succession.

In the event of loss of membership, the member or his or her successors in title are entitled to request reimbursement of their contribution. The value of the contribution shall be calculated on the basis of the balance sheet of the financial year in which the cancellation is requested. However, by decision of the Governing Council, the compulsory contributions may be reduced by a certain percentage depending on the reason for the loss of membership. The General Assembly shall decide whether or not to reimburse the contributions of members who have ceased to be members.

If the General Assembly does not agree to the reimbursement of the entire amount of the contributions for which a refund has been requested, the following obligations are stipulated:

- Allocation of half of the Co-operative's available profit to the Mandatory Reserve Fund.

- No remuneration may be agreed for the capital contributions of the working members.

- The Cooperative cannot agree to any return to the working members.

- If, when it has net profit (profit after offsetting losses from previous years) or sufficient reserves available to allow for the accrual, the Cooperative agrees to pay a remuneration lower than the legal interest rate for contributions for which the repayment has not been approved by the Assembly, it shall increase the nominal value of these contributions by at least an amount equal to the difference between this interest and that accrued prior to any remuneration of the contributions to the share capital of the working members. The same will be the case if no agreement is reached on this issue.

In accordance with the resolution of the General Assembly for the reimbursement of the contributions of members who have left, the payment period shall be fixed by the Governing Board, which may not exceed five years from the date of the reimbursement resolution of the General Assembly, and the unpaid contribution shall be entitled to accrue interest at the legal rate of interest.

(b) Capitalised funds

Corresponds entirely to Eroski Subordinated Financial Contributions (AFSE).

(Continued)

As at 31 July 2023, the annual interest rate applied to the Equity AFSEs not redeemed was 5.868% (2.041% as at 31 July 2022) and interest of 3,137 thousand euros (1,094 thousand euros as at 31 July 2022) was accrued (which, being an equity instrument, is treated as a dividend) and is recorded under interim dividends in the accompanying condensed consolidated interim statement of financial position. This interest was pending payment as at 31 July 2023.

As at 31 July 2023, the listed price of the AFSE was 27.80% of the nominal value (28.00% of the nominal value as at 31 January 2023).

(c) Dividends paid

During the six-month period ended 31 July 2023 and 2022 the Parent Company did not pay dividends.

(13) Current and Non-Current Financial Liabilities

Details of current and non-current financial liabilities are as follows:

	Thousands of euros			
	31.07.2023		31.01.2023	
	Non-current	Current	Non-current	Current
Financial liabilities at amortised cost				
Financial liabilities from issuing bonds and marketable securities	309,890	6,587	307,736	5,310
Financial liabilities from loans and borrowings	234,645	522,343	770,601	10,641
Third party loans	29,652	4,004	26,909	1,524
Lease liabilities	766,789	162,643	923,115	160,234
Payables to associates	606	-	589	-
Other payables	29,147	1,092	29,700	1,063
Other financial liabilities	731	-	118,251	-
Total	1,371,460	696,669	2,176,901	178,772

(a) Financial liabilities from loans and borrowings

This heading includes part of the issues of Eroski Subordinated Financial Contributions (AFSE) made by the Company in the period 2002-2004.

(Continued)

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

During the six-month period ended 31 July 2023, an amount of 3,931 thousand euros (1,572 thousand euros for the six-month period ended 31 July 2022) has accrued from the AFSEs, equivalent to 6.368% annual interest (2.541% for the six-month period ended July 2022) which is recorded under finance cost in the accompanying condensed consolidated interim income statement (note 15).

As at 31 July 2023, the listed price of the AFSEs was 29.50% of the nominal value (31.066% of the nominal value in January 2023).

This heading also includes the Eroski Subordinated Bonds 2016 (ESB) issued by the Company in 2015.

From the date of their disbursement until their redemption, if applicable, the ESB accrue an annual interest on a daily basis, not conditional on the obtaining of profits, calculated on their nominal value, equivalent to the one-year Euribor interest rate increased by three percentage points.

As at 31 July 2023, an amount of 6,587 thousand euros was accrued, equivalent to the annual interest rate of 6.368%, having recorded financial expenses for a total amount of 8,741 thousand euros (2,633 thousand was accrued as at 31 July 2022, equivalent to the annual interest rate of 2.541%, having recorded financial expenses for a total amount of 4,830 thousand euros) corresponding to the effective interest rate that as at 31 July 2023 amounted to 9.6% (5.8% in the six-month period ended on 31 July 2022) (see note 15).

As at 31 July 2023, its listed price amounted to 50% of the nominal value (57.10% of the nominal value as at January 2023).

(b) Financial liabilities from loans and borrowings

The details are as follows:

	Thousands of euros			
	31.07.2023		31.01.2023	
	Non-current	Current	Non-current	Current
Syndicated credit facilities Framework Agreement	171,156	520,083	707,736	10,622
Bank loans and credit facilities	63,489	2,260	62,865	19
	234,645	522,343	770,601	10,641

(Continued)

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

The Parent and other Eroski Group companies are jointly and severally liable for the obligations arising from these loans and have undertaken a commitment with the lenders to comply with a series of financial ratios based on the data in the consolidated annual accounts and half-yearly consolidated financial statements since 31 January 2020. The directors of the Company have assessed that as at 31 July 2023 the above ratios are met.

The outstanding nominal value of the syndicated credit facilities as at 31 July 2023 was 874 million euros (31 January 2023: 909 million euros). The change in the nominal value was due to ordinary repayments of 16 million euros and early repayments of 19 million euros, mainly with cash from cash surpluses generated by the higher volume of activity in the period, as well as the sale of Viajes Eroski (see note 11). The early repayments, as established in the refinancing agreement, were used to reduce the amount of the payment scheduled for 31 July 2024.

The estimate of the principal payments (in millions of euros) made by the Group's management, which includes the fulfilment of all agreements included in the refinancing contract, is as follows:

2023 financial year	2024 financial year	2027 financial year
15	506	200

As stated in Note 18 Loans and Borrowings included in the Consolidated Annual Accounts for the year ended 31 January 2023, the Group has worked on various alternatives to meet the commitments undertaken, in particular those in the short term. As detailed in note 2d), these actions are expected to culminate in the formalisation of the necessary agreements to enable the Group to meet its outstanding commitments.

The current refinancing agreement also includes various non-performance obligations with respect to the distribution of interest and results, and the Group had met these obligations as at 31 July 2023 and 31 July 2022.

(Continued)

On the other hand, the contract establishes a final commission for a maximum amount of approximately 150 million euros, to be accrued in favour of the financial institutions, to be assessed no later than 31 July 2024, which would be effective if the individual results of Eroski S. Coop. for 2022 plus double the individual results of Eroski S. Coop. for the 2023 financial year were more than 20% higher than those envisaged in the Business Plan in place at the date of signing the contract. The directors consider this scenario to be unlikely and, therefore, it is estimated that this fee will not accrue. On 26 September 2023, and considering that as a result of the refinancing process mentioned in note 2d), a large part of the debt will be cancelled in advance, this clause was modified with regard to the results to be taken into account in this calculation, maintaining the directors' estimate that it will not accrue, and therefore without this modification having an impact on the consolidated financial statements at 31 July 2023 (see note 17).

The effective interest rate on the debt was 6% for the six-month period ended 31 July 2023 (31 July 2022: 4%). There were no additional changes to the debt flow estimates.

Non-current and current bank loans and credit facilities mainly comprise the amortised cost of a subordinated credit agreement signed in January 2016 with several financial institutions to cover the cash payment offered in the AFSE swap, which was recognised at fair value for an amount of 43 million euros. The outstanding nominal amount as at 31 July 2023, due to the capitalisation of interest, amounts to 70 million euros (57 million euros nominal amount in January 2016). This loan matures in February 2028 and bears interest at Euribor+3%,

(c) Other financial liabilities

Other financial liabilities at 31 January 2023 amounting to 117,521 thousand euros mainly comprise the dividend liabilities indicated in note 2c), the effective interest rate of which was estimated at 9.19%. The financial expenses accrued up to the date of cancellation (25 April 2023) amounted to 2,700 thousand euros.

(Continued)

(d) Lease liabilities

The analysis of the contractual maturity of lease liabilities as at 31 July 2023 and 31 January 2023 is as follows:

	Thousands of euros	
	31.07.2023	31.01.2023
Less than one year	162,643	160,234
1 to 5 years	483,049	501,082
More than five years	283,740	422,033
	929,432	1,083,349

The fair value of the financial liabilities does not differ significantly from their book value.

(14) Tax situation

The Group has significant deferred tax assets, mainly from the Parent Company and several companies that form a tax group for corporate income tax purposes. As at 31 July 2023 no indications of impairment had been detected and the estimates of future tax bases that guarantee the recoverability of capitalised tax credits and tax loss carried forward had not been modified.

The change in deferred tax assets and liabilities in the six-month period ended 31 July 2023 relates mainly to the tax effect of the additions of right-of-use assets and lease liabilities.

On the other hand, in July 2023, several Group companies received notifications from the Tax Authority - Tax and Customs Control Unit - informing them of the initiation of verification and investigation proceedings in relation to the main tax items applicable to them, for the years 2018 to 2020 in the case of corporate income tax and from August 2019 to December 2021 in the case of VAT and withholding tax.

Since the Tax Audit has not been completed, there are no conclusions on the procedure. The Company's directors do not consider that there is any risk of possible tax contingencies arising as a result of the inspection.

(Continued)

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

(15) Finance income and costs

The details of finance income and costs are as follows:

	Thousands of euros	
Finance income	31.07.2023	31.07.2022
Interest on loans	2,222	818
Other finance income	232	339
Finance income from:		
Financial assets at fair value through other comprehensive income	2,812	1,896
Profit on sale of financial assets at fair value through other comprehensive income	726	-
Total finance income	5,992	3,053

	Thousands of euros	
		(Restated)
	31.07.2023	31.07.2022
Finance costs		
Finance costs on loans and borrowings	25,834	16,770
Finance costs on other loans	1,693	1,041
Finance costs of lease liabilities	12,165	7,545
Finance costs of subordinated financial contributions (note 13)	3,931	1,572
Interest ESBs (note 13)	8,741	4,830
Finance costs from dividend liabilities (notes 2c and 13c)	2,700	4,946
Other finance costs	7,585	7,786
Impairment losses on financial assets (note 9)	1,828	840
Negative exchange rate differences	29	9
Total finance costs	64,506	45,339

(16) Related Party Balances and Transactions

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

(Continued)

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

(a) Transactions outside the ordinary course of business or at other than arm's length by the directors of the parent company or their key management personnel

During the six-month period ended 31 July 2023, neither the members of the Board of Directors of the Parent Company nor its key management personnel have entered into transactions with the Company or Group companies outside the ordinary course of business or under non-market conditions.

(b) Information relating to Directors of the Parent Company and key Group management personnel

During the six-month period ended 31 July 2023 the Administrators o members of the Governing Board of the Company did not receive any remuneration in the performance of this position. However, in their capacity as working partners, they received remuneration in the form of consumption advances in the amount of 250 thousand euros (261 thousand euros during the six-month period ended 31 July 2022).

The members of the Company's Governing Board, in their capacity as working partners, received remuneration in the form of consumption advances amounting to 722 thousand euros (733 thousand euros during the six-month period ended 31 July 2022).

(17) Subsequent events

On 1 August 2023, Eroski, S. Coop. entered into a sale and leaseback transaction of 10 supermarkets located in Gipuzkoa, Navarra, Araba and Bizkaia for 18,550 thousand euros. The result of the transaction is not expected to have a significant impact on the consolidated annual accounts as at 31 January 2024.

In addition, on 26 September 2023, Eroski, S. Coop. signed a novation of the financing agreement dated 16 July 2019, in which it amended the final commission clause (Note 13b), indicating how and when it would be accrued in the event of early termination of the agreement and the results for the fiscal year 2023 not being available. In this case, the individual results of Eroski S.Coop. for the twelve months prior to the first half of the 2023 financial year would be taken into consideration for the calculation. Given that with the results corresponding to those 12 months the calculations would not exceed 20% of the Business Plan existing at the date of signing the contract, no commission would be accrued.

(Continued)

EROSKI, S. COOP. & SUBSIDIARIES

Details of Subsidiaries

31 July 2023

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

	Percentage of holding					
	31.07.23		31.01.23			
Holdings in group companies	Direct	Indirect	Direct	Indirect	Registered Office	Activity
Cecosa Hipermercados Subgroup						
CECOSA HIPERMERCADOS, S.L.	60.00%	40.00%	60.00%	40.00%	Madrid	(vi)
Desarrollos Inmobiliarios Los Berrocales, S.L.	-	60.00%	-	60.00%	Madrid	(iii)
Desarrollos Comerciales de Ocio e Inmobiliarios de Orense S.A.	-	98.00%	-	98.00%	Madrid	(iii)
EQUIPAMIENTO FAMILIAR Y SERVICIOS, S.A.	-	100.00%	-	100.00%	Elorrio (Biscay)	(i)
Inmobiliaria Recaré, S.A.	-	100.00%	-	100.00%	Vigo (Pontevedra)	(iii)
Cecosa Diversificación Subgroup						
Cecosa Diversificación, S.L.	100.00%	-	100.00%	-	Elorrio (Biscay)	(ii)
Viajes Eroski S.A.	-	-	-	100.00%	Elorrio (Biscay)	(iv)
Cecosa Institucional Subgroup						
Cecosa Institucional, S.L.	100.00%	-	100.00%	-	Elorrio (Biscay)	(ii)
Aportaciones Financieras Eroski, S.A.	-	60.00%	-	60.00%	Elorrio (Biscay)	(v)
Gestión de participaciones Forum, S.C.P.	-	66.70%	-	66.70%	Basauri (Biscay)	(ii)
Jactus Spain, S.L.U.	-	100.00%	-	100.00%	Madrid	(v)
Cecogoico Subgroup						
Cecogoico, S.A.U.	100.00%	-	100.00%	-	Elorrio (Biscay)	(ii)
Newcobeco, S.A.U.	-	100.00%	-	100.00%	Elorrio (Biscay)	(ii)
Sociedad Franquicias Eroski Contigo, S.L.U.	-	100.00%	-	100.00%	Elorrio (Biscay)	(i)
Forum Sport, S.A.	-	95.67%	-	95.67%	Basauri (Biscay)	(i)
Peninsulaco, S.L.U.	-	100.00%	-	100.00%	Madrid	(vi)
Supratuc2020, S.L.	-	50.00%	-	50.00%	Elorrio (Biscay)	(ii)
Cecosa Supermercados, S.L.U.	-	50.00%	-	50.00%	Palma de Mallorca	(vi)
Caprabo, S.AU.	-	50.00%	-	50.00%	El Prat de Llobregat	(i)
Vegonsa Agrupación alimentaria, S.A.	-	50.00%	-	50.00%	Vigo (Pontevedra)	(i)
VEGO SUPERMERCADOS, S.A.U.	-	50.00%	-	50.00%	Vigo (Pontevedra)	(i)
Mercash-Sar, S.L.U.	-	50.00%	-	50.00%	Vigo (Pontevedra)	(i)
Eroski Hipermercados, S. Coop., (in liquidation)	94.86%	5.14%	94.86%	5.14%	Madrid	(ix)

(i) Distribution and sale of goods and services
(ii) Holdings in companies engaged in the distribution and sale of goods and services.
(iii) Property holdings.
(iv) Travel agency.
(v) Buying and selling and ownership of real estate and other financial assets for own purposes and asset management.
(vi) Distribution and sale of goods and services and direct and indirect exploitation of petrol, diesel and similar fuels.
(vii) Management of companies and promotion, development and exploitation of the activity of distribution of goods and services.
(ix) Workforce placement and supply services.
(x) Activities at headquarters

EROSKI, S. COOP. & SUBSIDIARIES

Details of Associates

31 July 2023

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

	Percentage of holding					
	31.07.23		31.01.23			
Holdings in associates	Direct	Indirect	Direct	Indirect	Registered Office	Activity
Artunzubi, S.L.	35.00%	-	35.00%	-	Bilbao (Biscay)	(i)
Inmobiliaria Armuco, S.L.	45.00%	-	45.00%	-	Bilbao (Biscay)	(i)
Inmobiliaria Gonuri Harizartean, S.L.	45.00%	-	45.00%	-	Lejona (Biscay)	(i)
Cecosa Hipermercados Subgroup						
Air Miles España, S.A.	20.42%	6.25%	20.42%	6.25%	Alcobendas (Madrid)	(iii)
Llanos San Julián, S.A.	-	49.50%	-	49.50%	Torremolinos (Malaga)	(i)
Desarrollos Comerciales y de Ocio Algeciras, S.L.	-	50.00%	-	50.00%	Madrid	(i)
Unibail Rodamco Benidorm, S.L.	-	29.19%	-	29.19%	Madrid	(i)

(i) Property holdings.
(ii) Coordination of activities of the Mousquetaires Group, Eroski Group and other international groups.
(iii) Establishment and management of a loyalty programme.
(iv) Investment holding company and merchandising services.
(v) Provision of negotiation services for the acquisition of distributor brand products

This annex forms an integral part of note 1 to the condensed consolidated interim financial statements for the six-month period ended 31 July 2023.

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

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the Members of Eroski, S. Coop.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

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

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

Basis for Opinion

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

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of deferred tax assets (Euros 86,569 thousand) See note 14 to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
At 31 January 2023 the Group recognised deferred tax assets totalling Euros 86,569 thousand, mainly corresponding to the recognition of the tax effect of tax loss carryforwards and unused deductions. The recognition of deferred tax assets entails a high level of judgement by management and the Directors in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities. Due to the significance of the amount of deferred tax assets and the uncertainty associated with their recoverability, this has been considered a key audit matter.	Our audit procedures included the following: - assessing the design and implementation of the controls over the recognition and valuation of deferred tax assets, - contrasting the tax bases estimated in prior years with the actual tax bases obtained, - contrasting the information contained in the model used to estimate future taxable profit with the Group's business plans approved by the Directors, - assessing the sensitivity of certain assumptions to changes that are considered reasonable. We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2022 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated non-financial information statement has been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2022, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

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

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

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

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

– Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Eroski, S. Coop. and its subsidiaries for 2022 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual accounts for the aforementioned year and the XBRL files tagged by the Parent, which will form part of the annual financial report.

The Directors of Eroski, S. Coop. are responsible for the presentation of the 2022 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

Our responsibility consists of examining the digital files prepared by the Directors of the Parent, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the consolidated annual accounts included in the aforementioned digital files fully corresponds to the consolidated annual accounts we have audited, and whether the consolidated annual accounts and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 3 May 2023.

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

Contract Period

We were appointed as auditor of the Group by the members at the ordinary general assembly held on 26 May 2022 for a period of one year, beginning 1 February 2022.

Previously, we were appointed for a period of one year, by consensus of the members at their ordinary general assembly, and have been auditing the annual accounts since the year ended 31 January 1999.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Cosme Carral López-Tapia
On the Spanish Official Register of Auditors ("ROAC") with No. 18,961

Eroski, S. Coop. and Subsidiaries

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

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

EROSKI, S. COOP. AND SUBSIDIARIES

Consolidated Statement of Financial Position

31 January 2023

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

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

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

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

EROSKI, S. COOP. AND SUBSIDIARIES

Consolidated Income Statement
for the year ended
31 January 2023

(Expressed in thousands of Euros)

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

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

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

EROSKI, S. COOP.
AND SUBSIDIARIES

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

(Expressed in thousands of Euros)

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

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

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

EROSKI, S. COOP.
AND SUBSIDIARIES

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

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

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

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

EROSKI, S. COOP.
AND SUBSIDIARIES

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

(Expressed in thousands of Euros)

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

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

EROSKI, S. COOP.
AND SUBSIDIARIES

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

(Expressed in thousands of Euros)

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

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

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

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

(1) Nature, Activities and Composition of the Group

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

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

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

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

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

c) Cultural supplies, services and activities.

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

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

(Continued)

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

Changes in the consolidated Group

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

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

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

(2) Basis of Presentation

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

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

(Continued)

(a) Basis of preparation of the consolidated annual accounts

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

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

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

(b) Comparative information

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

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

(Continued)

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

Consolidated Statement of Financial Position at 31 January 2022

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

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

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

(i) Relevant accounting estimates and assumptions

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

(Continued)

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

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

(ii) Relevant judgements when applying accounting principles

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

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

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

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

(Continued)

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

(iii) Changes in accounting estimates

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

(iv) Determination of fair values

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

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

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

(Continued)

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

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

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

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

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

(i) First-time application of standards

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

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

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

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

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

(Continued)

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

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

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

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

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

(3) Accounting Principles

(a) Consolidation criteria

- - Subsidiaries

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

(Continued)

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

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

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

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

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

- Associates

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

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

(Continued)

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

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

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

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

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

(Continued)

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

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

- Non-controlling interests

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

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

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

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

(Continued)

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

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

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

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

(b) Property, plant and equipment

(i) Initial recognition

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

(Continued)

(ii) *Investments in leased properties*

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

(iii) *Depreciation*

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

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

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

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

(iv) *Subsequent costs*

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

(v) *Impairment*

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

(Continued)

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

(c) Right-of-use assets

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

(i) Lessee accounting

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

(Continued)

(ii) *Lessor accounting*

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

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

(iii) *Subleases*

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

(iv) *Sale and leaseback transactions*

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

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

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

(Continued)

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

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

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

(d) Intangible assets

(i) Goodwill

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

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

Internally generated goodwill is not recognised as an asset.

(Continued)

(ii) *Other intangible assets*

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

(iii) *Useful life and amortisation*

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

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

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

(iv) *Impairment*

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

(e) Non-current assets held for sale

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

(Continued)

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

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

Discontinued operations

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

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

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

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

(f) Investment property

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

(Continued)

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

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

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

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

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

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

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

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

(Continued)

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

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

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

(Continued)

(h) Financial instruments

(i) Recognition and classification of financial instruments

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

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

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

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

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;

- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument; or

(Continued)

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

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

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

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

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

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

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

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

(Continued)

iii) *Financial assets carried at cost*

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

(iv) *Impairment*

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

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

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

(iv) *Derecognition and modifications of financial liabilities*

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

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

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

(Continued)

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

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

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

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

(i) Inventories

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

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

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

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

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

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

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

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

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

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

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

(Continued)

(j) Cash and cash equivalents

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

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

(k) Employee benefits

(i) Other long-term employee benefits

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

(ii) Termination benefits

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

(iii) Short-term employee benefits

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

(l) Provisions

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

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

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

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

(m) Recognition of income and expenses

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

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

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

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

(i) Sale of property inventories

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

(Continued)

(ii) Supplies and non-trading income

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

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

(n) Income tax

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

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

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

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

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

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

(i) *Recognition of deferred tax liabilities*

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

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

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

(ii) *Recognition of deferred tax assets*

The Group recognises deferred tax assets provided that:

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

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

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

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

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

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

(iii) *Measurement*

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

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

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

(iv) *Offset and classification*

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

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

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

(o) Segment reporting

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

(p) Environmental issues

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

(4) Segment Reporting

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

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

(Continued)

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

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

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

(5) Non-current Assets Held for Sale

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

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

(6) Property, Plant and Equipment

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

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

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

(a) Property, plant and equipment pledged as collateral

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

(b) Insurance

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

(c) Fully depreciated assets

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

(d) Commitments

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

(e) Impairment

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

(Continued)

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

(7) Investment Property

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

(8) Goodwill and Other Intangible Assets

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

(9) Impairment and Allocation of Goodwill

(a) Evaluation of goodwill impairment

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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(b) Key assumptions used to calculate value in use

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

Details are as follows:

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

Sensitivity

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

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

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

(Continued)

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

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

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

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

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

(Continued)

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

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

(a) Details of lease payments and liabilities

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

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

(Continued)

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

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

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

(b) Income from leases and subleases

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

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

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

(Continued)

(11) Equity-accounted Investees

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

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

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

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

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

(Continued)

(12) Financial Assets

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

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

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

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

(Continued)

These rights include the corresponding annual returns.

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

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

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

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

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

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

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

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

(Continued)

(13) Trade and Other Receivables

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

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

Balances receivable from public entities are as follows:

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

Movement in impairment due to uncollectibility is as follows:

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

(Continued)

(14) Income Tax

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

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

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

(Continued)

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

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

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

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

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

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

(Continued)

Details of the income tax expense are as follows:

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

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

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

(Continued)

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

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

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

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

(Continued)

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

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

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

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

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

(Continued)

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

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

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

Unused deductions at 31 January 2023 and 2022 by nature:

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

(Continued)

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

(Continued)

Unused deductions at 31 January 2023 and 2022 by maturity:

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

(Continued)

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

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

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

(Continued)

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

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

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

(Continued)

(15) Inventories

Details of inventories are as follows:

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

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

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

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

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

(Continued)

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

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

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

(a) Insurance

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

(b) Inventories pledged as collateral

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

(c) Purchase commitments

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

(Continued)

(16) Equity

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

(a) Members' contributions

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

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

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

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

The mandatory contribution for consumer members is Euros 1.20.

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

(Continued)

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

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

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

- No return on worker member contributions may be made.

- The Cooperative may not agree returns for worker members.

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

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

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

(Continued)

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

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

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

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

(Continued)

(b) Retained earnings

Details of retained earnings are as follows:

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

(c) Mandatory Reserve Fund

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

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

(Continued)

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

(d) Distribution of Parent profit

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

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

(e) Declaration of governors' responsibility

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

(Continued)

(f) Capitalised funds

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

(17) Current and Non-current Financial Liabilities

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

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

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

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

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

(Continued)

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

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

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

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

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

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

(Continued)

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

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

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

(18) Loans and Borrowings

Details at 31 January 2023 and 2022 are as follows:

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

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

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

(Continued)

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

2023	2024	2027
31	525	200

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

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

(Continued)

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

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

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

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

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

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

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

(Continued)

(19) Trade and Other Payables

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

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

Contribution for Education and Cooperative Promotion and Other Public Interest Initiatives

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

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

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

(Continued)

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

Balances payable to public entities are as follows:

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

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

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

Information on the average supplier payment period is as follows:

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

(Continued)

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

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

(21) Risk Management

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

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

Currency risk

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

The Eroski Group has no foreign currency accounts.

Credit risk

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

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

(Continued)

Liquidity risk

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

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

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

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

Interest rate risk

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

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

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

(22) Provisions

Details of other provisions are as follows:

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

(Continued)

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

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

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

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

(Continued)

(23) Environmental Information

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

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

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

(24) Other Income

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

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

(Continued)

(25) Other Expenses

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

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

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

(26) Personnel Expenses

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

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

(Continued)

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

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

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

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

(Continued)

(27) Finance Income and Costs

Details of finance income and costs are as follows:

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

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

(Continued)

(28) Related Party Balances and Transactions

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

(a) Group balances and transactions with entities

Group balances with related parties are as follows:

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

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

(Continued)

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

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

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

(Continued)

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

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

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

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

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

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

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

(Continued)

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

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

(29) Audit Fees

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

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

Other assurance services mainly include those related to limited reviews.

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

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

(Continued)

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

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

(30) Events after the Reporting Period

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

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

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

(Continued)

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

ASSETS	31/01/2023	31/01/2023 Proforma	Variation	EQUITY AND LIABILITIES	31/01/2023	31/01/2023 Proforma	Variation
Intangible assets, PP&E and real estate assets	2,669,744	2,669,744	0	Equity attributable to the Parent	146,433	146,433	0
Financial Assets	189,839	189,839	0	Non-controlling interests	213,025	330,546	-117,521
Deferred tax assets	275,482	275,482	0	**EQUITY**	**359,458**	**476,979**	**-117,521**
TOTAL NON-CURRENT ASSETS	**3,135,065**	**3,135,065**	**0**				
				Non-current financial liabilities	2,176,901	2,059,380	117,521
Inventories	400,556	400,556	0	Other non-current liabilities	230,618	230,618	0
Financial assets	13,117	13,117	0	**TOTAL NON-CURRENT LIABILITIES**	**2,407,519**	**2,289,998**	**117,521**
Trade and other receivables	146,976	146,976	0				
Cash and cash equivalents	220,114	220,114	0	Current financial liabilities	178,772	178,772	0
Non-current assets held for sale	21,738	21,738	0	Trade and other payables	991,815	991,815	0
TOTAL CURRENT ASSETS	**802,500**	**802,500**	**0**	**TOTAL CURRENT LIABILITIES**	**1,170,587**	**1,170,587**	**0**
TOTAL ASSETS	**3,937,565**	**3,937,565**	**0**	**TOTAL EQUITY AND LIABILITIES**	**3,937,565**	**3,937,565**	**0**

ASSETS	31/01/2022	31/01/2022 Proforma	Variation	EQUITY AND LIABILITIES	31/01/2022	31/01/2022 Proforma	Variation
Intangible assets, PP&E and real estate assets	2,842,300	2,842,300	0	Equity attributable to the Parent	113,210	113,210	0
Financial Assets	189,923	189,923	0	Non-controlling interests	205,082	312,711	-107,629
Deferred tax assets	284,799	284,799	0	**EQUITY**	**318,292**	**425,921**	**-107,629**
TOTAL NON-CURRENT ASSETS	**3,317,022**	**3,317,022**	**0**				
				Non-current financial liabilities	2,394,125	2,286,496	107,629
Inventories	368,275	368,275	0	Other non-current liabilities	231,685	231,685	0
Financial assets	12,961	12,961	0	**TOTAL NON-CURRENT LIABILITIES**	**2,625,810**	**2,518,182**	**107,629**
Trade and other receivables	161,445	161,445	0				
Cash and cash equivalents	213,359	213,359	0	Current financial liabilities	139,071	139,071	0
Non-current assets held for sale	3,385	3,385	0	Trade and other payables	993,272	993,272	0
TOTAL CURRENT ASSETS	**759,424**	**759,424**	**0**	**TOTAL CURRENT LIABILITIES**	**1,132,343**	**1,132,343**	**0**
TOTAL ASSETS	**4,076,446**	**4,076,446**	**0**	**TOTAL EQUITY AND LIABILITIES**	**4,076,446**	**4,076,446**	**0**

(Continued)

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Subsidiaries

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

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

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

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

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Associates

31 January 2023 and 2022

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

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

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

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

EROSKI, S. COOP.
AND SUBSIDIARIES

Segment Reporting

31 January 2023 and 2022

(Expressed in thousands of Euros)

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

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

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

EROSKI, S. COOP.
AND SUBSIDIARIES

Segment Reporting

31 January 2023 and 2022

(Expressed in thousands of Euros)

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

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

EROSKI, S. COOP.
AND SUBSIDIARIES

Segment Reporting

31 January 2023 and 2022

(Expressed in thousands of Euros)

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

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

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

EROSKI, S. COOP. AND SUBSIDIARIES

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

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

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

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

EROSKI, S. COOP. AND SUBSIDIARIES

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

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

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

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

EROSKI, S. COOP.
AND SUBSIDIARIES

31 January 2023

Exposure to liquidity risk

(Expressed in thousands of Euros)

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

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

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

EROSKI, S. COOP.
AND SUBSIDIARIES

31 January 2022

Exposure to liquidity risk

(Expressed in thousands of Euros)

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

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

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48009 Bilbao

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the Members of Eroski, S. Coop.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Eroski, S. Coop. (the Parent) and subsidiaries (the Group), which comprise the consolidated statement of financial position at 31 January 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 January 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable amount of goodwill (Euros 818,411 thousand)

See notes 8 and 9 to the consolidated annual accounts

Key Audit Matter	*How the Matter was Addressed in Our Audit*
At each reporting date the Group estimates the recoverable amount of goodwill, regardless of whether or not there are indications of impairment. The recoverable amount is determined considering the value in use of the cash-generating units, as applicable. To estimate this amount, the Group used valuation techniques that require the Directors and management to exercise judgement and make assumptions and estimates. Due to the high level of judgement, the uncertainty associated with these estimates and the significance of the carrying amount of the goodwill has been considered a key matter of our audit.	Our audit procedures included the following: - assessing the design and implementation of the key controls relating to the process of estimating the recoverable amount of goodwill, - evaluating the methodology and assumptions used to estimate the recoverable amount using the value in use method based on discounted cash flows at cash-generating unit level, with the involvement of our valuation specialists to evaluate the adequacy of the discount rates used and the long-term growth rates, - comparing the cash flow forecasts estimated in prior years with the actual cash flows obtained, - assessing the sensitivity of certain assumptions to changes that are considered reasonable, - contrasting the information contained in the model used to calculate the recoverable amount with the Group's business plans approved by the Directors. We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

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

Recoverability of deferred tax assets (Euros 92,664 thousand) See note 14 to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
At 31 January 2022 the Group recognised deferred tax assets totalling Euros 92,664 thousand, mainly corresponding to the recognition of the tax effect of tax loss carryforwards and unused deductions. The recognition of deferred tax assets entails a high level of judgement by management and the Directors in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities. Due to the significance of the amount of deferred tax assets and the uncertainty associated with their recoverability, this has been considered a key audit matter.	Our audit procedures included the following: - assessing the design and implementation of the controls over the recognition and valuation of deferred tax assets, - contrasting the tax bases estimated in prior years with the actual tax bases obtained, - contrasting the information contained in the model used to estimate future taxable profit with the Group's business plans approved by the Directors, - assessing the sensitivity of certain assumptions to changes that are considered reasonable. We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2021 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated non-financial information statement has been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2021, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

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

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

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

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

– Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Eroski, S. Coop. and its subsidiaries for 2021 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual accounts for the aforementioned year and the XBRL files tagged by the Parent, which will form part of the annual financial report.

The Directors of Eroski, S. Coop. are responsible for the presentation of the 2021 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

Our responsibility consists of examining the digital files prepared by the Directors of the Parent, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the consolidated annual accounts included in the aforementioned digital files fully corresponds to the consolidated annual accounts we have audited, and whether the consolidated annual accounts and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 3 May 2022.

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

Contract Period

We were appointed as auditor of the Group by the members at the ordinary general assembly held on 16 June 2021 for a period of one year, beginning 1 February 2021.

Previously, we were appointed for a period of one year, by consensus of the members at their ordinary general assembly, and have been auditing the annual accounts since the year ended 31 January 1999.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Cosme Carral López-Tapia
On the Spanish Official Register of Auditors ("ROAC") with No. 23,079

Eroski, S. Coop. and Subsidiaries

(Consolidated annual accounts and consolidated directors' report for the year ended 31 January 2022)

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

EROSKI, S. COOP. AND SUBSIDIARIES

Consolidated Statement of Financial Position

31 January 2022

(Expressed in thousands of Euros)

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

Assets	Note	31.01.22	31.01.21
Property, plant and equipment	6	737,192	709,758
Investment property	7	32,171	35,868
Rights of use	10	1,227,611	1,336,486
Goodwill and other intangible assets	8	845,326	885,280
Equity-accounted investees	11	6,315	6,094
Trade and other receivables	13	4,405	3,632
Financial assets	12	178,667	198,343
Deferred tax assets	14	284,799	336,915
Uncalled members' contributions		536	533
Total non-current assets		3,317,022	3,512,909
Inventories	15	368,275	380,697
Financial assets	12	10,713	34,799
Trade and other receivables	13	158,855	146,890
Current income tax assets		2,589	2,983
Unpaid calls on members' contributions	16	2,248	2,061
Cash and cash equivalents		213,359	317,563
Non-current assets held for sale	5	3,385	3,385
Total current assets		759,424	888,378
Total assets		4,076,446	4,401,287

Equity	Note	31.01.22	31.01.21
Capital	16	331,563	334,455
Share premium		3,808	3,808
Capitalised funds	16	95,525	95,525
Other comprehensive income		24,591	22,713
Retained earnings	16	(340,130)	(394,235)
Interim dividend	16	(2,147)	(2,408)
Equity attributable to equity holders of the Parent		113,210	59,858
Non-controlling interests		312,711	59,392
Total equity		425,921	119,250
Liabilities			
Financial liabilities	17	2,286,496	2,580,810
Government grants		2	4
Provisions	22	20,837	21,373
Other non-current liabilities	19	14,754	27,890
Deferred tax liabilities	14	196,092	212,803
Total non-current liabilities		2,518,181	2,842,880
Financial liabilities	17	139,071	359,106
Trade and other payables	19	989,088	1,072,284
Current income tax liabilities		4,185	7,767
Total current liabilities		1,132,344	1,439,157
Total liabilities		3,650,525	4,282,037
Total equity and liabilities		4,076,446	4,401,287

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

EROSKI, S. COOP. AND SUBSIDIARIES

Consolidated Income Statement
for the year ended
31 January 2022

(Expressed in thousands of Euros)

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

	Note	31.01.22	31.01.21
Continuing operations			
Revenue	4	4,541,380	4,807,439
Other income	24	252,033	249,577
Raw materials and other consumables used	15	(3,295,186)	(3,498,119)
Personnel expenses	26	(655,849)	(673,810)
Amortisation and depreciation	6, 7, 8 & 10	(220,529)	(224,195)
Impairment of non-current assets	6, 7 & 8	(49,332)	(195,423)
Other expenses	25	(450,955)	(412,022)
Profit/(loss) before finance items and taxes		121,562	53,447
Finance income	27	149,407	6,461
Finance costs	27	(116,260)	(110,964)
Share of profit/(loss) of equity-accounted investees	11	221	233
Profit/(loss) before tax from continuing operations		154,930	(50,823)
Income tax expense	14	(50,316)	(26,740)
Profit/(loss) from continuing operations		104,614	(77,563)
Profit/(loss) from discontinued operations		-	-
Profit/(loss) for the year		**104,614**	**(77,563)**
Profit/(loss) for the year attributable to equity holders of the Parent			
Continuing operations	16	107,719	(96,457)
Discontinued operations		-	-
		107,719	(96,457)
Profit/(loss) for the year attributable to non-controlling interests			
Continuing operations		(3,105)	18,894
Discontinued operations		-	-
		(3,105)	18,894

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

EROSKI, S. COOP.
AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income
for the year ended
31 January 2022

(Expressed in thousands of Euros)

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

	31.01.22	31.01.21
Profit/(loss) for the year	104,614	(77,563)
Other Comprehensive Income:		
Items to be reclassified in profit or loss		
Gains/(losses) on equity instruments at fair value through other comprehensive income	1,882	2,270
Tax effect	-	-
Share of net income/(expense) recognised in equity of equity-accounted investees	-	(50)
Other comprehensive income	1,882	2,220
Total comprehensive income for the year	**106,496**	**(75,343)**
Total comprehensive income attributable to:		
Equity holders of the Parent	109,597	(94,237)
Non-controlling interests	(3,101)	18,894

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

EROSKI, S. COOP.
AND SUBSIDIARIES

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

(Expressed in thousands of Euros)

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

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

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

EROSKI, S. COOP.
AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
for the year ended
31 January 2021

(Expressed in thousands of Euros)

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

	Equity attributable to equity holders of the Parent										
					Other comprehensive income						
	Capital	Share premium	Capitalised Funds	Capitalised funds acquired	Available-for-sale financial assets	Exchange differences	Retained earnings	Interim dividend	Total	Non-controlling interests	Total equity
Balance at 31 January 2020	**344,654**	**3,808**	**125,372**	**(29,847)**	**20,443**	**50**	**(293,031)**	**(2,584)**	**168,865**	**60,277**	**229,142**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**2,270**	**(50)**	**(96,457)**	**-**	**(94,237)**	**18,894**	**(75,343)**
Distribution of profit											
Patronage returns											
Capitalised	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(2,584)	2,584	-	-	-
New contributions	562	-	-	-	-	-	72	-	634	-	634
Withdrawal of members	(10,110)	-	-	-	-	-	(2,553)	-	(12,663)	(446)	(13,109)
Transfers	(651)	-	-	-	-	-	651	-	-	-	-
Interim dividend	-	-	-	-	-	-	-	(2,408)	(2,408)	(19,300)	(21,708)
Other movements	-	-	-	-	-	-	(333)	-	(333)	(33)	(366)
Balance at 31 January 2021	**334,455**	**3,808**	**125,372**	**(29,847)**	**22,713**	**-**	**(394,235)**	**(2,408)**	**59,858**	**59,392**	**119,250**

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

EROSKI, S. COOP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(Indirect method)
for the years ended
31 January 2022 and 2021

(Expressed in thousands of Euros)

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

	Note	31.01.22	31.01.21
Cash flows from operating activities			
Profit/(loss) for the year before tax		154,930	(50,823)
Adjustments for:			
Amortisation and depreciation	6, 7, 8 & 10	220,529	224,195
Impairment/impairment reversals	5,6,7 & 8	63,085	213,153
Change in provisions		1,227	2,499
Finance income		(149,398)	(6,429)
Exchange (gains)/losses		(9)	48
Finance costs		90,629	98,475
Share of profit/(loss) of equity-accounted investees	11	(222)	(233)
Losses on sale of property, plant and equipment, investment property, and other intangible assets		14,582	2,292
Proceeds from disposals of financial instruments		6,304	53
(Profit)/loss from non-current assets held for sale		-	1,248
Grants recognised in the income statement		(962)	(894)
		400,695	**483,584**
Change in operating assets and liabilities			
Increase/decrease in trade and other receivables		(18,036)	1,947
Increase/decrease in inventories		18,164	9,325
Increase/decrease in trade and other payables		(87,950)	56,715
Increase/decrease in provisions		(224)	(151)
Increase/decrease in other non-current assets and liabilities		(103)	631
Cash flows from operating activities		**312,546**	**552,051**
Income tax received/(paid)		(14,566)	(13,875)
Net cash from operating activities		**297,980**	**538,176**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,374	51,002
Proceeds from sale of intangible assets		7	43
Proceeds from sale of investment property		-	2,844
Proceeds from sale of non-current assets held for sale		9,911	12,764
Proceeds from sale of financial assets		16,555	35,478
Dividends received		213	205
Interest received		2,418	3,584
Proceeds from divestments in associates and joint ventures		-	7,092
Acquisition of property, plant and equipment		(123,155)	(97,628)
Acquisition of intangible assets		(6,983)	(14,802)
Acquisition of investment property		(10)	(148)
Payments for investments in associates and joint ventures		(1,452)	-
Acquisition of other financial assets		(1,057)	(2,600)
Net cash used in investing activities		**(101,179)**	**(2,166)**
Cash flows from financing activities			
From issue of capital		2,546	1,259
Redemption of own shares and other own equity instruments		(13,534)	(13,434)
Proceeds from sale of investments to non-controlling interests	1	200,000	-
From grants		834	452
From other financial liabilities	17	25	33,257
Repayment of bonds and other marketable securities		-	(10)
Repayment of loans and borrowings	17	(283,798)	(136,724)
Repayment of other financial liabilities		(4,643)	(2,871)
Repayment of lease liabilities	10	(130,297)	(129,735)
Interest paid	10	(67,583)	(80,458)
Dividends paid		(4,555)	(19,300)
Net cash used in financing activities		**(301,005)**	**(347,564)**
Net increase/(decrease) in cash and cash equivalents		(104,204)	188,446
Cash and cash equivalents at 1 February		317,563	129,717
Cash and cash equivalents at 31 January		**213,359**	**317,563**

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

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

(1) Nature, Activities and Composition of the Group

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

Since the end of the prior year, 31 January 2021, Eroski, S. Coop. has not made any modifications to its name.

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

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

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

c) Cultural supplies, services and activities.

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

The principal activity of the Company consists of retailing all types of consumer goods through its own commercial network in Spain, which at 31 January 2022 is comprised of 36 Eroski hypermarkets, 474 Eroski supermarkets (Eroski/Center, Eroski/City and Eroski/Merca), 75 Familia outlets, 210 Caprabo supermarkets, 119 Eroski/Viajes travel agencies, 37 Eroski service stations, 1 Caprabo service station, 50 Forum Sport stores, 18 Dooers establishments,18 Cash and Carry stores and 577 franchised points of sale. The Group also engages in property development, the operating cycle of which normally exceeds twelve months.

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

(Continued)

Changes in the consolidated Group

During 2021, after signing the agreement with the holding investor EP Corporate Group on 7 September 2021, the Group company Newcobeco, S.A.U. sold 50% of its interest in Supratuc2020, S.L., which in turn is the sole shareholder of Caprabo S.A.U. and Cecosa Supermercados, S.L.U., while maintaining control over Supratuc2020, S.L.U., and therefore the net assets of this subgroup were once again fully consolidated in 2021.

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

During 2020, Supratuc2020, S.L.U. was incorporated. Also in 2020, Supermercados Picabo S.L.U. merged with Cecosa Supermercados S.L.U., while Gestión de Hipermercados Caprabo Eisa S.L.U. and Central de Serveis i Ciencies S.L.U merged with Caprabo S.A.U. On a separate note, Red Libra Trading Services, S.L., Coop. Global Sourcing Limited, Cecosa Gestión S.A. and Sociedad de Afiliados Eroski Contigo, S.L.U. were no longer consolidated as they were liquidated. Lastly, there was an 11.02% increase in the investment in Desarrollos Inmobiliarios Los Berrocales, S.L.U., meaning the Group gained control of this company, which went from being equity-accounted in the Group's 2019 consolidated annual accounts to being fully consolidated in 2021 and 2020. These changes in the consolidated Group did not have a significant effect on the consolidated annual accounts at 31 January 2021.

Relevant events in 2021

As mentioned previously, on 7 September 2021, once all the conditions precedent had been met, the agreement which the Eroski Group had reached with the holding investor EP Corporate Group on 28 March 2021, whereby the Group company Newcobeco, S.A.U. would sell 50% of its investment in Supratuc2020, S.L., was signed.

The incorporation of EP Corporate Group into the companies of the Catalonia and Balearic Islands regions will build confidence in the project and provide greater clout when facing the challenges of the coming years.

Also on 7 September 2021, the Eroski Group, with the cash from the aforementioned operation (approximately Euro 200 million), repaid the instalments on the syndicated loan falling due in December 2021, and even partially repaid early the July 2024 instalment (see note 17).

(Continued)

(2) Basis of Presentation

The consolidated annual accounts have been prepared on the basis of the accounting records of Eroski and the companies included in the Group. The consolidated annual accounts for the year ended 31 January 2022 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions of the financial reporting framework, to give a true and fair view of the consolidated equity and consolidated financial position of the Eroski Group at 31 January 2022, as well as its consolidated financial performance, consolidated cash flows and changes in consolidated equity for the year then ended. The Group adopted IFRS-EU on 1 February 2006 and applied IFRS 1, “First-time adoption of International Financial Reporting Standards” at that date.

The governors of the Parent consider that the consolidated annual accounts for the year ended 31 January 2022, authorised for issue on 28 April 2022, will be approved by the members at their general assembly with no changes.

(a) Basis of preparation of the consolidated annual accounts

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

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

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

(b) Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes for 2021 include comparative figures for the prior year, which formed part of the consolidated annual accounts approved by members at the general assembly held on 16 June 2021.

(Continued)

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

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

(i) Relevant accounting estimates and assumptions

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

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

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

- The calculation of the fair values of transactions included in the sale and leaseback agreement on properties.

(ii) Relevant judgements when applying accounting principles

- Relevant judgements led the Eroski Group to conclude in the year ended 31 January 2021 on the transfer of risks and rewards on the sale and leaseback transaction detailed in note 6.

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

(Continued)

Based on the main agreements in relation to managing this subgroup, and in particular the casting vote on relevant matters held by the chair of the board of directors, appointed by Eroski, the governors have concluded that the Eroski Group has the ability to direct the relevant activities of this subgroup, and therefore maintains control. In the event certain decisions on relevant matters were adopted with the opposition of all directors appointed by the investor, the investor may execute a put option on its investment, which, in the opinion of the directors, has no effect on the Eroski Group's control over the subgroup, providing the eventual strike prices match their fair value at year end.

This analysis of maintaining control will be performed annually by the governors.

(iii) Changes in accounting estimates

Although estimates are calculated by the Company's governors based on the best information available at 31 January 2022, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(iv) Determination of fair values

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

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

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

(Continued)

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

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

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

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

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

(i) First-time application of standards

The Group first-time adopted the following standards and interpretations for its consolidated annual accounts beginning 1 February 2021:

- Amendments to IFRS 16 "Rent concessions derived from COVID-19".
- Interest rate benchmark reform - IBOR (amendment to IFRS 9, IAS 39 and IFRS 7) – stage 2

These new standards have not entailed a change in accounting policy in the Group. Additionally, the Company has not early-applied any standards.

(ii) Standards, amendments and interpretations available for early adoption

On the date on which these consolidated annual accounts were authorised for issue, the standards, amendments and interpretations issued which the Group expects to adopt for annual periods beginning on or after 1 February 2022, are as follows:

- Amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets: Provisions for Onerous Contracts".
- References to the IFRS conceptual framework in IFRS 3.
- Amendment to IAS 1 "Presentation of Financial Statements".
- Amendment to IAS 8 "Accounting policies, Changes in accounting estimates and errors: definition of accounting estimates".

(Continued)

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

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

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

- Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”.
- Amendment to IAS 1 and amendment to IFRS Practice Statement 2 “Disclosures on Accounting Policies”.
- Amendment to IAS 8 “Definition of Accounting Estimates”.
- Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”.

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

(3) Accounting Principles

(a) Consolidation criteria

- Subsidiaries

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

(Continued)

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

Transactions and balances with Group companies and unrealised gains or losses have been eliminated on consolidation. The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and events in similar circumstances.

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

Details of the consolidated subsidiaries comprising the Eroski Group and the Parent's direct and/or indirect interest therein at 31 January 2022, together with their registered addresses and the activity carried out by each one, are shown in Appendix I.

- Associates

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

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

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

(Continued)

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

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

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

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

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

Details of associates and their registered office and activity at 31 January 2022 are shown in Appendix II.

(Continued)

(b) Property, plant and equipment

(i) Initial recognition

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

(ii) Investments in leased properties

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

(iii) Depreciation

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

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

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

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

(Continued)

(iv) *Subsequent costs*

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

(v) *Impairment*

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

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

(c) Right-of-use assets

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

(i) *Lessee accounting*

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

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

(Continued)

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

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

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

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

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

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

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

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

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

(Continued)

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

(ii) *Lessor accounting*

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

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

(iii) *Subleases*

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

(iv) *Sale and leaseback transactions*

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

If the sale recognition criteria are met, the Group recognises the right-to-use asset derived from the subsequent lease as a proportion of the previous book value of the related asset related to the portion held. Consequently, the Group only recognises a gain or loss that relates to the rights transferred to the buyer. The Group determines the portion of the right-of-use held by multiplying the proportion represented by the expected lease payments, discounted at the lease discount rate over the fair value of the underlying asset, by the carrying amount of the underlying asset.

(Continued)

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

If the fair value of the consideration for the sale does not equal the fair value of the asset or if the payments for the lease are not at market rates, the Group recognises any below-market terms as a prepayment of lease payments and any above-market terms as additional financing.

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

The above-mentioned criteria are applied in sale and leaseback contracts wherein the Group is the lessor and obtains control of the asset. If the Group does not obtain control of the asset, an account receivable is recognised for the amount of the consideration paid applying the accounting policy for financial instruments.

(d) Intangible assets

(i) Goodwill

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

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination and the criteria described in note 9 are applied. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

(Continued)

(ii) *Other intangible assets*

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

(iii) *Useful life and amortisation*

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

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

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

(iv) *Impairment*

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

(e) Non-current assets held for sale

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

(Continued)

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

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

(f) Investment property

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

(Continued)

(h) Financial instruments

(i) Recognition and classification of financial instruments

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

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

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument; or
- It is an obligation to deliver financial assets that the Group has borrowed and does not yet own.

(Continued)

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

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

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

Financial assets and financial liabilities for contingent consideration arising from a business combination are classified as financial assets and financial liabilities measured at fair value through profit or loss.

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

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

(iii) *Financial assets carried at cost*

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

(Continued)

(iv) *Impairment*

The Group recognises in profit or loss a loss allowance for expected credit losses on financial assets measured at amortised cost and contract assets.

At each reporting date the Group measures the loss allowance at an amount equal to 12-month expected credit losses if the credit risk on the financial assets has not increased significantly since initial recognition or when it is considered that the credit risk on a financial asset has not increased significantly.

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

(iv) *Derecognition and modifications of financial liabilities*

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

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

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

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

(Continued)

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

(i) Inventories

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

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

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

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

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

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

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

(Continued)

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

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

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

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

(j) Cash and cash equivalents

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

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

(Continued)

(k) Employee benefits

(i) Other long-term employee benefits

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

(ii) Termination benefits

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

(iii) Short-term employee benefits

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

(l) Provisions

(i) General criteria

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

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

(Continued)

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

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

(m) Recognition of income and expenses

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

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

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

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

(i) *Sale of property inventories*

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

(Continued)

(ii) *Supplies and non-trading income*

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

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

(n) Income tax

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

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

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

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

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

(Continued)

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

(i) *Recognition of deferred tax liabilities*

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

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

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

(ii) *Recognition of deferred tax assets*

The Group recognises deferred tax assets provided that:

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

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

(Continued)

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

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

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

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

(iii) *Measurement*

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

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

(Continued)

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

(iv) *Offset and classification*

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

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

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

(o) Segment reporting

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

(p) Environmental issues

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

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

(Continued)

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the consolidated annual accounts are authorised for issue.

- The operating cycle for the real estate segment normally exceeds twelve months.

(4) Segment Reporting

The Group reports internally by operating segments, some of which are not relevant enough to be reported on a separate basis in these consolidated annual accounts. Practically all sales are made on the domestic market. Details of segment reporting are shown in Appendix III, which forms an integral part of this note. The Group identifies operating segments according to the different products or services. The main operating segments of the Eroski Group are as follows:

- Food: includes the distribution of consumer products through supermarkets, hypermarkets and service stations across Spain.

(Continued)

- Real estate: includes real estate projects for the sale and/or operation of shopping centres.

- Other: other lines of business such as the sale of sports equipment, travel agencies and other retail lines of business.

Inter-segment sales prices are established based on the normal commercial terms and conditions with unrelated third parties.

(5) Non-current Assets Held for Sale

At 31 January 2022 and 2021, non-current assets held for sale refer to a disposal group comprising one hypermarket with a sale price, net of costs to sell, of Euros 3,385 thousand, and which according to the agreement is expected to be delivered during 2022.

During 2020, assets with a value of Euros 3,505 thousand were transferred to property, plant and equipment (note 6) and items totalling Euros 14,012 thousand were sold. The gains/losses on these transactions were not significant.

At 31 January 2022 and 2021, all non-current assets held for sale are mortgaged to secure repayment of bank loans obtained by Group companies (see note 18).

(6) Property, Plant and Equipment

Details and movement in property, plant and equipment for the years ended 31 January 2022 and 2021 are shown in Appendix IV, which forms an integral part of this note.

The main additions in 2021 and 2020 comprise installations and furniture necessary to open various centres.

(Continued)

The main disposals in 2020 basically corresponded to the sale and leaseback of 27 supermarkets and their ancillary facilities to a third party for a total of Euros 85 million. The gain on this operation, based on the difference between the fair value of the transaction and the carrying amount of the assets sold, amounted to Euros 2,918 thousand (see note 24). These supermarkets will be leased for an initial mandatory period of 20 years for both parties, which may be extended for 5 consecutive terms of 5 years each at the option of the lessee. The different considerations of the agreement were analysed, and the governors, based on independent expert reports on the value of the buildings, and on rent paid for leasing similar premises, concluded that the fair value of the sale amounted to Euros 52 million, and recognised a financial liability of Euros 32 million with 20-year maturity (see note 17), the balance of which at 31 January 2022 was Euros 33 million.

The clauses in these lease contracts are generally those found in the market, and ownership of the property does not pass to the Company upon expiry of the contracts.

The Company did not extend any guarantees to the buyers to cover potential losses resulting from early cancellation of the contracts, or possible fluctuations in the residual value of the buildings.

The estimated useful economic life of the assets under these contracts is considerably higher than the contractual rental periods, and in no case does the present value of the minimum lease payments substantially approximate the fair value of the leased assets.

The disposal of these assets entailed a subsequent addition in right-of-use assets (see note 10).

During the years ended 31 January 2022 and 2021, no borrowing costs have been capitalised under property, plant and equipment, and the total amount capitalised at 31 January 2022 is Euros 11,066 thousand (Euros 11,066 thousand at 31 January 2021).

(a) Property, plant and equipment pledged as collateral

At 31 January 2022 property, plant and equipment totalling Euros 170,468 thousand (Euros 203,479 thousand at 31 January 2021) was mortgaged to secure repayment of bank loans obtained by Group companies (see note 18).

(Continued)

(b) Insurance

The Group has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

(c) Fully depreciated assets

At 31 January 2022 the cost of fully depreciated buildings, machinery, installations and information technology equipment amounts to approximately Euros 1,364 million (Euros 1,246 million at 31 January 2021).

(d) Commitments

At 31 January 2022 the Company has commitments to purchase property, plant and equipment totalling Euros 12,004 thousand (Euros 18,981 thousand at 31 January 2021).

(e) Impairment

The Eroski Group has management systems in place that enable it to obtain information on results and profitability for each store and considers there are indications of impairment when operating margins are negative. Operating margin is understood to be the result of subtracting the cost of sale of goods for resale and store operating expenses from income obtained. The information obtained from the management systems is regularly reviewed by an oversight committee with a view to taking the necessary measures in stores with results that do not meet forecast levels of profitability and making any provisions considered necessary. The most important non-current assets assigned to stores are proprietary land and buildings and other installations and equipment assigned to the Group's points of sale. If provisions have to be made for stores, the Group uses the higher of appraisals of the properties made by independent experts and the present value of estimated cash flows. None of these appraisals are more than eight months old. During the year ended 31 January 2022 the Group made a charge to impairment of property, plant and equipment of Euros 9,334 thousand (a charge of Euros 8,852 thousand at 31 January 2021) under impairment of non-current assets. The key assumptions used in calculating impairment in terms of average sales growth in the projected period, growth rate and discount rate were 2.63%, between 0.3% and 1.2%, and between 8.63%, and 9.94%, respectively (2.4%, between 0.3% and 0.8%, and between 8.04% and 9.94%, respectively, in 2020).

(Continued)

(7) Investment Property

Details of investment property and movement during the years ended 31 January 2022 and 31 January 2021 are as follows:

	Thousands of Euros			
	31.01.21	Additions	Disposals	31.01.22
Cost	81,128	10	-	81,138
Depreciation	(8,378)	(369)	-	(8,747)
Impairment losses	(36,882)	(3,338)	-	(40,220)
	35,868	(3,697)	-	32,171

	Thousands of Euros			
	31.01.20	Additions	Disposals	31.01.21
Cost	84,730	147	(3,749)	81,128
Depreciation	(9,711)	(374)	1,707	(8,378)
Impairment losses	(36,929)	47	-	(36,882)
	38,090	(180)	(2,042)	35,868

Details of the cost of investment property at 31 January 2022 and 2021 are as follows:

	Thousands of Euros	
	31.01.2022	31.01.2021
Land	60,685	60,675
Buildings	20,453	20,453
	81,138	81,128

At 31 January 2022 and 2021 the Group has not assumed any purchase commitments related to investment property.

(Continued)

The fair value of investment property is based on appraisals made by independent experts. None of these appraisals are more than eight months old. The appraisals were essentially carried out by Grupo Tasvalor, S.A., Vazquez Martinez Construcciones y Reformas, S.A., Tasaciones Inmobiliarias, S.A. (TINSA), VALTECSA and Krata Sociedad de Tasación, S.A.

The valuations of investment property are classified as level 2, as the assumptions used to obtain the fair value are inputs other than the listed prices included in level 1, but which are observable for the asset in question.

At 31 January 2022 the Group has recognised rental income from investment property of Euros 9,764 thousand (Euros 7,310 thousand at 31 January 2021) under revenue in the consolidated income statement.

During the years ended 31 January 2022 and 2021, no borrowing costs were capitalised in the cost of investment property.

Accumulated impairment is a result of appraisals carried out on the different items of investment property, which reflect the particular situation of each building. During 2021 an amount of Euros 3,338 thousand (Euros 47 thousand in 2020) was reversed.

At 31 January 2022, investment property totalling Euros 31,496 thousand (Euros 35,116 thousand at 31 January 2021) is mortgaged to secure repayment of bank loans obtained by Group companies (see note 18).

(8) Goodwill and Other Intangible Assets

Details of intangible assets and movement are shown in Appendix V, which forms an integral part of this note.

(9) Impairment and Allocation of Goodwill

(a) Evaluation of goodwill impairment

There is a clear differentiation between Gestión Eroski and Gestión Caprabo commercial policies, business strategy, brand equity and management, thus giving rise to two different management units in the food segment.

(Continued)

Details of the allocation of the Group's most significant goodwill at management unit level at 31 January 2022 and 2021, classified according to the aforementioned definition, are as follows:

	Thousands of Euros	
	Food	
	31.01.2022	31.01.2021
Gestión Eroski	658,461	672,733
Gestión Caprabo	159,950	182,442
	818,411	855,175

The change in goodwill of the Eroski CGU is mainly due to the transfer of stores between companies, which had allocated goodwill amounting to Euros 7 million and which now form part of the Caprabo CGU. Additionally, goodwill allocated to stores of the Eroski CGU has been impaired in an amount of Euros 7 million due to goodwill written off.

The change in the Caprabo CGU is due to the transfer of the Euros 7 million and the subsequent Euros 29 million impairment recognised during the year.

During 2021, the Eroski Group drew up and approved the 2022 Management Plan. This plan formed the basis for projecting the expected cash flows of the Group's two goodwill management units for that period.

Recoverable amount is calculated according to value in use based on cash flow projections from the financial budgets approved by the governors for a period of five years. Cash flows beyond this five-year period are extrapolated using the estimated growth rates indicated below in section (b). The growth rate does not exceed the average long-term growth rate for the business in which each management unit, indicated in section (b), operates.

The carrying amount of assets grouped to determine the recoverable amount of goodwill attributable to the Gestión Eroski and Gestión Caprabo units mainly includes assets in stores, mainly proprietary land and premises, and logistic platform assets.

When calculating impairment, the Group also includes the current assets necessary to carry out the operations of the Group's businesses.

(Continued)

(b) Key assumptions used to calculate value in use

Details are as follows:

	31.01.22	31.01.21
Eroski Domain		
Average increase in sales in the projected period	2.03%	2.40%
Growth rate	1.2%	0.8%
Discount rate	8.63%	8.04%
Caprabo Domain		
Average increase in sales in the projected period	4.74%	2.40%
Growth rate	1.2%	0.8%
Discount rate	9.13%	9.04%

The variations in the discount rates and perpetual growth rates used in the sensitivity analyses are those that Eroski Group management considers reasonably possible. The discount rates used to determine the Caprabo CGU impairment reflects an additional risk premium considering the new market situation and greater uncertainty in the projections.

(Continued)

Caprabo Domain

The analysis consisted of stressing EBITDA by -/+ 10%, the perpetual growth rate by 0.2 basis points and the discount rate by 0.5 basis points, which resulted in the following additional impairment charges/reversals:

Assumption	Sensitivity	
WACC (Discount rate)	+ 0.5 %: would increase impairment by Euros 13 million	- 0.5 %: would reduce impairment by Euros 7 million
g (Perpetual growth)	+ 0.2 %: would reduce impairment by Euros 6 million	- 0.2 %: would increase impairment by Euros 5 million
EBITDA	+10%: would reduce impairment by Euros 32 million	-10 %: would increase impairment by Euros 7 million

Eroski Domain

In relation to the goodwill allocated to Gestión Eroski, a sensitivity analysis has been performed on the key assumptions: EBITDA, the discount rate (WACC) and the perpetual growth rate (g) generated by each investee. The analysis consisted of stressing EBITDA by -/+ 2%/-5%, the perpetual growth rate by 0.2 basis points and the discount rate by 0.5 basis points, which resulted in no additional impairment charges/reversals:

Management determines budgeted gross margin based on past experience and forecast market performance. The weighted average growth rates are consistent with the forecasts included in industry reports. The discount rates used are net of tax and reflect the specific risks of the relevant segments.

(Continued)

(10) Right-of-Use Assets and Lease Liabilities

Details of right-of-use assets in 2021 and 2020 and movement are as follows:

	Thousands of Euros			
	31.01.21	Additions	Disposals	31.01.22
Cost				
Buildings	1,581,122	93,258	(80,814)	1,593,566
Technical installations and machinery	4,952	379	(6)	5,325
Motor vehicles	2,260	418	(20)	2,658
	1,588,334	94,055	(80,840)	1,601,549
Accumulated depreciation				
Buildings	(248,111)	(131,124)	10,791	(368,444)
Technical installations and machinery	(2,585)	(1,196)	-	(3,781)
Motor vehicles	(1,152)	(561)	-	(1,713)
	(251,848)	(132,881)	10,791	(373,938)
	1,336,486	(38,826)	(70,049)	1,227,611

	Thousands of Euros			
	31.01.20	Additions	Disposals	31.01.21
Cost				
Buildings	1,272,868	324,177	(15,923)	1,581,122
Technical installations and machinery	4,498	884	(430)	4,952
Motor vehicles	1,598	823	(161)	2,260
	1,278,964	325,884	(16,514)	1,588,334
Accumulated depreciation				
Buildings	(116,963)	(136,176)	5,028	(248,111)
Technical installations and machinery	(1,490)	(1,491)	396	(2,585)
Motor vehicles	(633)	(676)	157	(1,152)
	(119,086)	(138,343)	5,581	(251,848)
	1,159,878	187,541	(10,933)	1,336,486

Additions totalling Euros 74 million have been recognised derived from changes in estimated future cash flows from different contract renegotiations in which the lease term has increased and /or there have been changes in the indices used to determine such payments (CPI) (Euros 146 million at 31 January 2021).

Additionally, additions include Euros 20 million derived from new contracts signed during the year (Euros 143 million at 31 January 2021, with the most significant contracts being the lease of two logistics platforms).

(Continued)

The remaining additions in 2020 amounting to approximately Euro 37 million corresponded to contracts signed by the Group for the sale and leaseback of 27 supermarkets together with their ancillary facilities (parking spaces, service stations etc.), under a lease for an initial mandatory period of 20 years for both parties, which may be extended for 5 consecutive terms of 5 years each at the option of the lessee. The amount paid by the counterparty at the time of the transaction was Euros 85 million. The different considerations of the agreement were analysed, and the governors, based on independent expert reports on the value of the buildings, and on rent paid for leasing similar premises, concluded that the fair value of the sale amounted to Euros 52 million (see note 6), and a financial liability of Euros 33 million with 20-year maturity was recognised (see note 17).

Disposals in 2021 and 2020 mainly correspond to changes in the estimates of lease payments due to contracts renegotiated each year.

The Eroski Group had approximately 1,707 property leases subject to IFRS 16 at 31 January 2022 (1,732 lease contracts at 31 January 2021), mainly for commercial premises. These leases generally establish payment of fixed monthly rent, adjusted annually for inflation (CPI). In general, the leases entered into by the Group do not contain clauses relating to variable amounts based on sales figures or contingent rent.

(a) Details of lease payments and liabilities

Movement in lease liabilities in 2021 and 2020 was as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Balance at 1 February (note 17)	1,361,830	1,173,852
Additions	94,055	325,884
Disposals	(70,014)	(8,171)
Finance costs (note 27)	15,942	20,183
Payments	(146,239)	(149,918)
	1,255,574	1,361,830

(Continued)

An analysis of the contractual maturity of lease liabilities is as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Less than one year	119,076	123,742
Between 1 and 5 years	392,320	408,488
More than five years	744,178	829,600
	1,255,574	1,361,830

Lease contracts lasting less than 12 months or the asset of which is less than Euros 5,000 fall outside the scope of IFRS 16. The related expense for the year was Euros 64,877 thousand (Euros 62,010 thousand in 2020) (see note 25).

(b) Income from leases and subleases

At 31 January 2022 and 2021 the Group has conveyed the right to use certain shopping centres to third parties under operating leases.

Minimum future collections from non-cancellable operating lease contracts are as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Maturity		
Less than one year	4,886	4,452
Between one and five years	17,456	16,982
More than five years	13,244	16,648
	35,586	38,082

(Continued)

(11) Equity-accounted Investees

Movement in equity-accounted investees during the years ended 31 January 2022 and 2021 was as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Opening balances	6,094	13,038
Additions	-	11
Disposals	-	(781)
Other movements	-	-
Share of other equity items	-	(50)
Distribution of dividends	-	(6,357)
Share of profit/(loss)	221	233
Impairment losses (note 12)	-	-
Closing balances	6,315	6,094

In 2020, the associate Inmobiliaria Armuco, S.L. distributed a dividend recognised in the Parent as a recovery of cost since it did not derive from profits generated since its acquisition, and which corresponded in full to the share premium that this company had on its balance sheet. On account of the Eroski Group's percentage investment, it received Euros 6.3 million.

Details of equity-accounted investees are included in Appendix II.

Details of the key financials of equity-accounted investees are as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Assets	190,226	201,490
Liabilities	265,963	267,086
Equity	(75,737)	(65,596)
Revenue	25,374	26,511
Profit/(loss) for the year	(10,141)	(13,019)
Share of profit/(loss)	221	233

(Continued)

(12) Financial Assets

Details of current and non-current financial assets at 31 January 2022 and 2021 are as follows:

	Thousands of Euros			
	31.01.22		31.01.21	
	Non-current	Current	Non-current	Current
Financial assets at fair value through other comprehensive income				
Unlisted equity instruments				
Caja Laboral Popular, Coop. de Crédito	40,234	-	38,411	-
Other investments	2,112	-	2,051	-
MCC Inversiones S.P.E., S. Coop.	33,968	-	35,828	-
Other investments	1,871	29	1,453	30
Total	78,185	29	77,743	30
Financial assets at amortised cost				
Loans and other receivables	51,662	8,658	46,297	24,014
Loans to associates and joint ventures (note 28)	52,607	30,300	52,347	28,585
Interest accrued on loans to associates (note 28)	2,623	4,091	3,146	3,420
Receivables from sales of non-current assets	920	633	1,683	9,997
Security and other deposits	39,414	1,970	43,021	1,813
Other financial assets	222	1,777	251	2,554
Total	147,448	47,429	146,745	70,383
	225,633	47,458	224,488	70,413
Impairment of loans and other receivables	(25,681)	(6,352)	(7,486)	(14,993)
Impairment of loans to associates	(21,285)	(30,393)	(18,659)	(20,621)
Total financial assets	178,667	10,713	198,343	34,799

Financial assets at fair value through other comprehensive income include the following investments:

- Caja Laboral Popular Coop. de Crédito - Lan Kide Aurrezkia was incorporated on 16 July 1959. Its registered office is located in Mondragón (Guipuzcoa, Spain). Its statutory activity is to serve the financing requirements of its members and third parties in its capacity as a financial institution. This investment is stated at the accumulated value of the rights acquired by Eroski, S. Coop. in this cooperative. These investments have a restricted market in terms of sale, limited to the cooperative members of Caja Laboral. In all transactions between cooperative members, the sale value used is that of accumulated returns up to the date of the sale.

(Continued)

These rights include the corresponding annual returns.

- MCC Inversiones, S.P.E., S. Coop. was incorporated on 28 April 1998. Its registered office is located in Mondragón (Guipuzcoa, Spain). Its statutory and principal activity consists of promoting and developing companies.

- A series of minority interest investments made by various Group companies.

Loans and other receivables and loans for the sale of non-current assets comprise transactions carried out with third parties which accrue variable annual interest at market rates.

There are no significant differences between the carrying amount and their fair value.

As regards impairment, movement in 2021 corresponds to a charge of Euros 9,772 thousand (Euros 12,356 thousand in 2020) (see notes 27 and 28), mainly corresponding to associates related to real estate projects. Additionally, in 2021 an charge of Euros 9,554 thousand was made in respect of receivables from third parties.

The latest estimates of cash flows from sales of associates' real estate assets (appraisals) are insufficient to recover all loans extended.

In 2020, the Group also derecognised loans and other receivables of approximately Euros 40 million which were fully impaired.

Net losses and gains by category of financial asset mainly comprise finance income from loans and other receivables (see note 27).

(Continued)

(13) Trade and Other Receivables

Details of current and non-current trade and other receivables at 31 January 2022 and 2021 are as follows:

	Thousands of Euros			
	31.01.2022		31.01.2021	
	Non-current	Current	Non-current	Current
Trade receivables	-	57,068	-	54,627
Volume discounts and other promotions	-	63,473	-	69,040
Advances to suppliers	2,443	3,826	2,020	3,667
Advances and loans to personnel	-	217	-	254
Advances to Group companies and associates (note 28)	-	304	-	304
Receivables from Group companies and associates (note 28)	-	1,167	-	1,182
Other receivables	1,962	42,627	1,612	32,088
Public entities	-	16,422	-	15,890
	4,405	185,104	3,632	177,052
Impairment due to uncollectibility	-	(26,249)	-	(30,162)
Total	4,405	158,855	3,632	146,890

Balances receivable from public entities are as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Taxation authorities, sundry		
VAT	14,698	15,012
Grants	957	731
Other items	767	147
	16,422	15,890

Movement in impairment due to uncollectibility is as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Opening balance	(30,162)	(26,736)
Impairment charges (note 25)	(5,322)	(5,316)
Impairment reversals (note 24)	5,154	1,162
Cancellations	4,081	728
Closing balance	(26,249)	(30,162)

(Continued)

(14) Income Tax

Details at 31 January 2022 and 2021 of deferred tax assets and liabilities by type of asset and liability are as follows:

	Thousands of Euros					
	Assets		Liabilities		Net	
	31.01.22	31.01.21	31.01.22	31.01.21	31.01.22	31.01.21
Property, plant and equipment	3,212	4,179	(3,039)	(4,154)	173	25
Right-of-use assets and lease liabilities (note 10)	178,432	192,738	(174,539)	(189,010)	3,893	3,728
Goodwill and intangible assets	1,080	1,076	(13,266)	(13,459)	(12,186)	(12,383)
Inventories	95	95	(21)	(21)	74	74
Provisions	4,383	4,304	(3,258)	(3,258)	1,125	1,046
Available-for-sale financial assets	1,891	1,960	(1,969)	(2,183)	(78)	(223)
Other	3,042	2,552	-	(718)	3,042	1,834
	192,135	206,904	(196,092)	(212,803)	(3,957)	(5,899)
Tax loss carryforwards	64,079	83,321	-	-	64,079	83,321
Rights to tax deductions and credits	28,585	46,690	-	-	28,585	46,690
Net assets and liabilities	284,799	336,915	(196,092)	(212,803)	88,707	124,112
Movement during the year					(35,405)	

The governors of the Group consider that the majority of deferred tax assets and liabilities will be reversed or realised in a period exceeding twelve months, except for an amount of approximately Euros 3 million in tax loss carryforwards and deductions, which are expected to be recovered in the short term (approximately Euros 8 million in tax loss carryforwards and deductions in 2020).

(Continued)

The Parent files annual income tax returns. The standard rate of tax is 20% of general taxable income. In application of Provincial Law 6/2018 of 12 December 2018 on the tax regime for cooperatives in Vizcaya (although this was already mandatory since the year beginning 1 January 2009 as a result of the amendment to Provincial Law 9/1997), the Company must differentiate between two types of taxable income: general taxable income and special taxable income. Special taxable income comprises investment yields earned by the Cooperative, except those not subject to withholding taxes, and dividends which entitle application of the exemption on dividends of 100% of taxable income, providing the payer is a related individual or entity. Special taxable income is taxed at 19%. The remaining companies of the consolidated group are taxed at a rate of 25% and 24%. The tax liability may be reduced by certain credits for investment and expenses. Due to its status as a specially protected cooperative, Eroski, S. Coop. is entitled to the following income tax benefits:

a) Taxable income is reduced by 50% of the amount which must be transferred to the Mandatory Reserve Fund.

b) Deductible expenses are considered to include the mandatory amounts allocated to the COFIP and interest accrued on members' contributions to equity within certain limits established in Provincial Law 6/2018 of 12 December 2018 on Cooperative Tax Regimes.

c) Contributions by the Company to Intercooperative Cooperation Institutions, which have been previously recognised by the taxation authorities and which are used to financially assist, promote or develop cooperatives or new activities, are also deemed tax deductible.

d) As a result of its special protected status, the Cooperative's total tax liability may be reduced by 50%.

On 27 March 2018, Provincial Law 2/2018 of 21 March 2018 was published, which introduces amendments to Provincial Income Tax Law, the Tax Regime for Cooperatives in Vizcaya and other tax legislation, and is effective for accounting periods beginning on or after 1 January 2018. The measures approved include limiting the application of tax loss carryforwards to 50% of taxable income, reducing the application of deductions limit to 35% of the tax expense, and extending the time limit for application to 30 years for accounting periods beginning on or after 1 January 2014. A minimum tax rate of 4.5% has also been maintained for Eroski, S. Coop.

(Continued)

Details of the income tax expense are as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Current tax		
Present year	15,056	21,835
Prior years	(145)	(205)
Deferred tax		
Source and reversal of temporary differences	(1,624)	(1,793)
Impairment of tax credits	33,761	6,903
Previously unrecognised tax credits	(247)	-
Tax credits applied	4,713	-
Deferred from prior years	(1,198)	-
	35,405	5,110
	50,316	26,740

The relationship between the tax expense and profit from continuing operations is as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Profit/(loss) for the year before tax from continuing operations, general base	147,821	(71,753)
Profit for the year before income tax from continuing operations, special base	7,109	20,930
	154,930	(50,823)
Tax calculated at the tax rate for each company	14,844	(10,360)
Non-taxable income	(549)	(412)
Non-deductible expenses	4,078	2,113
Uncapitalised tax credits	902	28,847
Impaired tax credits	33,761	6,770
Capitalisation of prior years' tax credits	(271)	-
Changes in tax rates	11	-
Deductions generated and applied during the year	(1,107)	(720)
Share in profit/(loss) of equity-accounted associates	(22)	573
Prior years' differences	(1,331)	(71)
Income tax expense	50,316	26,740

(Continued)

The Company and other Group companies have applied the exemption on reinvestment of extraordinary gains provided for in article 22 of Provincial Income Tax Law 3/1996, article 36 ter of Income Tax Law 43/1995 and article 42 of Royal Legislative Decree 4/2004 on Income Taxes, to the following amounts, having reinvested the selling price which gave rise to the exemption in property, plant and equipment in each of the years in which the gain was generated:

	Thousands of Euros	
Year of origin	Amount subject to exemption/deduction	Reinvestment period
2003	2,958	2003
2004	1,273	2004
2005	7,948	2005
2006	55,679	2006
2007	97,503	2007
2008	174,788	2008
2009	19,838	2009 & 2010
2010	103,510	2010, 2011, 2012 & 2013
2011	45,410	2012
	508,907	

The Company and certain Group companies have unused deductions for investments and job creation.

In accordance with provincial and state income tax legislation, losses declared may be carried forward to be offset against profits (i) of the 30 subsequent accounting periods (for losses declared prior to 1 January 2014 by companies filing taxes under the provincial regime (Vizcaya), the 30-year period is calculated as of that date), (ii) indefinitely for companies filing taxes under the common tax regime, although in both cases, provincial and state, providing the quantitative limits established in prevailing income tax legislation are observed. Losses are offset when the tax declarations are filed, without prejudice to the taxation authorities' power of inspection.

(Continued)

On the basis of income tax returns filed or to be filed at 31 January 2022 and 31 January 2021, Group companies have the following accumulated loss carryforwards to be offset against future profits.

	Thousands of Euros		
Year	31.01.22	31.01.21	Available through (*)
2001	8,549	8,549	No limit/2044
2002	48,227	48,227	No limit/2044
2003	53,607	53,607	No limit/2044
2004	80,106	80,106	No limit/2044
2005	34,567	34,567	No limit/2044
2006	66,290	66,290	No limit/2044
2007	134,582	134,582	No limit/2044
2008	252,716	251,840	No limit/2044
2009	172,108	173,166	No limit/2044
2010	249,648	249,648	No limit/2044
2011	223,958	223,958	No limit/2044
2012	174,231	221,366	No limit/2044
2013	277,057	277,057	No limit/2044
2014	325,048	326,160	No limit/2044
2015	40,914	42,351	No limit/2045
2016	80,943	81,396	No limit/2046
2017	167,536	167,536	No limit/2047
2018	91,901	91,900	No limit/2048
2019	328,488	310,015	No limit/2049
2020	1,371,766	1,364,554	No limit/2050
2021 (estimated)	228,611	-	No limit/2051
	4,410,853	4,206,875	

(*) In accordance with provincial tax regulations, the period of offset is 30 years from the entry into force of the corresponding regulations, and any quantitative limits are applicable.

In accordance with Spanish state tax legislation, there is no time limit for offsetting tax loss carryforwards, although quantitative limits must be observed.

In 2021, Eroski S.Coop. applied uncapitalised tax loss carryforwards totalling Euros 47,135 thousand.

2020 included tax loss carryforwards generated by the different holding companies (Newcobeco S.A.U, Cecogoico S.A.U and Eroski S.Coop.), which impaired their investments in Group companies in accordance with the criteria mentioned in note 9.

(Continued)

At 31 January 2022 capitalised tax credits for loss carryforwards amount to Euros 64,079 thousand (Euros 83,321 thousand at 31 January 2021).

At 31 January 2022, of the tax loss carryforwards included in the Group's tax returns filed (or to be filed), deferred tax assets amounting to Euros 844,399 thousand (Euros 768,941 thousand at 31 January 2021) have not been recognised.

The Company and certain Group companies have the following unused deductions for investment and job creation:

Unused deductions at 31 January 2022 and 2021 by nature:

	Thousands of Euros				
	31.01.22				
Year of origin	Double taxation	Investments	R&D&i	Other	Total
1998	-	5,322	-	-	5,322
1999	-	1,519	-	-	1,519
2000	-	2,444	-	-	2,444
2001	-	10,790	-	159	10,949
2002	16	2,620	-	1,085	3,721
2003	42	1,450	213	1,040	2,745
2004	36	1,264	390	352	2,042
2005	-	1,888	100	625	2,613
2006	55	3,321	170	1,214	4,760
2007	65	15,092	-	101	15,258
2008	374	7,802	-	219	8,395
2009	532	22	1,861	70	2,485
2010	379	-	872	43	1,294
2011	762	-	693	98	1,553
2012	6,114	-	563	870	7,547
2013	2,874	-	403	1,010	4,287
2014	1,299	-	147	1,022	2,468
2015	46	-	106	1,115	1,267
2016	41	-	62	1,376	1,479
2017	10	2,157	332	2,151	4,650
2018	12	2,391	303	1,422	4,128
2019	12	3,068	216	236	3,532
2020	14	2,444	234	216	2,908
2021	-	-	-	-	-
	12,683	63,594	6,665	14,424	97,366

(Continued)

EROSKI, S. COOP. AND SUBSIDIARIES

Consolidated Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Thousands of Euros				
	31.01.21				
Year of origin	Double taxation	Investments	R&D&i	Other	Total
1998	-	5,322	-	-	5,322
1999	-	1,519	-	-	1,519
2000	-	2,444	-	-	2,444
2001	-	10,879	-	159	11,038
2002	16	2,620	-	1,085	3,721
2003	42	1,450	213	1,040	2,745
2004	36	1,264	390	352	2,042
2005	-	1,888	100	625	2,613
2006	55	13,862	170	1,215	15,302
2007	65	15,092	-	102	15,259
2008	166	7,802	-	219	8,187
2009	530	22	1,861	70	2,483
2010	379	-	872	43	1,294
2011	8,041	-	693	98	8,832
2012	8,262	-	563	870	9,695
2013	2,874	-	403	1,010	4,287
2014	1,299	-	147	1,022	2,468
2015	46	-	106	1,115	1,267
2016	41	-	62	1,376	1,479
2017	10	2,161	332	2,151	4,654
2018	12	2,402	303	1,422	4,139
2019	12	3,208	216	236	3,672
2020	-	-	-	-	-
	21,886	71,935	6,431	14,210	114,462

(Continued)

Unused deductions at 31 January 2022 and 2021 by maturity:

	Thousands of Euros										
	31.01.22										
Year	Available through		Available through		Available through		Available through		Available through		Total
1998	2044	5,322	2016	-	2013	-	2008	-	no limit	-	5,322
1999	2044	1,519	2017	-	2014	-	2009	-	no limit	-	1,519
2000	2044	2,444	2018	-	2015	-	2010	-	no limit	-	2,444
2001	2044	10,949	2019	-	2016	-	2011	-	no limit	-	10,949
2002	2044	3,720	2020	-	2017	-	2012	-	no limit	-	3,720
2003	2044	2,745	2021	-	2018	-	2013	-	no limit	-	2,745
2004	2044	2,042	2022	-	2019	-	2014	-	no limit	-	2,042
2005	2044	2,613	2023	-	2020	-	2015	-	no limit	-	2,613
2006	2044	4,717	2024	-	2021	43	2016	-	no limit	-	4,760
2007	2044	12,200	2025	-	2022	3,058	2017	-	no limit	-	15,258
2008	2044	4,669	2026	-	2023	3,627	2018	-	no limit	99	8,395
2009	2044	2,274	2027	-	2024	-	2019	-	no limit	212	2,486
2010	2044	924	2028	69	2025	-	2020	-	no limit	302	1,295
2011	2044	825	2029	46	2026	-	2021	-	no limit	682	1,553
2012	2044	4,705	2030	85	2027	-	2022	776	no limit	1,980	7,546
2013	2044	381	2031	136	2028	-	2023	951	no limit	2,819	4,287
2014	2044	186	2032	20	2029	-	2024	1,006	no limit	1,256	2,468
2015	2045	129	2033	43	2030	-	2025	1,006	no limit	89	1,267
2016	2046	119	2034	-	2031	-	2026	1,147	no limit	213	1,479
2017	2047	2,518	2035	-	2032	-	2027	1,919	no limit	214	4,651
2018	2048	2,707	2036	-	2033	-	2028	1,205	no limit	215	4,127
2019	2049	3,316	2037	-	2034	-	2029	-	no limit	216	3,532
2020	2050	2,691	2038	-	2035	-	2030	-	no limit	217	2,908
2021	2051	-	2038	-	2035	-	2030	-	no limit	-	-
		73,715		**399**		**6,728**		**8,010**		**8,514**	**97,366**

	Thousands of Euros										
	31.01.21										
Year	Available through		Available through		Available through		Available through		Available through		Total
1998	2044	5,322	2016	-	2013	-	2008	-	no limit	-	5,322
1999	2044	1,519	2017	-	2014	-	2009	-	no limit	-	1,519
2000	2044	2,444	2018	-	2015	-	2010	-	no limit	-	2,444
2001	2044	11,038	2019	-	2016	-	2011	-	no limit	-	11,038
2002	2044	3,720	2020	-	2017	-	2012	-	no limit	-	3,720
2003	2044	2,745	2021	-	2018	-	2013	-	no limit	-	2,745
2004	2044	2,042	2022	-	2019	-	2014	-	no limit	-	2,042
2005	2044	2,613	2023	-	2020	-	2015	-	no limit	-	2,613
2006	2044	4,718	2024	-	2021	10,584	2016	-	no limit	-	15,302
2007	2044	12,201	2025	-	2022	3,058	2017	-	no limit	-	15,259
2008	2044	4,461	2026	-	2023	3,627	2018	-	no limit	99	8,187
2009	2044	2,271	2027	-	2024	-	2019	-	no limit	212	2,483
2010	2044	924	2028	69	2025	-	2020	-	no limit	302	1,295
2011	2044	8,104	2029	46	2026	-	2021	-	no limit	682	8,832
2012	2044	6,853	2030	85	2027	-	2022	776	no limit	1,980	9,694
2013	2044	381	2031	136	2028	-	2023	951	no limit	2,819	4,287
2014	2044	185	2032	20	2029	-	2024	1,006	no limit	1,256	2,467
2015	2045	130	2033	43	2030	-	2025	1,006	no limit	89	1,268
2016	2046	119	2034	-	2031	-	2026	1,147	no limit	213	1,479
2017	2047	2,522	2035	-	2032	-	2027	1,919	no limit	214	4,655
2018	2048	2,718	2036	-	2033	-	2028	1,205	no limit	215	4,138
2019	2049	3,456	2037	-	2034	-	2029	-	no limit	216	3,672
2020	2050	-	2038	-	2035	-	2030	-	no limit	-	-
		80,486		**399**		**17,269**		**8,010**		**8,297**	**114,461**

(Continued)

At 31 January 2022 capitalised tax credits for unused deductions amount to Euros 28,585 thousand (Euros 46,690 thousand at 31 January 2021). Eroski S.Coop. has applied capitalised deductions for double taxation amounting to Euros 4,713 thousand in the income tax estimate for 2021.

The governors of the Parent and, where applicable, their tax advisors have calculated the income tax for 2021 and for the years open to inspection in accordance with fiscal legislation prevailing at the end of each year. Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any event, the Parent's governors do not consider that any such liabilities that could arise would have a material effect on the consolidated annual accounts.

As explained in note 3 (n), the Group recognises tax loss carryforwards, credits and deductions providing their realisation or future application is probable. To do so, management uses prudent estimates approved by the governors which reflect a growth rate of 0% in the years beyond the budgeting period for the business (5 years). Based on these estimates, this year the Parent's governors have decided to impair tax credits for loss carryforwards and deductions recognised in previous years by Euros 33,761 thousand (Euros 6,770 thousand in 2020).

The Group has performed a sensitivity analysis by stressing the key EBITDA assumption by -2%/-10%, and no significant differences arose.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the prescription period of four years from presentation of the corresponding settlements has elapsed. At 31 January 2022 the Company and its subsidiaries, in general, have open to inspection by the taxation authorities all main applicable taxes since 1 January 2018, except for income taxes, which are open to inspection since 1 January 2017. The governors do not expect that significant additional liabilities would arise in the event of inspection.

(Continued)

(15) Inventories

Details of inventories are as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Goods for resale	328,277	345,869
Property		
Land	35,917	30,778
Buildings under construction	3,782	3,751
	367,976	380,398
Advances of property inventories	299	299
	368,275	380,697

Property inventories at 31 January 2022 and 2021 are expected to be sold in more than twelve months. No borrowing costs have been capitalised in property inventories in 2021 and 2020.

Net realisable value has been estimated using independent expert appraisals and/or fair values obtained from signed sale-purchase contracts less estimated costs to sell, all of which were obtained within the last 12 months.

The total cost of materials consumed during the years ended 31 January 2022 and 2021 was as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Net purchases	3,282,764	3,491,331
Changes in inventories	18,118	5,568
Provision (reversal) for inventory obsolescence	(5,696)	1,220
	3,295,186	3,498,119

(Continued)

During the years ended 31 January 2022 and 2021 movement in inventories compared to the prior year is as follows:

	Thousands of Euros
Inventories at 31 January 2020	387,489
Change in goods for resale	(9,474)
Change in property inventories	3,906
Inventory (impairment)/reversals	(1,220)
Transfers to property, plant and equipment	-
Other movements	(4)
Inventories at 31 January 2021	380,697
Change in goods for resale	(18,316)
Change in property inventories	198
Inventory (impairment)/reversals	5,696
Inventories at 31 January 2022	368,275

Net purchases at 31 January 2022 include Euros 8,944 thousand corresponding to purchases made in foreign currencies (Euros 12,649 thousand at 31 January 2021).

(a) Insurance

Group companies have taken out insurance policies to cover the risks to which their inventories are exposed. The coverage of these policies is considered sufficient.

(b) Inventories pledged as collateral

At 31 January 2022, no inventories were pledged as collateral (Euros 31,000 thousand at 31 January 2021).

(c) Purchase commitments

At 31 January 2022 and 2021 there are no commitments to acquire property inventories.

(Continued)

(16) Equity

Details of equity and movement during the year are shown in the statement of changes in equity.

(a) Members' contributions

Details of members' contributions at 31 January 2022 and 2021 are as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Mandatory contributions		
Worker members	329,962	332,915
Consumer members	1,601	1,540
	331,563	334,455

Members' contributions consist of voluntary and mandatory contributions made by consumer and worker members, patronage returns on the distribution of results, capitalisation of interest on contributions and the capitalisation of revaluation reserves, when distributable, as established in relevant legislation.

Each year the members at their general assembly approve the mandatory contributions to be made by new worker members. For each year the general assembly decides whether or not to pay interest on worker members' contributions and, if so, establishes the interest rate applicable, which may not exceed gross annual interest of 7.5% or a % of gross ordinary profit if the cooperative complies with certain ratios established in the By-Laws. In any case, remuneration will not exceed the legal limits and a lower interest rate may be agreed. In any event, returns on members' contributions are dependent on the existence of sufficient net profit or freely distributable reserves.

The mandatory contribution for consumer members is Euros 1.20.

Contributions are transferable between members of the same category in accordance with conditions established by the board of governors and by succession "mortis causa".

(Continued)

In the event of a loss of membership, members or their beneficiaries may request reimbursement of their contribution. The value of their contribution will be calculated based on the statement of financial position for the year in which the member requests to leave. However, the governors reserve the right to reduce the mandatory contribution by a certain percentage, depending on the reason for loss of membership. It is the general assembly that agrees or not to reimburse contributions in the event of a loss of membership.

If the general assembly does not agree to reimburse all contributions requested, the following obligations come into play:

- Half of the Cooperative's available profit will be earmarked for the mandatory reserve fund.

- No return on worker member contributions may be made.

- The Cooperative may not agree returns for worker members.

- If there is sufficient net profit (profit after offsetting prior years' losses) or sufficient distributable reserves to cover its accrual, and the Cooperative agrees to accrue a return below the legal interest rate in favour of contributions whose reimbursement has not been approved by the assembly, the par value of these contributions is increased by at least an amount equal to the difference between this interest and that accrued prior to any return on worker members' contributions. This will also be the case if no agreement is reached.

Pursuant to the agreement by the general assembly on the reimbursement of contributions in the event of a loss of membership, the payment period will be decided by the board of governors and may not exceed five years from the reimbursement date agreed by the general assembly, and the contribution not paid will be entitled to accrue interest equivalent to the legal rate.

At 31 January 2022 unpaid calls on members' contributions amount to Euros 2,248 thousand (Euros 2,061 thousand at 31 January 2021).

(Continued)

The main aim of the Group in managing its members' contributions and equity items is to provide the necessary base for attracting external financing in order to increase activity from a reasonably balanced financial perspective. Included in this are issues of Eroski Subordinated Financial Contributions (ESFCs), irrespective of their classification as equity or liabilities, as their characteristics of perpetuity and subordination mean they fulfil the same function.

Capital management strategy centres on maintaining an equity to total liabilities ratio of over 0.20.

At 31 January 2022 and 2021 the ratio has been calculated as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Equity	425,921	119,250
ESFCs in financial liabilities	124,752	124,752
Equity considered	550,673	244,002
Total liabilities (net of ESFCs and lease liabilities)	2,270,199	2,795,455
Equity/total liabilities ratio	0.24	0.09

(Continued)

(b) Retained earnings

Details of retained earnings are as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Parent reserves		
Transition reserves	22,766	22,766
Prior years' profit and loss	(300,370)	(48,068)
Other reserves		
Mandatory reserve fund	18,189	17,690
Statutory reserves	34,203	166,866
Merger reserves	109	109
Other reserves	2,657,428	2,269,796
Reserves in fully consolidated companies	(2,885,096)	(2,731,650)
Reserves in equity-accounted investees	4,922	4,713
Profit/loss attributable to equity holders of the Parent	107,719	(96,457)
	(340,130)	(394,235)

(c) Mandatory Reserve Fund

In accordance with Law 11/2019 of 20 December 2019 governing cooperatives in the Basque Country, the net surplus for each year, after taxes and amounts used to offset loss carryforwards, constitutes the available surplus. At least 30% of available surpluses is taken annually to the Mandatory Reserve Fund and the Contribution for Education and Cooperative Promotion and Other Public Interest Initiatives (COFIP), with a minimum of 10% to the latter and 20% to the former.

Until the Mandatory Reserve Fund reaches 50% of members' contributions, the minimum appropriation to the COFIP may be reduced by half.

(Continued)

The Mandatory Reserve Fund, earmarked for the consolidation, development and guarantee of the Cooperative, is not distributable to members, except to the extent permitted by Law 11/2019 of 20 December 2019 governing cooperatives in the Basque Country. This fund comprises percentage appropriations made as explained above, deductions from mandatory contributions in the event of loss of membership and admission fees.

(d) Distribution of Parent profit/Application of Parent loss

The application of losses for 2020 approved by the members at the general assembly held on 16 June 2021, and the proposed distribution of profit for 2021, which the board of governors of Eroski, S. Coop. will propose to the members at their general assembly, are as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Basis of allocation:		
Profit/(loss) for the year	58,684	(442,206)
Appropriation to the Contribution for Education and Cooperative Promotion and Other Public Interest Initiatives	-	-
Cooperative profit/(loss)	58,684	(442,206)
Distribution:		
Interest on 2007 issue of ESFCs	2,740	3,073
Mandatory Reserve Fund	-	(132,662)
Voluntary reserves	-	(61,756)
Individualised special reserve	55,944	(250,861)
	58,684	(442,206)

(e) Declaration of governors' responsibility

Pursuant to article 8 of Royal Decree 1362/2007, all the members of the board of governors declare and sign that, to the best of their knowledge, the consolidated annual accounts for 2021, authorised for issue at the meeting held on 28 April 2022, have been prepared using applicable accounting principles, give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of Eroski, S. Coop. and its consolidated subsidiaries, taken as a whole, and that the consolidated directors' report for 2021 includes a fair analysis of the performance, results and position of Eroski, S. Coop. and its consolidated subsidiaries, taken as a whole, and contains a description of the main risks and uncertainties facing the Group.

(Continued)

(f) Capitalised funds

This caption comprises Eroski Subordinated Financial Contributions (ESFCs). On 9 July 2007, and pursuant to article 60.6 of Law 11/2019 of 20 December 2019 governing cooperatives in the Basque Country, as worded in Law 1/2000 of 29 June 2000, the Company issued ESFCs for a nominal amount of Euros 300,000 thousand, divided into 12,000,000 units of Euros 25 par value each. The interest paid in cash on this issue includes the following conditions:

a) Eroski worker members will receive cash if returns are paid in the year prior to the interest being accrued.

b) Otherwise, and unlike ESFCs recognised under financial liabilities (see note 17), the general assembly of Eroski can decide whether to pay ESFC holders in cash (in whole or in part), or increase the par value of the ESFCs by the same amount.

Given the subordinate nature of the ESFCs and the conditions for settling interest described previously, these financial instruments are classified as equity instruments.

As stipulated in article 60.6 of the law governing cooperatives in the Basque Country, ESFCs shall not be redeemed until cooperative approval is obtained for settlement. Without prejudice to the aforementioned, when at least five years have elapsed from the payment date, Eroski, S. Coop. members at their annual general assembly may agree to the partial or total redemption of the ESFC issue by reducing the par value of all the ESFCs issued.

Under the financial restructuring framework contract signed on 15 January 2015 (see note 18), holders must be given the option to exchange ESFCs for a cash equivalent of 15% of the nominal amount of the contributions, plus a bond with a nominal value equal to 55% of the par value of the exchanged contributions. This bond is a subordinated instrument, with 12-year maturity, extendible for an additional 5 years at the discretion of the holder, and remunerated at interest pegged to Euribor + 300 basis points.

(Continued)

On 14 January 2016 Eroski presented the prospectus of the ESFC Exchange Offering and simultaneous 2016 Eroski Subordinated Bond (ESB) Public Offering. The acceptance and subscription period ended on 27 January 2016, with 62% of holders tendering instruments in the offer. On 1 February 2016, Eroski exchanged 63.59% of ESFCs issued to third parties between 2002 and 2004 (recognised as a liability) and 60% of ESFCs issued to third parties in 2007 (recognised under equity).

The effect of the exchange at 31 January 2016 was the redemption via exchange of Euros 162 million in ESFCs in equity and Euros 218 million under liabilities. The difference resulting from the ESFC exchange in equity, which included Euros 22 million corresponding to the change in fair value of the bonds, was recognised directly in reserves.

ESFCs in equity not exchanged accrue annual interest pegged to 12-month Euribor +2.5%, which will be paid in cash if the above conditions for interest payments are met. At 31 January 2022 the annual interest rate applied was 1.987% (2.222% at 31 January 2021). During the year ended 31 January 2022, interest of Euros 2,147 thousand (Euros 2,408 thousand at 31 January 2021) was accrued (as they are equity instruments, they are treated as dividends) and settled in cash on 31 January 2022 as the terms of section a) above were fulfilled. This amount has been recognised under interim dividends in the consolidated statement of financial position.

ESFCs are considered marketable securities, are freely transferable and are represented by book entries in a single series. Since issue, they have been traded on the AIAF (Spanish Association of Brokers and Securities Dealers) Fixed Income Market, and on 6 July 2012 they were incorporated into the electronic SEND trading platform, as recommended by the Securities Market Regulatory Body and following the practice of issuers of fixed income securities directed at retailers. The quoted price of ESFCs can fluctuate in line with their quoted price on this market. At 31 January 2022 this quoted price is 17.81% of the par value (12.5% at 31 January 2021).

At 31 January 2022 and 2021 the Group has acquired ESFCs totalling Euros 29,847 thousand.

(Continued)

Details of these equity instruments at 31 January 2022 and 2021 are as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Equity instruments issued	125,372	125,372
Own equity instruments acquired	(29,847)	(29,847)
	95,525	95,525

(17) Current and Non-current Financial Liabilities

Details of current and non-current financial liabilities at 31 January 2022 and 2021 are as follows:

	Thousands of Euros			
	31.01.22		31.01.21	
	Non-current	Current	Non-current	Current
Financial liabilities from issuing bonds and marketable securities	303,344	5,197	299,192	5,704
Financial liabilities from loans and borrowings (note 18)	797,406	10,581	992,910	221,476
Third party loans	17,174	3,056	17,425	7,230
Lease liabilities (note 10)	1,136,498	119,076	1,238,088	123,742
Payables to associates (note 28)	575	154	689	-
Other payables	30,763	1,007	31,770	954
Other financial liabilities	736	-	736	-
Total	2,286,496	139,071	2,580,810	359,106

During the period 2002-2004 the Company issued three lots of ESFCs for a total par value of Euros 360,000 thousand, divided into 14,400,000 securities of Euros 25 par value each.

As stipulated in article 60.6 of the law governing cooperatives in the Basque Country, ESFCs shall not be redeemed until cooperative approval is obtained for settlement. Without prejudice to the aforementioned, when at least five years have elapsed from the payment date, Eroski, S. Coop. members at their annual general assembly may agree to the partial or total redemption of the ESFC issue by reducing the par value of all the ESFCs issued (see note 16 (f)).

After Order EHA/3360/2010 of 21 December 2010, which approves the accounting standards for cooperatives, became effective on 1 January 2011, these ESFCs are classified as financial liabilities, and are thus recognised under non-current liabilities in the consolidated statement of financial position.

(Continued)

ESFCs will accrue annual interest on a daily basis between the date of payment and, as the case may be, their redemption date, irrespective of profits earned, calculated on the basis of their par value, equivalent to 12-month Euribor +3%.

During the year ended 31 January 2022, Euros 3,103 thousand has been accrued (Euros 3,405 thousand at 31 January 2021), equivalent to annual interest of 2.487% at 31 January 2022 (2.722% at 31 January 2021), which is recognised under finance costs and payables on subordinated financial contributions in the consolidated income statement (see note 27). This interest was paid on 31 January 2022, (at 31 January 2021 it was payable and was thus recorded as current liabilities).

The three ESFC issues are considered marketable securities, are freely transferable and are represented by book entries in a single series. Since issue, they have been traded on the AIAF (Spanish Association of Brokers and Securities Dealers) Fixed Income Market, and on 6 July 2012 they were incorporated into the electronic SEND trading platform, as recommended by the Securities Market Regulatory Body and following the practice of issuers of fixed income securities directed at retailers. The quoted price of ESFCs can fluctuate in line with their quoted price on this market. At 31 January 2022 this quoted price is 22.477% of the par value (14.000% at 31 January 2021).

As indicated in note 16, on 14 January 2016 Eroski presented the prospectus of the ESFC Exchange Offering and simultaneous 2016 ESB Public Offering, and on 1 February 2016, it exchanged 63.59% of ESFCs issued to third parties between 2002 and 2004.

As indicated in note 16 (f), the effect of the exchange at 31 January 2016 was the derecognition of exchanged debt ESFCs amounting to Euros 218 million. The balancing entry of the exchange of these ESFCs and the ESFCs recognised as equity of Euros 162 million, was recognised as a payable for subordinated bonds issued for a nominal amount of Euros 209 million and recognised at its fair value of Euros 157 million.

The ESBs will accrue annual interest on a daily basis between the date of payment and, as the case may be, their redemption date, irrespective of profits earned and calculated on the basis of their par value, equivalent to 12-month Euribor +3%. On 1 February 2022, an amount of Euros 5,197 thousand, equivalent to 2.487%, was paid, and Euros 9,349 thousand was recognised under finance costs (on 1 February 2020 Euros 5,704 thousand, equivalent to 2.722%, was paid, and Euros 9,613 thousand was recognised under finance costs) corresponding to the effective interest rate calculated at the time of valuation, which the Company estimated at 5.8% (see note 27). At 31 January 2022 this quoted price is 41.749% of the par value (25.200% at 31 January 2021).

(Continued)

As indicated in note 6, in 2020 a financial liability was recognised for the agreement entered into between the Group and a third party for the sale and leaseback of 27 supermarkets for an initial amount of Euros 32,955 thousand, the balance of which at 31 January 2022 was Euros 31,770 thousand) (Euros 32,724 thousand at 31 January 2021). This liability matures when the lease contracts expire, i.e. 30 October 2040.

At 31 January 2022, the Company's governors estimate that the fair value of loans and borrowings corresponding to the Framework Agreement, represent 90%-95% of their carrying amount, based on transactions carried out in respect of its debt with financial institutions. The fair value of the remaining financial liabilities does not differ significantly from their carrying amount.

(18) Loans and Borrowings

Details at 31 January 2022 and 2021 are as follows:

	Thousands of Euros			
	31.01.22		31.01.21	
	Non-current	Current	Non-current	Current
Syndicated credit facilities				
Framework Agreement	737,755	10,570	936,319	221,452
Bank loans and credit facilities	59,651	11	56,591	24
	797,406	10,581	992,910	221,476
	(note 17)	(note 17)	(note 17)	(note 17)

On 16 July 2019 the Eroski Group signed a financial restructuring agreement with a consortium of financial institutions (for a total amount of Euros 1,503 million and working capital financing facilities), extending the maturity of its financial debt.

The agreement reached divided the nominal amount of the Eroski Group's debt into two tranches. On the one hand, one tranche amounting to approximately Euros 1,022 million bearing interest at Euribor +2.5% and, on the other hand, a tranche amounting to approximately Euros 509 million bearing interest at a fixed rate of 0.5% until 31 July 2024. These tranches were initially for Euros 1,003 million and Euros 500 million, respectively, but were increased in 2019 due to guarantees totalling Euros 28 million extended by the Group to related and non-related parties.

(Continued)

Eroski, S. Coop was initially the debtor of both tranches. Of the second tranche, and with sole condition of meeting the December 2021 repayment, which was repaid in September 2021, the contract establishes that an amount of Euros 200 million accrues 0% interest as of this payment in December 2021. Additionally, it establishes that the subsidiary Cecogoico S.A.U. is the debtor of this sub-tranche.

In 2019, the governors analysed whether the conditions on the new debt differ substantially from those in place when the agreement was signed. They concluded that they represented a substantial modification of the debt as the value of the future cash flows of the new loan, discounted at the effective interest rate of the previous loan, differed by more than 10% of the current debt. Consequently, it was necessary to estimate the fair value of the new debt.

Based on the foregoing, the initial fair value of the debt was determined to be Euros 1,247 million, resulting in the recognition of Euros 256 million in finance income at 31 January 2020, reflecting the difference with the carrying amount of the previous debt at the time of the refinancing. The effective rate of interest of the new debt is 4%.

Additionally, the refinancing contract contemplates waiving part of the debt for a maximum amount of around Euros 152 million if a series of requisites are met, including repayment of the 31 December 2021 instalment, accreditation of certain divestments, compliance with the contractual conditions, including financial ratios, and a minimum equity reduction. As all the requirements were met at 31 January 2022, the Company has recognised finance income of approximately Euros 141 million under finance income at 31 January 2022 (see note 27), corresponding on the one hand to the Euros 152 million waiver, and on the other, the effect of discounting this amount at the original interest rate. For all intents and purposes, this waiver has retroactive effectiveness at the December 2021 repayment date, including the accrual and payment of interest.

Additionally, on 4 November 2021, the condition precedent for Eroski S. Coop to obtain a waiver of Euros 5 million from a financial institution was relinquished under the Restructuring Framework Agreement and the execution of a financial guarantee extended in 2019. As certain milestones were met, the debt could be reduced by this amount. As a result of this waiver, the nominal of the outstanding debt at 31 January 2022 has been reduced, with a balancing entry under finance income at 31 January 2022.

(Continued)

The Parent and other companies of the Eroski Group are jointly and severally liable for the obligations deriving from these facilities and have agreed with the lending entities to fulfil a series of financial ratios based on the consolidated annual accounts and consolidated half-yearly financial statements as of the 31 January 2020 close. During 2021, a modification in the calculation of these ratios was approved due to the sale of 50% of the share capital of Supratuc2020, S.L. mentioned in note 1. The governors of the Company consider that at 31 January 2022 the aforementioned ratios have been met.

The new agreement involved the reorganisation of the Group such that most of the trading companies become investees of a new trading company that is, in turn, owned by Eroski, S. Coop. To ensure fulfilment of some of the payment obligations, the option is granted to convert part of the outstanding debt into shares in the aforementioned trading company at the fair value of the shares, as calculated by independent experts at the conversion date. To this end, Cecogoico S.A.U. was incorporated during 2019. As the aforementioned option did not include any option for acquiring shares on more favourable terms than their market value and as Group management did not consider their value to be significant, it was not considered necessary to carry out a valuation thereof.

Additionally, repayment of this financing is secured by a mortgage on certain property, plant and equipment, investment property and non-current assets held for sale by various Group companies, as well as first-ranking pledges on investments in certain subsidiaries in favour of the lenders on credit rights to fully comprehensive insurance policies and the bank accounts of certain Group companies, and second-ranking pledges on subsidiaries already pledged to ensure compliance with commitments of the pre-existing syndicated financing facility. Lastly, a chattel mortgage was taken out on the "Eroski" and "Caprabo" brands. In 2021, due to the sale of 50% of Supratuc2020, S.L. mentioned in note 1, the guarantees on the assets of this company were lifted, as well as those of its subsidiaries Caprabo, S.A.U. and Cecosa Supermercados S.A.U., including that of the Caprabo brand. At 31 January 2022, the guarantees extended by these three companies would only be the pledge of the shares of that the Eroski Group has over them.

(Continued)

The par value of syndicated debt at the 2021 close amounts to Euros 1,105 million (Euros 1,394 million at the 2020 close). Regarding the nominal amount pending at 31 January 2022, the aforementioned waiver has not been deducted as it will not be reflected in the contractual nominal amount until certain administrative procedures with the financial institutions have been completed. The reason for the change in the nominal amount are the ordinary repayments amounting to Euros 245 million, early repayments on the 2024 instalment of Euros 39 million made during the year, and the Euros 5 million waiver explained earlier. Early repayments were largely made with cash surpluses generated from the higher volume of activity in 2020, and the aforementioned sale of 50% of Supratuc2020, S.L. by the Group company Newcobeco, S.A.U. to the holding investor EP Corporate Group (see note 1).

Group management's estimate of payments of principal (in millions of Euros), which includes compliance with all the agreements included in the refinancing contract, is as follows:

2022	2023	2024	2027
31	31	539	200

Total estimated principal payments were reduced by Euros 443 million compared to those of the prior year.

During 2021, the Group made interest payments of Euros 21.7 million (Euros 27.3 million in 2020).

The refinancing agreement includes the following negative covenants regarding the distribution of interest and profits:

- Distribute interest on member contributions, make payments to or monetarise Eroski members (expressly excluding wage and salary payments to worker members and remuneration on voluntary member contributions, and settlements to members on departure)

Payment of interest on the subordinated financial contributions exceeding the minimum amount stipulated in the prospectuses for the above subordinated financial contributions or to pay in cash when capitalisation is permitted, under the terms of the issue, in both cases, unless an enhanced majority of the creditor entities expressly give their unanimous consent. If this obligation is not met, the debtors must pay the agent in cash for distribution of an amount of compensation among the financial institutions equivalent to (i) the excess interest paid on the subordinated financial contributions (in excess of the statutory minimum) or, if applicable, (ii) any interest paid in cash to the ESFCs were capitalisation possible.

At 31 January 2022 and 2021 the Company has met these obligations.

Non-current loans and credit facilities mainly include a subordinated credit facility arranged with several financial institutions in January 2016 to meet the cash payment offered in the ESFC exchange.

Given the particular features of this loan, including the fact that it is subordinated, its 12-year maturity and favourable interest rates, it was recognised at its fair value of Euros 43 million (see note 16 (f)). At 31 January 2022, this loan has been recognised at amortised cost of Euros 60 million (Euros 57 million at 31 January 2021).

(Continued)

(19) Trade and Other Payables

Details of trade and other payables at 31 January 2022 and 2021 are as follows:

	Thousands of Euros			
	Non-current		Current	
	31.01.22	31.01.21	31.01.22	31.01.21
Suppliers	-	-	636,495	704,706
Group companies and associates (note 28)	-	-	1,450	2,585
Distributable income	1,342	1,813	-	-
Payables for services rendered	-	-	144,894	138,650
Advances from customers	-	-	32,033	31,043
Other payables				
- Salaries payable	-	-	34,602	35,679
- Public entities	-	-	35,675	45,393
- Suppliers of fixed assets	-	-	78,398	77,903
- Other payables	8,182	8,306	5,504	6,184
- Accruals	-	-	9,373	12,516
- Dividend payable (note 16)	-	-	-	2,408
- Interest ESFCs (note 17)			-	3,405
- Payables to members	5,111	17,652	10,664	11,812
Other non-current payables	119	119	-	-
	14,754	27,890	989,088	1,072,284

Contribution for Education and Cooperative Promotion and Other Public Interest Initiatives

According to Law 11/2019 of 20 December 2019 governing cooperatives in the Basque Country, at least 10% of the net surplus will be appropriated to the COFIP, once interest on capital contributions and other funds have been deducted, and prior to the available surplus. Amounts appropriated to the fund are applied the following year to the purposes for which the fund was created.

This fund is not subject to seizure, and in addition to the surplus, it also comprises disciplinary fines and penalties imposed by the Cooperative on its members, and other amounts agreed by the general assembly with a charge to available surpluses.

Appropriations to the COFIP should be used, inter alia, to train and educate members and workers in cooperative principles, their values and matters relating to cooperative work and other activities, to promote intercooperative relations and cultural, professional and assistance-related matters, as well as to spread the philosophy of cooperativism. Due to losses from prior years, no surpluses were available and therefore no expenses were recognised in relation to this appropriation in 2021 and 2020.

(Continued)

The balance of the fund which has not been applied must be invested in not-for-profit organisations in the financial year after the appropriation was made, and used for public interest initiatives established for the contribution.

Balances payable to public entities are as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Taxation authorities		
VAT	6,034	17,808
Withholdings	10,323	8,031
Other items	10,074	10,221
Social Security	9,244	9,333
	35,675	45,393

Current and non-current payables to members relate to the contributions of members who have left the Cooperative, which are refunded within five years after the member's request to leave is approved. The capital accrues interest of 3%, payable annually.

(20) Late Payments to Suppliers. "Reporting Requirement", Third Additional Provision of Law 15/2010 of 5 July 2010

Information on the average supplier payment period is as follows:

	Days	
	2021	2020
Average supplier payment period	53.35	52.50
Transactions paid ratio	55.43	54.63
Transactions payable ratio	37.76	36.94
	Amount (thousands of Euros)	
Total payments made	4,197,787	4,324,890
Total payments outstanding	559,744	591,739

(Continued)

(21) Risk Management

Risk management at the Eroski Group is a process which aims to reasonably ensure that objectives are accomplished, factors which could ultimately result in a breach are identified, and mechanisms to address the consequences are established.

A description of the risk management system implemented in the Eroski Group is contained in section E of the Annual Corporate Governance Report.

Risks linked to financial management are controlled by the Company's financial and economic management in accordance with policies approved by the governors.

Currency risk

The Eroski Group does not make significant purchases in currencies other than the Euro.

The Eroski Group has no foreign currency accounts.

Credit risk

The Eroski Group is not exposed to significant credit risk as most transactions are paid in cash or by credit card.

Credit risk largely derives from sales to franchises and rental income from leased premises located in proprietary shopping centres. Credit risk in the first scenario is managed through ongoing assessment of the risk associated with the debtor, the establishment of reasonable collection periods that mitigate the accumulation of this risk, and the procurement of bank guarantees to cover a substantial portion of the risk.

Liquidity risk

The Eroski Group applies a prudent policy to cover its liquidity risks based on having sufficient cash and marketable securities, as well as sufficient financing through credit facilities, to settle market positions.

Details of the Group's exposure to liquidity risk at 31 January 2022 and 2021 are shown in Appendix VI.

(Continued)

Although the Group's working capital, defined as the difference between current assets and current liabilities (maturing in less than 12 months in both cases), is usually negative, this is mainly because of the way the business operates, resulting in the average collection period being shorter than the average payment period, which is common practice in the sector in which the Group operates.

Interest rate risk

Interest rate risk arises from drawdowns on variable rate borrowings and their effect on cash flows.

Increases in applicable interest rates would lead to a rise in the cost of this financing.

An increase of 50 basis points in Euribor would raise annual finance costs by Euros 5.0 million in the consolidated annual accounts (Euros 6.4 million in 2020).

(22) Provisions

Details of other provisions are as follows:

	Thousands of Euros	
	Non-current	
	31.01.2022	31.01.2021
Provision for liabilities	14,671	12,707
Provision for risks	-	2,626
Provision for employee benefits	6,166	6,040
Total	20,837	21,373

Movement in current and non-current provisions during the years ended 31 January 2022 and 2021 is as follows:

	Thousands of Euros					
	Balances at 31 January 2021	Charges	Reversals	Provisions used	Other movements	Balances at 31 January 2022
Provisions for liabilities	12,707	2,110	(1,172)	(141)	1,167	14,671
Provision for risks	2,626	-	-	-	(2,626)	-
Provision for employee benefits	6,040	373	(84)	(83)	(80)	6,166
Total	21,373	2,483	(1,256)	(224)	(1,539)	20,837

	Thousands of Euros					
	Balances at 31 January 2020	Charges	Reversals	Provisions used	Other movements	Balances at 31 January 2021
Provisions for liabilities	10,320	2,583	-	117	(313)	12,707
Provision for risks	3,858	-	(1,232)	-	-	2,626
Provision for employee benefits	5,330	339	(32)	(34)	437	6,040
Other provisions	-	-	-	-	-	-
Total	19,508	2,922	(1,264)	83	124	21,373

The provision for liabilities and the provision for risks at 31 January 2022 and 2021 correspond to charges made to cover potential sundry risks based on the best estimate of the Directors of the Company and those of its subsidiaries.

(Continued)

(23) Environmental Information

During the year ended 31 January 2022, the Group has incurred expenses and made investments for minimising the environmental impact of its activities and for protecting and improving the environment of Euros 1,326 thousand and Euros 22,801 thousand, respectively (Euros 1,409 thousand and Euros 18,713 thousand, respectively, at 31 January 2021).

The Group has not received any environment-related grants or income during the years ended 31 January 2022 and 2021.

At 31 January 2022 and 2021 the Group considers that no significant contingencies exist concerning possible litigation, indemnities or other items connected with the environment and, accordingly, no provision has been made in this regard.

(24) Other Income

Details of other income at 31 January 2022 and 2021 are as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Insurance compensation	825	552
Operating lease income	10,942	10,854
Government grants	963	894
Gains on sale of property, plant and equipment (note 6)	1,023	4,010
Gains on sale of other intangible assets	-	1,137
Gains on sale of investment property	-	802
Reversal of impairment losses and impairment of trade and other bad debts (note 13)	5,154	1,162
Surplus of unapplied provisions	84	31
Income from promotional contributions	181,889	190,032
Income from home delivery and service commissions	5,732	7,130
Other operating income	45,421	32,973
	252,033	249,577

(Continued)

(25) Other Expenses

Details of other expenses at 31 January 2022 and 2021 are as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Operating lease expenses (note 10)	64,877	62,010
Research and development expenses	214	388
Repairs and maintenance	58,887	55,537
Independent professional services	64,125	62,464
Transport	18,831	19,642
Insurance premiums	4,770	4,678
Banking and similar services	3,613	3,507
Advertising and publicity	38,071	38,241
Utilities	78,378	49,127
Other services	73,961	77,681
Taxes	15,105	16,686
Losses on sale of property, plant and equipment	15,414	6,502
Losses on sale of other intangible assets	191	1,739
Losses on sale of non-current assets held for sale	-	1,248
Losses from impairment and trade and other bad debts (note 13)	5,322	5,316
Other expenses	9,196	7,256
	450,955	412,022

The increase in supplies is mainly due to the rise in electricity prices in 2021.

(26) Personnel Expenses

Details of personnel expenses incurred during the years ended 31 January 2022 and 2021 are as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Salaries and wages	476,230	488,242
Termination benefits	5,443	6,291
Contributions to defined contribution plans	373	339
Employee benefits expense and taxes	173,803	178,938
	655,849	673,810

(Continued)

The average headcount of the consolidated Group during the years ended 31 January 2022 and 2021 is as follows:

	Average headcount	
Professional category	31.01.22	31.01.21
Senior management	75	60
Middle management	295	311
Junior management	1,155	1,153
Professionals	23,439	24,482
Section heads	2,789	2,801
Technicians	1,098	1,093
	28,851	29,900

At the 2021 and 2022 reporting dates the distribution by gender of Group personnel is as follows:

	31.01.22		31.01.21	
	Male	Female	Male	Female
Senior management	55	20	42	17
Middle management	165	129	182	124
Junior management	399	747	424	729
Professionals	4,752	17,953	5,079	19,059
Supervisors	530	2,239	566	2,217
Technicians	485	603	485	606
	6,386	21,691	6,778	22,752

(Continued)

(27) Finance Income and Costs

Details of finance income and costs are as follows:

Finance income	Thousands of Euros 31.01.22	31.01.21
Interest on loans	2,172	3,655
Other finance income	703	1,838
Finance income from:		
financial assets at fair value through other comprehensive income	487	731
Dividend income	213	205
Amortised cost income (notes 17 and 18)	145,823	-
Gain on sale of Group companies and associates	-	32
Exchange gains	9	-
Total finance income	149,407	6,461

Finance costs	Thousands of Euros 31.01.22	31.01.21
Finance costs on loans and borrowings	44,871	48,093
Finance costs on other loans	2,239	1,212
Finance costs of subordinated financial contributions (note 17)	3,103	3,405
Interest ESBs (note 17)	9,349	9,613
Losses on sale of financial assets	6,305	13
Losses on sale of Group companies and associates	-	72
Finance costs of lease liabilities (note 10)	15,942	20,183
Other finance costs	15,125	15,969
Impairment losses on financial assets (note 12)	19,326	12,356
Exchange losses	-	48
Total finance costs	116,260	110,964

(Continued)

(28) Related Party Balances and Transactions

The Group carries out transactions, generally on an arm's length basis, with certain companies in which it has an interest.

(a) Group balances and transactions with entities

Group balances with related parties are as follows:

	Thousands of Euros	
	Current	
31.01.2022	Receivables (note 13)	Payables (note 19)
Goods for resale		
Llanos de San Julian, S.A.	304	-
Air Miles España, S.A.	100	1,450
Inmobiliaria Armuco, S.L.	764	-
Unibail Rodamco Benidorm, S.L.	303	-
	1,471	1,450

	Thousands of Euros			
	Non-current		Current	
31.01.2022	Payables (note 17)	Receivables (note 12)	Payables (note 17)	Receivables (note 12)
Financial				
Desarrollos Comerciales y de Ocio Algeciras, S.L.	-	14,676	-	31,281
Unibail Rodamco Benidorm, S.L.	-	36,198	-	475
Artunzubi, S.L.	-	-	-	191
Llanos San Julián, S.A.	575	4,356	154	2,444
	575	55,230	154	34,391

(Continued)

31.01.2021	Thousands of Euros Current Receivables (note 13)	Thousands of Euros Current Payables (note 19)
Goods for resale		
Llanos de San Julian, S.A.	304	-
Air Miles España, S.A.	96	2,585
Inmobiliaria Armuco, S.L.	764	-
Unibail Rodamco Benidorm, S.L.	322	-
	1,486	2,585

31.01.2021	Thousands of Euros Non-current Payables (note 17)	Thousands of Euros Non-current Receivables (note 12)	Thousands of Euros Current Receivables (note 12)
Financial			
Desarrollos Comerciales y de Ocio Algeciras, S.L.	-	17,350	27,695
Unibail Rodamco Benidorm, S.L.	-	34,357	2,252
Artunzubi, S.L.	-	-	189
Llanos San Julián, S.A.	689	3,786	1,869
	689	55,493	32,005

2021 corresponds to advertising and consultancy expenses of Euros 9,307 thousand with Air Miles España, S.A.. In 2020, the most relevant transactions with associates corresponded to the dividends detailed in note 11.

(Continued)

(b) Information on the Parent's governors and key Group management personnel

During the years ended 31 January 2022 and 2021 the members of the board of governors of the Parent have not received any remuneration in their capacity as such. However, as worker members they have received remuneration advances totalling Euros 528 thousand during the year ended 31 January 2022 (Euros 524 thousand during the year ended 31 January 2021). They also received per diem allowances totalling Euros 2 thousand (Euros 2 thousand at 31 January 2021).

As worker members, members of the management committee have also received remuneration advances totalling Euros 1,393 thousand during the year ended 31 January 2022 (Euros 861 thousand during the year ended 31 January 2021).

At 31 January 2022 the board of governors is made up of 12 members: 6 women, 3 of whom are consumer members and 3 worker members, and 6 men, 3 of whom are consumer members and 3 worker members (12 members at 31 January 2021, 6 women, 3 of whom were consumer members and 3 worker members, and 6 men, 3 of whom were consumer members and 3 worker members).

At 31 January 2022 and 2021 the Group has no balances payable to or receivable from the board of governors.

At 31 January 2022 and 2021 the Group has no obligations with current or former members of the board of governors in respect of pension plans or life insurance schemes, nor has it extended any guarantees on their behalf.

During 2021 and 2020 the Company did not pay any civil liability insurance premiums for the members of the board of governors for damage or loss caused by actions or omissions in the performance of their duties.

(Continued)

(c) Transactions other than ordinary business or under terms differing from market conditions carried out by the governors or key management personnel of the Parent

During the years ended 31 January 2022 and 2021 neither the members of the Parent's board of governors nor key Group management personnel have carried out any transactions other than ordinary business or under terms differing from market conditions with the Company or with Group companies.

(29) Audit Fees

Fees corresponding to services rendered by the firm (KPMG Auditores, S.L.) auditing the annual accounts of the Company for the years ended 31 January 2022 and 2021, irrespective of the invoice date, are as follows:

	Thousands of Euros	
	31.01.22	31.01.21
Audit services	450	462
Other assurance services	76	75
	526	537

Other assurance services mainly include those related to limited reviews.

Other KPMG International group companies have invoiced the Group the following fees and expenses for professional services during the years ended 31 January 2022 and 2021:

	Thousands of Euros	
	31.01.22	31.01.21
Tax advisory services	-	29
Other services	522	233
	522	262

(Continued)

Other auditors have invoiced the Group the following fees and expenses for professional services during the years ended 31 January 2022 and 2021:

	Thousands of Euros	
	31.01.22	31.01.21
Audit services	83	77
Other services	4	7
	87	84

(30) Events after the Reporting Period

On 21 March 2022, the members of Eroski Hipermercados S. Coop. at an extraordinary general assembly agreed to voluntarily wind up the Company by virtue of article 66.a) of its articles of association, pursuant to article 70.1b) of Cooperatives Law 27/1999.

As a result of the dissolution agreement adopted by the entity, it was agreed that all members of the governing board would step down and the liquidation period would commence. Cecosa Institucional, S.L. was appointed liquidating partner with effect as of acceptance of the appointment.

It was also agreed that the activity of the cooperative Eroski Hipermercados S.Coop. would cease as of 30 April 2022 and its working members subject to fair compulsory dismissal.

This does not affect the valuation of the Groups' consolidated net assets

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Subsidiaries

31 January 2022 and 2021

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Percentage ownership					
	31.01.22		31.01.21			
Investments in Group companies	Direct	Indirect	Direct	Indirect	Registered Address	Activity
Cecosa Hipermercados, S.L	60.00%	37.67%	60.00%	36.52%	Madrid	(vi)
Cecosa Supermercados, S.L.U.	-	50.00%	-	100.00%	Palma de Mallorca	(vi)
Cecosa Diversificación, S.L.	100.000%	-	100.00%	-	Elorrio (Vizcaya)	(ii)
Cecosa Institucional S.L.	100.00%	-	100.00%	-	Elorrio (Vizcaya)	(ii)
Aportaciones Financieras Eroski, S.A.	-	60.00%	-	60.00%	Elorrio (Vizcaya)	(v)
Caprabo, S.A.U.	-	50.00%	-	100.00%	El Prat de Llobregat (Barcelona)	(i)
Equipamiento Familiar y Servicios, S.A.	-	97.67%	-	96.52%	Elorrio (Vizcaya)	(i)
Eroski Hipermercados, S. Coop.	89.33%	4.84%	86.62%	4.69%	Madrid	(ix)
Forum Sport, S.A.	-	95.65%	-	95.68%	Basauri (Vizcaya)	(i)
Gestión de participaciones Forum, S.C.P.	-	66.60%	-	66.78%	Basauri (Vizcaya)	(ii)
Inmobiliaria Recaré, S.A.	-	97.67%	-	96.52%	Vigo (Pontevedra)	(iii)
Cecogoico, S.A.U.	100.00%	-	100.00%	-	Elorrio (Vizcaya)	(ii)
Newcobeco, S.A.U.	-	100.00%	-	100.00%	Elorrio (Vizcaya)	(ii)
Peninsulaco S.L.U.	-	100.00%	-	100.00%	Madrid	(vi)
Grupo Eroski Distribución, S.A. (note 1)	-	-	-	100.00%	Elorrio (Vizcaya)	(i)
Supratuc2020, S.L. (note 1)	-	50.00%	-	100.00%	Elorrio (Vizcaya)	(ii)

This Appendix forms an integral part of note 1 to the consolidated annual accounts for the year ended 31 January 2022, in conjunction with which it should be read.

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Subsidiaries

31 January 2022 and 2021

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Percentage ownership					
	31.01.22		31.01.21			
Investments in Group companies	Direct	Indirect	Direct	Indirect	Registered Address	Activity
Vegonsa Agrupación Alimentaria S.A and subsidiaries	-	50.00%	-	50.00%	Vigo (Pontevedra)	(i)
Viajes Eroski, S.A.U	-	100.00%	-	100.00%	Elorrio (Vizcaya)	(iv)
Desarrollos Comerciales de Ocio e Inmobiliarios de Orense S.A.	-	97.71%	-	94.59%	Madrid	(iii)
Jactus Spain S.L.U.	-	100.00%	-	100.00%	Madrid	(v)
Sociedad Franquicias Eroski Contigo S.L.U.	-	100.00%	-	100.00%	Elorrio (Vizcaya)	(i)
Desarrollos Inmobiliarios Los Berrocales, S.L. (note 1)	-	58.60%	-	57.91%	Madrid	(iii)

(i) Distribution and sale of goods and services.
(ii) Investment in companies involved in the distribution and sale of goods and services.
(iii) Property holdings.
(iv) Travel agency.
(v) Purchase, sale and holding of securities and other financial assets for own use and equity management.
(vi) Distribution and sale of goods and services and direct and indirect sale of petrol, automotive diesel and similar fuels.
(vii) Company management and the promotion, development and execution of goods and services distribution activities.
(ix) Personnel placement and supply services.
(x) Head office activities.

This Appendix forms an integral part of note 1 to the consolidated annual accounts for the year ended 31 January 2022, in conjunction with which it should be read.

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Associates

31 January 2022 and 2021

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Percentage ownership					
	31.01.22		31.01.21			
Investments in associates	Direct	Indirect	Direct	Indirect	Registered Address	Activity
Air Miles España, S.A.	20.42%	6.10%	20.42%	6.03%	Alcobendas (Madrid)	(iii)
Artunzubi, S.L.	35.00%	-	35.00%	-	Bilbao (Vizcaya)	(i)
Inmobiliaria Armuco, S.L.	45.00%	-	45.00%	-	Bilbao (Vizcaya)	(i)
Llanos San Julián, S.A.	-	48.35%	-	47.78%	Torremolinos (Malaga)	(i)
Inmobiliaria Gonuri Harizartean, S.L.	45.00%	-	45.00%	-	Lejona (Vizcaya)	(i)
Desarrollos Comerciales y de Ocio Algeciras, S.L.	-	48.83%	-	48.26%	Madrid	(i)
Unibail Rodamco Benidorm, S.L.	-	28.51%	-	28.18%	Madrid	(i)

(i) Property holdings.
(ii) Coordination of activities of the Des Mousquetaires Group, the Eroski Group and other international groups.
(iii) Implementation and management of customer loyalty programmes.
(iv) Investment holdings and merchandising services.
(v) Provision of negotiation services for the acquisition of distributor brand products

This Appendix forms an integral part of notes 1 and 11 to the consolidated annual accounts for the year ended 31 January 2022, in conjunction with which it should be read.

EROSKI, S. COOP.
AND SUBSIDIARIES

Segment Reporting

31 January 2022 and 2021

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Food		Real estate		Other		Other operations		Consolidated	
	31.01.22	31.01.21	31.01.22	31.01.21	31.01.22	31.01.21	31.01.22	31.01.21	31.01.22	31.01.21
Segment assets										
Property, plant and equipment	658,885	629,282	38,178	38,748	23,633	24,943	16,496	16,786	737,192	709,757
Rights of use	1,118,876	1,222,878	83,540	88,349	24,913	24,910	283	348	1,227,611	1,336,486
Goodwill	818,411	855,175	-	-	1,215	1,215	-	-	819,626	856,390
Other intangible assets	14,019	15,063	-	-	1,884	2,060	9,797	11,767	25,700	28,890
Other non-current assets	-	-	28,821	32,453	3,350	3,415	-	-	32,171	35,868
Inventories	291,344	304,829	39,762	34,593	37,168	41,276	-	-	368,275	380,698
Trade and other receivables	180,657	181,111	2,542	1,703	34,684	37,360	(54,623)	(69,650)	163,260	150,523
Non-current assets classified as held for sale	3,385	3,385	-	-	-	-	-	-	3,385	3,385
Equity-accounted investees	-	-	-	-	-	-	-	-	6,315	6,094
Unallocated assets	-	-	-	-	-	-	-	-	692,911	893,196
Total assets	**3,085,578**	**3,211,723**	**192,842**	**195,846**	**126,847**	**135,179**	**(28,047)**	**(40,749)**	**4,076,446**	**4,401,287**
Segment liabilities										
Trade and other payables	(951,621)	(1,036,356)	(5,580)	(8,819)	(65,683)	(69,247)	33,796	42,136	(989,088)	(997,577)
Other liabilities	(13,846)	(14,670)	(2,928)	(5,621)	(1,412)	(1,708)	(17,408)	(27,268)	(35,594)	(48,410)
Financial liabilities	-	-	-	-	-	-	-	-	(2,425,567)	(2,939,915)
Undistributed liabilities	-	-	-	-	-	-	-	-	(200,276)	(220,570)
Total liabilities	**(965,467)**	**(1,051,026)**	**(8,508)**	**(14,440)**	**(67,095)**	**(70,955)**	**16,388**	**14,868**	**(3,650,525)**	**(4,282,037)**

This Appendix forms an integral part of note 4 to the consolidated annual accounts for the year ended 31 January 2022, in conjunction with which it should be read.

EROSKI, S. COOP.
AND SUBSIDIARIES

Segment Reporting

31 January 2022 and 2021

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Food		Real estate		Other		Other operations		Consolidated	
	31.01.22	31.01.21	31.01.22	31.01.21	31.01.22	31.01.21	31.01.22	31.01.21	31.01.22	31.01.21
Revenue										
Sales	4,395,531	4,687,398	-	-	132,362	111,644	-	-	4,527,894	4,799,042
Services rendered	-	-	-	-	3,722	1,086	-	-	3,722	1,086
Operating leases	5,947	4,098	3,818	3,213	-	-	-	-	9,765	7,311
Total external revenue	4,401,478	4,691,496	3,818	3,213	136,085	112,730	-	-	4,541,380	4,807,439
Group revenue/segment	-	-	-	-	1,138	982	(1,138)	(982)	-	-
Total revenues	**4,401,478**	**4,691,496**	**3,818**	**3,213**	**137,222**	**113,712**	**(1,138)**	**(982)**	**4,541,380**	**4,807,439**
Inventories, consumables and raw materials used	**(3,212,968)**	**(3,420,751)**	**4,972**	**(14)**	**(87,460)**	**(77,675)**	**270**	**321**	**(3,295,186)**	**(3,498,119)**
Other income	241,860	272,384	9,766	2,580	85,634	113,502	(85,228)	(138,889)	252,003	249,577
Personnel expenses	(584,786)	(602,554)	-	(2)	(18,736)	(16,227)	(52,327)	(55,027)	(655,849)	(673,810)
Depreciation and amortisation expense	(195,836)	(199,041)	(6,135)	(5,935)	(11,726)	(12,274)	(6,833)	(6,945)	(220,529)	(224,195)
Impairment and reversals for impairment of goodwill and non-current assets	(45,391)	(193,192)	(4,050)	(1,939)	110	(292)	-	-	(49,332)	(195,423)
Other expenses	(486,094)	(478,147)	(5,465)	(6,322)	(104,753)	(129,422)	145,356	201,869	(450,955)	(412,022)
Total other allocated income and expenses	**(1,070,247)**	**(1,200,550)**	**(5,884)**	**(11,618)**	**(49,470)**	**(44,713)**	**968**	**1,008**	**(1,124,632)**	**(1,255,873)**
Segment results	**118,263**	**70,195**	**2,905**	**(8,419)**	**292**	**(8,676)**	**101**	**347**	**121,562**	**53,447**
Operating profit/(loss)										
Net finance cost									**33,147**	**(104,503)**
Share of profit/(loss) for the year of equity-accounted investees									221	233
Profit/(loss) before tax from continuing operations									154,930	(50,823)
Income tax (expense)/income									(50,316)	(26,740)
Profit/(loss) after tax from continuing operations									104,614	(77,563)
Profit/(loss) after tax from discontinued operations									-	-
Profit/(loss) for the year									**104,614**	**(77,563)**

This Appendix forms an integral part of note 4 to the consolidated annual accounts for the year ended 31 January 2022, in conjunction with which it should be read.

EROSKI, S. COOP.
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Segment Reporting

31 January 2022 and 2021

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

The following table shows a breakdown of Group income by geographical market and type of service, as well as a reconciliation of disaggregated income with the segments of the Group:

Thousands of Euros	Segments									
	Food		Real estate		Other segments		Other operations		Consolidated	
Principal geographical markets	31.01.22	31.01.21	31.01.22	31.01.21	31.01.22	31.01.21	31.01.22	31.01.21	31.01.22	31.01.21
Basque Country	1,512,741	1,600,240	312	225	81,825	71,116	(1,034)	(916)	1,593,844	1,670,665
Galicia	963,274	944,518	-	-	1,349	1,051	(104)	(66)	964,519	945,503
Catalonia	630,983	739,315	-	-	2,109	1,328	-	-	633,092	740,643
Balearic Islands	448,762	438,200	-	-	-	-	-	-	448,762	438,200
Navarre	296,387	320,032	975	569	10,381	8,402	-	(1)	307,743	329,003
Other	549,331	649,193	2,531	2,418	41,558	31,815	-	-	593,420	683,425
	4,401,478	4,691,498	3,818	3,212	137,222	113,712	(1,138)	(983)	4,541,380	4,807,439

This Appendix forms an integral part of note 4 to the consolidated annual accounts for the year ended 31 January 2022, in conjunction with which it should be read.

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Property, Plant and Equipment and Movement
for the years ended
31 January 2021 and 2020

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	31.01.20	Additions	Disposals	Transfers	Transfers to/from assets held for sale and disposal groups (note 5)	31.01.21	Additions	Disposals	Transfers	31.01.22
Cost										
Land	248,687	5,783	(26,362)	-	1,002	229,110	4,197	(4,387)	785	229,705
Buildings	688,068	37,541	(62,747)	202	9,577	672,641	32,264	(5,602)	10,644	709,947
Technical installations and machinery	1,076,670	41,516	(38,766)	3,496	2,890	1,085,806	46,761	(15,212)	(10,249)	1,107,106
Other installations, equipment and furniture	452,087	19,025	(16,438)	21	2,145	456,840	23,973	(11,247)	(340)	469,226
Information technology equipment	214,017	10,341	(4,789)	(272)	309	219,606	11,665	(2,900)	-	228,371
Motor vehicles	6,096	106	(33)	-	-	6,169	12	(92)	-	6,089
Other property, plant and equipment	13,487	-	(62)	-	-	13,425	-	-	-	13,425
Advances and property, plant and equipment under construction	4,342	200	-	(3,734)	-	808	-	(3)	(805)	-
	2,703,454	114,512	(149,197)	(287)	15,923	2,684,405	118,872	(39,443)	35	2,763,869
Accumulated depreciation										
Buildings	(326,267)	(20,740)	32,788	1	(2,893)	(317,111)	(19,652)	3,022	(6,316)	(340,057)
Technical installations and machinery	(900,701)	(32,450)	37,106	(8)	(2,818)	(898,871)	(33,071)	13,703	6,116	(912,123)
Other installations, equipment and furniture	(381,763)	(14,174)	15,981	8	(2,139)	(382,087)	(15,511)	10,848	165	(386,585)
Information technology equipment	(197,407)	(7,807)	4,593	28	(262)	(200,855)	(8,808)	2,694	.	(206,969)
Motor vehicles	(5,402)	(140)	33	-	-	(5,509)	(158)	92	-	(5,575)
Other property, plant and equipment	(16,191)	(1)	46	-	-	(16,146)	(2)	-	-	(16,148)
	(1,827,731)	(75,312)	90,547	29	(8,112)	(1,820,579)	(77,202)	30,359	(35)	(1,867,457)
Accumulated impairment losses										
Land	(104,129)	(3,083)	2,627	-	437	(104,148)	(197)	921	-	(103,424)
Buildings	(32,370)	(2,772)	4,279	-	(4,744)	(35,607)	(4,356)	2,030	-	(37,933)
Technical installations and machinery	(8,971)	(2,745)	1,425	-	-	(10,291)	(2,507)	1,028	-	(11,770)
Other installations, equipment and furniture	(2,359)	(120)	360	-	-	(2,119)	(1,654)	110	-	(3,663)
Information technology equipment	(684)	(421)	56	-	-	(1,049)	(614)	92	-	(1,571)
Other property, plant and equipment	(1,139)	286	-	-	-	(853)	(6)	-	-	(859)
	(149,652)	(8,855)	8,747	-	(4,307)	(154,067)	(9,334)	4,181	-	(159,220)
	726,071	30,345	(49,903)	(258)	3,504	709,758	32,336	(4,903)	-	737,192

This Appendix forms an integral part of note 6 to the consolidated annual accounts for the year ended 31 January 2022, in conjunction with which it should be read.

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Goodwill and Other Intangible Assets and Movement
for the years ended
31 January 2022 and 2021

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	31.01.20	Additions	Impairment	Disposals	Transfers	Transfers from assets held for sale and disposal groups	31.01.21	Additions	Impairment	Disposals	31.01.22
Cost											
Goodwill	1,033,251	5,333	(181,765)	(625)	-	196	856,390	-	(36,607)	(157)	819,626
Development expenditure	1,977	-	-	-	-	-	1,977	-	-	(37)	1,940
Administrative concessions	8,933	-	-	(644)	-	-	8,289	-	-	-	8,289
Patents, trademarks and brand names	100,945	106		(1,070)	-	-	99,981	53	-	(4,703)	95,331
Leaseholds	3,592	-	-	-	-	-	3,592			(46)	3,546
Computer software	213,763	9,363	-	(832)	564	65	222,923	6,930	-	(1,233)	228,620
Other intangible assets	90,081	-	-	-	(276)	-	89,805	-	-	-	89,805
	1,452,542	14,802	(181,765)	(3,171)	288	261	1,282,957	6,983	(36,607)	(6,176)	1,247,157
Accumulated amortisation											
Development expenditure	(1,934)	(30)	-	-	-	-	(1,964)	(13)	-	37	(1,940)
Administrative concessions	(7,097)	(104)	-	581	-	-	(6,620)	(101)	-	-	(6,721)
Patents, trademarks and brand names	(100,456)	(107)	-	1,069	-	-	(99,494)	(94)	-	4,685	(94,903)
Leaseholds	(3,000)	(89)	-	-	-	-	(3,089)	(89)	-	46	(3,132)
Computer software	(186,265)	(9,833)	-	743	(46)	(23)	(195,424)	(9,781)	-	852	(204,353)
Other intangible assets	(89,805)	-	-	-	-	-	(89,805)	-	-	-	(89,805)
	(388,557)	(10,163)	-	2,393	(46)	(23)	(396,396)	(10,078)	-	5,620	(400,854)
Accumulated impairment											
Administrative concessions	(117)	-	14	63	-	-	(40)	-	(307)	-	(347)
Patents, trademarks and brand names	-	-	-	-	-	-	-	-	-	-	-
Leaseholds	-	-	-	-	-	-	-	-	-	-	-
Computer software	(728)	-	(582)	69	-	-	(1,241)	-	254	357	(630)
	(845)	-	(568)	132	-	-	(1,281)	-	(53)	357	(977)
	1,063,140	4,639	(182,333)	(646)	242	238	885,280	(3,095)	(36,660)	(199)	845,326

This Appendix forms an integral part of note 8 to the consolidated annual accounts for the year ended 31 January 2022, in conjunction with which it should be read.

EROSKI, S. COOP.
AND SUBSIDIARIES

31.01.22

Exposure to liquidity risk

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	31.01.2022					
	Up to one year	Up to two years	Up to three years	Up to four years	Other	Total
Financial liabilities from the issue of bonds and other marketable securities						
Fixed rate	-	-	-	-	208,977	208,977
Variable rate	9,011	10,013	10,847	11,681	11,681	53,233
Financial liabilities - loans and borrowings						
Fixed rate	157,186	2,873	156,915	2,610	270,974	590,558
Variable rate	46,080	44,524	542,277	-	-	632,881
Financial liabilities - loans from third parties						
Fixed rate	270	260	258	37	9	834
Trade and other payables						
Fixed rate	994,690	-	-	-	-	994,690
Other financial liabilities	106	106	106	-	-	318
Total	1,207,343	57,776	710,403	14,328	491,641	2,481,491

This Appendix forms an integral part of note 21 to the consolidated annual accounts for the year ended 31 January 2022, in conjunction with which it should be read.

EROSKI, S. COOP.
AND SUBSIDIARIES

31.01.21

Exposure to liquidity risk

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	31.01.2021					
	Up to one year	Up to two years	Up to three years	Up to four years	Other	Total
Financial liabilities from the issue of bonds and other marketable securities						
Fixed rate	-	-	-	-	208,977	208,977
Variable rate	8,811	8,945	9,078	9,679	9,679	46,192
Financial liabilities - loans and borrowings						
Fixed rate	2,547	2,547	2,547	510,593	66,247	584,481
Variable rate	265,730	48,255	47,554	593,955	2,140	957,634
Financial liabilities - loans from third parties						
Fixed rate	8,817	261	259	257	54	9,648
Trade and other payables						
Fixed rate	1,082,635					1,082,635
Other financial liabilities	368	368	368	-	-	1,104
Total	1,368,908	60,376	59,806	1,114,484	287,097	2,890,671

This Appendix forms an integral part of note 21 to the consolidated annual accounts for the year ended 31 January 2022, in conjunction with which it should be read.

KPMG Auditores, S.L.
Torre Iberdrola
Plaza Euskadi, 5
Planta 17
48009 Bilbao

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the members of Eroski, S.Coop.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Eroski, S. Coop. (the Parent) and subsidiaries (the Group), which comprise the consolidated statement of financial position at 31 January 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 January 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable amount of goodwill (Euros 855,175 thousand)

See notes 8 and 9 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
At each reporting date the Group estimates the recoverable amount of goodwill, regardless of whether or not there are indications of impairment. The recoverable amount is determined considering the value in use of the cash-generating units, as applicable. To estimate this amount, the Group used valuation techniques that require the Directors and management to exercise judgement and make assumptions and estimates. Due to the high level of judgement, the uncertainty associated with these estimates and the significance of the carrying amount of the goodwill has been considered a key matter of our audit.	Our audit procedures included the following: - assessing the design and implementation of the key controls relating to the process of estimating the recoverable amount of goodwill, - evaluating the methodology and assumptions used to estimate the recoverable amount using the value in use method based on discounted cash flows at cash-generating unit level, with the involvement of our valuation specialists to evaluate the adequacy of the discount rates used and the long-term growth rates, - comparing the cash flow forecasts estimated in prior years with the actual cash flows obtained, - assessing the sensitivity of certain assumptions to changes that are considered reasonable, - contrasting the information contained in the model used to calculate the recoverable amount with the Group's business plans approved by the Directors. We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Recoverability of deferred tax assets (Euros 130,011 thousand) See note 14 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 January 2021 the Group recognised deferred tax assets totalling Euros 130,011 thousand mainly corresponding to the recognition of the tax effect of tax loss carryforwards and unused deductions. The recognition of deferred tax assets entails a high level of judgement by management and the Directors in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities. Due to the significance of the amount of deferred tax assets and the uncertainty associated with their recoverability, this has been considered a key audit matter.	Our audit procedures included the following: - assessing the design and implementation of the controls over the recognition and valuation of deferred tax assets, - contrasting the tax bases estimated in prior years with the actual tax bases obtained, - contrasting the information contained in the model used to estimate future taxable profit with the Group's business plans approved by the Directors, - assessing the sensitivity of certain assumptions to changes that are considered reasonable, - bringing in our tax specialists to evaluate the tax planning strategies and to assess the appropriateness of the Group's approach in cases where the tax treatment may be uncertain. We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Other Information: Consolidated Directors' Report

Other information solely comprises the 2020 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.
b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2020, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

– Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 17 May 2021.

Contract Period

We were appointed as auditor of the Group by the members at the ordinary general assembly held on 15 July 2020 for a period of one year, beginning 1 February 2020.

Previously, we were appointed for a period of one year, by consensus of the members at their ordinary general assembly, and have been auditing the annual accounts since the year ended 31 January 1999.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Iñigo Mendiondo Verano
On the Spanish Official Register of Auditors ("ROAC") with No. 23,079

17 May 2021

Eroski, S. Coop. and Subsidiaries

(Consolidated annual accounts and consolidated directors’ report for the year ended 31 January 2021)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

EROSKI, S. COOP. AND SUBSIDIARIES

Consolidated Statement of Financial Position

31 January 2021

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Assets	Note	31.01.21	31.01.20
Property, plant and equipment	6	709,758	726,070
Investment property	7	35,868	38,090
Rights of use	10	1,336,486	1,159,878
Goodwill and other intangible assets	8	885,280	1,063,140
Equity-accounted investees	11	6,094	13,038
Trade and other receivables	13	3,632	5,000
Financial assets	12	198,343	227,930
Deferred tax assets	14	336,915	314,066
Uncalled members' contributions		533	547
Total non-current assets		3,512,909	3,547,759
Inventories	15	380,697	387,489
Financial assets	12	34,799	52,259
Trade and other receivables	13	146,890	158,525
Current income tax assets		2,983	358
Unpaid calls on members' contributions	16	2,061	2,686
Cash and cash equivalents		317,563	129,117
Non-current assets held for sale	5	3,385	25,406
Total current assets		888,378	755,840
Total assets		4,401,287	4,303,599

Equity	Note	31.01.21	31.01.20
Equity	16		
Capital		334,455	344,654
Share premium		3,808	3,808
Capitalised funds		95,525	95,525
Other comprehensive income		22,713	20,493
Retained earnings		(394,235)	(293,031)
Interim dividend		(2,408)	(2,584)
Equity attributable to equity holders of the Parent		59,858	168,865
Non-controlling interests		59,392	60,277
Total equity		119,250	229,142
Liabilities			
Financial liabilities	17	2,580,810	2,682,551
Government grants		4	18
Provisions	22	21,373	19,508
Other non-current liabilities	19	27,890	28,883
Deferred tax liabilities	14	212,803	184,845
Total non-current liabilities		2,842,880	2,915,805
Financial liabilities	17	359,106	156,312
Trade and other payables	19	1,072,284	997,576
Current income tax liabilities		7,767	4,764
Total current liabilities		1,439,157	1,158,652
Total liabilities		4,282,037	4,074,457
Total equity and liabilities		4,401,287	4,303,599

The accompanying notes form an integral part of the consolidated annual accounts.

EROSKI, S. COOP. AND SUBSIDIARIES

Consolidated Income Statement
for the year ended
31 January 2021

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Note	31.01.21	31.01.20
Continuing operations			
Revenues	4	4,807,439	4,584,227
Other income	24	249,577	256,925
Raw materials and other consumables used	15	(3,498,119)	(3,371,356)
Personnel expenses	26	(673,810)	(662,324)
Amortisation and depreciation	6, 7, 8 & 10	(224,195)	(209,732)
Impairment of non-current assets	5, 6, 7 & 8	(195,423)	(147,274)
Other expenses	25	(412,022)	(419,228)
Profit/(loss) before finance items and taxes		53,447	31,238
Finance income	27	6,461	278,937
Finance costs	27	(110,964)	(221,411)
Share in profit/(loss) for the year of equity-accounted investees	11	233	1,436
Profit/(loss) before tax from continuing operations		(50,823)	90,200
Income tax expense	14	(26,740)	(45,027)
Profit/(loss) from continuing operations		(77,563)	45,173
Profit/(loss) from discontinued operations		-	-
Profit/(loss) for the year		**(77,563)**	**45,173**
Profit/(loss) for the year attributable to equity holders of the Parent			
Continuing operations	16	(96,457)	30,977
Discontinued operations		-	-
		(96,457)	30,977
Profit/(loss) for the year attributable to non-controlling interests			
Continuing operations		18,894	14,196
Discontinued operations		-	-
		18,894	14,196

The accompanying notes form an integral part of the consolidated annual accounts.

EROSKI, S. COOP.
AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income
for the year ended
31 January 2021

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	31.01.21	31.01.20
Profit/(loss) for the year	(77,563)	45,173
Other Comprehensive Income:		
Items to be reclassified in profit or loss		
Available-for-sale financial assets	2,270	2,068
Cash flow hedges	-	147
Tax effect	-	(37)
Share of net income/(net expense) recognised in equity of equity-accounted investees	(50)	(36)
Other comprehensive income	2,220	2,142
Total comprehensive income for the year	**(75,343)**	**47,315**
Total comprehensive income attributable to:		
Equity holders of the Parent	(94,237)	33,118
Non-controlling interests	18,894	14,197

The accompanying notes form an integral part of the consolidated annual accounts.

EROSKI, S. COOP.
AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
for the year ended
31 January 2021

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Equity attributable to equity holders of the Parent										
					Other comprehensive income						
	Capital	Share premium	Capitalised Funds	Capitalised funds acquired	Available-for-sale financial assets	Exchange differences	Retained earnings	Interim dividend	Total	Non-controlling interests	Total equity
Balance at 31 January 2020	**344,654**	**3,808**	**125,372**	**(29,847)**	**20,443**	**50**	**(293,031)**	**(2,584)**	**168,865**	**60,277**	**229,142**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**2,270**	**(50)**	**(96,457)**	**-**	**(94,237)**	**18,894**	**(75,343)**
Distribution of profit											
Patronage returns											
Capitalised	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(2,584)	2,584	-	-	-
New contributions	562	-	-	-	-	-	72	-	634	-	634
Withdrawal of members	(10,110)	-	-	-	-	-	(2,553)	-	(12,663)	(446)	(13,109)
Transfers	(651)	-	-	-	-	-	651	-	-	-	-
Interim dividend	-	-	-	-	-	-	-	(2,408)	(2,408)	(19,300)	(21,708)
Other movements	-	-	-	-	-	-	(333)	-	(333)	(33)	(366)
Balance at 31 January 2021	**334,455**	**3,808**	**125,372**	**(29,847)**	**22,713**	**-**	**(394,235)**	**(2,408)**	**59,858**	**59,392**	**119,250**

The accompanying notes form an integral part of the consolidated annual accounts.

EROSKI, S. COOP.
AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
for the year ended
31 January 2020

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Equity attributable to equity holders of the Parent											
					Other comprehensive income							
	Capital	Share premium	Capitalised Funds	Capitalised funds acquired	Available-for-sale financial assets	Cash flow hedges	Exchange differences Exchange	Retained earnings Retained	Interim dividend Interim	Total	Non-controlling interests	Total equity
Balance at 31 January 2019	**371,614**	**3,808**	**125,372**	**(29,847)**	**18,377**	**(110)**	**85**	**(314,724)**	**(2,495)**	**172,080**	**74,900**	**246,980**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**2,066**	**110**	**(35)**	**30,977**	**-**	**33,118**	**14,197**	**47,315**
Distribution of profit												
Patronage returns												
Capitalised	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(2,495)	2,495	-	(9,640)	(9,640)
New contributions	1,387	-	-	-	-	-	-	305	-	1,692	-	1,692
Withdrawal of members	(26,900)	-	-	-	-	-	-	3,614	-	(23,286)	(1,452)	(24,738)
Transfers	(1,447)	-	-	-	-	-	-	1,447	-	-	-	-
Interim dividend	-	-	-	-	-	-	-	-	(2,584)	(2,584)	(18,000)	(20,584)
Other movements	-	-	-	-	-	-	-	(12,155)	-	(12,155)	272	(11,883)
Balance at 31 January 2020	**344,654**	**3,808**	**125,372**	**(29,847)**	**20,443**	**-**	**50**	**(293,031)**	**(2,584)**	**168,865**	**60,277**	**229,142**

The accompanying notes form an integral part of the consolidated annual accounts.

EROSKI, S. COOP.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(Indirect method)
for the years ended
31 January 2021 and 2020

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Note	31.01.21	31.01.20
Cash flows from operating activities			
Profit/(loss) for the year before tax		(50,823)	90,200
Adjustments for:			
Amortisation and depreciation	6, 7, 8 & 10	224,195	209,732
Impairment/impairment reversals	5,6,7 & 8	213,153	222,877
Change in provisions		2,499	106
Finance income		(6,429)	(278,922)
Exchange (gains)/losses		48	(14)
Finance costs		98,475	147,640
Share of profit of equity-accounted investees	11	(233)	(1,436)
Net proceeds on sale of property, plant and equipment, investment property, and other intangible assets		2,292	13,968
Proceeds from disposals of financial instruments		53	2,021
(Profit)/loss from non-current assets held for sale		1,248	1,360
Grants recognised in the income statement		(894)	(357)
		483,584	**407,175**
Changes in working capital			
Increase/decrease in trade and other receivables		1,947	11,777
Increase/decrease in inventories		9,325	31,037
Increase/decrease in trade and other payables		56,715	(43,135)
Increase/decrease in provisions		(151)	(122)
Increase/decrease in other non-current assets and liabilities		631	461
Cash generated from operating activities		**552,051**	**407,194**
Income tax paid		(13,875)	(7,701)
Net cash from operating activities		**538,176**	**399,493**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		51,002	7,620
Proceeds from sale of intangible assets		43	101
Proceeds from sale of investment property		2,844	-
Proceeds from sale of non-current assets held for sale		12,764	5,155
Proceeds from sale of financial assets		35,478	5,149
Dividends received		205	198
Interest received		3,584	4,503
Proceeds from divestments in associates and joint ventures		7,092	495
Acquisition of property, plant and equipment		(97,628)	(87,724)
Acquisition of intangible assets		(14,802)	(15,237)
Acquisition of investment property		(148)	(84)
Payments for investments in associates and joint ventures		-	(22,105)
Acquisition of other financial assets		(2,600)	(30,445)
Net cash used in investing activities		**(2,166)**	**(132,374)**
Cash flows from financing activities			
From issue of capital		1,259	1,997
Redemption of own shares and other own equity instruments		(13,434)	(13,449)
From grants		452	255
From loans and borrowings		-	22,413
From other financial liabilities	17	33,257	-
Repayment of bonds and other marketable securities		(10)	(13)
Repayment of loans and borrowings		(136,724)	(68,999)
Repayment of other financial liabilities		(2,871)	(11,258)
Repayment of lease liabilities		(129,735)	(116,099)
Interest paid		(80,458)	(102,263)
Dividends paid		(19,300)	(30,224)
Net cash used in financing activities		**(347,564)**	**(317,641)**
Net increase/(decrease) in cash and cash equivalents		188,446	(50,522)
Cash and cash equivalents at 1 February		129,717	179,639
Cash and cash equivalents at 31 January		**317,563**	**129,117**

The accompanying notes form an integral part of the consolidated annual accounts.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

(1) Nature, Activities and Composition of the Group

Eroski, S. Coop. (hereinafter the Company or Eroski), Parent of the Eroski Group (hereinafter the Group or the Eroski Group), was incorporated under Spanish law on 11 August 1969. Its registered office is located in Elorrio (Vizcaya, Spain).

The statutory activity of the Company consists of obtaining goods and services for members and their immediate families under the best possible conditions of quality, information and price. These goods and services may be produced by the Company or acquired from third parties, and be grouped as follows:

a) Supplies of consumer goods, clothing, furniture and other household goods.

b) Sundry services, such as restaurants, transport, hospitalisation and others.

c) Cultural supplies, services and activities.

The Company also carries out activities to promote and defend the legitimate interests of consumers and to foster job creation, and has created a cooperative labour organisation for such purposes. To accomplish these objectives, the Company has cooperation and participation agreements with other companies.

The principal activity of the Company consists of retailing all types of consumer goods through its own commercial network in Spain, which at 31 January 2021 is comprised of 37 Eroski hypermarkets, 472 Eroski supermarkets (Eroski/Center, Eroski/City and Eroski/Merca), 76 Familia outlets, 213 Caprabo supermarkets, 133 Eroski/Viajes travel agencies, 39 Eroski service stations, 1 Caprabo service station, 51 Forum Sport stores, 18 Dooers establishments,18 Cash and Carry stores and 532 franchised points of sale. The Group also engages in property development, the operating cycle of which normally exceeds twelve months.

Information on the Company's subsidiaries and associates is shown in Appendices I and II, which form an integral part of this note. None of the Parent's subsidiaries are listed on the stock exchange.

(Continued)

During 2020, Supratuc2020, S.L.U. was incorporated. Also in 2020, Supermercados Picabo S.L.U. merged with Cecosa Supermercados S.L.U., while Gestión de Hipermercados Caprabo Eisa S.L.U. and Central de Serveis i Ciencies S.L.U merged with Caprabo S.A.U. On a separate note, Red Libra Trading Services, S.L., Coop. Global Sourcing Limited, Cecosa Gestión S.A. and Sociedad de Afiliados Eroski Contigo, S.L.U. were no longer consolidated as they were liquidated. Lastly, there was an 11.02% increase in the investment in Desarrollos Inmobiliarios Los Berrocales, S.L.U., meaning the Group gained control of this company and which went from being equity-accounted in the 2019 consolidated annual accounts to being fully consolidated in 2020. These changes in the consolidated Group have not had a significant effect on the consolidated annual accounts at 31 January 2021.

Three new companies were incorporated in 2019: Newcobeco, S.A.U., Cecogoico S.A. and Peninsulaco, S.L. In addition, Parque Marítimo Jinamar, S.L.U. and Alcamuga, S.A.U. were merged into Cecosa Hipermercados, S.L., Desarrollos Comerciales y de Ocio, Mieres, S.L. was no longer consolidated as it was sold in December 2019, and Alliance Internationale de Distributeurs Alidis, S.A. was no longer consolidated since it was liquidated.

Relevant events in 2020

Continuing with the corporate reorganisation process initiated in 2019 to comply with the conditions of the refinancing framework agreement, Supratuc2020, S.L.U. was incorporated, in which Eroski, S.Coop. holds a 100% indirect investment, and to which 100% of the shares of Cecosa Supermercados S.L.U. and Caprabo S.A.U. were contributed, respectively. As mentioned in notes 2e) and 30, before the company's accounts were authorised for issue, the Eroski Group signed an agreement with a third party for the sale of 50% of Supratuc2020 S.L.U. The directors (also known as governors) estimate that the transaction will be finalised in the third quarter of 2021, and in their opinion, the shareholders' agreement regulating the governance of this company, which will be signed on the date the transaction is finalised, will allow the Eroski Group to retain control over Supratuc2020, S.L.U. and to continue to fully consolidate the net assets of this subgroup in 2021.

(Continued)

(2) Basis of Presentation

The consolidated annual accounts have been prepared on the basis of the accounting records of Eroski and the companies included in the Group. The consolidated annual accounts for the year ended 31 January 2021 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions of the financial reporting framework, to give a true and fair view of the consolidated equity and consolidated financial position of the Eroski Group at 31 January 2021, as well as its consolidated financial performance, consolidated cash flows and changes in consolidated equity for the year then ended. The Group adopted IFRS-EU on 1 February 2006 and applied IFRS 1, “First-time adoption of International Financial Reporting Standards” at that date.

The governors of the Parent consider that the consolidated annual accounts for the year ended 31 January 2021, authorised for issue on 29 April 2021, will be approved by the members at their general assembly with no changes.

(a) Basis of preparation of the consolidated annual accounts

These consolidated annual accounts have been prepared on a historical cost basis, except for the following:

- Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

- Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal.

(b) Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes for 2020 include comparative figures for the prior year, which formed part of the consolidated annual accounts approved by members at the general assembly held on 15 July 2020.

(Continued)

(c) Relevant accounting estimates, assumptions and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting principles to prepare the consolidated annual accounts in conformity with IFRS-EU. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, is as follows:

(i) *Relevant accounting estimates and assumptions*

- The assumptions used in determining the value in use of cash-generating units (CGUs) to assess the impairment of goodwill or other assets (see note 9), require the application of value judgements by the governors.

- Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carryforwards and unused deductions for which it is probable that the companies comprising the Group will have future taxable profit against which these assets can be utilised. In order to determine the amount of deferred tax assets that can be recognised, the amounts and dates on which the future taxable profit will be obtained and the reversal period of temporary differences are estimated.

- The assumptions used to determine the term of the leases when valuing right-of-use assets and the incremental interest rate on the debt require the application of value judgements by the governors.

- The calculation of the fair values of transactions included in the sale and leaseback agreement on properties.

(ii) *Relevant judgements when applying accounting principles*

- Relevant judgements have led Eroski to conclude on the transfer of risks and rewards on the sale and leaseback transaction detailed in note 6.

(Continued)

(iii) Changes in accounting estimates

Although estimates are calculated by the Company's governors based on the best information available at 31 January 2021, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(iv) Determination of fair values

Certain Group accounting policies and disclosures require the fair value of assets and liabilities, both financial and non-financial, to be determined.

The Group has established a control framework for determining fair values. This framework includes personnel who are tasked with reporting directly to financial management and generally responsible for overseeing all relevant fair value calculations.

The personnel regularly review significant, unobservable inputs and valuation adjustments. If third-party information such as pricing services or broker quotes is used when determining fair values, the assessment team checks whether this information complies with IFRS-EU and the fair value hierarchy level in which these valuations should be classified.

Where possible, the Group uses observable market data to measure the fair value of an asset or liability. The fair values are classified in different levels of the fair value hierarchy based on the inputs used in the valuation techniques, as follows:

- Level 1: listed price on active markets for identical assets or liabilities.

- Level 2: observable inputs other than the listed prices used in Level 1 for assets or liabilities, directly (i.e., such as prices) or indirectly (i.e., derived from prices).

- Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

(Continued)

(d) Adoption of International Financial Reporting Standards (IFRS)

(i) First-time application of standards

At the date on which these consolidated annual accounts were authorised for issue, the standards, amendments and interpretations issued, applied for the first time in the consolidated annual accounts for the year ended 31 January 2021, are as follows:

- IAS 1 and IAS 8 – "Definition of Materiality"
- Amendment to IFRS 3, "Definition of a Business"
- Amendments to references to the conceptual framework in IFRS standards.
- IBOR reform Phase 1
- Amendments to IFRS 16 for rent concessions derived from COVID-19

These standards have not entailed a change in accounting policy in the Group's consolidated annual accounts.

(ii) Standards, amendments and interpretations of existing standards that have not been adopted by the European Union

At the date on which these consolidated annual accounts were authorised for issue, the IASB and the IFRS Interpretations Committee had published the following standards, amendments and interpretations, which are pending adoption by the European Union:

- Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendment to IAS 1 "Classification of Liabilities as Current or Non-current".
- IFRS 17, "Insurance Contracts": This replaces IFRS 4. It lays down the principles for the recognition, measurement, presentation and disclosure of insurance contracts so that an entity may provide relevant and reliable information that enables the users of financial information to determine the effect that the contracts have on the financial statements.
- IBOR reform Phase 2
- Amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets: Provisions for Onerous Contracts".

In view of the Group's activities, management considers that the effect of the application of new standards, amendments or interpretations on the consolidated annual accounts when they are first applied will not be relevant to the Group.

(Continued)

(e) Going concern

As indicated in note 18 Loans and Borrowings, under the terms of the framework restructuring agreement signed with a group of financial institutions on 16 July 2019, the Group must pay one of the instalments for a nominal amount of Euros 244 million in 2021 (Euros 229 million in December 2021). Although the working capital of companies in the sector in which the Group operates is usually negative, the aforementioned agreement worsens the Group's negative working capital position, and in order to pay this debt on time, it has to secure additional cash to that which it normally generates through its activity.

In this regard, and as disclosed in notes 1 and 30, one of the Group's companies, Newcobeco, S.A.U., has signed an agreement for the sale of 50% of its interest in the subsidiary Supratuc2020, S.L.U. (which does not entail a loss of control on the part of the Eroski Group) on 28 March 2021, to a third party. For the agreement to be fully effective, it is dependent on certain conditions precedent that the governors believe will be met prior to the agreement expiring. The final price of the transaction, which will be paid in cash, is subject to any adjustments determined at the definitive close of the transaction before 31 October 2021, although the governors consider that the amount ultimately obtained on the sale will be sufficient to pay the aforementioned instalments when due.

In view of all of the above, the governors have prepared these consolidated annual accounts on a going concern basis on the understanding that there is no material uncertainty at the date these consolidated annual accounts were authorised for issue over the continuity of the Group in the short term.

(3) Accounting Principles

(a) Consolidation criteria

- Subsidiaries

Subsidiaries are entities, including structured entities, over which the Company, either directly or indirectly through subsidiaries, exercises control. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

(Continued)

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date control commences. Subsidiaries are excluded from the consolidated Group from the date on which this control is lost.

Transactions and balances with Group companies and unrealised gains or losses have been eliminated on consolidation. The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and events in similar circumstances.

The annual accounts or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent.

Details of the consolidated subsidiaries comprising the Eroski Group and the Parent's direct and/or indirect interest therein at 31 January 2021, together with their registered addresses and the activity carried out by each one, are shown in Appendix I.

- Associates

Associates are entities over which the Company, either directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over the investee. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or other entities, are considered when assessing whether an entity has significant influence.

Investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. However, if on the acquisition date all or part of the investment qualifies for recognition as non-current assets or disposal groups held for sale, it is recognised at fair value less costs of disposal.

(Continued)

The excess of the cost of the investment over the Group's share of the fair values of the identifiable net assets is recognised as goodwill, which is included in the carrying amount of the investment.

The Group's share of the profit or loss of an associate from the date of acquisition is recognised as an increase or decrease in the value of the investments, with a credit or debit to share of profit/losses of equity accounted investees in the consolidated income statement. The Group's share in other comprehensive income of the associate obtained from the date of acquisition is recognised as an increase or decrease in the value of the associate with a balancing entry on a separate line in other comprehensive income. The distribution of dividends is recognised as a decrease in the value of the investment.

Losses of an associate attributable to the Group are limited to the extent of its net investment, except where the Group has legal or constructive obligations or when payments have been made on behalf of the associate. For the purpose of recognising impairment losses in associates, net investments are considered as the carrying amount of the investment after applying the equity method plus any other item which in substance forms part of the investment in the associate. The excess of the losses over the equity investment is applied to the remaining items in reverse order of settlement. Subsequent profits obtained by associates for which impairment losses are limited to the value of the investment are recognised to the extent that they exceed previously unrecognised losses.

Unrealised gains and losses on transactions between the Group and associates are only recognised when they relate to interests of other unrelated investors. This does not apply to the recognition of unrealised losses which provide evidence of an impairment loss. However, all profits and losses resulting from transactions between the Group and associates of assets constituting a business are recognised.

(Continued)

If the Group carries out transactions with an associate that generate a profit, and the portion of that profit attributable to the Group is higher than the investment in the associate, deferred income is recognised for that portion which will later be eliminated when the associate generates a profit.

The accounting policies of associates have been harmonised in terms of timing and measurement, applying the policies described for subsidiaries.

Details of associates and their registered office and activity at 31 January 2021 are shown in Appendix II.

(b) Property, plant and equipment

(i) Initial recognition

Property, plant and equipment are recognised at cost or deemed cost, less accumulated depreciation and any accumulated impairment losses. The cost of self-constructed assets is determined using the same principles as for an acquired asset, while also considering the criteria applicable to production costs of inventories.

(ii) Investments in leased properties

Non-current investments in property leased to third parties are recognised using the same criteria as for property, plant and equipment. Assets are depreciated over the shorter of the lease term and their useful life. The lease term is determined in line with the classification criteria used.

(iii) Depreciation

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life. The depreciable amount is the cost or deemed cost of an asset, less its residual value.

(Continued)

Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows:

	Estimated years of useful life
Buildings and other constructions	10 - 50
Technical installations and machinery	5 - 12
Other installations, equipment and furniture	4 - 16
Motor vehicles	4 - 10
Information technology equipment	4
Other property, plant and equipment	4 - 10

The Group reviews residual values, useful lives and depreciation methods at each reporting date. Changes to initially established criteria are accounted for as a change in accounting estimates.

(iv) *Subsequent costs*

Subsequent to initial recognition of the asset, only those costs incurred which will generate probable future profits and for which the amount may reliably be measured are capitalised. Costs of day-to-day servicing are recognised in profit or loss as incurred.

(v) *Impairment*

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (g).

In the real estate sector, identified CGUs correspond to each property being developed. Given the current situation of the real estate sector, it is understood that there are indications of impairment and, therefore, appraisals are regularly requested from independent experts in order to determine recoverable amounts.

(c) Right-of-use assets

At inception of a contract, the Group assesses whether the contract contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The period of time during which the Group uses an asset includes consecutive and non-consecutive periods of time. The Group only re-evaluates the conditions when there is an amendment to the contract.

(Continued)

(i) *Lessee accounting*

The Group has elected not to apply the accounting policies indicated below for short-term leases and leases in which the value of the underlying asset is less than Euros 5 thousand. For these types of contracts the Group recognises payments on a straight-line basis over the lease term.

At inception of the lease the Group recognises a right-of-use asset and a lease liability. The right-of-use asset comprises the amount of the lease liability, any lease payments made at or before the commencement date, less incentives received, the initial direct costs incurred and an estimate of any dismantling or restoration costs to be incurred.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date. The Group discounts lease payments at the appropriate incremental borrowing rate, unless the implicit interest rate of the lessor can be determined reliably.

Outstanding lease payments comprise fixed payments, less any incentive receivable, variable payments that depend on an index or rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of purchase options if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, providing the lease term reflects the lessee exercising the option to terminate the lease.

The Group measures right-of-use assets at cost, less accumulated depreciation and accumulated impairment losses, adjusted for any remeasurement of the lease liability.

If the contract transfers ownership of the asset to the Group by the end of the lease term or if the cost of the right-of-use asset includes a purchase option, the Group applies the depreciation criteria set out in the section on property, plant and equipment from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term.

The Group applies the impairment criteria for non-current assets to the right-of-use asset.

The Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

(Continued)

The Group recognises variable payments not included in the initial measurement of the lease liability in profit or loss in the period in which the event or condition that triggers those payments occurs.

The Group recognises remeasurements of the lease liability as an adjustment to the right-of-use asset, until the latter is reduced to zero, after which, it is taken to profit or loss.

The Group remeasures the lease liability by discounting the lease payments at a revised discount rate, if there has been a change in the lease term or a change in the assessment of an option to purchase the underlying asset.

The Group remeasures the lease liability if there is a change in the amounts expected to be payable under a residual value guarantee or a change in the index or rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review.

(ii) *Lessor accounting*

Leases in which, upon inception, the Group transfers to third parties substantially all the risks and rewards incidental to ownership of the assets are classified as finance leases, otherwise they are classified as operating leases.

The Group recognises operating lease income in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern in which the benefit deriving from the use of the asset is diminished.

(iii) *Subleases*

The Group classifies a sublease as an operating lease, if the host lease is a short-term lease. Otherwise, the Group classifies the subleases as an operating or finance lease by reference to the right-to-use asset of the host lease and not by reference to the underlying asset.

(iv) *Sale and leaseback transactions*

The Group applies revenue recognition criteria for customer contracts to assess whether the sale of the asset should be recognised.

(Continued)

If the criteria for recognising the sale are met, the Group recognises the right-of-use asset derived from the leaseback as a proportion of the asset's prior carrying amount related to the part maintained. Consequently, the Group only recognises a gain/loss on the rights transferred to the buyer. The Group determines the part of the right-of-use maintained, multiplying the proportion represented by the expected lease payments, discounted at the lease discount rate of the fair value of the underlying asset, by the carrying amount of the underlying asset.

If the lease payments include variable payments, these are considered for the purposes of determining the proportion indicated previously and to recognise the lease liability. Subsequently, the lease liability is reduced taking into account the variable payments considered initially. If there is a change in the lease term or a modification of the lease, the Group re-estimates the variable payments on that date.

If the fair value of the consideration for the sale is not equivalent to the fair value of the asset or if the lease payments do not reflect market rents, the Group recognises any condition below market as an advance lease payment and any condition above market as additional financing.

If the criteria for recognising the sale are not met, the Group continues to recognise the asset and recognises a financial liability for the consideration received applying the criteria indicated in the accounting policy for financial instruments.

For sale and leaseback contracts in which the Group acts as lessor and obtains control of the asset, the criteria indicated previously are applied. If the Group does not obtain control of the asset, it recognises a receivable for the amount of the consideration paid applying the criteria indicated in the accounting policy for financial instruments.

(d) Intangible assets

(i) Goodwill

Goodwill is determined on the basis of the difference between the cost of a business combination and the net amount of assets acquired and liabilities assumed.

(Continued)

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination and the criteria described in note 9 are applied. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

(ii) *Other intangible assets*

Intangible assets are carried at cost, less any accumulated amortisation and impairment losses.

(iii) *Useful life and amortisation*

Intangible assets are amortised according to their cost of acquisition on a straight-line basis over their estimated useful lives as follows:

	Estimated years of useful life
Patents, trademarks and brand names	3 - 10
Computer software	3 - 6
Leaseholds	5 - 35
Licences	7
Other intangible assets	5 - 20

The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(iv) *Impairment*

The Group evaluates and determines impairment losses and reversals of impairment losses on intangible assets based on the criteria described in section (g).

(Continued)

(e) Non-current assets held for sale

Non-current assets or disposal groups are classified as non-current assets held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. Non-current assets or disposal groups are classified as held for sale, provided that they are available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets and that the disposal is highly probable.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell and are not amortised.

Impairment losses on initial classification and subsequent remeasurement of assets classified as held-for-sale are recognised under profit or loss from continuing operations in the consolidated statement of comprehensive income, unless it is a discontinued operation. Impairment losses on cash-generating units (CGU) are allocated first to reduce the carrying amount of goodwill and then to reduce the other assets of the unit.

(f) Investment property

Investment property is property, including that which is under construction or being developed for future use as investment property, which is earmarked totally or partially to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. Investment property is initially recognised at cost, including transaction costs.

After initial recognition, investment property is measured using the cost or deemed cost criteria applicable to property, plant and equipment. Details of the depreciation methods and useful lives are provided in that note.

(g) Impairment of non-financial assets subject to amortisation or depreciation

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount.

(Continued)

The Group tests goodwill for impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of the assets is the higher of their fair value less costs to sell and their value in use. An asset's value in use is calculated based on the expected future cash flows deriving from use of the assets, expectations of possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

Negative differences resulting from the comparison of the carrying amounts of the assets with their recoverable amount are recognised in the consolidated income statement.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

Impairment losses for cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of the unit pro rata with their carrying amounts. The carrying amount of each asset may not be reduced below the highest of its fair value less costs to sell, its value in use and zero.

At the end of each reporting period the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in the consolidated income statement. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

(Continued)

A reversal of an impairment loss for a CGU is allocated to the assets of each unit, except goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortisation or depreciation, had no impairment loss been recognised.

(h) Financial instruments

(i) Recognition and classification of financial instruments

The Group classifies financial instruments into the following categories: financial assets and financial liabilities at fair value through profit or loss, showing separately those designated as such upon initial recognition from those that are held for trading or mandatorily measured at fair value through profit or loss, financial assets and financial liabilities measured at amortised cost, and financial assets measured at fair value through other comprehensive income, showing separately equity instruments designated as such from other financial assets. The Group classifies financial assets, other than those designated as at fair value through profit or loss and equity instruments designated as at fair value through other comprehensive income, according to the business model and the contractual cash flow characteristics. The Group classifies financial liabilities as measured at amortised cost, except those designated as at fair value through profit or loss and those held for trading.

The Group classifies a financial asset or liability as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument; or
- It is an obligation to deliver financial assets that the Group has borrowed and does not yet own.

(Continued)

The Group classifies a financial asset as at amortised cost when it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The Group classifies a financial asset as at fair value through other comprehensive income when it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

The business model is determined by key personnel of the Group and at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model refers to how it manages its financial assets in order to generate cash flows.

Financial assets and liabilities from contingent consideration arising on a business combination are classified as financial assets and liabilities at fair value through profit or loss.

(ii) *Financial assets and financial liabilities at amortised cost*

Financial assets and financial liabilities at amortised cost are initially recognised at fair value, plus or minus transaction costs, and are subsequently measured at amortised cost using the effective interest method.

(iii) *Impairment*

The Group recognises an impairment loss for expected credit losses of financial assets at amortised cost and contractual assets.

At each reporting date, the Group values impairment equal to the expected credit losses for the next twelve months, for financial assets for which the credit risk has not increased significantly since the date of initial recognition or when it considers that the credit risk of a financial asset has not increased significantly.

(Continued)

Notwithstanding the above, the Group recognises the expected credit loss over the life of the instrument for trade receivables or contract assets.

(iv) *Derecognition and modifications of financial liabilities*

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, providing the instruments have substantially different terms.

The Group considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, the modified flows are discounted at the original effective interest rate, and any difference in the previous carrying amount is recognised in the income statement. Any costs or fees incurred adjust the carrying amount of the financial liabilities and are amortised using the amortised cost method over the remaining term of the modified liability.

(i) Inventories

The Group has two types of inventory depending on the business segment: property and other segments. Consequently, land and other property held for sale during the ordinary course of business, and not for capital appreciation or future rental, are treated as inventories.

(Continued)

Properties are measured at the lower of cost, which includes all costs incurred in acquiring and transforming the property, direct and indirect costs incurred in bringing the inventories to their present location and condition, and their net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost for each type of inventory is calculated as follows:

- Land: cost of acquisition plus any costs inherent in acquiring the asset.

- Work in progress and buildings under construction: at the cost of acquiring the land, plus construction costs. Construction costs correspond to progress billings issued by construction firms contracted, direct costs attributable to the project and attributable interest.

Any decreases and subsequent recoveries in the net realisable value of inventories are recognised in the consolidated income statement in the year in which they arise.

Due to the nature of the business, the realisation period of properties usually exceeds twelve months.

Food segment inventories and, in general, goods for resale are measured at the lower of cost and net realisable value. Cost comprises all acquisition costs and other costs incurred in bringing the inventories to their present location and condition, including those incurred until the inventories reach their points of sale.

Volume discounts granted by suppliers are recognised as a reduction in inventory costs when it is probable that the discount conditions will be met. Prompt payment discounts are deducted from the cost of the inventories acquired.

When the cost of inventories exceeds net realisable value, they are written down against profit and loss through the creation of a provision for impairment, if the decline in value is reversible. If the decline is irreversible, the cost of acquisition or production of the inventories is derecognised.

(Continued)

Inventories are classified as current when they are expected to be realised in the Group's normal operating cycle, which for real estate inventories is over one year, and for the inventories of other operating segments is less than one year.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The Group classifies cash flows from interest paid as financing activities and interest and dividends received as investing activities.

(k) Employee benefits

(i) Other long-term employee benefits

According to the collective labour agreement, employees from certain Group companies who opt for early retirement are entitled to a bonus based on their age and their wages or salaries at the date early retirement is requested. The annual accounts include the corresponding provision.

(ii) Termination benefits

Termination benefits paid that do not relate to restructuring processes underway are recognised when the Group is demonstrably committed to terminating the employment of current employees prior to retirement date.

(iii) Short-term employee benefits

The Group recognises the expected cost of short-term employee benefits in the form of accumulating paid absences when the employees render service that increases their entitlement to future paid absences. In the case of non-accumulating compensated absences, the expense is recognised when the absences occur.

(Continued)

(l) Provisions

(i) General criteria

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated.

The financial effect of provisions is recognised as a finance cost in the consolidated income statement.

If it is no longer probable that an outflow of resources will be required to settle an obligation, the provision is reversed. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed against the consolidated income statement caption where the corresponding expense was recorded, and any excess is recognised as other income.

(m) Recognition of income and expenses

Income and expenses are recognised on an accruals basis, irrespective of collections and payments.

Income is recognised at the consideration the Group expects to receive in exchange for the promised goods or services, excluding amounts collected on behalf of third parties (e.g., certain sales taxes). The consideration can include fixed amounts, variable amounts or both. The consideration can vary due to discounts, returns, reimbursements, credits, price reductions, incentives, performance bonuses, penalties or other similar items.

(Continued)

In these annual accounts, income from contracts with customers is called revenue.

The Group has customer loyalty programmes that do not generate credits as they consist of granting discounts that materialise at the time of sale and are recognised as a reduction in the amount of the transaction to which they apply.

(i) *Sale of property inventories*

Revenue is recognised when the risks and rewards of the property are transferred, which normally occurs when the asset is delivered and legal title passes to the buyer.

(ii) *Supplies and non-trading income*

As a general rule, there are price lists with suppliers, to which commercial discounts are applied depending on the volumes agreed each year. These discounts are recognised as a decrease in raw materials and other consumables used when the purchases are recognised.

Contributions negotiated with suppliers based on the products included in flyers and displays are recognised as income under other income.

(n) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

(Continued)

The Group recognises deductions for investments by applying the recognition and measurement criteria for current or deferred tax assets, unless they are grants. Deductions in the form of grants are recognised, presented and measured applying the corresponding accounting policy. To this end, the Group considers as grants any deductions that may be applied irrespective of whether the Group has gross tax payable and which have substantive operating terms in addition to the undertaking or maintenance of the investment.

Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or tax loss for the period. Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

(i) *Recognition of deferred tax liabilities*

The Group recognises deferred tax liabilities in all cases except where:

- They arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

- They are associated with investments in subsidiaries and joint ventures for which the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the foreseeable future.

(Continued)

(ii) *Recognition of deferred tax assets*

The Group recognises deferred tax assets provided that:

- It is probable that sufficient taxable income will be available against which they can be utilised or when tax legislation envisages the possibility of converting deferred tax assets into a receivable from public entities in the future. Nonetheless, assets arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income, are not recognised.

- The temporary differences are associated with investments in subsidiaries and joint ventures that will reverse in the foreseeable future and sufficient taxable profit is expected to be generated against which the temporary differences can be offset.

Assets that could be deemed uncertain as their realisation depends on future uncertain events in the very long term, such as the generation of profits, or which could depend on future actions by the Group that are not currently envisaged or contemplated, are not recognised. However, if Group companies are generating recurrent taxable income, and realisation of the asset does not depend on future actions to be adopted that are not envisaged and it is not reasonable to believe that they will be adopted, there are no time limits for recognising deferred tax assets beyond taxes under prevailing tax legislation.

The Group recognises the conversion of a deferred tax asset into a receivable from public entities when it becomes enforceable in accordance with prevailing tax legislation. For this purpose, the deferred tax asset is derecognised with a charge to the deferred tax expense and the receivable is recognised with a credit to current tax.

(Continued)

It is considered probable that the Group will generate sufficient taxable profit to recover deferred tax assets when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which are expected to reverse in the same tax period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from a deductible temporary difference can be carried back or forward.

In order to determine future taxable profit the Group takes into account tax planning opportunities, provided it intends or is likely to adopt them.

(iii) *Measurement*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted. The tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

The Group reviews the carrying amount of deferred tax assets at the reporting date and reduces this amount to the extent that it is not probable that sufficient taxable profit will be available against which to recover them.

Deferred tax assets that do not comply with the above conditions are not recognised in the consolidated statement of financial position. At year end the Group reassesses whether conditions are met for recognising previously unrecognised deferred tax assets.

(iv) *Offset and classification*

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

(Continued)

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right, when they relate to income taxes levied by the same taxation authority and on the same taxable entity or when the taxation authority permits the Group to make or receive a single net payment, or to recover the assets and settle the liabilities simultaneously in each future year in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(o) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(p) Environmental issues

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

The Company complies with an integrated waste management system for used packing and packaging run by Ecoembalajes España, S.A. (ECOEMBES), which allows the Company to use the "El Punto Verde" (recycling symbol) logo and trademark on its products.

The Company also participates in an electronic and electrical appliances integrated waste management system run by the Ecotic Foundation. This system ensures that waste from appliances sold by the Company is selectively collected and appropriately managed from an environmental standpoint.

The Company also participates in the integrated waste management system for lamps set out in category 5 of Appendix I of Royal Decree 208/2005 of 25 February 2005, led by Asociación Ambilamp.

(Continued)

The Company also participates in an integrated waste management system for batteries and storage batteries run by the Ecopilas Foundation. This system ensures that producers of batteries and storage batteries comply with obligations relating to the selective collection and correct management of battery and storage battery waste for products sold in the domestic market.

Lastly, the Company participates in an integrated waste management system for used oil (SIGAUS). This system ensures that producers of industrial oil comply with obligations relating to the collection and correct management of used oil placed for the first time on the domestic market by the Company.

Through these integrated systems, the Company ensures that the waste derived from the products it sells is collected selectively and is properly managed from an environmental perspective.

Costs related to participation in these management systems are recognised under other operating expenses in the year in which they are incurred.

Provision is made for environmental expenses which at year end are considered likely or certain to be incurred although the exact amount or the date they will materialise is undetermined. Consequently, these provisions are best estimates made on the basis of the information available at the reporting date.

Property, plant and equipment acquired for long-term use to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities, are recognised as assets applying the measurement, presentation and disclosure criteria described in section (b) of this note.

(Continued)

(q) Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within 12 months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least 12 months after the reporting date.

- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the consolidated annual accounts are authorised for issue.

- The operating cycle for the real estate segment normally exceeds twelve months.

(4) Segment Reporting

The Group reports internally by operating segments, some of which are not relevant enough to be reported on a separate basis in these consolidated annual accounts. Practically all sales are made on the domestic market. Details of segment reporting are shown in Appendix III, which forms an integral part of this note. The Group identifies operating segments according to the different products or services. The main operating segments of the Eroski Group are as follows:

- Food: includes the distribution of consumer products through supermarkets, hypermarkets and service stations across Spain.

(Continued)

- Real estate: includes real estate projects for the sale and/or operation of shopping centres.

- Other: other lines of business such as the sale of sports equipment, travel agencies and other retail lines of business.

Inter-segment sales prices are established based on the normal commercial terms and conditions with unrelated third parties.

(5) Non-current Assets Held for Sale

At 31 January 2021, non-current assets held for sale reflect the disposal group comprising a hypermarket with a price, net of costs to sell, of Euros 3,385 thousand which, according to the agreement, is expected to be delivered in 2021 (3 hypermarkets, 3 service stations and a shopping mall with a price, net of costs to sell, of Euros 25,406 thousand at 31 January 2020).

During the year assets with a value of Euros 3,505 thousand were transferred to property, plant and equipment (note 6) and items totalling Euros 14,012 thousand were sold. The gains/losses on these transactions were not significant.

At 31 January 2021, all non-current assets held for sale (Euros 21,960 thousand at 31 January 2020) are mortgaged to secure repayment of bank loans obtained by Group companies (see note 18).

(6) Property, Plant and Equipment

Details and movement in property, plant and equipment for the years ended 31 January 2021 and 2020 are shown in Appendix IV, which forms an integral part of this note.

The main additions in 2020 and 2019 comprise installations and furniture necessary to open various centres.

(Continued)

The main disposals in 2020 basically corresponded to the sale and leaseback of 27 supermarkets and their ancillary facilities to a third party for a total of Euros 85 million. The gain on this operation, based on the difference between the fair value of the transaction and the carrying amount of the assets sold, amounts to Euros 2,918 thousand (see note 24). These supermarkets will be leased for an initial mandatory period of 20 years for both parties, which may be extended for 5 consecutive terms of 5 years each at the option of the lessee. The different considerations of the agreement have been analysed, and the governors, based on independent expert reports on the value of the buildings, and on rent paid for leasing similar premises, have concluded that the fair value of the sale amounts to Euros 52 million, and recognised a financial liability of Euros 33 million with 20-year maturity (see note 17).

The clauses in these lease contracts are generally those found in the market, and ownership of the property does not pass to the Company upon expiry of the contracts.

The Company did not extend any guarantees to the buyers to cover potential losses resulting from early cancellation of the contracts, or possible fluctuations in the residual value of the buildings.

The estimated useful economic life of the assets under these contracts is considerably higher than the contractual rental periods, and in no case does the present value of the minimum lease payments substantially approximate the fair value of the leased assets.

The disposal of these assets entailed a subsequent addition in right-of-use assets (see note 10).

During the years ended 31 January 2021 and 2020, no borrowing costs have been capitalised under property, plant and equipment, and the total amount capitalised at 31 January 2021 is Euros 11,066 thousand (Euros 11,153 thousand at 31 January 2020).

(a) Property, plant and equipment pledged as collateral

At 31 January 2021 property, plant and equipment totalling Euros 203,479 thousand (Euros 252,450 thousand at 31 January 2020) was mortgaged to secure repayment of bank loans obtained by Group companies (see note 18).

(b) Insurance

The Group has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

(c) Fully depreciated assets

At 31 January 2021 the cost of fully depreciated buildings, machinery, installations and information technology equipment amounts to approximately Euros 1,246 million (Euros 1,426 million at 31 January 2020).

(d) Commitments

At 31 January 2021 the Company has commitments to purchase property, plant and equipment totalling Euros 18,981 thousand (Euros 9,694 thousand at 31 January 2020).

(e) Impairment

The Eroski Group has management systems in place that enable it to obtain information on results and profitability for each store and considers there are indications of impairment when operating margins are negative. Operating margin is understood to be the result of subtracting the cost of sale of goods for resale and store operating expenses from income obtained. The information obtained from the management systems is regularly reviewed by an oversight committee with a view to taking the necessary measures in stores with results that do not meet forecast levels of profitability and making any provisions considered necessary. The most important non-current assets assigned to stores are proprietary land and buildings and other installations and equipment assigned to the Group's points of sale. If provisions have to be made for stores, the Group uses the higher of appraisals of the properties made by independent experts and the present value of estimated cash flows. None of these appraisals are more than eight months old. During the year ended 31 January 2021 the Group made a charge to impairment of property, plant and equipment of Euros 8,852 thousand (a charge of Euros 10,026 thousand at 31 January 2020) under impairment of non-current assets. The key assumptions used in calculating impairment in terms of average sales growth in the projected period, growth rate and discount rate were 2.4%, between 0.3% and 0.8%, and between 8.04%, and 9.94%, respectively (1.82%, between 1.45% and 2.10% and 7.64%, respectively, in 2019).

(Continued)

(7) Investment Property

Details of investment property and movement during the years ended 31 January 2021 and 31 January 2020 are as follows:

	Thousands of Euros				
	31.01.20	Additions	Disposals	Transfers from assets held for sale	31.01.21
Cost	84,730	147	(3,749)	-	81,128
Depreciation	(9,711)	(374)	1,707	-	(8,378)
Impairment losses	(36,929)	47	-	-	(36,882)
	38,090	(180)	(2,042)	-	35,868

	Thousands of Euros				
	31.01.19	Additions	Disposals	Transfers from assets held for sale	31.01.20
Cost	90,415	84	-	(5,769)	84,730
Depreciation	(11,763)	(500)	-	2,552	(9,711)
Impairment losses	(39,261)	421	-	1,911	(36,929)
	39,391	5	-	(1,306)	38,090

Details of the cost of investment property at 31 January 2021 and 2020 are as follows:

	Thousands of Euros	
	31.01.2021	31.01.2020
Land	60,675	61,635
Buildings	20,453	23,095
	81,128	84,730

At 31 January 2021 and 2020 the Group has not assumed any purchase commitments related to investment property.

(Continued)

The fair value of investment property is based on appraisals made by independent experts. None of these appraisals are more than eight months old. The appraisals were essentially carried out by Grupo Tasvalor, S.A., Vazquez Martinez Construcciones y Reformas, S.A., Tasaciones Inmobiliarias, S.A. (TINSA), VALTECSA and Krata Sociedad de Tasación, S.A.

The valuations of investment property are classified as level 2, as the assumptions used to obtain the fair value are inputs other than the listed prices included in level 1, but which are observable for the asset in question.

At 31 January 2021 the Group has recognised rental income from investment property of Euros 7,310 thousand (Euros 5,465 thousand at 31 January 2020) under revenue in the consolidated income statement.

During the years ended 31 January 2021 and 2020, no borrowing costs were capitalised in the cost of investment property.

Accumulated impairment is a result of appraisals carried out on the different items of investment property, which reflect the particular situation of each building. During 2020 an amount of Euros 47 thousand (Euros 421 thousand in 2019) was reversed.

At 31 January 2021, investment property totalling Euros 22,479 thousand (Euros 24,486 thousand at 31 January 2020) is mortgaged to secure repayment of bank loans obtained by Group companies (see note 18).

(8) Goodwill and Other Intangible Assets

Details of intangible assets and movement are shown in Appendix V, which forms an integral part of this note.

(9) Impairment and Allocation of Goodwill

(a) Evaluation of goodwill impairment

There is a clear differentiation between Gestión Eroski and Gestión Caprabo commercial policies, business strategy, brand equity and management, thus giving rise to two different management units in the food segment.

Details of the allocation of the Group's most significant goodwill at management unit level at 31 January 2021 and 2020, classified according to the aforementioned definition, are as follows:

	Thousands of Euros	
	Food	
	31.01.2021	31.01.2020
Gestión Eroski	672,733	680,026
Gestión Caprabo	182,442	351,930
	855,175	1,031,956

The change in goodwill of the Eroski CGU is mainly due to the transfer of stores between companies, which had allocated goodwill amounting to Euros 7 million and which now forms part of the Caprabo CGU.

The change in the Caprabo CGU is due to the Euros 177 million impairment recognised during the year.

During 2020, the Eroski Group drew up and approved the 2021-2024 Strategic Plan. This plan forms the basis for projecting the expected cash flows of the Group's two goodwill management units for that period. Although COVID-19 has had a positive effect on its principal activity, the distribution of food and essential goods, and resulted in significant growth in sales and gross margins during the year, when drawing up the Strategic Plan, Group management observed a criteria of prudence, taking into account the high degree of uncertainty, the rising unemployment rate and intense competition in the sector, which could result in a price war among the main companies in the industry. Estimated cash flows for 2021 have thus been prepared using pre-pandemic values (2019 figures). The level of uncertainty has also meant that the discount and growth rates used by management have had to be adapted to this situation, penalising the recoverable amount of the CGU. Growth rates are thus calculated based on estimates of the Gross Domestic Product deflator and the Consumer Price Index for Spain, which are lower than last year. Additionally, the discount rates used to determine the impairment of the Caprabo CGU reflect an additional risk premium considering the information obtained during negotiations with third parties to secure a partner to invest in Supratuc2020, S.L.U. (see notes 1 and 30)

(Continued)

Recoverable amount is calculated according to value in use based on cash flow projections from the financial budgets approved by the governors for a period of five years. Cash flows beyond this five-year period are extrapolated using the estimated growth rates indicated below in section (b). The growth rate does not exceed the average long-term growth rate for the business in which each management unit, indicated in section (b), operates.

The carrying amount of assets grouped to determine the recoverable amount of goodwill attributable to the Gestión Eroski and Gestión Caprabo units mainly includes assets in stores, mainly proprietary land and premises, and logistic platform assets.

When calculating impairment, the Group also includes the current assets necessary to carry out the operations of the Group's businesses.

The variations in the discount rates and perpetual growth rates used in the sensitivity analyses are those that Eroski Group management considers reasonably possible.

(b) Key assumptions used to calculate value in use

Details are as follows:

	31.01.21	31.01.20
Eroski Domain		
Average increase in sales in the projected period	2.4%	1.7%
Growth rate	0.8%	2.04%
Discount rate	8.04%	7.64%
Caprabo Domain		
Average increase in sales in the projected period	2.4%	1,5%
Growth rate	0.8%	1.8%
Discount rate	9.04%	7.64%

(Continued)

The results of changes to the key assumptions used to calculate impairment are as follows:

Caprabo Domain

In relation to the goodwill allocated to Gestión Caprabo, a sensitivity analysis has been performed of the key assumptions: EBITDA, the discount rate (WACC) and the perpetual growth rate (g) generated by each investee. The analysis consisted of stressing EBITDA by -/+ 5%, the perpetual growth rate by 0.2 basis points and the discount rate by 0.5 basis points, which resulted in the following additional impairment charges/reversals:

Assumption	Sensitivity	
WACC (Discount rate)	+ 0.5 %: would increase impairment by Euros 11 million	- 0.5 %: would reduce impairment by Euros 12 million
g (Perpetual growth)	+ 0.2 %: would reduce impairment by Euros 4 million	- 0.2 %: would increase impairment by Euros 4 million
EBITDA	+5 %: would reduce impairment by Euros 16 million	-5 %: would increase impairment by Euros 16 million

Eroski Domain

In relation to the goodwill allocated to Gestión Eroski, a sensitivity analysis has been performed on the key assumptions: EBITDA, the discount rate (WACC) and the perpetual growth rate (g) generated by each investee. The analysis consisted of stressing EBITDA by -/+ 2%, the perpetual growth rate by 0.2 basis points and the discount rate by 0.5 basis points, which resulted in no additional impairment charges/reversals:

(Continued)

Eroski management has considered variations of between 2% and 5% in EBITDA to be reasonable, depending on the business. In the Eroski CGU, which belongs to the food sector, although actual EBITDA for 2020 is higher than expected, as commented previously, a variation of 2% has been considered. In the Caprabo CGU, actual EBITDA for 2020 is higher than forecast in 2019, although a variation of 5% has been considered due to the additional information derived from the sale mentioned in note 1.

Management determines budgeted gross margin based on past experience and forecast market performance. The weighted average growth rates are consistent with the forecasts included in industry reports. The discount rates used are net of tax and reflect the specific risks of the relevant segments.

(10) Right-of-Use Assets and Lease Liabilities

Details of right-of-use assets in 2020 and 2019 and movement are as follows:

	Thousands of Euros			
	31.01.20	Additions	Disposals	31.01.21
Cost				
Buildings	1,272,868	324,177	(15,923)	1,581,122
Technical installations and machinery	4,498	884	(430)	4,952
Motor vehicles	1,598	823	(161)	2,260
	1,278,964	325,884	(16,514)	1,588,334
Accumulated depreciation				
Buildings	(116,963)	(136,176)	5,028	(248,111)
Technical installations and machinery	(1,490)	(1,491)	396	(2,585)
Motor vehicles	(633)	(676)	157	(1,152)
	(119,086)	(138,343)	5,581	(251,848)
	1,159,878	187,541	(10,933)	1,336,486

(Continued)

	Thousands of Euros			
	01.02.19	Additions	Disposals	31.01.20
Cost				
Buildings	1,259,122	61,548	(47,802)	1,272,868
Technical installations and machinery	4,512	51	(65)	4,498
Motor vehicles	1,265	333	-	1,598
	1,264,899	61,932	(47,867)	1,278,964
Accumulated depreciation				
Buildings	-	(122,372)	5,409	(116,963)
Technical installations and machinery	-	(1,490)	-	(1,490)
Motor vehicles	-	(633)	-	(633)
	-	(124,495)	5,409	(119,086)
	1,264,899	(62,563)	(42,458)	1,159,878

Additions in 2020 amounting to approximately Euro 37 million correspond to contracts signed by the Group for the sale and leaseback of 27 supermarkets together with their ancillary facilities (parking spaces, service stations etc.), under a lease for an initial mandatory period of 20 years for both parties, which may be extended for 5 consecutive terms of 5 years each at the option of the lessee. The amount paid by the counterparty at the time of the transaction was Euros 85 million. The different considerations of the agreement have been analysed, and the governors, based on independent expert reports on the value of the buildings, and on rent paid for leasing similar premises, have concluded that the fair value of the sale amounts to Euros 52 million (see note 6), and have recognised a financial liability of Euros 33 million with 20-year maturity (see note 17).

Additionally, additions totalling Euros 146 million have been recognised derived from changes in estimated future cash flows from different contract renegotiations in which the lease term has increased and /or there have been changes in the indices used to determine such payments (CPI).

Lastly, additions include Euros 143 million derived from new contracts signed during the year, with the most significant contracts being the lease of two logistics platforms.

The Eroski Group had approximately 1,732 property leases subject to IFRS 16 at 31 January 2021 (1,691 lease contracts at 31 January 2020), mainly for commercial premises. These leases generally establish payment of fixed monthly rent, adjusted annually for inflation (CPI). In general, the leases entered into by the Group do not contain clauses relating to variable amounts based on sales figures or contingent rent.

(a) Details of lease payments and liabilities

Movement in lease liabilities in 2020 was as follows:

	Thousands of Euros
	31.01.21
Balance at 1 February (note 17)	1,173,852
Additions	325,884
Disposals	(8,171)
Finance costs (note 27)	20,183
Payments	(149,918)
	1,361,830

An analysis of the contractual maturity of the lease liabilities is as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Less than one year	123,742	114,528
Between 1 and 5 years	408,488	356,504
More than 5 years	829,600	702,820
	1,361,830	1,173,852

In addition, minimum non-cancellable lease payments are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Up to 1 year	262	3,670
Between 1 and 5 years	259	5,574
More than 5 years	-	243
	521	9,487

(Continued)

The payments indicated relate to leases falling outside the scope of IFRS 16, i.e. those lasting less than 12 months or the asset of which is less than Euros 5,000, for which the expense for the year was Euros 62,010 thousand (Euros 73,085 thousand in 2019) (see note 25).

(b) Income from leases and subleases

At 31 January 2021 and 2020 the Group has conveyed the right to use certain shopping centres to third parties under operating leases.

Minimum future collections from non-cancellable operating lease contracts are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Maturity		
Up to 1 year	4,452	6,734
Between 1 and 5 years	16,982	21,184
More than 5 years	16,648	20,637
	38,082	48,555

(11) Equity-accounted Investees

Movement in equity-accounted investees during the years ended 31 January 2021 and 2020 was as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Opening balances	13,038	21,607
Additions	11	150
Disposals	(781)	(416)
Other movements	-	(852)
Share of other equity items	(50)	(36)
Distribution of dividends	(6,357)	-
Share of profit/(loss)	233	1,436
Impairment losses (note 12)	-	(8,851)
Closing balances	6,094	13,038

(Continued)

In 2020, the associate Inmobiliaria Armuco, S.L. distributed a dividend recognised in the Parent as a recovery of cost since it did not derive from profits generated since its acquisition, and which corresponds in full to the share premium that this company had on its balance sheet. On account of the Eroski Group's percentage investment, it received Euros 6.3 million.

In 2019, due to the financial difficulties experienced by an associate in the real estate sector, after recognising the profit or loss contributed by this company, the Group recognised additional impairment based on independent expert reports providing objective evidence of impairment of the investment in the aforementioned associate.

Details of equity-accounted investees are included in Appendix II.

Details of the key financials of equity-accounted investees are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Assets	201,490	235,839
Liabilities	267,086	280,689
Equity	(65,596)	(44,850)
Revenues	26,511	25,079
Profit/(loss) for the year	(13,019)	4,793
Share of profit/(loss)	233	1,436

(Continued)

(12) Financial Assets

Details of current and non-current financial assets at 31 January 2021 and 2020 are as follows:

	Thousands of Euros			
	31.01.21		31.01.20	
	Non-current	Current	Non-current	Current
Financial assets at fair value through other comprehensive income				
Unlisted equity instruments				
Caja Laboral Popular, Coop de Crédito	38,411	-	36,142	-
Other investments	2,051	-	2,051	-
MCC Inversiones S.P.E., S. Coop.	35,828	-	35,828	-
Other investments	1,453	30	4,902	322
Total	77,743	30	78,923	322
Financial assets at amortised cost				
Loans and other receivables	46,297	24,014	95,910	21,379
Loans to associates and joint ventures (note 28)	52,347	28,585	77,501	9,194
Interest accrued on loans to associates (note 28)	3,146	3,420	8,732	565
Receivables from sales of non-current assets	1,683	9,997	10,878	1,573
Security and other deposits	43,021	1,813	40,936	31,988
Other financial assets	251	2,554	334	2,071
Total	146,745	70,383	234,291	66,770
	224,488	70,413	313,214	67,092
Impairment of loans and other receivables	(7,486)	(14,993)	(56,632)	(9,169)
Impairment of loans to associates	(18,659)	(20,621)	(28,652)	(5,664)
Total financial assets	198,343	34,799	227,930	52,259

Financial assets at fair value through other comprehensive income include the following investments:

- Caja Laboral Popular Coop. de Crédito - Lan Kide Aurrezkia was incorporated on 16 July 1959. Its registered office is located in Mondragón (Guipuzcoa, Spain). Its statutory activity is to serve the financing requirements of its members and third parties in its capacity as a financial institution. This investment is stated at the accumulated value of the rights acquired by Eroski, S. Coop. in this cooperative. These investments have a restricted market in terms of sale, limited to the cooperative members of Caja Laboral. In all transactions between cooperative members, the sale value used is that of accumulated returns up to the date of the sale.

(Continued)

These rights include the corresponding annual returns.

- MCC Inversiones S.P.E. S. Coop. was incorporated on 28 April 1998. Its registered office is located in Mondragón (Guipuzcoa, Spain). Its statutory and principal activity consists of promoting and developing companies.

- A series of minority interest investments made by various Group companies.

Loans and other receivables and loans for the sale of non-current assets comprise transactions carried out with third parties which accrue variable annual interest at market rates.

There are no significant differences between the carrying amount and their fair value.

As regards impairment, movement in 2020 corresponds to a charge of Euros 12,356 thousand (see notes 27 and 28) corresponding to associates related to real estate projects.
The latest estimates of cash flows from the sales thereof (appraisals) are insufficient to recover all loans extended.

The Group has also derecognised loans and other receivables of approximately Euros 40 million which were fully impaired.

Movements in impairment in 2019 reflected a charge of Euros 71,750 thousand (see note 27), the derecognition of loans, including impairment, of Euros 15,147 thousand and the transfer to impairment of equity-accounted investees of Euros 8,851 thousand (see note 11). The charge mainly comprised loans granted to real estate companies. The balance sheet of these real estate companies includes a mortgage loan which the shareholders frequently use to extend additional guarantees. It also includes real estate assets and direct financing for shareholders for the purposes of urban development. Therefore, as a result of both refinancing, which made it necessary to cancel certain guarantees (see note 18), and the actual status of some urban developments, guarantees were enforced and Group loans to those investees were impaired.

Net losses and gains by category of financial asset mainly comprise finance income from loans and other receivables (see note 27).

(Continued)

(13) Trade and Other Receivables

Details of current and non-current trade and other receivables at 31 January 2021 and 2020 are as follows:

	Thousands of Euros			
	31.01.2021		31.01.2020	
	Non-current	Current	Non-current	Current
Trade receivables	-	54,627	-	58,111
Volume discounts and other promotional contributions	-	69,040	-	78,757
Advances to suppliers	2,020	3,667	2,076	4,942
Advances and loans to personnel	-	254	-	304
Advances to Group companies and associates (note 28)	-	304	-	304
Receivables from Group companies and associates (note 28)	-	1,182	-	112
Other receivables	1,612	32,088	2,924	29,390
Public entities	-	15,890	-	13,341
	3,632	177,052	5,000	185,261
Impairment due to uncollectibility	-	(30,162)	-	(26,736)
Total	3,632	146,890	5,000	158,525

Balances receivable from public entities are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Taxation authorities, sundry		
VAT	15,012	12,294
Grants	731	305
Other items	147	742
	15,890	13,341

Movement in impairment due to uncollectibility is as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Opening balance	(26,736)	(25,173)
Impairment charges (note 25)	(5,316)	(6,388)
Impairment reversals (note 24)	1,162	2,675
Cancellations	728	2,150
Closing balance	(30,162)	(26,736)

(Continued)

(14) Income Tax

Details at 31 January 2021 and 2020 of deferred tax assets and liabilities by type of asset and liability are as follows:

	Thousands of Euros					
	Assets		Liabilities		Net	
	31.01.21	31.01.20	31.01.21	31.01.20	31.01.21	31.01.20
Property, plant and equipment	4,179	7,118	(4,154)	(4,213)	25	2,905
Right-of-use assets and lease liabilities (note 10)	192,738	164,335	(189,010)	(162,799)	3,728	1,536
Goodwill and intangible assets	1,076	2,264	(13,459)	(12,333)	(12,383)	(10,069)
Inventories	95	95	(21)	(21)	74	74
Provisions	4,304	4,710	(3,258)	(3,258)	1,046	1,452
Available-for-sale financial assets	1,960	1,960	(2,183)	(2,219)	(223)	(259)
Other	2,552	2,004	(718)	(2)	1,834	2,002
	206,904	182,486	(212,803)	(184,845)	(5,899)	(2,359)
Tax loss carryforwards	83,321	73,234	-	-	83,321	73,234
Rights to tax deductions and credits	46,690	58,346	-	-	46,690	58,346
Net assets and liabilities	336,915	314,066	(212,803)	(184,845)	124,112	129,221
Movement during the year					(5,109)	

The governors of the Group consider that the majority of deferred tax assets and liabilities will be reversed or realised in a period exceeding twelve months, except for an amount of approximately Euros 8 million in tax loss carryforwards and deductions, which are expected to be recovered in the short term (approximately Euros 6 million in tax loss carryforwards and deductions in 2019).

(Continued)

The Parent files annual income tax returns. The standard rate of tax is 20% of general taxable income. In application of Provincial Law 6/2018 of 12 December 2018 on the tax regime for cooperatives in Vizcaya (although this was already mandatory since the year beginning 1 January 2009 as a result of the amendment to Provincial Law 9/1997), the Company must differentiate between two types of taxable income: general taxable income and special taxable income. Special taxable income comprises investment yields earned by the Cooperative, except those not subject to withholding taxes, and dividends which entitle application of the exemption on dividends of 100% of taxable income, providing the payer is a related individual or entity. Special taxable income is taxed at 19%. The remaining companies of the consolidated group are taxed at a rate of 25% and 24%. The tax liability may be reduced by certain credits for investment. Due to its status as a specially protected cooperative, Eroski, S. Coop. is entitled to the following income tax benefits:

a) Taxable income is reduced by 50% of the amount which must be transferred to the Mandatory Reserve Fund.

b) Deductible expenses are considered to include the mandatory amounts allocated to the COFIP and interest accrued on members' contributions to equity within certain limits established in Provincial Law 6/2018 of 12 December 2018 on Cooperative Tax Regimes.

c) Contributions by the Company to Intercooperative Cooperation Institutions, which have been previously recognised by the taxation authorities and which are used to financially assist, promote or develop cooperatives or new activities, are also deemed tax deductible.

d) As a result of its special protected status, the Cooperative's total tax liability may be reduced by 50%.

On 27 March 2018, Provincial Law 2/2018 of 21 March 2018 was published, which introduces amendments to Provincial Income Tax Law, the Tax Regime for Cooperatives in Vizcaya and other tax legislation, and is effective for accounting periods beginning on or after 1 January 2018. The measures approved include limiting the application of tax loss carryforwards to 50% of taxable income, reducing the application of deductions limit to 35% of the tax expense, and extending the time limit for application to 30 years for accounting periods beginning on or after 1 January 2014. A minimum tax rate of 4.5% has also been maintained.

(Continued)

Details of the income tax expense are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Current income tax		
Present year	21,835	11,849
Prior years	(205)	(6)
Deferred tax		
Source and reversal of temporary differences	(1,793)	5,065
Impairment of tax credits	6,903	28,119
Recognised tax credits and deductions	-	-
	5,110	33,184
	26,740	45,027

The relationship between the tax income/expense and accounting profit for the year from continuing operations is as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Profit/(loss) for the year before tax from continuing activities, general base	(71,753)	85,102
Profit/(loss) for the year before tax from continuing activities, special base	20,930	5,098
	(50,823)	90,200
Tax calculated at the tax rate for each company	(10,360)	(7,080)
Non-taxable income	(412)	(229)
Non-deductible expenses	2,113	5,164
Uncapitalised tax credits	28,847	19,364
Impaired tax credits	6,770	28,323
Deductions generated and applied during the year	(720)	(277)
Share in profit/(loss) of equity-accounted associates	573	(144)
Prior years' differences	(71)	(94)
Income tax expense	26,740	45,027

(Continued)

The Company and other Group companies have applied the exemption on reinvestment of extraordinary gains provided for in article 22 of Provincial Income Tax Law 3/1996, article 36 ter of Income Tax Law 43/1995 and article 42 of Royal Legislative Decree 4/2004 on Income Taxes, to the following amounts, having reinvested the selling price which gave rise to the exemption in property, plant and equipment in each of the years in which the gain was generated:

	Thousands of Euros	
Year of origin	Amount subject to exemption/deduction	Reinvestment period
2003	2,958	2003
2004	1,273	2004
2005	7,948	2005
2006	55,679	2006
2007	97,503	2007
2008	174,788	2008
2009	19,838	2009 and 2010
2010	103,510	2010, 2011, 2012 & 2013
2011	45,410	2012
	508,907	

The Company and certain Group companies have unused deductions for investments and job creation.

In accordance with provincial and state income tax legislation, losses declared may be carried forward to be offset against profits (i) of the 30 subsequent accounting periods (for losses declared prior to 1 January 2014 by companies filing taxes under the provincial regime (Vizcaya), the 30-year period is calculated as of that date), (ii) indefinitely for companies filing taxes under the common tax regime, although in both cases, provincial and state, providing the quantitative limits established in prevailing income tax legislation are observed. Losses are offset when the tax declarations are filed, without prejudice to the taxation authorities' power of inspection.

(Continued)

On the basis of income tax returns filed or to be filed at 31 January 2021 and 31 January 2020, Group companies have the following accumulated loss carryforwards to be offset against future profits.

	Thousands of Euros		
Year	31.01.21	31.01.20	Available through (*)
2001	8,549	8,554	No limit/2044
2002	48,227	48,227	No limit/2044
2003	53,607	53,607	No limit/2044
2004	80,106	80,106	No limit/2044
2005	34,567	34,567	No limit/2044
2006	66,290	66,290	No limit/2044
2007	134,582	134,582	No limit/2044
2008	251,840	252,907	No limit/2044
2009	173,166	173,209	No limit/2044
2010	249,648	249,648	No limit/2044
2011	223,958	223,958	No limit/2044
2012	221,366	221,366	No limit/2044
2013	277,057	277,057	No limit/2044
2014	326,160	326,160	No limit/2044
2015	42,351	42,351	No limit/2045
2016	81,396	81,396	No limit/2046
2017	167,536	179,547	No limit/2047
2018	91,900	92,042	No limit/2048
2019	310,015	387,039	No limit/2049
2020 (estimated)	1,364,554	-	No limit/2050
	4,206,875	2,932,613	

(*) In accordance with provincial tax regulations, the period of offset is 30 years from the entry into force of the corresponding regulations, and any quantitative limits are applicable.

In accordance with Spanish state tax legislation, there is no time limit for offsetting tax loss carryforwards, although quantitative limits must be observed.

2020 includes tax loss carryforwards generated by the different holding companies ((Newcobeco S.A.U, Cecogoico S.A.U and Eroski S.Coop.), which have impaired their investments in Group companies in accordance with the criteria mentioned in note 9.

(Continued)

In 2019 the Group derecognised uncapitalised tax credits for tax loss carryforwards amounting to Euros 95 million, which corresponded to Alcamuga, S.A. and Parque Marítimo Jinamar, S.L., both of which were absorbed in 2019 by Cecosa Hipermercados, S.L.

At 31 January 2021 capitalised tax credits for loss carryforwards amount to Euros 83,321 thousand (Euros 73,234 thousand at 31 January 2020).

At 31 January 2021, of the tax loss carryforwards included in the Group's tax returns filed (or to be filed), deferred tax assets amounting to Euros 768,941 thousand (Euros 478,524 thousand at 31 January 2020) have not been recognised.

The Company and certain Group companies have the following unused deductions for investment and job creation:

Unused deductions at 31 January 2021 and 2020 by nature:

	Thousands of Euros				
	31.01.21				
Year of origin	Double taxation	Investments	R&D&i	Other	Total
1998	-	5,322	-	-	5,322
1999	-	1,519	-	-	1,519
2000	-	2,444	-	-	2,444
2001	-	10,879	-	159	11,038
2002	16	2,620	-	1,085	3,721
2003	42	1,450	213	1,040	2,745
2004	36	1,264	390	352	2,042
2005	-	1,888	100	625	2,613
2006	55	13,862	170	1,215	15,302
2007	65	15,092	-	102	15,259
2008	166	7,802	-	219	8,187
2009	530	22	1,861	70	2,483
2010	379	-	872	43	1,294
2011	8,041	-	693	98	8,832
2012	8,262	-	563	870	9,695
2013	2,874	-	403	1,010	4,287
2014	1,299	-	147	1,022	2,468
2015	46	-	106	1,115	1,267
2016	41	-	62	1,376	1,479
2017	10	2,161	332	2,151	4,654
2018	12	2,402	303	1,422	4,139
2019	12	3,208	216	236	3,672
2020	-	-	-	-	-
	21,886	71,935	6,431	14,210	114,462

(Continued)

	Thousands of Euros				
	31.01.20				
Year of origin	Double taxation	Investments	R&D&i	Other	Total
1998	-	5,322	-	-	5,322
1999	-	1,520	-	-	1,520
2000	-	2,444	-	-	2,444
2001	-	10,903	-	159	11,062
2002	16	2,620	-	1,084	3,720
2003	42	1,450	213	1,040	2,745
2004	36	1,264	390	352	2,042
2005	-	2,318	100	655	3,073
2006	55	13,862	170	1,215	15,302
2007	65	15,092	-	101	15,258
2008	419	7,802	-	220	8,441
2009	532	22	1,861	70	2,485
2010	379	-	872	44	1,295
2011	8,041	-	693	98	8,832
2012	8,262	-	563	869	9,694
2013	2,874	-	403	1,010	4,287
2014	1,299	-	147	1,022	2,468
2015	46	-	106	1,115	1,267
2016	41	-	62	1,376	1,479
2017	10	2,212	332	2,152	4,706
2018	12	2,447	303	1,422	4,184
2019	-	-	-	-	-
	22,129	69,278	6,215	14,004	111,626

Unused deductions at 31 January 2021 and 2020 by maturity:

	Thousands of Euros										
	31.01.21										
Year	Available through		Available through		Available through		Available through		Available through		Total
1998	2044	5,322	2016	-	2013	-	2008	-	no limit	-	5,322
1999	2044	1,519	2017	-	2014	-	2009	-	no limit	-	1,519
2000	2044	2,444	2018	-	2015	-	2010	-	no limit	-	2,444
2001	2044	11,038	2019	-	2016	-	2011	-	no limit	-	11,038
2002	2044	3,720	2020	-	2017	-	2012	-	no limit	-	3,720
2003	2044	2,745	2021	-	2018	-	2013	-	no limit	-	2,745
2004	2044	2,042	2022	-	2019	-	2014	-	no limit	-	2,042
2005	2044	2,613	2023	-	2020	-	2015	-	no limit	-	2,613
2006	2044	4,718	2024	-	2021	10,584	2016	-	no limit	-	15,302
2007	2044	12,201	2025	-	2022	3,058	2017	-	no limit	-	15,259
2008	2044	4,461	2026	-	2023	3,627	2018	-	no limit	99	8,187
2009	2044	2,271	2027	-	2024	-	2019	-	no limit	212	2,483
2010	2044	924	2028	69	2025	-	2020	-	no limit	302	1,295
2011	2044	8,104	2029	46	2026	-	2021	-	no limit	682	8,832
2012	2044	6,853	2030	85	2027	-	2022	776	no limit	1,980	9,694
2013	2044	381	2031	136	2028	-	2023	951	no limit	2,819	4,287
2014	2044	185	2032	20	2029	-	2024	1,006	no limit	1,256	2,467
2015	2045	130	2033	43	2030	-	2025	1,006	no limit	89	1,268
2016	2046	119	2034	-	2031	-	2026	1,147	no limit	213	1,479
2017	2047	2,522	2035	-	2032	-	2027	1,919	no limit	214	4,655
2018	2048	2,718	2036	-	2033	-	2028	1,205	no limit	215	4,138
2019	2049	3,456	2037	-	2034	-	2029	-	no limit	216	3,672
2020	2050	-	2038	-	2035	-	2030	-	no limit	-	-
		80,486		**399**		**17,269**		**8,010**		**8,297**	**114,461**

(Continued)

	Thousands of Euros										
	31.01.20										
Year	Available through		Available through		Available through		Available through		Available through		Total
1998	2044	5,322	2016	-	2013	-	2008	-	no limit	-	5,322
1999	2044	1,520	2017	-	2014	-	2009	-	no limit	-	1,520
2000	2044	2,444	2018	-	2015	-	2010	-	no limit	-	2,444
2001	2044	11,062	2019	-	2016	-	2011	-	no limit	-	11,062
2002	2044	3,720	2020	-	2017	-	2012	-	no limit	-	3,720
2003	2044	2,745	2021	-	2018	-	2013	-	no limit	-	2,745
2004	2044	2,042	2022	-	2019	-	2014	-	no limit	-	2,042
2005	2044	2,613	2023	-	2020	459	2015	-	no limit	-	3,072
2006	2044	4,718	2024	-	2021	10,584	2016	-	no limit	-	15,302
2007	2044	12,201	2025	-	2022	3,058	2017	-	no limit	-	15,259
2008	2044	4,715	2026	-	2023	3,627	2018	-	no limit	99	8,441
2009	2044	2,274	2027	-	2024	-	2019	-	no limit	212	2,486
2010	2044	924	2028	69	2025	-	2020	-	no limit	302	1,295
2011	2044	8,104	2029	46	2026	-	2021	-	no limit	682	8,832
2012	2044	6,853	2030	85	2027	-	2022	776	no limit	1,980	9,694
2013	2044	381	2031	136	2028	-	2023	951	no limit	2,819	4,287
2014	2044	185	2032	20	2029	-	2024	1,006	no limit	1,256	2,467
2015	2045	130	2033	43	2030	-	2025	1,006	no limit	89	1,268
2016	2046	119	2034	-	2031	-	2026	1,147	no limit	213	1,479
2017	2047	2,573	2035	-	2032	-	2027	1,919	no limit	214	4,706
2018	2048	2,764	2036	-	2033	-	2028	1,205	no limit	215	4,184
2019	2049	-	2037	-	2034	-	2029	-	no limit	-	-
		77,409		399		17,728		8,010		8,081	111,627

At 31 January 2021 capitalised tax credits for unused deductions amount to Euros 46,690 thousand (Euros 58,346 thousand at 31 January 2020).

The governors of the Parent and, where applicable, their tax advisors have calculated the income tax for 2020 and for the years open to inspection in accordance with fiscal legislation prevailing at the end of each year. Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any event, the Parent's governors do not consider that any such liabilities that could arise would have a material effect on the consolidated annual accounts.

As explained in note 3 (n), the Group recognises tax loss carryforwards, credits and deductions providing their realisation or future application is probable. To do so, management uses prudent estimates approved by the governors which reflect a growth rate of 0% in the years beyond the budgeting period for the business (5 years). Based on these estimates, the Parent's governors have decided to impair tax credits for loss carryforwards and deductions recognised in previous years by Euros 6,770 thousand (Euros 28,323 thousand in 2019), and following a criteria of prudence, have not capitalised new tax credits.

(Continued)

The Group has performed a sensitivity analysis by stressing the key EBITDA assumption by -5%, and no significant differences arose.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the prescription period of four years from presentation of the corresponding settlements has elapsed. At 31 January 2021 the Company and its subsidiaries, in general, have open to inspection by the taxation authorities all main applicable taxes since 1 January 2017, except for income taxes, which are open to inspection since 1 January 2016. The governors do not expect that significant additional liabilities would arise in the event of inspection.

(15) Inventories

Details of inventories are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Goods for resale	345,869	356,550
Property		
Land	30,778	28,022
Buildings under construction	3,751	2,614
	380,398	387,186
Advances of property inventories	299	303
	380,697	387,489

Property inventories at 31 January 2021 and 2020 are expected to be sold in more than twelve months. No borrowing costs have been capitalised in property inventories in 2020 and 2019.

Net realisable value has been estimated using independent expert appraisals and/or fair values obtained from signed sale-purchase contracts less estimated costs to sell, all of which were obtained within the last 12 months.

(Continued)

The total cost of materials consumed during the years ended 31 January 2021 and 2020 was as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Net purchases	3,491,331	3,340,621
Change in inventories	5,568	30,974
Provision (reversal) for inventory impairment	1,220	(239)
	3,498,119	3,371,356

During the years ended 31 January 2021 and 2020 movement in inventories compared to the prior year is as follows:

	Thousands of Euros
Inventories at 31 January 2019	418,308
Change in goods for resale	(31,016)
Change in property inventories	42
Inventory (impairment)/reversals	239
Transfers to property, plant and equipment	(20)
Other movements	(64)
Inventories at 31 January 2020	387,489
Change in goods for resale	(9,474)
Change in property inventories	3,906
Inventory (impairment)/reversals	(1,220)
Transfers to property, plant and equipment	-
Other movements	(4)
Inventories at 31 January 2021	380,697

Net purchases at 31 January 2021 include Euros 12,649 thousand corresponding to purchases made in foreign currencies (Euros 15,301 thousand at 31 January 2020).

(a) Insurance

Group companies have taken out insurance policies to cover the risk of damage to their inventories. The coverage of these policies is considered sufficient.

(Continued)

(b) Inventories pledged as collateral

At 31 January 2021, Euros 31,000 thousand (all inventories at 31 January 2020) are mortgaged to secure repayment of bank loans extended to Group companies (see note 18).

(c) Purchase commitments

At 31 January 2021 and 2020 there are no commitments to acquire property inventories.

(16) Equity

Details of equity and movement during the year are shown in the statement of changes in equity.

(a) Members' contributions

Details of members' contributions at 31 January 2021 and 2020 are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Mandatory contributions		
Worker members	332,915	343,217
Consumer members	1,540	1,437
	334,455	344,654

Members' contributions consist of voluntary and mandatory contributions made by consumer and worker members, patronage returns on the distribution of results, capitalisation of interest on contributions and the capitalisation of revaluation reserves, when distributable, as established in relevant legislation.

Each year the members at their general assembly approve the mandatory contributions to be made by new worker members. For each year the general assembly decides whether or not to pay interest on worker members' contributions and, if so, establishes the interest rate applicable, which may not exceed gross annual interest of 7.5% or a % of gross ordinary profit if the cooperative complies with certain ratios established in the By-Laws. At any rate, remuneration may not exceed the legal limits and a lower interest rate may be agreed. In any event, returns on members' contributions are dependent on the existence of sufficient net profit or freely distributable reserves.

The mandatory contribution for consumer members is Euros 1.20.

Contributions are transferable between members of the same category in accordance with conditions established by the board of governors and by succession "mortis causa".

In the event of a loss of membership, the member or their beneficiaries may request reimbursement of the value of the contribution, calculated on the basis of the balance sheet for the year in which the member requests to leave. However, the governors reserve the right to reduce the mandatory contribution by a certain percentage, depending on the reason for loss of membership. It is the general assembly that agrees or not to reimburse contributions in the event of a loss of membership.

If the general assembly does not agree to reimburse all contributions requested, the following obligations come into play:

- Half of the Cooperative's available profit will be earmarked for the mandatory reserve fund.
- No return on worker member contributions may be made.
- The Cooperative may not agree returns for worker members.
- If there is sufficient net profit (profit after offsetting prior years' losses) or sufficient distributable reserves to cover its accrual, and the Cooperative agrees to accrue a return below the legal interest rate in favour of contributions whose reimbursement has not been approved by the assembly, the par value of these contributions is increased by at least an amount equal to the difference between this interest and that accrued prior to any return on worker members' contributions. This will also be the case if no agreement is reached.

(Continued)

Pursuant to the agreement by the general assembly on the reimbursement of contributions in the event of a loss of membership, the payment period will be decided by the board of governors and may not exceed five years from the reimbursement date agreed by the general assembly, and the contribution not paid will be entitled to accrue interest equivalent to the legal rate.

At 31 January 2021 unpaid calls on members' contributions amount to Euros 2,061 thousand (Euros 2,686 thousand at 31 January 2020).

The main aim of the Group in managing its members' contributions and equity items is to provide the necessary base for attracting external financing in order to increase activity from a reasonably balanced financial perspective. Included in this are issues of Eroski Subordinated Financial Contributions (ESFCs), irrespective of their classification as equity or liabilities, as their characteristics of perpetuity and subordination mean they fulfil the same function.

Capital management strategy centres on maintaining an equity to total liabilities ratio of over 0.20.

At 31 January 2021 and 2020 the ratio has been calculated as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Equity	119,250	229,142
ESFCs in financial liabilities	124,752	124,752
Equity considered	244,002	353,894
Total liabilities (net of ESFCs and lease liabilities)	2,795,455	2,775,853
Equity/total liabilities ratio	0.09	0.13

In 2020, the ratio continued to fall short of target.

(Continued)

(b) Retained earnings

Details of retained earnings are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Parent reserves		
Transition reserves	22,766	22,766
Prior years' profit and loss	(48,068)	(107,829)
Other reserves		
Mandatory reserve fund	17,690	17,618
Statutory reserves	166,866	166,866
Merger reserves	109	109
Other reserves	2,269,796	2,159,043
Reserves in fully consolidated companies	(2,731,650)	(2,567,604)
Reserves in equity-accounted companies	4,713	(14,977)
Profit/loss attributable to equity holders of the Parent	(96,457)	30,977
	(394,235)	(293,031)

(c) Mandatory Reserve Fund

In accordance with Law 11/2019 of 20 December 2019 governing cooperatives in the Basque Country, the net surplus for each year, after taxes and amounts used to offset loss carryforwards, constitutes the available surplus. At least 30% of available surpluses is taken annually to the Mandatory Reserve Fund and the Contribution for Education and Cooperative Promotion and Other Public Interest Initiatives (COFIP), with a minimum of 10% to the latter and 20% to the former.

Until the Mandatory Reserve Fund reaches 50% of members' contributions, the minimum appropriation to the COFIP may be reduced by half.

(Continued)

The Mandatory Reserve Fund, earmarked for the consolidation, development and guarantee of the Cooperative, is not distributable to members, except to the extent permitted by Law 11/2019 of 20 December 2019 governing cooperatives in the Basque Country. This fund comprises percentage appropriations made as explained above, deductions from mandatory contributions in the event of loss of membership and admission fees.

(d) Distribution/Application of Parent profit

The distribution of profit for 2019 approved by the members at the general assembly held on 15 July 2020, and the proposed application of loss for 2020, which the board of governors of Eroski, S. Coop. will propose to the members at their general assembly, are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Basis of allocation:		
Profit/(loss) for the year	(442,206)	72,281
Contribution for Education and Cooperative Promotion and Other Public Interest Initiatives	-	-
Cooperative profit/(loss)	(442,206)	72,281
Distribution:		
Interest on 2007 issue of ESFCs	3,073	3,298
Mandatory Reserve Fund	(132,662)	-
Voluntary reserves	(61,756)	(3,298)
Individualised special reserve	(250,861)	72,281
	(442,206)	72,281

(e) Declaration of governors' responsibility

Pursuant to article 8 of Royal Decree 1362/2007, all the members of the board of governors declare and sign that, to the best of their knowledge, the consolidated annual accounts for 2020, authorised for issue at the meeting held on 29 April 2021, have been prepared using applicable accounting principles, give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of Eroski, S. Coop. and its consolidated subsidiaries, taken as a whole, and that the consolidated directors' report for 2020 includes a fair analysis of the performance, results and position of Eroski, S. Coop. and its consolidated subsidiaries, taken as a whole, and contains a description of the main risks and uncertainties facing the Group.

(Continued)

(f) Capitalised funds

This caption comprises Eroski Subordinated Financial Contributions (ESFCs). On 9 July 2007, and pursuant to article 60.6 of Law 11/2019 of 20 December 2019 governing cooperatives in the Basque Country, as worded in Law 1/2000 of 29 June 2000, the Company issued ESFCs for a nominal amount of Euros 300,000 thousand, divided into 12,000,000 units of Euros 25 par value each. The interest paid in cash on this issue includes the following conditions:

a) Eroski worker members will receive cash if returns are paid in the year prior to the interest being accrued.

b) Otherwise, and unlike ESFCs recognised under financial liabilities (see note 17), the general assembly of Eroski can decide whether to pay ESFC holders in cash (in whole or in part), or increase the par value of the ESFCs by the same amount.

Given the subordinate nature of the ESFCs and the conditions for settling interest described previously, these financial instruments are classified as equity instruments.

As stipulated in article 60.6 of the law governing cooperatives in the Basque Country, ESFCs shall not be redeemed until cooperative approval is obtained for settlement. Without prejudice to the aforementioned, when at least five years have elapsed from the payment date, Eroski, S. Coop. members at their annual general assembly may agree to the partial or total redemption of the ESFC issue by reducing the par value of all the ESFCs issued.

Under the financial restructuring framework contract signed on 15 January 2015 (see note 18), holders must be given the option to exchange ESFCs for a cash equivalent of 15% of the nominal amount of the contributions, plus a bond with a nominal value equal to 55% of the par value of the exchanged contributions. This bond is a subordinated instrument, with 12-year maturity, extendible for an additional 5 years at the discretion of the holder, and remunerated at interest pegged to Euribor + 300 basis points.

(Continued)

On 14 January 2016 Eroski presented the prospectus of the ESFC Exchange Offering and simultaneous 2016 Eroski Subordinated Bond (ESB) Public Offering. The acceptance and subscription period ended on 27 January 2016, with 62% of holders tendering instruments in the offer. On 1 February 2016, Eroski exchanged 63.59% of ESFCs issued to third parties between 2002 and 2004 (recognised as a liability) and 60% of ESFCs issued to third parties in 2007 (recognised under equity).

The effect of the exchange at 31 January 2016 was the redemption via exchange of Euros 162 million in ESFCs in equity and Euros 218 million under liabilities. The difference resulting from the ESFC exchange in equity, which included Euros 22 million corresponding to the change in fair value of the bonds, was recognised directly in reserves.

ESFCs in equity not exchanged accrue annual interest pegged to 12-month Euribor +2.5%, which will be paid in cash if the above conditions for interest payments are met. At 31 January 2021 the annual interest rate applied was 2.222% (2.391% in 2019). During the year ended 31 January 2021, interest of Euros 2,408 thousand (Euros 2,584 thousand at 31 January 2020) was accrued (as they are equity instruments, they are treated as dividends) and settled in cash on 1 February 2021 as the terms of section a) above were fulfilled. This amount has been recognised under interim dividends in the consolidated statement of financial position.

ESFCs are considered marketable securities, are freely transferable and are represented by book entries in a single series. Since issue, they have been traded on the AIAF (Spanish Association of Brokers and Securities Dealers) Fixed Income Market, and on 6 July 2012 they were incorporated into the electronic SEND trading platform, as recommended by the Securities Market Regulatory Body and following the practice of issuers of fixed income securities directed at retailers. The quoted price of ESFCs can fluctuate in line with their quoted price on this market. At 31 January 2021 this quoted price is 12.5% of the par value (14% at 31 January 2020).

At 31 January 2021 and 2020 the Group has acquired ESFCs totalling Euros 29,847 thousand.

(Continued)

Details of these equity instruments at 31 January 2021 and 2020 are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Equity instruments issued	125,372	125,372
Own equity instruments acquired	(29,847)	(29,847)
	95,525	95,525

(17) Current and Non-current Financial Liabilities

Details of current and non-current financial liabilities at 31 January 2021 y 2020 are as follows:

	Thousands of Euros			
	31.01.21		31.01.20	
	Non-current	Current	Non-current	Current
Financial liabilities from issuing bonds and marketable securities	299,192	5,704	295,293	6,042
Financial liabilities - loans and borrowings (note 18)	992,910	221,476	1,303,231	32,726
Third party loans	17,425	7,230	23,903	3,016
Lease liabilities (note 10)	1,238,088	123,742	1,059,324	114,528
Payables to associates (note 28)	689	-	60	-
Other payables	31,770	954	-	-
Other financial liabilities	736	-	740	-
Total	2,580,810	359,106	2,682,551	156,312

During the period 2002-2004 the Company issued three lots of ESFCs for a total par value of Euros 360,000 thousand, divided into 14,400,000 securities of Euros 25 par value each.

As stipulated in article 60.6 of the law governing cooperatives in the Basque Country, ESFCs shall not be redeemed until cooperative approval is obtained for settlement. Without prejudice to the aforementioned, when at least five years have elapsed from the payment date, Eroski, S. Coop. members at their annual general assembly may agree to the partial or total redemption of the ESFC issue by reducing the par value of all the ESFCs issued (see note 16 (f)).

After Order EHA/3360/2010 of 21 December 2010, which approves the accounting standards for cooperatives, became effective on 1 January 2011, these ESFCs are classified as financial liabilities, and are thus recognised under non-current liabilities in the consolidated balance sheet.

(Continued)

ESFCs will accrue annual interest on a daily basis between the date of payment and, as the case may be, their redemption date, irrespective of profits earned, calculated on the basis of their par value, equivalent to 12-month Euribor +3%.

During the year ended 31 January 2021, Euros 3,405 thousand has been accrued (Euros 3,607 thousand at 31 January 2020), equivalent to annual interest of 2.722% at 31 January 2021 (2.891% at 31 January 2020), which is recognised under finance costs and payables on subordinated financial contributions in the consolidated income statement (see note 27). This interest was settled on 1 February 2021 and is thus recognised as a current liability at 31 January 2021.

The three ESFC issues are considered marketable securities, are freely transferable and are represented by book entries in a single series. Since issue, they have been traded on the AIAF (Spanish Association of Brokers and Securities Dealers) Fixed Income Market, and on 6 July 2012 they were incorporated into the electronic SEND trading platform, as recommended by the Securities Market Regulatory Body and following the practice of issuers of fixed income securities directed at retailers. The quoted price of ESFCs can fluctuate in line with their quoted price on this market. At 31 January 2021 this quoted price is 14% of the par value (18.7% at 31 January 2020).

As indicated in note 16, on 14 January 2016 Eroski presented the prospectus of the ESFC Exchange Offering and simultaneous 2016 ESB Public Offering, and on 1 February 2016, it exchanged 63.59% of ESFCs issued to third parties between 2002 and 2004.

As indicated in note 16 (f), the effect of the exchange at 31 January 2016 was the derecognition of exchanged debt ESFCs amounting to Euros 218 million. The balancing entry of the exchange of these ESFCs and the ESFCs recognised as equity of Euros 162 million, was recognised as a payable for subordinated bonds issued for a nominal amount of Euros 209 million and recognised at its fair value of Euros 157 million.

The ESBs will accrue annual interest on a daily basis between the date of payment and, as the case may be, their redemption date, irrespective of profits earned and calculated on the basis of their par value, equivalent to 12-month Euribor +3%. On 1 February 2021, an amount of Euros 5,704 thousand, equivalent to 2.722%, was paid, and Euros 9,613 thousand was recognised under finance costs (on 1 February 2020 Euros 6,042 thousand, equivalent to 2.891%, was paid, and Euros 9,752 thousand was recognised under finance costs) corresponding to the effective interest rate calculated at the time of valuation, which the Company estimated at 5.8% (see note 27). At 31 January 2021 this quoted price is 25.2% of the par value (25.1% at 31 January 2020).

(Continued)

In 2012 the remaining interest in the investee Central de Serveis Ciencies, S.L., parent of the subsidiary Caprabo, S.A.U. (merged during the year with Caprabo, S.A.U. as the absorbing entity), was acquired. The balance payable at 31 January 2019 amounted to Euros 21,062 thousand and was recognised under the current portion of loans from third parties maturing in July 2019. This debt was renegotiated at the same time as loans and borrowings. As the value of the future cash flows of the new loan, discounted at the effective interest rate of the previous loan, differed by more than 10% of the current debt, it was considered a substantial modification of debt and recognised at its fair value of Euros 4.5 million under finance income in 2019 (see note 27). The debt at 31 January 2021 amounts to Euros 4,285 thousand (Euros 6,208 thousand at 31 January 2020) and is recognised under non-current loans from third parties as the new maturity date is December 2021.

As indicated in note 6, a financial liability has been recognised for the agreement entered into between the Group and a third party for the sale and leaseback of 27 supermarkets for an initial amount of Euros 32,955 thousand, the balance of which at 31 January 2021 was Euros 32,724 thousand. This liability matures when the lease contracts expire, i.e. 30 October 2040.

At 31 January 2021, the Company's governors estimate that the fair value of loans and borrowings corresponding to the Framework Agreement, represent 75%-85% of their carrying amount, based on transactions carried out in respect of its debt with financial institutions. The fair value of the remaining financial liabilities does not differ significantly from their carrying amount.

(18) Loans and Borrowings

Details at 31 January 2021 and 2020 are as follows:

	Thousands of Euros			
	31.01.21		31.01.20	
	Non-current	Current	Non-current	Current
Syndicated credit facilities				
Framework Agreement	936,319	221,452	1,249,523	31,212
Bank loans and credit facilities	56,591	24	53,708	1,514
	992,910	221,476	1,303,231	32,726
	(note 17)	(note 17)	(note 17)	(note 17)

On 16 July 2019 the Eroski Group signed a financial restructuring agreement with a consortium of financial institutions (for a total amount of Euros 1,503 million and working capital financing facilities), extending the maturity of its financial debt.

(Continued)

The agreement reached divided the nominal amount of the Eroski Group's debt into two tranches. On the one hand, one tranche amounting to approximately Euros 1,031 million (initially Euros 1,003 million, increased in 2019 due to the enforcement of guarantees totalling Euros 28 million, which is explained in subsequent paragraphs) bearing interest at Euribor +2.5% and, on the other hand, a second tranche amounting to approximately Euros 500 million bearing interest at a fixed rate of 0.5% until 31 July 2024. Eroski, S. Coop is the debtor of both tranches. Provided that payment falling due in December 2021 is made, Euros 200 million of the second tranche will accrue interest at 0% from the entry into force of said tranche in December 2021, until the final repayment on 31 July 2027. The subsidiary Cecogoico S.A.U. is the debtor of this sub-tranche. Interest is payable semi-annually.

The governors analysed whether the conditions on the new debt differ substantially from those in place when the agreement was signed. They concluded that they represented a substantial modification of the debt as the value of the future cash flows of the new loan, discounted at the effective interest rate of the previous loan, differed by more than 10% of the current debt. Consequently, it was necessary to estimate the fair value of the new debt. To assess the fair value of the new debt, the Company discounted its estimated future cash flows at a market interest rate. The main assumptions and methodology used to estimate the market interest rate were as follows:

- Since Eroski did not have an official public rating, a theoretical credit rating was estimated using the Moody's Risk Calc and Reuters tools, which calculate different ratios (liquidity, leverage) on the Group's consolidated financial statements for the year ended 31 January 2019, comparing it with other companies in the food sector and positioning Eroski in a certain percentile of the latter. In this way, as companies in the comparable population have an official agency rating, a theoretical rating was inferred for Eroski.

- Obtaining the internal rate of return using the Bloomberg tool for eurobonds of listed companies in the non-financial sector with a rating similar to Eroski's theoretical rating.

- Adjustment to the market rate of interest obtained on the basis of the specific characteristics of the loans including the guarantee extended and the lesser degree of liquidity of bond-backed loans.

Based on the foregoing, the initial fair value of the debt was determined to be Euros 1,247 million, resulting in the recognition of Euros 256 million in finance income at 31 January 2020 (see note 27), reflecting the difference with the carrying amount of the previous debt at the time of the refinancing. The effective rate of interest of the new debt is 4%.

(Continued)

The Parent and other companies of the Eroski Group are jointly and severally liable for the obligations deriving from these facilities and have agreed with the lending entities to fulfil a series of financial ratios based on the consolidated annual accounts and consolidated half-yearly financial statements as of the 31 January 2020 close. The governors of the Company consider that at 31 January 2021 the aforementioned ratios have been met.

The new agreement involved the reorganisation of the Group (see note 1) such that most of the trading companies become investees of a new trading company that is, in turn, owned by Eroski, S. Coop. To ensure fulfilment of some of the payment obligations, the option is granted to convert part of the outstanding debt into shares in the aforementioned trading company at the fair value of the shares, as calculated by independent experts at the conversion date. To this end, Cecogoico S.A.U. was incorporated during 2019. As the aforementioned option did not include any option for acquiring shares on more favourable terms than their market value and as Group management did not consider their value to be significant, it was not considered necessary to carry out a valuation thereof.

Additionally, repayment of this financing is secured by a mortgage on certain property, plant and equipment, investment property, property inventories and non-current assets held for sale by various Group companies, as well as first-ranking pledges on investments in certain subsidiaries in favour of the lenders on credit rights to fully comprehensive insurance policies and the bank accounts of certain Group companies, and second-ranking pledges on subsidiaries already pledged to ensure compliance with commitments of the pre-existing syndicated financing facility. Lastly, a chattel mortgage was taken out on the "Eroski" and "Caprabo" brands.

(Continued)

The par value of syndicated debt at the 2020 close amounts to Euros 1,394 million (Euros 1,529 million at the 2019 close). In previous years, the Group granted guarantees for the payment obligations of unrelated parties vis-à-vis a financial institution up to an amount of Euros 64.8 million. In July 2019, in the context of the refinancing agreement, impairment of the credit ratings of these unrelated parties led to a new agreement being reached with the aforementioned financial institution that acts as the lender of the Group's syndicated loan. This loan established that the maximum amount that could be claimed from the Group could not exceed Euros 25 million or, if several milestones were met, Euros 20 million and, in the event of a claim, would be included in the syndicated debt and avail of the same guarantees. In November 2019, this financial institution announced its decision to enforce the guarantee under the terms of the syndicated loan. Consequently, the financial guarantee of Euros 25 million took the form of a new drawdown on the syndicated loan and is spread out proportionately among each of the existing tranches with a balancing entry under finance costs (see note 27). This amount was recognised at fair value applying the same calculation methodology explained in the previous paragraphs for the initial loan principal. The Group also held receivables from the companies on behalf of which it extended guarantees amounting to Euros 26 million (see note 12). Due to the aforementioned impairment of their credit rating, these loans were impaired at 31 January 2020.

Similarly, in previous years, the Group extended guarantees for the payment obligations of related parties vis-à-vis a financial institution which also acts as the lender of the syndicated loan. Following the sale of the building that was mortgaged by this company to secure this loan, the Group was released from its guarantee obligations except for Euros 3 million constituting an additional drawdown on the syndicated loan. This recognition of debt did not have an impact on profit or loss as the guarantees had been recognised as a provision for liabilities and charges at 31 January 2019 (see note 22).

Group management's estimate of payments of principal (in millions of Euros), which includes compliance with all the agreements included in the refinancing contract, is as follows:

2021	2022	2023	2024	2027
244	31	31	738	200

(Continued)

During 2020, the Group made interest payments totalling Euros 27.8 million (Euros 25.1 million in 2019), ordinary repayments based on the established calendar amounting to Euros 31 million and advance repayments, mainly for sales of the Group's non-current assets held for sale in an amount of Euros 24 million, and for the aforementioned operation involving the sale of supermarkets and their ancillary property carried out by the Company and other Group companies (see notes 6 and 17) for a total of Euros 80 million. As established in the refinancing agreement, all these advance repayments were used to reduce the amount of the instalment due on 31 December 2021.

The refinancing agreement includes the following negative covenants regarding the distribution of interest and profits:

- Distribute interest on member contributions, make payments to or monetarise Eroski members (expressly excluding wage and salary payments to worker members and remuneration on voluntary member contributions, and settlements to members on departure)

- Payment of interest on the subordinated financial contributions exceeding the minimum amount stipulated in the prospectuses for the above subordinated financial contributions or to pay in cash when capitalisation is permitted, under the terms of the issue, in both cases, unless an enhanced majority of the creditor entities expressly give their unanimous consent. If this obligation is not met, the debtors must pay the agent in cash for distribution of an amount of compensation among the financial institutions equivalent to (i) the excess interest paid on the subordinated financial contributions (in excess of the statutory minimum) or, if applicable, (ii) any interest paid in cash to the ESFCs were capitalisation possible.

At 31 January 2021 and 2020 the Company has met these obligations.

Non-current loans and credit facilities mainly include a subordinated credit facility arranged with several financial institutions in January 2016 to meet the cash payment offered in the ESFC exchange.

Given the particular features of this loan, including the fact that it is subordinated, its 12-year maturity and favourable interest rates, it was recognised at its fair value of Euros 43 million (see note 16 (f)). At 31 January 2021, this loan has been recognised at amortised cost of Euros 57 million (Euros 54 million at 31 January 2020).

(Continued)

(19) Trade and Other Payables

Details of trade and other payables at 31 January 2021 and 2020 are as follows:

	Thousands of Euros			
	Non-current		Current	
	31.01.21	31.01.20	31.01.21	31.01.20
Suppliers	-	-	704,706	710,925
Other payables, Group companies and associates (note 28)	-	-	2,585	2,739
Deferred income	1,813	1,707	-	-
Payables for services rendered	-	-	138,650	115,957
Advances from customers	-	-	31,043	25,822
Other payables				
- Salaries payable	-	-	35,679	28,101
- Public entities	-	-	45,393	32,506
- Suppliers of fixed assets	-	-	77,903	57,474
- Other payables	8,306	7,496	6,184	3,037
- Accruals	-	-	12,516	9,986
- Dividend payable (note 16)	-	-	2,408	-
- Interest ESFCs (note 17)			3,405	
- Payables to members	17,652	19,561	11,812	11,029
Other non-current payables	119	119	-	-
	27,890	28,883	1,072,284	997,576

Contribution for Education and Cooperative Promotion and Other Public Interest Initiatives

According to Law 11/2019 of 20 December 2019 governing cooperatives in the Basque Country, at least 10% of the net surplus will be appropriated to the COFIP, once interest on capital contributions and other funds have been deducted, and prior to the available surplus. Amounts appropriated to the fund are applied the following year to the purposes for which the fund was created.

This fund is not subject to seizure, and in addition to the surplus, it also comprises disciplinary fines and penalties imposed by the Cooperative on its members, and other amounts agreed by the general assembly with a charge to available surpluses.

Appropriations to the COFIP must be used, among other purposes, to train and educate members and workers in cooperative principles and values or in matters relating to the work and other activities of cooperatives, and to promote intercooperative relations, cultural, professional and welfare activities, as well as to spread the philosophy of cooperativism. Due to losses from prior years, no surpluses were available and therefore no expenses were recognised in relation to this appropriation in 2020 and 2019.

(Continued)

The balance of the fund which has not been applied must be invested in not-for-profit organisations in the financial year after the appropriation was made, and used for public interest initiatives established for the contribution.

Balances payable to public entities are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Taxation authorities		
VAT	17,808	7,226
Withholdings	8,031	6,015
Other items	10,221	9,526
Social Security	9,333	9,739
	45,393	32,506

Current and non-current payables to members relate to the contributions of members who have left the Cooperative, which are refunded within five years after the member's request to leave is approved. The capital accrues interest of 3%, payable annually.

(20) Average Supplier Payment Period. "Reporting Requirement" Third Additional Provision of Law 15/2010 of 5 July 2010.

Information on the average supplier payment period is as follows:

	Days	
	2020	2019
Average supplier payment period	52.50	51.47
Transactions paid ratio	54.63	53.03
Transactions payable ratio	36.94	39.97
	Amount (thousands of Euros)	
Total payments made	4,324,890	4,278,224
Total payments outstanding	591,739	623,243

(Continued)

(21) Risk Management Policy

Risk management at the Eroski Group is a process which aims to reasonably ensure that objectives are accomplished, factors which could ultimately result in a breach are identified, and mechanisms to address the consequences are established.

A description of the risk management system implemented in the Eroski Group is contained in section E of the Annual Corporate Governance Report.

Risks linked to financial management are controlled by the Company's financial and economic management in accordance with policies approved by the governors.

Currency risk

The Eroski Group does not make significant purchases in currencies other than the Euro.

The Eroski Group has no foreign currency accounts.

Credit risk

The Eroski Group is not exposed to significant credit risk as most transactions are paid in cash or by credit card.

Credit risk largely derives from sales to franchises and rental income from leased premises located in proprietary shopping centres. Credit risk in the first scenario is managed through ongoing assessment of the risk associated with the debtor, the establishment of reasonable collection periods that mitigate the accumulation of this risk, and the procurement of bank guarantees to cover a substantial portion of the risk.

Liquidity risk

The Eroski Group applies a prudent policy to cover its liquidity risks based on having sufficient cash and marketable securities, as well as sufficient financing through credit facilities, to settle market positions.

Details of the Group's exposure to liquidity risk at 31 January 2021 and 2020 are shown in Appendix VI.

(Continued)

Although the Group's working capital, defined as the difference between current assets and current liabilities (maturing in less than 12 months in both cases), is usually negative, this is mainly because of the way the business operates, resulting in the average collection period being shorter than the average payment period, which is common practice in the sector in which the Group operates.

Interest rate risk

Interest rate risk arises from drawdowns on variable rate borrowings and their effect on cash flows.

Increases in applicable interest rates would lead to a rise in the cost of this financing.

An increase of 50 basis points in Euribor would raise annual finance costs by Euros 6.4 million in the consolidated annual accounts (Euros 7 million in 2019).

(22) Provisions

Details of other provisions are as follows:

	Thousands of Euros	
	Non-current	
	31.01.2021	31.01.2020
Provision for liabilities	12,707	10,320
Provision for risks	2,626	3,858
Provision for employee benefits	6,040	5,330
Other provisions	-	-
Total	21,373	19,508

(Continued)

Movement in current and non-current provisions during the years ended 31 January 2021 and 2020 is as follows:

	Thousands of Euros					
	Balance at 31 January 2020	Charges	Reversals	Provisions used	Other movements	Balance at 31 January 2021
Provisions for liabilities	10,320	2,583		117	(313)	12,707
Provision for risks	3,858	-	(1,232)	-	-	2,626
Provision for employee benefits	5,330	339	(32)	(34)	437	6,040
Other provisions	-	-	-	-	-	-
Total	19,508	2,922	(1,264)	83	124	21,373

	Thousands of Euros					
	Balance at 31 January 2019	Charges	Reversals	Provisions used	Other movements	Balance at 31 January 2020
Provisions for liabilities	10,260	549	(489)	-	-	10,320
Provision for risks	12,334	-	(5,476)	-	(3,000)	3,858
Provision for employee benefits	2,871	199	-	(44)	2,304	5,330
Other provisions	205	-	(205)	-	-	-
Total	25,670	748	(6,170)	(44)	(696)	19,508

Other movements in the provision for risks at 31 January 2020 corresponded to the enforcement of guarantees previously provided for (see note 18).

Provisions for liabilities and provisions for risks at 31 January 2021 and 2020 reflect the charges made to cover potential sundry risks, based on the best estimate of the Company's directors and those of its subsidiaries.

(Continued)

(23) Environmental Information

During the year ended 31 January 2021, the Group has incurred expenses and made investments for minimising the environmental impact of its activities and for protecting and improving the environment of Euros 1,409 thousand and Euros 18,713 thousand, respectively (Euros 1,232 thousand and Euros 17,576 thousand, respectively, at 31 January 2020).

The Group has not received any environment-related grants or income during the years ended 31 January 2021 and 2020.

At 31 January 2021 and 2020 the Group considers that no significant contingencies exist concerning possible litigation, indemnities or other items connected with the environment and, accordingly, no provision has been made in this regard.

(24) Other Income

Details of other income at 31 January 2021 and 2020 are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Insurance compensation	552	713
Operating lease income	10,854	12,039
Government grants	894	357
Gains on sale of property, plant and equipment (note 6)	4,010	5,502
Gains on sale of other intangible assets	1,137	24
Gains on sale of investment property	802	-
Reversal of impairment losses and uncollectibility of trade and other receivables (note 13)	1,162	2,675
Surplus of unapplied provisions	31	735
Income from promotional contributions	190,032	191,920
Income from home delivery and service commissions	7,130	8,036
Other operating income	32,973	34,924
	249,577	256,925

(Continued)

(25) Other Expenses

Details of other expenses at 31 January 2021 and 2020 are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Operating lease expenses (note 10)	62,010	73,085
Research and development expenses	388	127
Repairs and maintenance	55,537	52,094
Independent professional services	62,464	55,111
Transport	19,642	13,283
Insurance premiums	4,678	4,863
Banking and similar services	3,507	3,592
Advertising and publicity	38,241	41,948
Utilities	49,127	59,149
Other services	77,681	72,816
Taxes	16,686	15,009
Losses on sale of property, plant and equipment	6,502	9,292
Losses on sale of other intangible assets	1,739	10,202
Losses on sale of non-current assets held for sale	1,248	1,360
Impairment losses and uncollectibility of trade and other receivables (note 13)	5,316	6,388
Other expenses	7,256	909
	412,022	419,228

(26) Personnel Expenses

Details of personnel expenses incurred during the years ended 31 January 2021 and 2020 are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Salaries and wages	488,242	480,739
Termination benefits	6,291	8,059
Contributions to defined contribution plans	339	200
Employee benefits expense and taxes	178,938	173,326
	673,810	662,324

(Continued)

The average headcount of the consolidated Group during the years ended 31 January 2021 and 2020 is as follows:

	Average headcount	
Professional category	31.01.21	31.01.20
Senior management	60	57
Middle management	311	305
Junior management	1,153	1,188
Professionals	24,482	24,683
Supervisors	2,801	2,705
Technicians	1,093	1,060
	29,900	29,998

At the 2020 and 2021 reporting dates the distribution by gender of Group personnel is as follows:

	31.01.21		31.01.20	
	Male	Female	Male	Female
Senior management	42	17	43	15
Middle management	182	124	194	120
Junior management	424	729	422	737
Professionals	5,079	19,059	5,104	19,515
Supervisors	566	2,217	597	2,266
Technicians	485	606	499	600
	6,778	22,752	6,859	23,253

(Continued)

(27) Finance Income and Costs

Details of finance income and costs are as follows:

	Thousands of Euros	
Finance income	31.01.21	31.01.20
Interest on loans	3,655	5,169
Other finance income	1,838	11,529
Finance income from:		
financial assets at fair value through other comprehensive income	731	2,901
Dividend income	205	198
Amortised cost income (notes 17 and 18)	-	259,125
Gain on sale of Group companies and associates	32	-
Exchange gains	-	15
Total finance income	6,461	278,937

	Thousands of Euros	
	31.01.21	31.01.20
Finance costs		
Loans and borrowings	48,093	39,386
Third party loans	1,212	1,952
Finance costs of subordinated financial contributions (note 17)	3,405	3,607
Interest ESBs (note 17)	9,613	9,752
Losses on sale of financial assets	13	1,994
Loss on sale of Group companies and associates	72	26
Finance costs of lease liabilities (note 10)	20,183	23,404
Debt arrangement fees (note 18)	-	25,000
Other finance costs (note 17)	15,969	44,540
Impairment losses on financial assets (note 12)	12,356	71,750
Exchange losses	48	-
Total finance costs	110,964	221,411

The drop in other finance costs is mainly due to debt refinancing costs accrued in 2019.

(Continued)

(28) Related Party Balances and Transactions

The Group carries out transactions, generally on an arm's length basis, with certain companies in which it has an interest.

(a) Group balances and transactions with entities

Group balances with related parties are as follows:

	Thousands of Euros	
	Current	
31.01.2021	Receivables (note 13)	Payables (note 19)
Trade		
Llanos de San Julian, S.A.	304	
Air Miles España, S.A.	96	2,585
Inmobiliaria Armuco, S.L.	764	-
Unibail Rodamco Benidorm, S.L.	322	-
	1,486	2,585

	Thousands of Euros		
	Non-current		Current
31.01.2021	Payables (note 17)	Receivables (note 12)	Receivables (note 12)
Financial			
Desarrollos Comerciales y de Ocio Algeciras, S.L.	-	17,350	27,695
Unibail Rodamco Benidorm, S.L.	-	34,357	2,252
Artunzubi, S.L.	-	-	189
Llanos San Julián, S.A.	689	3,786	1,869
	689	55,493	32,005

(Continued)

	Thousands of Euros	
	Current	
31.01.2020	Receivables (note 13)	Payables (note 19)
Trade		
Llanos de San Julian, S.A.	304	-
Air Miles España, S.A.	112	2,737
Coop Global Sourcing Limited	-	2
	416	2,739

	Thousands of Euros		
	Non-current		Current
31.01.2020	Payables (note 17)	Receivables (note 12)	Receivables (note 12)
Financial			
Desarrollos Comerciales y de Ocio Algeciras, S.L.	-	35,601	4,474
Unibail Rodamco Benidorm, S.L.	-	36,198	237
Desarrollos Inmobiliarios Los Berrocales, S.L.	-	13,805	156
Llanos San Julián, S.A.	60	629	4,892
	60	86,233	9,759

In 2020, the most relevant transactions with associates correspond to the dividends detailed in note 11. In 2019 the most significant transactions involved advertising expenses amounting to Euros 1,001 thousand.

(Continued)

(b) Information on the Parent's governors and key Group management personnel

During the years ended 31 January 2021 and 2020 the members of the board of governors of the Parent have not received any remuneration in their capacity as such. However, as worker members they have received remuneration advances totalling Euros 524 thousand during the year ended 31 January 2021 (Euros 469 thousand during the year ended 31 January 2020). They also received per diem allowances totalling Euros 2 thousand (Euros 2 thousand at 31 January 2020).

As worker members, members of the management committee have also received remuneration advances totalling Euros 861 thousand during the year ended 31 January 2021 (Euros 850 thousand during the year ended 31 January 2020).

At 31 January 2021 the board of governors is made up of 12 members: 6 women, 3 of whom are consumer members and 3 worker members, and 6 men, 3 of whom are consumer members and 3 worker members (12 members at 31 January 2020, 6 women, 2 of whom were consumer members and 4 worker members, and 6 men, 4 of whom were consumer members and 2 worker members).

At 31 January 2021 and 2020 the Group has no balances payable to or receivable from the board of governors.

At 31 January 2021 and 2020 the Group has no obligations with current or former members of the board of governors in respect of pension plans or life insurance schemes, nor has it extended any guarantees on their behalf.

During 2020 and 2019 the Company did not pay any civil liability insurance premiums for the members of the board of governors for damage or loss caused by actions or omissions in the performance of their duties.

(Continued)

(c) Transactions other than ordinary business or under terms differing from market conditions carried out by the governors or key management personnel of the Parent

During the years ended 31 January 2021 and 2020 neither the members of the Parent's board of governors nor key Group management personnel have carried out any transactions other than ordinary business or under terms differing from market conditions with the Company or with Group companies.

(29) Audit Fees

Fees corresponding to services rendered by the firm (KPMG Auditores, S.L.) auditing the annual accounts of the Company for the years ended 31 January 2021 and 2020, irrespective of the invoice date, are as follows:

	Thousands of Euros	
	31.01.21	31.01.20
Audit services	462	464
Other assurance services	75	131
	537	595

Other assurance services primarily include limited reviews (in 2019 they included those related to limited reviews and the issue of reasonable assurance reports for the purposes of sections 1, 3 and 4 of additional provision four of Insolvency Law 22/2003 of 9 July 2003).

Other KPMG International Group companies have invoiced the Group the following fees and expenses for professional services during the years ended 31 January 2021 and 2020:

	Thousands of Euros	
	31.01.21	31.01.20
Audit services	-	10
Tax advisory services	29	26
Other services	233	878
	262	914

(Continued)

Other auditors have invoiced the Group the following fees and expenses for professional services during the years ended 31 January 2021 and 2020:

	Thousands of Euros	
	31.01.21	31.01.20
Audit services	77	76
Other services	7	13
	84	89

(30) Events after the Reporting Period

As mentioned in notes 1 and 2e), on 28 March 2021 the Eroski Group reached an agreement with the investment holding company EP Corporate Group whereby the Group company Newcobeco, S.A.U. signed an agreement for the sale of 50% of its interest in Supratuc2020, S.L.U., which in turn holds 100% of the share capital of Caprabo S.A.U. and Cecosa Supermercados, S.L.U.

With the entry of this investor, the Eroski Group has improved its financial position by underpinning its equity and ensuring compliance with the debt repayment commitments for 2021 under the Financing Agreement signed in 2019.

The incorporation of EP Corporate Group into the companies of the Catalonia and Balearic Islands regions will also provide greater clout when executing the business plans in the coming years.

The final transaction price is conditional on the adjustments agreed at the transaction close, which must take place no later than 31 October 2021.

For the agreement to be fully effective, it is subject to certain conditions precedent in relation to regulatory and contractual authorisations, which are expected to be obtained in the coming months.

(Continued)

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Subsidiaries

31 January 2021 and 2020

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Percentage ownership					
	31.01.21		31.01.20			
Investments in Group companies	Direct	Indirect	Direct	Indirect	Registered office	Activity
Cecosa Diversificación, S.L.	100.00%	-	100.00%	-	Elorrio (Vizcaya)	(ii)
Cecosa Gestión, S.A. (note 1)	-	-	100.00%	-	Elorrio (Vizcaya)	(vii)
Cecosa Hipermercados, S.L.	60.00%	36.52%	60.00%	37.50%	Madrid	(vi)
Cecosa Supermercados, S.L.	-	100.00%	-	100.00%	San Morro (Palma)	(vi)
Cecosa Institucional, S.L.	100.00%	-	100.00%	-	Elorrio (Vizcaya)	(ii)
Grupo Eroski Distribución, S.A.	-	100.00%	-	100.00%	Elorrio (Vizcaya)	(i)
Aportaciones Financieras Eroski, S.A.	-	60.00%		60.00%	Elorrio (Vizcaya)	(v)
Caprabo, S.A.U.	-	100.00%	-	100.00%	El Prat de Llobregat (Barcelona)	(i)
Central de Serveis Ciéncies, S.L.U.(note 1)	-	-	-	100.00%	Hospitalet de Llobregat (Barcelona)	(ii)
Equipamiento Familiar y Servicios, S.A.	-	96.52%	-	95.70%	Elorrio (Vizcaya)	(i)
Eroski Hipermercados, S. Coop.	86.62%	4.69%	84.66%	4.59%	Madrid	(ix)
Forum Sport, S.A.	-	95.68%	-	95.63%	Basauri (Vizcaya)	(i)
Gestión de Hipermercados Caprabo Eisa, S.L.U. (note 1)	-	-	-	100%	Hospitalet de Llobregat (Barcelona)	(i)
Gestión de participaciones Forum, S.C.P.	-	66.78%	-	66.40%	Basauri (Vizcaya)	(ii)
Inmobiliaria Recaré, S.A.	-	96.52%	-	95.70%	Vigo (Pontevedra)	(iii)
Cecogoico, S.A.U.	100.00%	-	100.00%	-	Elorrio (Vizcaya)	(ii)
Newcobeco, S.A.U.	-	100.00%	-	100.00%	Elorrio (Vizcaya)	(ii)
Peninsulaco S.L.	-	100.00%	-	100.00%	Madrid	(vi)
Supratuc2020, S.L.U. (note 1)	-	100.00%	-	-	Elorrio (Vizcaya)	(ii)

This Appendix forms an integral part of note 1 to the consolidated annual accounts for the year ended 31 January 2021, in conjunction with which it should be read.

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Subsidiaries

31 January 2021 and 2020

	Percentage ownership					
	31.01.21		31.01.20			
Investments in Group companies	Direct	Indirect	Direct	Indirect	Registered office	Activity
Supermercados Picabo S.L.U. (note 1)	-	-	-	100.00%	Hospitalet de Llobregat (Barcelona)	(i)
Vegonsa Agrupación Alimentaria S.A and subsidiaries	-	50.00%	-	50.00%	Vigo (Pontevedra)	(i)
Viajes Eroski S.A.U	-	100.00%	-	100.00%	Elorrio (Vizcaya)	(iv)
Desarrollos Comerciales de Ocio e Inmobiliarios de Orense S.A.	-	94.59%	-	93.79%	Madrid	(iii)
Jactus Spain S.L.	-	100.00%	-	100.00%	Madrid	(v)
Sociedad de Afiliados Eroski Contigo S.L.U. (note 1)	-	-	-	100.00%	Elorrio (Vizcaya)	(x)
Sociedad Franquicias Eroski Contigo S.L.U.	-	100.00%	-	100.00%	Elorrio (Vizcaya)	(i)
Desarrollos Inmobiliarios Los Berrocales, S.L. (note 1)	-	57.91%	-	-	Madrid	(iii)

(i) Distribution and sale of goods and services.
(ii) Investment in companies involved in the distribution and sale of goods and services.
(iii) Property holdings.
(iv) Travel agency.
(v) Purchase, sale and holding of securities and other financial assets for own use and equity management.
(vi) Distribution and sale of goods and services and direct and indirect sale of petrol, automotive diesel and similar fuels.
(vii) Company management and the promotion, development and execution of goods and services distribution activities.
(ix) Personnel placement and supply services.
(x) Head office activities.

This Appendix forms an integral part of note 1 to the consolidated annual accounts for the year ended 31 January 2021, in conjunction with which it should be read.

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Associates

31 January 2021 and 2020

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Percentage ownership					
	31.01.21		31.01.20			
Investments in associates	Direct	Indirect	Direct	Indirect	Registered office	Activity
Air Miles España, S.A.	20.42%	6.03%	20.42%	5.98%	Alcobendas (Madrid)	(iii)
Artunzubi, S.L.	35.00%	-	35.00%	-	Bilbao (Vizcaya)	(i)
Inmobiliaria Armuco, S.L.	45.00%	-	45.00%	-	Bilbao (Vizcaya)	(i)
Desarrollos Inmobiliarios Los Berrocales, S.L. (note 1)	-	-	-	46.89%	Madrid	(i)
Llanos San Julián, S.A.	-	47.78%	-	47.37%	Torremolinos (Málaga)	(i)
Inmobiliaria Gonuri Harizartean, S.L.	45.00%	-	45.00%	-	Lejona (Vizcaya)	(i)
Desarrollos Comerciales y de Ocio Algeciras, S.L.	-	48.26%	-	47.85%	Madrid	(i)
Unibail Rodamco Benidorm, S.L.	-	28.18%	-	27.93%	Madrid	(i)
Coop Global Sourcing Limited (note 1)	-	-	-	50.00%	Hong Kong	(iv)
Red Libra Trading Services S.L. (note 1)	-	-	-	50.00%	Madrid	(v)

(i) Property holdings.
(ii) Coordination of activities of the Des Mousquetaires Group, the Eroski Group and other international groups.
(iii) Implementation and management of customer loyalty programmes.
(iv) Investment holdings and merchandising services.
(v) Provision of negotiation services for the acquisition of distributor brand products

This Appendix forms an integral part of notes 1 and 11 to the consolidated annual accounts for the year ended 31 January 2021, in conjunction with which it should be read.

EROSKI, S. COOP.
AND SUBSIDIARIES

Segment Reporting

31 January 2021 and 2020

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Food		Real estate		Other		Other operations		Consolidated	
	31.01.21	31.01.20	31.01.21	31.01.20	31.01.21	31.01.20	31.01.21	31.01.20	31.01.21	31.01.20
Segment assets										
Property, plant and equipment	629,282	641,222	38,748	40,346	24,943	25,813	16,786	18,688	709,757	726,070
Rights of use	1,222,878	1,062,288	88,349	74,198	24,910	23,393	348	-	1,336,486	1,159,878
Goodwill	855,175	1,031,956	-	-	1,215	1,295	-	-	856,390	1,033,251
Other intangible assets	15,063	14,477	-	-	2,060	1,884	11,767	13,528	28,890	29,889
Other non-current assets	-	-	32,453	34,599	3,415	3,491	-	-	35,868	38,090
Inventories	304,829	305,343	34,593	30,704	41,276	51,442	-	-	380,698	387,490
Trade and other receivables	181,111	179,710	1,703	1,024	37,360	44,140	(69,650)	(61,348)	150,523	163,526
Non-current assets classified as held for sale	3,385	25,406	-	-	-	-	-	-	3,385	25,406
Equity-accounted investees	-	-	-	-	-	-	-	-	6,094	13,038
Undistributed assets	-	-	-	-	-	-	-	-	893,196	726,961
Total assets	**3,211,723**	**3,260,402**	**195,846**	**180,871**	**135,179**	**151,458**	**(40,749)**	**(29,132)**	**4,401,287**	**4,303,599**
Segment liabilities										
Trade and other payables	(1,036,356)	(953,476)	(8,819)	(7,788)	(69,247)	(79,829)	42,136	43,517	(1,072,285)	(997,577)
Other liabilities	(14,670)	(12,411)	(5,621)	(6,711)	(1,708)	(1,540)	(27,268)	(27,748)	(49,267)	(48,410)
Financial liabilities	-	-	-	-	-	-	-	-	(2,939,915)	(2,838,862)
Undistributed liabilities	-	-	-	-	-	-	-	-	(220,570)	(189,609)
Total liabilities	**(1,051,026)**	**(965,887)**	**(14,440)**	**(14,499)**	**(70,955)**	**(81,369)**	**14,868**	**15,769**	**(4,282,037)**	**(4,074,458)**

This Appendix forms an integral part of note 4 to the consolidated annual accounts for the year ended 31 January 2021, in conjunction with which it should be read.

EROSKI, S. COOP.
AND SUBSIDIARIES

Segment Reporting

31 January 2021 and 2020

(Expressed in thousands of Euros)

	Food		Real estate		Other		Other operations		Consolidated	
	31.01.21	31.01.20	31.01.21	31.01.20	31.01.21	31.01.20	31.01.21	31.01.20	31.01.21	31.01.20
Revenues										
Sales	4,687,398	4,417,857	-	-	111,644	149,049	-	-	4,799,042	4,566,906
Services rendered	-	-	-	-	1,086	11,857	-	-	1,086	11,857
Operating leases	4,098	2,454	3,213	3,010	-	-	-	-	7,311	5,464
Total revenue from external customers	4,691,496	4,420,311	3,213	3,010	112,730	160,906	-	-	4,807,439	4,584,227
Group revenue/segment	-	-	-	-	982	2,717	(982)	(2,717)	-	-
Total revenues	**4,691,496**	**4,420,311**	**3,213**	**3,010**	**113,712**	**163,623**	**(982)**	**(2,717)**	**4,807,439**	**4,584,227**
Inventories, consumables and raw materials used	**(3,420,751)**	**(3,274,403)**	**(14)**	**22**	**(77,675)**	**(97,323)**	**321**	**348**	**(3,498,119)**	**(3,371,356)**
Other income	272,384	280,186	2,580	6,463	113,502	112,900	(138,889)	(142,624)	249,577	256,925
Personnel expenses	(602,554)	(585,099)	(2)	-	(16,227)	(22,606)	(55,027)	(54,619)	(673,810)	(662,324)
Depreciation and amortisation expense	(199,041)	(186,461)	(5,935)	(5,210)	(12,274)	(11,433)	(6,945)	(6,628)	(224,195)	(209,732)
Impairment losses/reversals of goodwill and intangible assets	(193,192)	(146,355)	(1,939)	(991)	(292)	72	-	-	(195,423)	(147,274)
Other expenses	(478,147)	(472,581)	(6,322)	(12,266)	(129,422)	(140,560)	201,869	206,179	(412,022)	(419,228)
Total other allocated income and expenses	**(1,200,550)**	**(1,110,310)**	**(11,618)**	**(12,004)**	**(44,713)**	**(61,627)**	**1,008**	**2,308**	**(1,255,873)**	**(1,181,633)**
Segment results	**70,195**	**35,598**	**(8,419)**	**(8,972)**	**(8,676)**	**4,673**	**347**	**(61)**	**53,447**	**31,238**
Operating profit/(loss)										
Net finance cost									**(104,503)**	**57,526**
Share of profit/(loss) for the year of equity-accounted investees									233	1,436
Profit/(loss) before tax from continuing operations									(50,823)	90,200
Income tax (expense)/income									(26,740)	(45,027)
Profit/(loss) after tax from continuing operations									(77,563)	45,173
Profit/(loss) after tax from continuing operations									-	-
Profit for the year									**(77,563)**	**45,173**

This Appendix forms an integral part of note 4 to the consolidated annual accounts for the year ended 31 January 2021, in conjunction with which it should be read.

EROSKI, S. COOP.
AND SUBSIDIARIES

Segment Reporting

31 January 2021 and 2020

(Expressed in thousands of Euros)

The following table shows a breakdown of Group income by geographical market and type of service, as well as a reconciliation of disaggregated income with the segments of the Group:

Thousands of Euros	Segments									
	Food		Real estate		Other segments		Other operations		Consolidated	
Principal geographical markets	31.01.21	31.01.20	31.01.21	31.01.20	31.01.21	31.01.20	31.01.21	31.01.20	31.01.21	31.01.20
Basque Country	1,600,240	1,470,795	225	90	71,116	91,698	(916)	(2,549)	1,670,665	1,560,034
Galicia	944,518	884,860	-	-	1,051	2,208	(66)	(164)	945,503	886,904
Catalonia	739,315	699,881	-	-	1,328	3,192	-	-	740,643	703,073
Balearic Islands	438,200	445,912	-	-	-	-	-	-	438,200	445,912
Navarre	320,032	282,693	569	111	8,402	13,437	(1)	(3)	329,003	296,238
Other	649,193	636,171	2,418	2,808	31,815	53,088	-	(1)	683,425	692,066
	4,691,498	4,420,312	3,212	3,009	113,712	163,623	(983)	(2,717)	4,807,439	4,584,227

This Appendix forms an integral part of note 4 to the consolidated annual accounts for the year ended 31 January 2021, in conjunction with which it should be read.

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Property, Plant and Equipment and Movement
for the years ended
31 January 2021 and 2020

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	31.01.19	Additions	Disposals	Transfers	Transfers to/from assets held for sale and disposal groups (note 5)	31.01.20	Additions	Disposals	Transfers	Transfers to/from assets held for sale and disposal groups (note 5)	31.01.21
Cost											
Land	266,468	3,642	(5,344)	-	(16,079)	248,687	5,783	(26,362)	-	1,002	229,110
Buildings	704,139	22,053	(20,507)	-	(17,617)	688,068	37,541	(62,747)	202	9,577	672,641
Technical installations and machinery	1,061,678	40,262	(19,265)	(91)	(5,914)	1,076,670	41,516	(38,766)	3,496	2,890	1,085,806
Other installations, equipment and furniture	443,101	20,145	(9,749)	4	(1,414)	452,087	19,025	(16,438)	21	2,145	456,840
Information technology equipment	209,769	7,066	(2,348)	-	(470)	214,017	10,341	(4,789)	(272)	309	219,606
Motor vehicles	5,781	435	(207)	87	-	6,096	106	(33)	-	-	6,169
Other property, plant and equipment	12,888	579	-	20	-	13,487	-	(62)	-	-	13,425
Advances and assets under construction	2,957	1,385	-	-	-	4,342	200	-	(3,734)	-	808
	2,706,781	95,567	(57,420)	20	(41,494)	2,703,454	114,512	(149,197)	(287)	15,923	2,684,405
Accumulated depreciation											
Buildings	(319,387)	(21,637)	6,540	-	8,217	(326,267)	(20,740)	32,788	1	(2,893)	(317,111)
Technical installations and machinery	(891,803)	(31,667)	17,065	9	5,695	(900,701)	(32,450)	37,106	(8)	(2,818)	(898,871)
Other installations, equipment and furniture	(378,737)	(13,824)	9,394	(4)	1,408	(381,763)	(14,174)	15,981	8	(2,139)	(382,087)
Information technology equipment	(193,142)	(6,962)	2,258	-	439	(197,407)	(7,807)	4,593	28	(262)	(200,855)
Motor vehicles	(5,486)	(103)	191	(5)	-	(5,402)	(140)	33	-	-	(5,509)
Other property, plant and equipment	(16,218)	(3)	30	-	-	(16,191)	(1)	46	-	-	(16,146)
	(1,804,773)	(74,196)	35,478	-	15,759	(1,827,731)	(75,312)	90,547	29	(8,112)	(1,820,579)
Accumulated impairment losses											
Land	(115,458)	-	2,621	-	8,708	(104,129)	(3,083)	2,627	-	437	(104,148)
Buildings	(32,704)	(5,811)	6,145	-	-	(32,370)	(2,772)	4,279	-	(4,744)	(35,607)
Technical installations and machinery	(6,717)	(3,452)	1,003	-	195	(8,971)	(2,745)	1,425	-	-	(10,291)
Other installations, equipment and furniture	(1,604)	(913)	152	-	6	(2,359)	(120)	360	-	-	(2,119)
Information technology equipment	(556)	(193)	50		15	(684)	(421)	56	-	-	(1,049)
Other property, plant and equipment	(897)	(242)	-	-	-	(1,139)	286	-	-	-	(853)
	(157,936)	(10,611)	9,971	-	8,924	(149,652)	(8,855)	8,747	-	(4,307)	(154,067)
	744,072	10,760	(11,971)	20	(16,811)	726,071	30,345	(49,903)	(258)	3,504	709,758

This Appendix forms an integral part of note 6 to the consolidated annual accounts for the year ended 31 January 2021, in conjunction with which it should be read.

EROSKI, S. COOP. AND SUBSIDIARIES

Details of Goodwill and Other Intangible Assets and Movement
for the years ended
31 January 2021 and 2020

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	31.01.19	Additions	Impairment	Disposals	Transfers from assets held for sale and disposal groups	31.01.20	Additions	Impairment	Disposals	Transfers	Transfers from assets held for sale and disposal groups	31.01.21
Cost												
Goodwill	1,173,948	-	(130,808)	(9,735)	(154)	1,033,251	5,333	(181,765)	(625)	-	196	856,390
Development expenses	2,053	-	-	(76)	-	1,977	-	-	-	-	-	1,977
Administrative concessions	8,934	-	-	(1)	-	8,933	-	-	(644)	-	-	8,289
Patents, trademarks and brand names	100,887	64	-	(6)	-	100,945	106		(1,070)	-	-	99,981
Leaseholds	3,652	-	-	(60)	-	3,592	-	-	-	-	-	3,592
Computer software	201,586	14,382	-	(2,169)	(36)	213,763	9,363	-	(832)	564	65	222,923
Other intangible assets	89,805	276	-	-	-	90,081	-	-	-	(276)	-	89,805
	1,580,865	14,722	(130,808)	(12,047)	(190)	1,452,542	14,802	(181,765)	(3,171)	288	261	1,282,957
Accumulated amortisation												
Development expenses	(1,947)	(63)	-	76	-	(1,934)	(30)	-	-	-	-	(1,964)
Administrative concessions	(6,975)	(123)	-	1	-	(7,097)	(104)	-	581	-	-	(6,620)
Patents, trademarks and brand names	(100,342)	(120)	-	6	-	(100,456)	(107)	-	1,069	-	-	(99,494)
Leaseholds	(2,971)	(89)	-	60	-	(3,000)	(89)	-	-	-	-	(3,089)
Computer software	(178,268)	(10,147)	-	2,134	16	(186,265)	(9,833)	-	743	(46)	(23)	(195,424)
Other intangible assets	(89,805)	-	-	-	-	(89,805)	-	-	-	-	-	(89,805)
	(380,308)	(10,542)	-	2,277	16	(388,557)	(10,163)	-	2,393	(46)	(23)	(396,396)
Accumulated impairment												
Administrative concessions	(149)	-	-	32	-	(117)	14	-	63	-	-	(40)
Patents, trademarks and brand names	-	-	-	-	-	-	-	-	-	-	-	-
Leaseholds	-	-	-	-	-	-	-	-	-	-	-	-
Computer software	(401)	(337)	-	5	5	(728)	(582)	-	69	-	-	(1,241)
	(550)	(337)	-	37	5	(845)	(568)	-	132	-	-	(1,281)
	1,200,007	3,843	(130,808)	(9,733)	(169)	1,063,140	4,071	(181,765)	(646)	242	238	885,280

This Appendix forms an integral part of note 8 to the consolidated annual accounts for the year ended 31 January 2021, in conjunction with which it should be read.

EROSKI, S. COOP.
AND SUBSIDIARIES

31 January 2021

Exposure to liquidity risk

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	31.01.2021					
	Up to one year	Up to two years	Up to three years	Up to four years	Other	Total
Financial liabilities from issuing bonds and other marketable securities						
Fixed rate	-	-	-	-	208,977	208,977
Floating rate	8,811	8,945	9,078	9,679	9,679	46,192
Loans and borrowings						
Fixed rate	2,547	2,547	2,547	510,593	66,247	584,481
Floating rate	265,730	48,255	47,554	593,955	2,140	957,634
Financial liabilities - loans from third parties						
Fixed rate	8,817	261	259	257	54	9,648
Trade and other payables						
Fixed rate	1,082,635					1,082,635
Other financial liabilities	368	368	368	-	-	1,104
Total	1,368,908	60,376	59,806	1,114,484	287,097	2,890,671

This Appendix forms an integral part of note 21 to the consolidated annual accounts for the year ended 31 January 2021, in conjunction with which it should be read.

EROSKI, S. COOP.
AND SUBSIDIARIES

31 January 2020

Exposure to liquidity risk

(Expressed in thousands of Euros)

	31.01.2020					
	Up to one year	Up to two years	Up to three years	Up to four years	Other	Total
Financial liabilities from issuing bonds and other marketable securities						
Fixed rate	-	-	-	-	208,977	208,977
Floating rate	9,345	9,512	9,846	10,346	10,513	49,562
Loans and borrowings						
Fixed rate	4,046	193,777	32,557	32,401	318,922	581,703
Floating rate	56,939	177,311	22,905	23,906	851,790	1,132,851
Financial liabilities - loans from third parties						
Fixed rate	381	11,079	278	273	239	12,250
Trade and other payables						
Fixed rate	1,002,418	-	-	-	-	1,002,418
Other financial liabilities	1,068	1,068	1,068	-	-	3,204
Total	1,074,197	392,747	66,654	66,926	1,390,441	2,990,965

This Appendix forms an integral part of note 21 to the consolidated annual accounts for the year ended 31 January 2021, in conjunction with which it should be read.

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OFFERING MEMORANDUM