EL CORTE INGLÉS GROUP

2022 FINANCIAL REPORT

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Audit Report on the Consolidated Financial Statements
Issued by an Independent Auditor

EL CORTE INGLÉS, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and Consolidated Management Report for the year ended
February 28, 2023 (2022 financial year)

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of an audit report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

To the Shareholders of EL CORTE INGLÉS, S.A.:

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of EL CORTE INGLÉS, S.A. (the Parent) and its subsidiaries (the Group), which comprise the balance sheet at February 28, 2023, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, and the notes thereto, all consolidated for the year then ended (2022 financial year).

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at February 28, 2023 and of its 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 (EU-IFRS), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned regulations.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment and investment properties

Description	As explained in notes 5 and 6 to the accompanying consolidated financial statements, the Group recognized "property, plant, and equipment" and "investment properties" for a carrying amount of 8,394,051 thousand euros and 476,192 thousand euros, respectively, at February 28, 2023. "Property, plant and equipment" includes primarily net investments made in shopping centers, hypermarkets, supermarkets, and convenience stores operated by the Group as well as other corporate assets, such as logistics centers, offices, land for future developments, etc. Investment properties correspond primarily to assets earmarked for lease. In accordance with the applicable regulatory financial reporting framework, at least at the reporting date, the Group determines whether there is indication that any of its properties (whether used for businesses purpose or earmarked for lease), each of which is defined as a cash-generating unit (CGU)), may be impaired. For this purpose, the Group has all of its properties appraised by independent experts and estimates their recoverable amounts. The recoverable amount of each CGU is determined as the higher of fair value less estimated costs to sell and value in use. We determined this to be a key audit matter due to the complexity of the process of identifying whether a property shows indications of impairment and of valuing properties to determine their recoverable amount for the purpose of determining whether they are impaired, which requires to make significant estimates (in particular, regarding the assumptions substantiating the generation of expected future cash flows and rents, reversion values, the discount rate, and the sensitivity analysis). The principal criteria applied in determining the recoverable amount of the assets as well as any impairment included in "property, plant and equipment" and "investment properties" and the corresponding impairment loss, where applicable, are described in notes 4.2.5 to the accompanying consolidated financial statements.
Our response	Our audit procedures related to this matter included: ▶ Understanding the process established by the parent's management determine the recoverable amount of items of "property, plant, and equipment" and investment properties," as well as evaluating the design and implementation of relevant controls. ▶ Evaluating, with the involvement of our valuation specialists, the methodology used to perform impairment tests, verifying its integrity in conformity with the applicable financial reporting framework, as well as the reasonableness of the main assumptions considered when estimating recoverable amount for a sample of assets, in addition to testing the sensitivity of the results to reasonably possible changes in the key assumptions made.

- Checked, for a sample of assets, the accuracy of the calculations made to determine their recoverable amount.
- Reviewing the disclosures included in the notes to the consolidated financial statements and assessment of its compliance with the applicable financial reporting framework.

Recoverability of deferred tax assets

Description	As explained in note 22.5 to the accompanying consolidated financial statements, the Group recognized deferred tax assets amounting to 629,882 thousand euros, at February 28, 2023. In accordance with the Group's accounting policy explained in note 4.2.10 to the accompanying consolidated financial statements, deferred tax assets are recognized when it is considered probable that there will be sufficient future taxable income to enable their application. The parent management's assessment of the recoverability of deferred tax assets entails making significant judgments regarding estimates of future taxable profit based on the tax group's financial projections and business plans, and contemplating applicable tax regulations at any given time. We determined this to be a key audit matter due to the complexity of the judgments underlying management's projection of the tax group's business performance to determine the future taxable profits that substantiate the recovery of the recorded tax credits.
Our response	Our audit procedures related to this matter included: - Understanding the parent management's process established for assessing the recoverability of deferred tax assets, as well as evaluating the design and implementation of relevant controls. - Evaluating the reasonableness of assumptions used by the parent's management to estimate how long it will take to utilize the deferred tax assets recognized, focusing on the economic and financial assumptions used to estimate future taxable Income. - Assessing, with the involvement of our tax experts, the main assumptions made by the parent's management in connection with applicable tax regulations. - Reviewing the disclosures included in the notes to the consolidated financial statements and assessment of its compliance with the applicable financial reporting framework.

Valuation of inventories

Description	As stated in note 12 to the accompanying consolidated financial statements, the Group recorded inventories amounting to 1,879,829 thousand euros at February 28, 2023, which represent 13% of total assets valued as described in note 4.2.7 to the accompanying consolidated financial statements.

These inventories relate mainly to a high number of items from different categories (fashion, beauty, technology, decoration, household items, sport, etc.) which are sold in the various types of commercial establishments offered by the Group, as well as via its online sales platform. The items are stored primarily in the Group's points of sale and in its three main logistics centers. Given the nature of the Group's business, its inventories reflect high rotation and for a significant percentage, sale prices can vary substantially depending on the time of year (decreasing during sales seasons).

We determined this to be a key audit matter due to the complexity of the judgments made by the parent's management to determine the cost and net realizable value of inventories, as well as the complexity of the technological environment that supports this valuation, and, given the relevance of the balance of the "Inventories".

Our response

Our audit procedures related to this matter included:

- Understanding the parent management's inventory management and valuation process, evaluating the design and implementation of the related relevant controls and verification of the operational effectiveness of such controls, with the involvement of our information systems specialists.
- Checking that inventories were valued at cost or net realizable value, by performing substantive procedures for a sample of selected references.
- Reviewing the disclosures included in the notes to the consolidated financial statements and assessment of its compliance with the applicable financial reporting framework.

IT systems related to recognition of revenue from the Group's retail and travel businesses.

Description

As explained in note 23.1 to the accompanying consolidated financial statements, the Group earns most of its revenue from its retail and travel businesses. As a result, revenue is derived from a high volume of individual transactions for insignificant amounts when considered separately.

The recording of revenue from sales and the rendering of services pertaining to these business lines, both through the physical channel (network of shopping centers, hypermarkets, supermarkets, convenience stores, and other establishments) and through its online sales platform, is highly automated and processed by the interaction of several highly complex computer systems.

Given the heavy reliance on IT systems for the proper processing and recognition of revenues, it is essential to maintain an adequate control environment over these systems to ensure that they can be used in the most efficient way possible.

We determined this to be a key audit matter due to the relevance of the amounts involved, the high volume of transactions for individually insignificant amounts and the complexity and high automation of the IT systems supporting the revenue recognition process, which represent a higher risk of material misstatement and require a significant effort in our audit work.

Our response

Our audit procedures related to this matter included:

- Understanding the Group's revenue recognition process established for revenue derived from the retail and travel business lines, evaluation of the design and implementation of the related relevant controls, including general controls (access management, program changes and other general automated controls and backups) and automatic or application controls of those applications identified as crucial to the mentioned process, and verification of the operational effectiveness of such controls, with the involvement of our information systems specialists.
- Identifying and understanding the key IT systems that support the Group's revenue recognition process for the retail and travel business lines and related internal controls, by checking whether there are security policies in place, reading and analyzing the procedures established by the Group's IT department and evaluating its structure, governance and organization.
- Performing analytical procedures on the daily ledger of the Group's main subsidiaries to identify the possible existence of manual and/or unusual entries with an impact on revenue that may not have been recorded through the key computer applications that support the automatic revenue recognition process, verifying that these entries have been made by authorized personnel.
- Performing a transaction test on revenue earned in the year for a representative sample to match revenue to its respective cash inflows.
- Reviewing the disclosures included in the notes to the consolidated financial statements and assessment of its compliance with the applicable financial reporting framework.

Other information: Consolidated management report

Other information refers exclusively to the consolidated management report for the year ended February 28, 2023, the preparation of which is the responsibility of the Parent's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

a. Checking only that the consolidated non-financial statement has been provided as stipulated by applicable regulations and, if not, disclose this fact.

b. Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the entity obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining the information contained therein is consistent with that provided in the 2022 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company´s directors and the audit and control committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with EU-IFRS, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company 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 has no realistic alternative but to do so.

The audit and control committee is responsible for supervising the process for preparing and presenting the Group's consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 audit regulations 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 financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 management.

- Conclude on the appropriateness of the 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 financial statements 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

We communicate with the audit and control committee of the parent company 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 audit and control committee of the Parent with a statement that we have complied with relevant ethical requirements, including those related to 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 Parent's audit and control committee, we determine those that were of most significance in the audit of the consolidated financial statements for the current period, and that are therefore considered the key audit issues.

We describe these matters in our auditor's report unless legal or regulatory provisions preclude public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report for the Parent's audit and control committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit and control dated June 16, 2023.

Term of engagement

The Ordinary General Shareholders' Meeting held on July 26, 2020 appointed us as auditors for three years, commencing the year ended February 28, 2021.

Previously, we were appointed as auditors by the shareholders for three years and we have been carrying out the Audit of the financial statements continuously since the financial year ended on February 28, 2018.

ERNST & YOUNG, S.L.

FRAHOLA

Francisco Rahola Carral

June 16, 2023

Consolidated financial statements for the year ended 28 February 2023 prepared in accordance with International Financial Reporting Standards as adopted by the European Union

EL CORTE INGLÉS GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2023

ASSETS	Note	28 February 2023	28 February 2022 (*)
Property, plant and equipment	5	8,394,051	8,769,616
Investment properties	6	476,192	601,709
Right-of-use assets	9.1	395,659	371,579
Goodwill	7	194,079	194,232
Other intangible assets	8	670,228	719,888
Non-current loans and other financial assets		11,669	11,817
Investments accounted for using the equity method	10	740,486	242,130
Non-current financial assets	11	152,080	60,593
Deferred tax assets	22.5	629,882	733,022
TOTAL NON-CURRENT ASSETS		**11,664,326**	**11,704,586**
Non-current assets held for sale	4.2.15	13,904	1,156,661
Inventories	12	1,879,829	1,579,332
Trade and other receivables	13	386,204	256,317
Receivables from associates and related parties	24.1	35,462	30,172
Current tax assets	22.5	3,460	2,794
Investments in associates and related parties	24.1	1,708	1,996
Current financial assets	11	52,866	63,286
Other current assets		23,551	32,885
Cash and cash equivalents	14	183,087	158,968
TOTAL CURRENT ASSETS		**2,580,070**	**3,282,411**
TOTAL ASSETS		**14,244,396**	**14,986,997**

In € 000.
Notes 1 to 26 are an integral part of the consolidated statement of financial position as at 28 February 2023.
(*) Restated figures. Refer to notes 2.4 and 2.6.

Consolidated financial statements for the year ended 28 February 2023 prepared in accordance with International Financial Reporting Standards as adopted by the European Union

EL CORTE INGLÉS GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2023

EQUITY AND LIABILITIES	Note	28 February 2023	28 February 2022 (*)
Capital	15.1	454,601	454,601
Reserves		5,594,515	5,285,938
- Legal	15.2	90,920	97,373
- Other reserves	15.3	5,503,595	5,188,565
Profit for the year attributable to equity holders of the parent		870,150	120,203
Translation differences		8,375	2,917
Own shares	15.4	(498,047)	(298,062)
Valuation adjustments	15.5	34,191	24,969
- Financial assets at fair value through equity		(4,387)	14,964
- For hedging transactions		38,578	10,005
Non-controlling interests	15.6	99,784	89,604
TOTAL EQUITY	15.7	**6,563,569**	**5,680,170**
Non-current provisions	16.1	118,427	158,497
Non-current notes and other marketable securities	17	80,632	1,379,331
Non-current bank borrowings	17	2,079,782	1,702,500
Non-current loans and borrowings from associates and related parties	24.1	48,739	48,606
Non-current lease liabilities	17 and 9.1	327,199	322,538
Other financial liabilities	17	3,012	5,350
Payables to fixed-asset suppliers		24,705	13,887
Deferred tax liabilities	22.5	846,363	846,733
TOTAL NON-CURRENT LIABILITIES		**3,528,859**	**4,477,442**
Liabilities associated with non-current assets held for sale	4.2.15	-	1,145,264
Current provisions	16.1	105,028	47,434
Current notes and other marketable securities	17	302,634	195,491
Current bank borrowings	17	38,302	36,323
Current loans and borrowings from associates and related parties	24.1	40,663	29,608
Current lease liabilities	17 and 9.1	97,175	100,386
Other current financial liabilities	17	27,335	971
Payables to fixed-asset suppliers		78,241	49,039
Trade and other payables	21	3,427,338	3,194,463
Trade payables, associates and related parties	24.1	17,516	23,060
Current tax liabilities		6,787	210
Accruals		10,950	7,136
TOTAL CURRENT LIABILITIES		**4,151,968**	**4,829,385**
TOTAL EQUITY AND LIABILITIES		**14,244,396**	**14,986,997**

In € 000.

Notes 1 to 26 are an integral part of the consolidated statement of financial position as at 28 February 2023.

(*) Restated figures. Refer to notes 2.4 and 2.6.

EL CORTE INGLÉS GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 28 FEBRUARY 2023

	Note	2022	2021 (*)
Revenue	23.1	14,068,721	11,996,572
Cost of sales	23.2	(9,681,914)	(8,098,803)
Employee benefits expense	23.3	(2,353,409)	(2,139,485)
Other operating income and expense	23.4	(1,082,033)	(954,003)
Amortisation and depreciation	5, 6 and 8	(563,103)	(506,875)
Provisions, impairment of and gains/(losses) on disposal of assets and other gains/(losses)	5 and 8	(276,783)	(55,057)
Employee benefit obligations		(85,418)	(47,287)
OPERATING PROFIT/(LOSS)		**26,061**	**195,062**
Finance income	23.5	8,642	1,646
Finance costs	23.5	(114,878)	(123,508)
Interest expense on leases	23.5	(15,567)	(13,475)
Change in fair value of financial instruments	11 and 9	(2)	-
Share of profit of companies accounted for using the equity method	10	43,640	23,150
Exchange differences		5,653	2,456
Impairment of and gains/(losses) on disposal of financial instruments	10	20,078	(132)
NET FINANCE COST		**(52,435)**	**(109,863)**
Profit after tax from discontinued operations	4.2.15	1,008,186	71,857
PROFIT/(LOSS) BEFORE TAX		**981,812**	**157,056**
Income tax expense		(101,385)	(34,334)
PROFIT/(LOSS) FOR THE YEAR from continuing operations	22.3	**880,427**	**122,722**
PROFIT/(LOSS) FOR THE YEAR		**880,427**	**122,722**
Profit/(loss) attributable to non-controlling interests	15.6	(10,277)	(2,519)
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**870,150**	**120,203**

In € 000.
Notes 1 to 26 are an integral part of the consolidated statement of profit or loss for the year ended 28 February 2023.
(*) Restated figures. Refer to notes 2.4 and 2.6.

EL CORTE INGLÉS GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2023
STATEMENT OF RECOGNISED INCOME AND EXPENSE IN THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	2022	2021
PROFIT/(LOSS) FOR THE YEAR (I)		**880,427**	**122,722**
Income and expense recognised directly in equity			
- Measurement of financial instruments at fair value through equity	15.5	458	(8,045)
- Cash flow hedges	19	42,783	35,552
- Translation differences		5,458	1,676
- Tax effect	22.2	(10,810)	(6,877)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)		**37,889**	**22,306**
Amounts reclassified to profit or loss			
- Measurement of financial instruments at fair value	15.5	-	(8,070)
- Cash flow hedges	19	4,265	(6,656)
- Translation differences		-	-
- Tax effect	22.2	(1,066)	3,682
TOTAL AMOUNTS TRANSFERRED TO PROFIT OR LOSS (III)		**3,199**	**(11,044)**
TOTAL COMPREHENSIVE INCOME (I+II+III)		**921,515**	**133,984**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**931,793**	**136,503**
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**(10,277)**	**(2,519)**

In € 000.

Notes 1 to 26 are an integral part of the consolidated statement of comprehensive income for the year ended 28 February 2023.

EL CORTE INGLÉS GROUP

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2023

	Capital	Reserves			Own shares	Reserves in consolidated companies	Profit/(loss) attributable to equity holders of the parent	Valuation adjustments and translation differences	Non-controlling interests	TOTAL
		Legal reserve	Other reserves	Total						
BALANCE AT 28 FEBRUARY 2021	486,864	97,373	7,131,386	7,228,759	(417,325)	1,125,756	(2,945,362)	16,624	17,370	5,512,686
Total comprehensive income	-	-	-	-	-	-	120,203	11,262	2,519	133,984
Transactions with shareholders	(32,263)	-	(2,638,349)	(2,638,349)	119,263	(543,195)	2,945,362	-	-	(149,182)
- Appropriation of 2020 profit/(loss)	-	-	(2,402,167)	(2,402,167)	-	(543,195)	2,945,362	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Reserves	-	-	(2,402,167)	(2,402,167)	-	(543,195)	2,945,362	-	-	-
- Transactions with own shares (net) - note 15.4	-	-	(10,789)	(10,789)	(138,393)	-	-	-	-	(149,182)
- Capital reduction - note 15.4	(32,263)	-	(225,393)	(225,393)	257,656	-	-	-	-	-
Other changes in equity	-	-	(30,436)	(30,436)	-	143,403	-	-	69,715	182,682
- Extraordinary dividends*1	-	-	(25,000)	(25,000)	-	-	-	-	-	(25,000)
- Other	-	-	(5,436)	(5,436)	-	143,403	-	-	69,715	207,682
BALANCE AT 28 FEBRUARY 2022	454,601	97,373	4,462,601	4,559,974	(298,062)	725,964	120,203	27,886	89,604	5,680,170
Total comprehensive income	-	-	-	-	-	-	870,150	41,088	10,277	921,515
Transactions with shareholders	-	-	491,633	491,633	285,715	(179,829)	(120,203)	-	-	477,316
- Appropriation of 2021 profit	-	-	225,032	225,032	-	(179,829)	(120,203)	-	-	(75,000)
Dividends	-	-	-	-	-	-	(75,000)	-	-	(75,000)
Reserves	-	-	225,032	225,032	-	(179,829)	(45,203)	-	-	-
- Transactions with own shares (net) - note 15.4	-	-	266,601	266,601	285,715	-	-	-	-	552,316
Other changes in equity	-	(6,453)	3,241	(3,212)	(485,700)	(15)	-	(26,408)	(97)	(515,432)
- Adjust to legal reserve for capital reduction	-	(6,453)	6,453	-	-	-	-	-	-	-
- Other changes in equity – note 15.4	-	-	-	-	(485,700)	-	-	-	-	(485,700)
- Other	-	-	(3,212)	(3,212)	-	(15)	-	(26,408)	(97)	(29,732)
BALANCE AT 28 FEBRUARY 2023	454,601	90,920	4,957,475	5,048,395	(498,047)	546,120	870,150	42,566	99,784	6,563,569

In € 000.

Notes 1 to 26 are an integral part of the consolidated statement of total changes in equity for the year ended 28 February 2023.

*1 Extraordinary dividend charged against reserves (note 15.3).

EL CORTE INGLÉS GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 28 FEBRUARY 2023

	Note	2022	2021
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES (I)		554,024	978,718
Profit/(loss) for the year before tax from continuing operations		**(26,374)**	**85,199**
Profit/(loss) for the year before tax from discontinued operations		**1,008,186**	**94,778**
Profit/(loss) before tax		**981,812**	**179,977**
Adjustments to profit:		**(169,706)**	**571,556**
- Amortisation and depreciation	5, 6 and 8	563,103	511,354
- Impairment losses	5	275,579	2,083
- Change in provisions		110,079	6,462
- (Gains)/losses on derecognition and disposal of long-term assets	5	(111,320)	(17,858)
- (Gains)/losses on derecognition and disposal of financial instruments		(1,069,315)	218
- Finance income	23.5	(8,642)	(2,754)
- Finance costs		130,446	136,981
- Exchange differences		(5,653)	(2,456)
- Change in fair value of financial instruments	11 and 19	2	716
- Share of profit of companies accounted for using the equity method		(43,640)	(23,150)
- Other adjustments to profit		(10,345)	(40,040)
Working capital changes		**(95,587)**	**556,537**
- Inventories		(300,497)	109,629
- Trade and other receivables		(90,053)	(18,877)
- Other current assets		20,042	(47,709)
- Trade and other payables		263,908	524,801
- Other current liabilities		3,813	(1,792)
- Other non-current assets and liabilities		7,200	(9,515)
Other cash flows from operating activities		**(162,494)**	**(329,352)**
- Interest paid		(125,925)	(131,427)
- Dividends received		33,814	4
- Interest received		8,638	2,749
- Income tax received (paid)		(4,141)	(17,180)
- Other receipts / (payments)		(96,489)	(227,238)
- Cash flows from operating activities of discontinued operations		21,609	43,740
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES (II)		583,841	(416,279)
Payments for investments		**(428,949)**	**(521,072)**
- Intangible assets	8	(153,458)	(121,801)
- Property, plant and equipment	5	(248,975)	(175,201)
- Investment properties	6	(2,516)	(2,039)
- Other financial assets		(24,000)	(156,289)
- Discontinued operations		-	(5,992)
- Acquisition of a subsidiary, net of the cash acquired		-	(59,750)
Proceeds from sale of investments		**1,012,790**	**104,793**
- Associates and other related parties		699,244	23,251
- Intangible assets, property, plant and equipment and investment properties		313,398	81,542
- Other financial assets		148	-
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES (III)		(1,119,398)	(1,289,022)
Proceeds from and payments for equity instruments		**42,074**	**(87,512)**
- Acquisition of own equity instruments		(518,384)	(89,188)
- Disposal of own equity instruments		555,000	-
- Translation differences		5,458	1,676
Proceeds from and payments for financial liability instruments		**(1,083,245)**	**(1,171,080)**
- Repayment of notes and other marketable securities		(1,379,332)	(688,038)
- Repayment of bank borrowings		-	(476,030)
- Repayment and redemption of borrowings from group companies and associates		(70,201)	(443)
- Repayment of other borrowings		-	(63,226)
- Issuance of notes and other marketable securities		107,143	168,931
- Issuance of bank borrowings		390,307	5,404
- Issuance of borrowings from group companies and associates		-	8
- Issuance of other borrowings		11,069	-
- Operating lease liabilities (IFRS 16)		(142,229)	(117,686)
Dividends and interest paid on other equity instruments		**(78,230)**	**(30,430)**
- Dividends		(75,000)	(25,000)
- Other equity instruments		(3,230)	(5,430)
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (IV)		5,653	2,456
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		24,118	(724,127)
Cash and cash equivalents, opening balance		158,968	920,668
Cash and cash equivalents, closing balance		183,087	196,541

In € 000.

Notes 1 to 26 are an integral part of the consolidated statement of cash flows for the year ended 28 February 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2023

CONTENTS

EL CORTE INGLÉS GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2023

1. CORPORATE INFORMATION

El Corte Inglés, S.A. (the "Parent" or the "Company") was incorporated in Spain in accordance with the Public Limited Companies Act (*Ley de Sociedades Anónimas*). Its registered office is located in Madrid, at calle Hermosilla, 112.

The core business of El Corte Inglés, S.A. and its consolidated subsidiaries is the retailing of consumer goods and the provision of a wide range of services (e.g., travel agency, insurance brokerage, security services, logistics, financial services) through a network of department stores, hypermarkets, supermarkets, convenience stores, agencies and digital platforms.

The Parent is the head of a group of subsidiaries and under current legislation is obliged to prepare separately consolidated financial statements, which include interests in joint ventures and investments in associates. The consolidated financial statements of El Corte Inglés Group ("the Group") for the year ended 28 February 2023 (hereinafter the "2022" financial statements) were authorised for issue by the Parent's Board of Directors at its meeting held on 31 May 2023 and will be submitted for approval at the Annual General Meeting. They are expected to be approved without modification. The 2021 consolidated financial statements were approved at the Annual General Meeting of El Corte Inglés, S.A. held on 22 July 2022 and duly filed with the Madrid Companies Register.

The financial year of El Corte Inglés, S.A. and most of its subsidiaries commences on 1 March each year and ends on 28 February the following year (or 29 February in leap years). However, the financial year of certain subsidiaries and associates is the calendar year. The following table presents information on the companies consolidated by El Corte Inglés Group (none of which are publicly traded) at 28 February 2023:

Company		Business	Location	Auditor	Percentage ownership interest Direct	Indirect
Parent:						
El Corte Inglés, S.A.	(a)	Department stores	Madrid	EY	-	-
Group companies:						
Editorial Centro de Estudios Ramón Areces, S.A.U.	(a)	Publishing	Madrid	EY	100.00	-
El Corte Inglés Cadena de Suministros S.L.U	(a)	Logistics	Madrid	EY	100.00	-
E.C.I. Hong – Kong Limited	(b)	Purchasing centre	China	Baker Tilly China	100.00	-
E.C.I. Shanghai Limited	(b)	Purchasing centre	China	Baker Tilly China	100.00	-
Supercor, S.A.U.	(a)	Supermarkets	Madrid	EY	100.00	-
Canal Club de Distribución de Ocio y Cultura, S.A.	(a)	Direct sale by catalogue and TV	Madrid	-	75.00	-
El Corte Inglés-Grandes Armazéns, S.A.	(a)	Department stores	Portugal	EY	100.00	-
ECI Cascais, S.A.	(b)	Property leasing	Portugal	-	-	100.00
Uría Veinte, S.A.U.	(a)	Property leasing	Madrid	-	99.05	-
Confecciones Teruel, S.A.U.	(a)	Clothing manufacturing	Madrid	EY	100.00	-
Industrias del Vestido, S.A.U.	(a)	Clothing manufacturing	Madrid	EY	100.00	-
Telecor, S.A.U.	(a)	Sale of telecommunications products and services	Madrid	EY	100.00	-
Ingondel, S.L.U.	(a)	Holding company	Madrid	-	100.00	-
Garanair, S.L.U.	(b)	Holding company of shares in IB OPCO Holding	Madrid	EY	100.00	-
Moda Joven Sfera México, S.A. DE C.V.	(b)	Sale of clothing and accessories	Mexico City	PWC	51.00	-
Parinver subgroup-						
Parinver, S.A.U.	(a)	Holding company	Madrid	-	100.00	-
Sicor Seguridad, S.L.	(a)	Surveillance and protection services	Madrid	EY	-	100.00
Sicor Servicios Integrales, S.L.	(a)	Business services and supplies	Madrid	EY	-	100.00
Sicor Integra El Corte Inglés, S.L.	(a)	Corporate support services	Madrid	-	-	100.00
Sicor Interservicios ETT, S.L.	(a)	Temporary employment agency	Madrid	-	-	100.00
Sicor Limpieza, S.L.	(a)	Other industrial and office cleaning activities	Madrid	-	-	100.00
Sicor Logística, S.L.	(a)	Merchandise handling	Madrid	-	-	100.00
Sicor Empresas, S.L.	(a)	Corporate support services	Madrid	-	-	100.00
Parinver Servicios, S.L.U.	(a)	Portfolio of service provision companies	Madrid	-	-	100.00
Viajes El Corte Inglés subgroup-						
VECI Travel Group, S.L.	(a)	Travel agency	Madrid	EY	75.00	-
Viajes El Corte Inglés, S.A.	(a)	Travel agency	Madrid	EY	-	75.00
CDV Senior, S.L.U.	(a)	Travel agency	Madrid	EY	-	75.00
Viajes El Corte Inglés, Inc.	(a)	Travel agency	United States	-	-	75.00
Viajes El Corte Inglés, S.A. de C.V.	(b)	Travel agency	Mexico City	EY	-	74.88
Viajes El Corte Inglés Argentina, S.A.	(b)	Travel agency	Argentina	-	-	75.00
Viajes El Corte Inglés Perú, S.A.	(b)	Travel agency	Peru	-	-	75.00
Asesores de Viaje, S.A.	(b)	Travel agency	Chile	EY	-	74.99
Viajes El Corte Inglés R. Dominicana, S.R.L.	(b)	Travel agency	Dominican Republic	-	-	75.00
Viajes El Corte Inglés Colombia, S.A.	(b)	Travel agency	Colombia	-	-	75.00

Company	Business	Location		Auditor	Percentage ownership interest Direct	Indirect
Tourmundial Uruguay, S.A.	(b)	Travel agency	Uruguay	-	-	75.00

Viajes El Corte Inglés Panamá, S.A.	(b)	Travel agency	Panama	-	-	75.00
Viajes El Corte Inglés Ecuador, S.A.	(b)	Travel agency	Ecuador	-	-	75.00
Operadora de Turismo, S.A.	(b)	Travel agency	Chile	-	-	75.00
Promotora Viajes El Corte Inglés, S.A, de C.V.	(b)	Travel agency	Mexico City	-	-	75.00
Promotores Conosur, S.A.	(b)	Travel agency	Argentina	-	-	75.00
Promotora Viajes El Corte Inglés Colombia S.A.S	(b)	Travel agency	Colombia	-	-	75.00
Viajes Proworld S.A. de CV	(b)	Travel agency	Mexico City	-	-	75.00
Tourmundial	(a)	Travel agency	Madrid	EY	-	75.00
Aperture Travel, S.L.	(a)	Travel agency	Palma de Mallorca	EY	-	75.00
Travelsteps, S.A.R.L	(a)	Travel agency	France	EY	-	75.00
Travelconcept S.L.	(a)	Travel agency	Palma de Mallorca	EY	-	75.00
Traveltino 2009, S.L.U.	(a)	Travel agency	Santa Cruz de tenerife	EY	-	75.00
VECI Travel Tech S.L.	(a)	Travel agency	Palma de Mallorca	EY	-	75.00
Sport Travel Management	(a)	Travel agency	Palma de Mallorca	EY	-	75.00
Tu experto en viajes 2020	(a)	Travel agency	Palma de Mallorca	EY	-	75.00
Top Tourism Marketing	(a)	Travel agency	Palma de Mallorca	EY	-	52.50
Travelfactory Portugal	(a)	Travel agency	Portugal	EY	-	75.00
Travelfactory SRL	(a)	Travel agency	Italy	EY	-	75.00
Logitravel Limited	(a)	Travel agency	UK	EY	-	75.00
Magic Rooms Accommodation	(a)	Travel agency	UK	EY	-	75.00
Logitravel GmbH	(a)	Travel agency	Germany	EY	-	75.00
Travelconcept Viagens E T	(a)	Travel agency	Brazil	EY	-	75.00
Traveltino S.A.	(a)	Travel agency	Uruguay	EY	-	75.00
Travelnet DMCC	(a)	Travel agency	United Arab Emirates	EY	-	75.00
LLC TravelTool East (**)	(a)	Travel agency	Russia	EY	-	75.00
Asón Inmobiliaria de Arriendos subgroup-						
Asón Inmobiliaria de Arriendos, S.L.U.	(a)	Property leasing	Madrid	A.B. Aud.	100.00	-
Esgueva, S.A.U.	(a)	Property leasing and org. of events	Madrid	-	-	100.00
Ízaro Films, S.A.U.	(a)	Property leasing	Madrid	-	-	100.00
Iniciativas Inmobiliarias Valderas, S.A.U.	(a)	Property leasing	Madrid	-	-	100.00
ECI Boavista	(b)	Property leasing	Portugal	-		100.00
Construcc Inmobiliarias Alcoral, S.A.U.	(a)	Property leasing	Madrid	-	-	100.00
Promociones Inmobiliarias Gallegas, S.A.U.	(a)	Property leasing	Madrid	-	-	100.00
Associates:						
Centro de Seguros y Servicios. Correduría de Seguros, S.A.,	(b)	Insurance brokerage	Madrid	EY	49.99	-
Grupo de Seguros El Corte Inglés						
Seguros El Corte Inglés, Vida, Pensiones y Reaseguros, S.A.U.	(b)	Insurance	Madrid	EY	49.99	-
Gestión de Puntos de Venta, GESPEVESA, S.A.	(b)	Service stations and conveniences stores	Madrid	PWC	50.00	-
Sephora Cosméticos España, S.L.	(b)	Sale of fragrances and cosmetics	Madrid	PWC	50.00	-
Citorel, S.L.	(a)	Sale of jewellery and watches	Madrid	-	50.00	-
Financiera El Corte Inglés E.F.C., S.A.	(b)	Finance	Madrid	PWC	49.00	-
Financiera El Corte Inglés PT S.F.C., S.A.	(b)	Finance	Madrid	PWC	-	49.00
KIO Networks España	(a)	Sale of computer products and services	Murcia	Deloitte	50.00	-
Lecius, S.L.	(b)	Sale of jewellery and watches	Barcelona	-	50.00	-

Company	Business	Location		Auditor	Percentage ownership interest Direct	Indirect
STravel Partners	(a)	Travel agency	Palma de Mallorca	-	-	35.25
Viajes Soltour SA	(a)	Travel agency	Murcia	-	-	35.25
Soltour Portugal LDA	(a)	Travel agency	Portugal	-	-	35.25
Travel Agencies Management Services, S.L.	(a)	Travel agency	Palma de Mallorca	-	-	35.25

(a) Year ended 28 February 2023.
(b) Year ended 31 December 2022.
(*) The companies in the above table in which the Parent holds a percentage interest greater than 50% of the shares or ownership interests with voting rights (either directly or indirectly) are fully consolidated (note 2.8.1.). The rest of the companies are accounted for using the equity method as described in that note.
(**) Ceased operations due to the geopolitical situation.

See note 2.8.9 for the main changes in group structure.

2. BASIS OF PREPARATION AND BASIS OF CONSOLIDATION

2.1 Basis of preparation

El Corte Inglés Group's consolidated financial statements for the year ended 28 February 2023 have been prepared on the basis of the accounting records kept by El Corte Inglés, S.A. (the "Parent") and by the other entities comprising the Group and were authorised for issue by the Parent's Board of Directors at its meeting held on 31 May 2023, to give a true and fair view of the consolidated equity and financial position of the Group at 28 February 2023 and the consolidated results of its operations, and changes in consolidated equity and consolidated cash flows, for the year then ended.

The accompanying financial statements were prepared in accordance with the applicable financial reporting framework and, in particular, International Financial Reporting Standards (IFRSs), as adopted by the European Union, in conformity with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council. Note 4.2 summarises the most significant mandatory accounting policies and measurement criteria applied and the alternative treatments permitted by the standards and note 4.1 itemises the standards and interpretations issued but not yet effective as at the date of authorisation for issue of the accompanying consolidated financial statements.

Since the accounting policies and measurement criteria used in preparing the Group's 2022 consolidated financial statements (International Financial Reporting Standards) differ from those used by the consolidated entities (local GAAP), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards adopted in Europe.

The accompanying consolidated financial statements are expressed in thousands of euros, unless indicated otherwise. Foreign transactions are accounted for in accordance with the policies explained in note 4.2.9.

These consolidated financial statements omit information or disclosures that are not prescribed for their qualitative importance or not considered material in accordance with the definition of materiality in the IFRS Conceptual Framework.

2.2 Accounting policies

The directors of the Parent have authorised the issuance of the accompanying consolidated financial statements taking into account all the mandatory accounting policies and standards, and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by regulations, which are specified in note 4.2.

2.3 Accounting estimates

The information in these consolidated financial statements is the responsibility of the directors of the Parent.

The preparation of the consolidated financial statements requires the Parent's directors to make estimates that affect the reported amounts of certain assets, liabilities, revenue, expenses and commitments recognised therein.

Those estimates relate basically to:

- The assessment of potential impairment losses on certain assets, including goodwill (note 4.2.5)
- The measurement of inventories using the retail method (note 4.2.7)
- The calculation of provisions, including amounts to cover tax contingencies, and the outcome of ongoing litigation (note 4.2.12)
- Valuation of the 49.99% interests in Seguros El Corte Inglés, Vida, Pensiones y Reaseguros, S.A.U. and Centro de Seguros y Servicios, Correduría de Seguros, S.A.U. (note 10)
- The recoverability of deferred tax assets (note 4.2.10)
- The revenue recognition criteria for the travel business.
- The consideration of options to terminate or extend leases in determining the lease liability and the related right-of-use asset (note 4.2.6)

Although these estimates were made on the basis of the best information available as at 28 February 2023 regarding the facts analysed, future events could make it necessary to revise these estimates in future periods. In accordance with IAS 8, the effect of a change in accounting estimates is recognised prospectively by including it in profit or loss, unless it relates to an error or change in accounting policy.

Judgements other than in relation to accounting estimates are described in note 2.8 and the related accounting policies within note 4.

2.4 Comparative information

As required under IAS 1, the information contained in these notes to the consolidated financial statements in respect of 2021 is provided to enable the reader to compare it with that relating to 2022 and does not, therefore, constitute the Group's 2021 consolidated financial statements.

In 2021, the Group created a new travel group under the VECI Travel Group holding company in a transaction placed on public record by means of deed, which should be considered when comparing 2022 and 2021 figures. In 2022, the final amount of the purchase was allocated.

Therefore, the Group restated 2021 figures, presenting the 2021 statement of financial position with the final price paid. The criteria for recognising revenue of Veci Travel Group also changed, resulting in the restate of 2021 figures (note 2.6).

For purposes of comparison with information in respect of the previous reporting period, with the exception of the average supplier payment term disclosures provided in note 20.1 which for 2022 include the new disclosure requirements stipulated in Law 18/2022 (of 28 September 2022) on business creation and growth, specifically disclosing, in addition to the average supplier payment term, the monetary value of and number of invoices paid within the legally stipulated deadline and their percentage shares of the corresponding totals.

2.5 Aggregation of items

Certain items in the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the consolidated statement of cash flows have been aggregated with other items to make them easier to understand. However, whenever the amounts involved are material, the information is disclosed separately in the related notes to the consolidated financial statements.

2.6 Changes in accounting policies and corrections of errors

In 2022, Group management reassessed the indicators of control over its transactions with customers after acquiring control of the Logitravel business. After this assessment, the Group decided to restate comparatives, concluding that transportation-related revenue (e.g., sales of tickets for business and leisure air, rail and sea transportation), revenue from third-party travel packages (brokerage in the sale of holiday packages designed and planned by other tour operators), cruises (brokerage in the sale of resort cruise tickets) and other revenue should be presented net (as agent) to better reflect the Group's operations.

Logitravel's integration into the Group has enhanced Veci Travel Group's positioning in the online travel channel, changing customers view about travel agencies as the main service provider and, therefore, about who controls the service, as well as the accounting treatment of the revenue, which is disclosed in accordance with best industry practices.

The Company applied the change in policy retrospectively, restating the figures for 2021. This only affected the statement of profit or loss:

€ 000	2022	2021
Total revenue	**15,326,846**	**12,507,609**
Effect of change in accounting policy	(1,258,125)	(511,037)
Revenue	**14,068,721**	**11,996,572**

€ 000	2022	2021
Cost of sales	**(10,943,454)**	**(8,611,201)**
Effect of change in accounting policy	1,261,540	512,398
Cost of sales	**(9,681,914)**	**(8,098,803)**

€ 000	2022	2021
Other operating income and expense	**(1,078,618)**	**(952,642)**
Effect of change in accounting policy	(3,415)	(1,361)
Other operating income and expense	**(1,082,033)**	**(954,003)**

2.7 Main impacts in 2022

2.7.1 Macroeconomic and political environment

Russia's invasion of Ukraine marked the start of a period of extraordinary uncertainty marked by the juxtaposition of a number of negative situations, including global supply chain friction and surging energy prices.

The inflationary pressures originated by the bottlenecks associated with the rapid recovery from the pandemic were accentuated by two developments that are closely related with Russia's invasion of Ukraine: (i) the energy crisis; and (ii) sharp growth in food prices.

Despite the challenging economic landscape, the Group is successfully mitigating the impact of inflation, bolstering the distribution chain in the face of temporary shortages and disruptions in the supply chain (with the creation of El Corte Inglés Supply Chain), cutting costs further, increasing process digitalisation and carrying out its property turnover plan. As a result, it delivered growth across the main headings of its statement of profit or loss and statement of cash flows. Specifically with respect to the energy crisis, through Telecor S.A.U., steps are being taken in the wake of rising energy costs that involve hedges through forward purchase contracts to reduce costs and lock in future cash flows.

Central bank monetary policy played a key role in market trends in 2022, with the authorities raising interest rates in an attempt to curb inflation. The trends in these factors remain key in 2023. High rates could increase volatility, potentially worsening the effects of the current situation.

As a result, growth is expected to continue to slow in the short term, potentially eroding consumer purchasing power and, thereby, demand for our products.

On the financial front, the Group is facing this challenging economic situation having recently refinanced its debt, extending maturities by five years (note 17) and entering into interest rate hedges to largely neutralise the impact of interest-rate hikes (note 13).

In addition, in 2022, having received the proceeds from the alliance with the Mutua Group and refinanced its debt, El Corte Inglés prepaid two market bond issues and the loan from the ICO, framed by its goal of reducing its borrowing costs.

As part of the strategy of driving customer satisfaction and confidence, implementation of the process digitalisation plan continued in a bid to streamline management by means of new and improved procurement systems, advanced data analysis and logistics automation models and reinforced cybersecurity capabilities, which are key to the development of our business model.

Elsewhere, under the umbrella of the retail sector's collective bargaining agreement, the Parent has agreed cumulative wage increases between 2023 and 2026 of 14%. On 27 February 2023, the Company announced a workforce restructuring process for the transfer of central and regional service professionals to the sales establishments and a voluntary redundancy scheme for employees over the age of 59. The corresponding notices have been given and meetings with the unions are underway. This measure is designed to enhance customer service by reinforcing the stores to cater to the prevailing healthy momentum in sales. The restructuring will affect 2,100 employees at most, including 630 people over the age of 59. In the case of the voluntary redundancy programme:

- The programme will run until 31 December 2023. As a result, the individual employment contracts of the people taking voluntary redundancy cannot be terminated any later than 31 December 2023.
- The coverage period runs from the date of termination until the age of 64 at the latest.
- During that coverage period, the Parent, at the employee's choice, will pay either all of the corresponding benefit as an upfront lump sum or a pre-tax monthly amount equivalent to one-twelfth of their pre-tax annual salary multiplied by a market percentage depending on their age.
- The period for volunteering the scheme ended on 22 May 2023.

After that the deadline elapsed, the Parent recognised a provision of €30 million at 28 February 2023 (note 16) under "Employee benefit obligations".

In 2022, El Corte Inglés met its targets, delivering growth and sustainable earnings growth.

Retail's first quarter (primarily March) was affected by the Omicron variant. The other three quarters featured healthy growth in all categories, surpassing 2019 levels. Retail revenue for the year rose 7.8% to €12,213.3 million.

As for the Veci Travel Group, the lifting of restrictions, the integration of Logitravel and good national and international tourism numbers helped drive a strong recovery. Travel revenue for the year rose by more than 100% to €1,676.9 million.

2.7.2 Going concern

At 28 February 2023, the Group had negative working capital (including non-current assets and liabilities held for sale) - a common situation among retailers and travel agencies - amounting to €1,571,898 thousand (2021: €1,546,974 thousand).

The Parent's directors have prepared the consolidated financial statements on a going concern basis. They believe that the rebound in activity, the robust financial position of the Group, thanks to actions taken in recent years, and the Company's wealth of real estate and financial assets should enable the Company to meet its short-term payment obligations on time and address any potential revenue shortfall caused by the geopolitical and/or inflation crisis.

The Parent's directors also consider that the cash flow generated by the business, the cash position and available funding after the subsequent refinancing (note 17) will be sufficient for the Company to meet its current liabilities. The Group generated a profit in 2022 and, according to the strategic plan approved by management, expects earnings momentum to continue in the coming years.

Consequently, the Parent's directors have prepared the accompanying financial statements on a going concern basis.

2.8 Basis of consolidation

2.8.1 Consolidation and equity method

All companies over which the Parent has control according to IFRS 10 have been fully consolidated. In joint arrangements between the Group and one or more unrelated parties to manage an investee where the parties act together to direct the relevant activities and decisions about the relevant activities require the unanimous consent of the parties sharing control, the Group assesses whether it directly has rights and obligations for its proportionate interest in the assets and liabilities of the arrangement (joint operation) or it only has rights to the net assets of the arrangement (joint venture). The Group does not have any entities classified as "joint operations" (mostly temporary joint ventures) with a significant impact on these consolidated financial statements.

Joint ventures or companies over which the Group has significant influence (associates) are accounted for using the equity method (notes 2.8.3 and 2.8.4).

2.8.2 Subsidiaries

Subsidiaries are investees over which the Parent has the power to exercise effective control, which is presumed to exist if: it has power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of its returns.

The financial statements of subsidiaries are fully consolidated with those of the Company. As a result, all intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated on consolidation.

The Group applies the acquisition method to account for business combinations. The cost of an acquisition (the consideration transferred) is the acquisition-date (see IFRS 3 *Business Combinations*) fair values of the assets transferred, the liabilities incurred or assumed, and any equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Any excess of the cost of acquisition over the fair value of the identifiable net assets is recognised as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets, i.e. in a bargain purchase, the gain is recognised directly in profit on the acquisition date.

The results of subsidiaries acquired during the year are included in the consolidated statement of profit or loss from the effective date of acquisition to the year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated statement of profit or loss from the beginning of the year up to the date of disposal.

Any third-party interest in the equity of the Group's investees is presented under "Non-controlling interests" in the consolidated statement of financial position within Group equity. Meanwhile, its interest in profit or loss for the period is presented under "Profit/(loss) attributable to non-controlling interests" in the consolidated statement of profit or loss.

In acquisitions of non-controlling interests, the difference between the consideration paid and the proportionate share of the carrying amount of the subsidiary's net assets is recognised in equity. Gains or losses on disposals of non-controlling interests are also recognised in equity.

2.8.3 Joint ventures

"Joint ventures" are contractual arrangements whereby two or more entities have interests in entities and any strategic financial or operating decisions affecting them require the unanimous consent of all the venturers, provided the joint arrangements only have rights to the net assets of the arrangement.

Companies considered to be "joint ventures" are accounted for using the equity method (note 2.8.4).

2.8.4 Associates

"Associates" are entities over which the Group has 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 those policies.

In the consolidated financial statements, investments in associates (and joint ventures, defined in note 2.8.3) are accounted for using the method, in proportion to the Group's share of the net assets of the associate (and joint venture), after adjusting for dividends received and other equity eliminations.

The portion of the cost that exceeds the Group's share of the fair value of the associate's net assets at the acquisition date is recognised implicitly as goodwill. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair values of the associate at the acquisition date over the cost of the investment is included as income.

The Group's share of an associate's net profit or loss is included in the consolidated statement of profit or loss under "Share of profit/(loss) of companies accounted for using the equity method".

If as a result of losses incurred by an associate its equity were negative, the Group would reduce the carrying amount of its investment in the consolidated statement of financial position to zero, unless the Group has an obligation to provide financial support to the associate.

These investees are listed in note 1.

2.8.5 Intragroup eliminations

All balances receivable and payable and transactions carried out between and among subsidiaries, associates and joint ventures were eliminated on consolidation in accordance with the financial reporting framework applicable to the Group.

2.8.6 Uniformity of measurement

The consolidation of the entities comprising the consolidation scope was carried out on the basis of their respective separate financial statements, which are prepared under the Spanish General Accounting Plan for companies resident in Spain and local GAAP for the foreign subsidiaries. The directors have made all the material adjustments needed to adapt these separate financial statements to IFRSs and/or to align them with the Parent's accounting policies as part of the consolidation process.

2.8.7 Companies with a different reporting date

Companies with a different reporting date have been consolidated in the financial statements at their reporting date (31 December 2022, note 1). Uniformity of timing adjustments are made to transactions between the reporting date of these subsidiaries and the date of the consolidated financial statements where they are material.

2.8.8 Translation of foreign currency financial statements

2.8.8.1 Functional and presentation currency

Transactions and balances of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Parent and the main subsidiaries.

2.8.8.2 Transactions and balances

Transactions in foreign currency are translated into the of presentation currency using the spot rates of exchange at the dates of the transactions. Foreign exchange gains and losses arising on the settlement of these transactions and the translation of monetary assets and liabilities denominated in foreign currencies at closing rates are recognised in profit or loss.

2.8.8.3 Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy except for Argentina, the balances and transactions of which are insignificant) that have a functional currency different from the presentation currency are translated into the presentation currency using the following procedures:

- Assets and liabilities for each statement of financial position are translated at the closing rate at the date of the statement of financial position;

- Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates at the dates of the transaction); and

- All resulting exchange differences, i.e., the differences resulting from the application at the end of each reporting period of the closing rates to assets and liabilities and average rates to items of income and expenses (or the spot rates of exchange on the dates of the transactions, as appropriate) are recognised in equity, under "Translation differences".

On the disposal of a foreign operation, the exchange differences relating to that foreign operation are recognised in the statement of profit or loss as part of the gain or loss on the disposal.

Any goodwill arising on the acquisition of a foreign operation and fair value adjustments to the net assets arising on the acquisition of that foreign entity are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.8.9 Changes in consolidated group

The main changes in Group structure in 2022 were as follows:

- On 28 February 2022, following approval by the competent authorities, the Logitravel transaction creating a new travel group under the VECI Travel Group holding company in which El Corte Inglés owns 75% and Tool Factory the remaining 25% (note 4.2.19) was placed on public record by means of a deed.
  As a result, the Group included in its consolidated financial statements at 28 February 2022 Logitravel Group's statement of financial position, but not its statement of profit or loss, since it acquired control on that date. Logitravel's statement of profit or loss was included in the 2022 consolidated statement of profit or loss.

- As at 28 February 2022, the assets classified liabilities of the insurance business were classified in the consolidated statement of financial position as non-current assets and non-current liabilities held for sale, and its operations were classified as discontinued operations in accordance with IFRS 5 following the signing of the agreement with Grupo Mutua Madrid. Lastly, once approval was received from the competent authorities, the transaction with Mutua Group was signed and executed on 31 May 2022. The insurance business ceased to be fully consolidated and the 49.99% stake, over which the Group has significant influence, was accounted for using the equity method.

The main changes in Group structure in 2021 were as follows:

- On 8 October 2021, following approval from the anti-trust authorities, the Group acquired 100% of the shares of Supermercados Sanchez Romero, S.L.U. ("SSR"). The acquisition price was €35.2 million (note 4.2.19). On 24 November 2021, the Board of Directors of El Corte Inglés approved the merger with Sanchez Romero, S.L.U., with the dissolution of Sanchez Romero, S.L.U. and the transfer to Supercor, S.A.U. of all the assets, rights and obligations comprising its equity, in accordance with the terms of merger signed previously by the two companies' respective directors.

3. APPROPRIATION OF PARENT COMPANY PROFIT

The appropriation of Parent company profit proposed by the directors to be submitted for approval at the Annual General Meeting is as follows:

ITEM	€ 000
Dividends	125,000
Voluntary reserves	549,523
TOTAL	**674,523**

Until the Company obtains an investment-grade rating, compliance with the ratios and magnitudes itemised in note 17 are taken into consideration for dividend distribution purposes.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Adoption of new standards and interpretations issued

4.1.1 Standards and interpretations effective in the current period

The following accounting standards, amendments and interpretations became effective in 2022 and were applied in the preparation of the consolidated financial statements:

Standard, interpretation or amendment	EU effective date
Amendments to: - IFRS 3 *Business Combinations* - IAS 16 *Property, Plant and Equipment* - IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	1 January 2022
2018-2020 annual improvements	1 January 2022
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (published on 22 September 2022)	30 January 2023

These standards were applied and did not have a significant impact.

4.1.2 Standards and interpretations issued but not yet effective.

As at the date of authorisation for issue of these consolidated financial statements, the most significant standards and interpretations that had been issued by the IASB but which were not yet effective, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union, are disclosed below:

Standard, interpretation or amendment	EU effective date	IASB effective date
IFRS 17 *Insurance Contracts*	1 January 2023	1 January 2023
IFRS 17 *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information*	1 January 2023	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023	1 January 2023
IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	1 January 2023	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12	1 January 2023	1 January 2023

– **IFRS 17 *Insurance Contracts***

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023 (considering deferral of the effective date), with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group is currently assessing the impacts of this standard for its timely and appropriate adoption, but they will only affect the investment in the Insurance business accounted for using the equity method.

– **Amendments to IAS 1 *Presentation of Financial Statements*: *Classification of Liabilities as Current or Non-Current***

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current. The amendments clarified:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

These amendments are effective for annual periods beginning on or after 1 January 2023 and must be applied retrospectively.

- **Amendments to IFRS 3 *Business Combinations:* Reference to the Conceptual Framework**

These amendments, issued by the IASB in May 2020, are intended to replace a reference to the Framework issued in 1989 with a reference to the conceptual framework issued in 2018, without significantly changing its requirements.

The IASB also added an exception to the requirements of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising from liabilities and contingent liabilities (within the scope of IAS 37 or IFRIC 21) if incurred separately. At the same time, the IASB decided to clarify existing guidance in IFRS 3 for recognition of contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

These amendments are effective for annual periods beginning on or after 1 January 2022 and apply prospectively. The Group does not expect these amendments to have any impact.

- **Amendments to IAS 16 *Property, Plant and Equipment*: Proceeds before intended use**

These amendments, issued by the IASB in May 2020, prohibit entities from deducting from the cost of item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, these proceeds are recognised in profit or loss.

These amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment brought to the location and condition necessary to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented when the entity first applies the amendment. The Group does not expect these amendments to have a material impact.

- **Amendments to IAS 37 - Costs of Fulfilling a Contract**

In May 2020, the IASB issued these amendments to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

- **Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies**

With these amendments, the IASB provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies. They also add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group is currently assessing the impact of these amendments.

- **Amendments to IAS 8 - Definition of Accounting Estimates**

With these amendments, the IASB introduced a new definition of "accounting estimates" that clarifies the distinction between changes in accounting estimates and changes in accounting policies and corrections of errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

- **Amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction.**

The amendments to IAS 12 narrow the scope of the initial recognition exception of deferred taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised (and interest expense) or to the related asset component (and interest expense).

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group is currently assessing the impact of this standard.

- **Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (published on 22 September 2022)**

The amendment specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The Parent's directors do not expect any significant impacts to arise from the amendments to standards and interpretations issued.

4.2 Recognition and measurement standards

4.2.1 Goodwill

Any excess of the cost of equity investments in consolidated companies over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

- Where the excess can be allocated to specific assets of the company acquired: by increasing the value of the assets (or reducing the value of the liabilities) whose fair values were higher (lower) than the carrying amounts at which they had been recognised in the acquirees' statements of financial position and which were treated similarly to the Group's same assets (liabilities): depreciation, amortisation, accruals, etc.

- If the excess can be allocated to specific intangible assets, those intangible assets are explicitly recognised in the consolidated statement of financial position to the extent that their acquisition-date fair value can be measured reliably.

- The remaining amount is recognised as goodwill, which is allocated to one or more specific cash-generating units.

Goodwill is only recognised when it has been acquired for consideration and represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired company that are not capable of being individually identified and separately recognised.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Any goodwill arising on the acquisition of a foreign operation whose functional currency is not the euro is measured in the acquiree's functional currency and translated to euros at the spot rate of exchange at the reporting date.

Goodwill is not amortised, but is subject to an impairment test at least annually (note 4.2.5).

The change in goodwill in 2022 was the result of the Logitravel transactions (note 4.2.19).

4.2.2 Other intangible assets

Other intangible assets include assets without physical substance, non-monetary assets and specifically identified intangible assets acquired from a third party or developed by the Group. Only assets whose cost can be estimated objectively and from which future economic benefits are expected are recognised.

Intangible assets are initially recognised at acquisition or production cost and subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

Borrowing costs accrued during the financing of software development projects that take more than one year to get ready for use are capitalised as an increase in the value of the assets until the project enters into operation.

An intangible asset is regarding as having an "indefinite useful life" when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. In all other cases, it is regarded as having a "finite useful life".

The Group's only intangible assets with indefinite useful lives relate to goodwill and the value of certain trademarks, which amounted to €194.1 million (2021: €194.2 million) and €18.1 million (2021: €18.1 million) at year-end 2022 and 2021, respectively, included under "Goodwill" and "Other intangible assets", respectively (notes 7 and 8).

Based on an analysis of all the relevant factors, the Group has determined that there is no foreseeable limit to the period over which its trademarks will generate net cash inflows for the Group. Therefore, it determines that they have indefinite useful lives.

Intangible assets with finite lives are amortised on a straight-line basis applying rates calculated based on the estimated useful lives of the related assets.

Intangible assets with indefinite lives are not amortised, but are tested for impairment at least annually, using the same criteria as are used to test goodwill for impairment (note 4.2.5).

The Group recognises any impairment loss on the carrying amount of these assets in "Impairment and gains/(losses) on disposal of assets" in the consolidated statement of profit or loss. The criteria used to recognise impairment losses on these assets and any potential reversal of a previously recognised impairment loss are described in note 4.2.5.

a) Development expenditures:

Research costs are expensed as incurred.

Development expenditures are recognised as an intangible asset if the Group can demonstrate all of the following:

- That the assets are individually itemised by project;
- The expenditure to develop the asset can be measured reliably; and
- The asset created will generate probable future economic benefits.

Capitalised development costs are amortised on a straight-line basis over their useful life (up to a maximum of five years).

If there is any doubt regarding the technical feasibility of a project or that it will generate economic benefits, the related expenses are recognised immediately in profit or loss.

b) Industrial property:

Industrial property includes amounts paid to acquire the property or the right to use it in its various forms (patents, trademarks and licences) or the expenditure incurred by the Group for its development.

Patents and trademarks are measured on initial recognition at cost and amortised on a straight-line basis over their estimated useful lives, except for trademarks considered to have an indefinite useful life, which are subject to annual impairment testing.

Other assets classified as "Industrial property" are considered to have a finite useful life and are amortised generally over a period of five years.

c) Service concession arrangements:

Service concession arrangements may only be included in assets when they have been acquired by the Group for consideration, in the case of transferable concessions, or for the amount of expenses incurred to obtain them directly from the grantor.

The service concession arrangements recognised by the Group as assets include the amounts paid to acquire the rights to build and operate certain premises and are amortised on a straight-line basis over the term of the arrangement (between 20 and 99 years).

d) Software:

Costs incurred to acquire and develop the Group's basic management information systems are capitalised within "Other intangible assets" in the consolidated statement of financial position.

Software maintenance costs are expensed as incurred.

Software is amortised on a straight-line basis over five years from when each application is brought into use.

e) Key money

Key money is measured at the amount paid on acquisition and amortised over the period in which it is expected to generate income; i.e. 10 years.

4.2.3 Property, plant and equipment

Property, plant and equipment acquired for use in the production or supply of goods or services, or for administrative purposes, are shown in the consolidated statement of financial position at cost of acquisition or production less accumulated depreciation and any accumulated impairment losses.

Costs incurred to enlarge, upgrade or improve property, plant and equipment which increase productivity, capacity or extend the useful life of the asset are capitalised as an increase in the related asset. Cost includes professional fees, and borrowing costs incurred to finance a project during the construction period that takes more than one year until the asset is reclassified to the appropriate item of property, plant and equipment.

The interest rate used is the Group's average borrowing cost.

Upkeep and maintenance costs are expensed in the period in which they are incurred.

For assets retired due to upgrades or for any other reason, the carrying amounts of the related costs and accumulated depreciation are derecognised.

The cost of self-constructed items of property, plant and equipment is recognised at accumulated cost (external costs plus internal costs determined on the basis of warehouse materials consumed in-house and manufacturing costs incurred).

Property, plant and equipment are depreciated using the straight-line method, distributing the cost of the assets over their estimated useful lives, as follows:

ITEM	Years
Buildings	33 – 85
Machinery, plant and tools	3.5 – 17
Furniture and fixtures	3.5 – 15
Computer equipment	4 – 6
Vehicles	5 – 15

The gain or loss arising from the disposal or derecognition of an item of property, plant and equipment is calculated as the difference between the selling price and the carrying amount of the asset and included in profit or loss.

4.2 Investment properties

Investment properties in the accompanying consolidated statement of financial position reflects the values of the land, buildings and other structures held to earn rentals or for capital appreciation.

Investment properties are presented at cost, using the same criteria as for similar items of property, plant and equipment (note 4.2.3).

Rental income from the lease of investment properties amounted to approximately €19.36 million in 2022 (2021: €18.83 million), recognised under "Other operating income" in the accompanying consolidated statement of profit or loss.

4.2.5 Impairment of non-current assets

Each reporting period and whenever there are indications of a decrease in value, the Group estimates the carrying amounts of its property, plant and equipment, investment properties and intangible assets (including goodwill) by performing an "impairment test" to determine whether the recoverable amount of the asset is less than its carrying amount (impairment loss). Goodwill and intangible assets with an indefinite useful life are tested for impairment at least annually or more frequently if there are indications that the asset may be impaired.

For assets that do not generate cash inflows that are independent of those from other assets, the Group determines the recoverable amount for the cash-generating unit to which the asset belongs.

Based on forecasts for exponential growth in online sales driven by strong customer demand, the Group has stepped up its omnichannel efforts, bridging the gap between the online and offline worlds so they can work together and complement each other.

Digital services (e.g. click&collect, click&car, same-day delivery) and in-person sales imply interdependence between the revenue from the different channels whose cash inflows are not independent of each other since online revenues affect store revenues and vice-versa.

At the same time, joint (online and offline) logistics monitoring at regional level, coupled with commercial, marketing and human resources decisions and the already established regional organisation, increases the interdependence of flows between stores in the same region. Nevertheless, since these interdependencies are still developing, the Group's main cash-generating units (CGUs), as in previous periods, are each of the retail stores (department stores, hypermarkets, supermarkets and agencies) that comprise its retail network. However, in specific cases they may be aggregated geographically.

Group assets that do not meet these criteria (e.g. offices, warehouses, logistics centres) are treated separately, as explained in this note.

The recoverable amount is the higher of the asset's fair value (determined based on independent expert appraisals) less estimated costs of disposal and its value in use.

If the estimated recoverable amount of an asset (or CGU) is less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense in "Provisions, impairment of and gains/(losses) on disposal of assets and other gains/(losses)" in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years.

Goodwill is tested for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) at the end of each reporting period, and any impairment loss is recognised. An impairment loss recognised for goodwill may not be reversed in a subsequent period.

For trademarks, which have an indefinite useful life, recoverable amount has been determined as their value in use, using cash flow projections based on budgets generally covering a period of five years.

4.2.5.1 Value in use

Value in use is calculated for each CGU (primarily Supercor supermarkets, certain department stores and Viajes El Corte Inglés travel agencies and leased stores -right-of-use) based on estimated future cash flows discounted at a rate that reflects current market assessments of the time value of money adjusted for the risks specific to the asset that have not been incorporated into the cash flow estimates.

The Group draws up cash flow forecasts for a CGU generally covering a period of five years based on the best estimates available of revenue and expenses using industry forecasts, past experience and future expectations (e.g. corporate budgets, business plans), and macroeconomic indicators that reflect each market's current and foreseeable economic situation. It also forecasts margins depending on the CGU and the nature of the business-product.

Taking into account strategic objectives and trends in macroeconomic indicators (e.g., population, inflation, GDP), Group management considers the weighted average sales growth rate for the next five years to be consistent with past experience.

Terminal value is calculated as a function of normalised cash flow in the last year of the projection period, extrapolated at a rate of growth in perpetuity that in no case is higher than prior years' growth rates. The cash flows used to calculate the terminal value factor take into account the maintenance capex required to ensure the business's continuity at the forecast growth rate.

Cash flow are discounted using a pre-tax rate based on the weighted average cost of capital, adjusted for country risk, business risk and other variables contingent on the current market situation. The average discount rate applied varies by business and country. For the Group's main assets, it was 8.6% in 2022 and 7.0% in 2021.

4.2.5.2 Fair value

For assets whose fair value is determined based on independent expert appraisals, the Parent's management and the appraisers choose the fair value measurement method that best reflects the reality of the market for the assets and its strategic or non-strategic importance for the Company. Specifically, the RICS standards (recognised by The European Group of Valuers and The International Valuation Standards Committee) are used to determine the fair value of the portfolio of department stores, offices, logistics and other assets. For most of the department stores, offices and warehouses, it uses the discounted cash flow (DCF) method. Specific, a % of EBITDA was considered, based on the property's classification, to determine the rents it can realistically expect to obtain for the business as a whole.

If the estimated recoverable amount of an asset is lower than its carrying amount, the asset is considered impaired and written down to its recoverable amount. The impairment loss is recognised in the statement of profit or loss.

The appraisals of the department stores, offices, logistics centres and other property assets amounted to €16,030.6 million in 2022.

4.2.5.3 Sensitivity analysis

The Parent's management performs a sensitivity analysis, especially the sensitivity to the discount rate used and the terminal growth rate, to ensure that changes in estimates of these rates will not have a material effect on the recoverable amount of the assets tested for impairment. Specifically:

- For assets whose recoverable amount was determined based on fair value, a 50 basis point decrease or increase in the discount rate would result in an decrease in fair value and an increase in impairment of €11 million and an increase in fair value and a decrease in impairment of €11 million, respectively.
- For assets whose recoverable amount was determined based on value in use, a 50 basis point increase or decrease in the discount rate used would result in a decrease in the value in use and an increase in impairment of €56 million and an increase in value in use and decrease in impairment of €59 million, respectively.
- An increase or decrease of 0.5% in the rate of growth in perpetuity would result in an increase in value in use and decrease in impairment of €35 million and a decrease in value in use and increase in impairment of €44 million, respectively.
- An increase or decrease of 5% in (annual) discounted cash flows would result in an increase in value in use and for the impairment of €30 million and a decrease in value in use and increase in impairment of €42 million, respectively.

4.2.6 Leases and right-of-use assets

Group as lessee

The Group leases its retail premises, travel and insurance agencies, computer equipment and other assets (e.g. offices, car parks and vehicles). It applies a single recognition and measurement approach for all leases in which it is lessee except for short-term leases and leases of low-value assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities (note 4.2.5.1). The initial cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any incentives received.

Right-of-use assets are depreciated on a straight-line basis over the lease term unless the useful life of the asset is shorter than the lease term or when it expects to exercise the purchase option or the assets can be relocated, in which case the depreciation period is the same as the useful life of the asset.

The depreciation rates for each type of underlying asset as classified by the Group are as follows:

- Retail premises: 1 to 32 years.
- Travel and insurance agencies: 1 to 5 years.
- Computer and other equipment: 1 to 3 years.
- Other: 1 to 12 years.

However, where the Group considers it reasonably certain that it will obtain ownership of the leased asset at the end of the lease term or that it will exercise any purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset. Right-of-use assets are tested for impairment.

The Group's leases do not include significant obligations to dismantle or restore assets.

Right-of-use assets are presented in a separate line item in the consolidated statement of financial position.

Lease liabilities

At the commencement of a lease, the Group recognises a liability for lease payments, including extensions if it is reasonably certain that it will exercise the option, and the right to use the underlying asset during the lease term.

Lease liabilities are recognised under "Lease liabilities" and include fixed payment commitments (including payments that contractually contain variability but are in-substance fixed payments) and any initial or future payments that are highly likely to be made (e.g. direct costs incurred in obtaining the lease or penalties), less lease incentives and excluding variable payments that depend on the future measurement of a variable. Lease liabilities are measured at amortised cost discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate for that lease. The liability is discounted using the effective interest rate and reduced by the lease payments made.

The lease liability is remeasured, generally as an adjustment of the right-of-use asset, when there are subsequent changes to the lease agreement, e.g. in the following cases: a change in the lease term, a change in future lease payments resulting from a change in an index used in the lease, a modification of future payments, etc. The lease liability is remeasured using a revised discount rate when there are modifications to the lease term or substantial modifications to the scope of the lease.

Judgements made in determining the lease term

The Group determines the lease term as the non-cancellable period of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, and periods covered by an option to terminate the lease, if it is reasonably certain not to exercise that option.

The Group has the option in certain contracts to lease the assets for additional periods under standard market clauses. The Group assesses whether it is reasonably certain to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew. The Group included the renewal period as part of the lease term for leases of retail premises and other facilities due to the importance of these assets for its operations. For other less critical assets and those where the economic rationale for exercising the options were not clear, Group policy was to not include renewal options as part of the lease term.

Leases of low-value assets and short-term leases

There are two exemptions for the recognition of assets and lease liabilities where the income and expense are recognised as accrued:

- Leases of low value assets: These are insignificant leases; i.e. leases in which the value of the underlying asset when it is new is insignificant. The Group has set a threshold for low value assets at €5,000.

- Short-term leases: Leases with a lease term of less than 12 months.

Right-of-use assets and lease liabilities are not recognised for leases that contain variable payments or substitution rights.

Group as lessor

The leases in which the Group is lessor were accounted for in accordance with IFRS 16, applying the following criteria:

Finance leases

For leases in which the Group retains ownership of the asset and transfers substantially all the risks and rewards incidental to ownership, the leased asset is derecognised and a receivable is recognised at the commencement date at an amount equal to the net investment in the lease, taking into account the interest rate implicit in the lease.

The Group also recognises finance income over the lease term based on a pattern reflecting a constant periodic rate of return on its net investment in the lease.

Operating leases

Leases that do no transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising on the lease is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.2.7 Inventories

The Group measures the inventories of its core retail sales business using the retail method. The outcome does not differ significantly from actual cost.

Under the retail method, the cost of inventories is determined by reducing the sale price by an estimated percentage gross margin, any markdowns for sales and the age of the merchandise, and changes in seasons and trends, mostly for fashion items. The Group applies this method consistently for all its product families.

With the retail method, inventories are measured at all times at the lower of cost and net realisable value. Under this method, no specific allowance for write-downs is required since the risk is hedged implicitly by the valuation method, expect for slow-moving inventories, for which an additional write-down is recognised.

4.2.8 Financial instruments

a) Financial assets:

Measurement and classification

Financial assets held by Group companies are classified into two large groups based on how they are subsequently measured:

- Financial assets at amortised cost: assets held to collect contractual cash flows that are solely payments of principal and interest (where applicable). These assets are recognised at amortised cost; i.e. the cost at which it is measured at initial recognition minus the principal repayments, plus interest accrued but unpaid, calculated using the effective interest rate method. Assets classified in this category include:

- Trade receivables, other receivables, and loans to third parties: receivables arising on the sale of goods and the rendering of services in the course of the Company's trade operations; and financial assets that are neither equity instruments nor derivatives, not arising on trade transactions, with fixed or determinable payments, and which are not traded in an active market.

  Trade and other receivables maturing in the short term are measured at their nominal amount, which is considered a proxy for fair value.

  The El Corte Inglés credit card is accepted by most of the Group companies listed in note 1 as a customer payment method. Financiera El Corte Inglés E.F.C., S.A. owns most of the cards, and oversees invoice management and administration and collection of sales made using the card.

- Financial assets: asset with a fixed maturity, receivables of a fixed or determinable amount, and those that the Group has the positive intention and ability to hold to maturity. These instruments are carried at amortised cost.

  Assets included in deposits and guarantees relate mainly to amounts paid by Group companies to owners of leased premises and are shown at the amounts paid, which does not differ significantly from their fair value.

- Cash and cash equivalents: cash comprises cash on hand and demand deposits. Cash equivalents are short-term investments maturing within three months which are subject to an insignificant risk of changes in value.

\- Assets designated as at fair value through equity:

- Debt instruments: The Group measures debt instruments, arising mainly from the insurance business, at fair value through other comprehensive income (OCI) if both of the following conditions are met:

  a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

  b) 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.

  For debt instruments at fair value through OCI, interest income, exchange differences and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group's debt instruments at fair value through OCI relate to investments in quoted debt instruments included in non-current financial assets.

- Equity instruments: upon initial recognition, the Group can elect to classify its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group classified its unquoted equity instruments in this category.

- Assets designated as at fair value through profit or loss: this includes debt securities and investments in other companies not classified in any of the preceding categories.

  These assets are measured at fair value when this can be determined reliably by means of its quoted price or, failing this, recent prices of actual transactions or the present value of its discounted cash flows. Gains and losses on changes in fair value are recognised directly in equity. When fair value is below amortised cost and there is objective evidence that the asset has become impaired and this impairment is not considered temporary, the difference is recognised directly in profit or loss.

  Assets whose fair value cannot be determined reliably are measured at cost, less any impairment losses.

  At 28 February 2023, the fair value measurements of available-for-sale financial assets were calculated by reference to quoted (and unadjusted) market prices.

The Group classifies its financial instruments (note 11.5) in accordance with the fair value hierarchy of IFRS 7 as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as quoted equity derivatives and securities held for trading and available for sale) is based on quoted market prices at the reporting date. The quoted market price used for the financial assets held by the Group is the current bid price. These instruments are included in Level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, OTC derivatives) is determined using valuation techniques that maximise the use of observable inputs and rely as little as possible on entity-specific estimates. If all the significant inputs required to calculate an instrument's fair value are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3. This is the case of equity instruments not quoted on official markets.

Derecognition of financial assets

The Group derecognises a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred.

However, the Group does not derecognise financial asset transfers in which it retains substantially all the risks and rewards of ownership, recognising instead a financial liability in the amount of any consideration received.

Impairment of financial assets

The group recognises an allowance for expected credit losses (ECLs) on all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on historical credit losses, adjusted for historical factors specific to the debtors and the economic environment.

For debt instruments, the Group recognises an allowance for ECLs for both debt instruments at amortised cost and debt instruments at fair value through OCI. ECLs are recognised in two stages.

First, for credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). Second, for those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure. The Group uses the ratings from credit agencies both to determine whether the credit risk of the debt instrument has significantly increased and to estimate ECLs.

The Group does not recognise an allowance for ECLs for debt instruments at fair value through profit or loss. The quoted price reflects current market expectations about ECLs and any changes in fair value are recognised in profit or loss at each subsequent measurement of the debt instruments.

b) Financial liabilities:

Measurement and classification

The financial liabilities held by the Group companies are classified as follows:

- Bank borrowings: loans from banks are recognised at the amount received less any transaction costs or fees and commissions. Those loan arrangement costs and interest expense are recognised in the consolidated statement of profit or loss using the effective interest method and added to the carrying amount of the liability to the extent that they are not settled in the period in which they accrue. These liabilities are subsequently measured at amortised cost using the effective interest rate method.

- Notes and other marketable securities, trade payables and other financial liabilities: these are recognised initially at fair value and subsequently measured at amortised cost.

  Trade payables are non-interesting bearing and are stated at their nominal amount, which does not differ significantly from fair value.

Derecognition of financial liabilities

The Group derecognises a financial liability when the obligation under the liability is extinguished.

c) Equity instruments:

An equity instrument is any contract that evidences a residual interest in the Parent's assets after deducting all of its liabilities.

Equity instruments issued by the Parent are recognised in equity at the amount received net of issue costs.

Interest accrued on the borrowing is payable in shares. Therefore, changes in the value of the instrument and the related issue costs and interest accrued are recognised directly in equity.

Own shares

Own shares acquired are recognised at the amount of consideration given and deducted directly from equity. Any gain or loss on the purchase, sale, issue or cancellation of own equity instruments is recognised directly in equity and not in consolidated profit or loss.

d) Derivative financial instruments

The Group uses derivative financial instruments to hedge the risks to which its activities, operations and future cash flows are exposed. The main risk derives from exposure to changes in exchange rates and interest rates.

Derivative financial instruments are measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid. Directly attributable transaction costs are recognised in profit or loss in the year incurred.

Changes in fair value are recognised in profit or loss for the period, unless they are part of a hedging relationship.

For these financial instruments to qualify for hedge accounting, at inception there must be formal designation and documentation of the hedging relationship, and the hedge must be expected to be highly effective. In addition, the Group tests the effectiveness of hedges at inception and regularly over the term of the hedge (and at least at the end of each reporting period), mainly by comparing the extent to which changes in the value of the derivative offset changes in the cash flows of the hedged item (attributable to the hedged risk).

A hedging relationship qualifies for hedge accounting if it meets the following hedge effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from the economic relationship.
- The hedge ratio of the hedging relationship, understood as the quantity of the hedged item divided by the quantity of the hedging instruments, is the same hedge ratio used for risk management purposes. The part of the derivative that no longer forms part of the hedging

relationship would be accounted for at fair value through profit or loss, unless it was designated as a hedging instrument in a different hedging relationship.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised temporarily in equity and reclassified to profit or loss in the reporting period or periods during which the hedged transaction affects profit or loss.

Hedging instruments are measured and recognised by their nature to the extent that they are not, or cease to be, effective hedges. The Group discontinues hedge accounting of derivative financial instruments designated as hedging instruments when the hedging instrument expires or is sold, or exercised, and the hedge no longer meets the criteria for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument previously recognised in OCI is not reclassified to profit or loss until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, any accumulated gain or loss that had been recognised in other comprehensive income is reclassified to profit or loss for the period.

The fair value of derivative financial instruments includes a bilateral credit-risk adjustment (considering both own and counterparty credit risk).

The bilateral credit-risk adjustment amounted to €0.47 million at 28 February 2023 (€0.02 million at 28 February 2022), determined using a technique based on calculating, through simulations, total expected exposure (including both current and potential exposure), adjusted for the probability of default over time and for the loss given default (or potential loss) assigned to the Group and each of the counterparties.

The total expected exposure of derivatives is obtained using observable market inputs such as yield, currency and volatility curves, factoring in market conditions at the measurement date.

The inputs used to determine own credit risk and counterparty credit risk (which in turn determine the probability of default) are mainly based on own credit spreads and the spreads of comparable companies currently traded on the market (credit default swap (CDS) curves, yields on bond issues). In the absence of own credit spreads or comparable companies, to maximise the use of relevant observable inputs the Group used the quoted prices it considered most appropriate in each case (the CDS curve). For counterparties with available credit information, the credit spreads used are obtained from CDSs traded on the market.

Credit risk adjustments to fair value take into account credit enhancements from guarantees or collateral in determining the loss given default for each position.

At 28 February 2023, the fair value measurements of the various derivative financial instruments, including the inputs used to calculate the own and counterparty credit risk adjustment, are classified within level 2 of the IFRS 7 fair value hierarchy, because the inputs are based on the quoted prices of similar instruments in active markets (not included in level 1), quoted prices for identical or similar instruments in markets that are not active, and techniques based on valuation models for which all significant inputs are observable in the market or can be corroborated by observable market data. Although the Group has determined that most of the inputs used to measure derivatives are categorised within Level 2 of the fair value hierarchy, credit risk adjustments use Level 3 inputs; e.g. credit estimates based on credit ratings or comparable companies, to assess the probability of default of the Group or a counterparty. The Group has assessed the relevance of credit risk adjustments in the overall measurement of derivative financial instruments and concluded that they are not significant.

4.2.9 Foreign currency transactions and balances

Transactions in currencies other than the functional currency of each company are recorded at their functional currency spot rates at the date of the transaction. Differences arising in the year between the exchange rate recorded and used at the date of the receipt or payment are recognised as finance income or costs in the consolidated statement of profit or loss.

Receivables and payables at 28 February (or 29 February in leap years) denominated in currencies other than the currency in which the Group companies' financial statements are denominated are translated into the functional currency using the closing rate at the end of the reporting period. The measurement differences are recognised as finance income or costs in the consolidated statement of profit or loss.

Argentina has been considered a hyperinflationary economy since 2018. However, given the Group's scant activity there (only travel agencies) the impacts of inflation adjustments are insignificant.

4.2.10 Income tax

Income tax expense represents the sum of the income tax payable and the change in deferred tax assets and liabilities.

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year less any allowable tax deductions, taking into account changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities include taxable and deductible temporary differences, identified as the amounts expected to be payable or recoverable due to differences between the carrying amounts of assets and liabilities and their tax bases, as well as the carry forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability settled within a possible time horizon.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill whose amortisation is not deductible for tax purposes or the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are only recognised for deductible temporary differences to the extent that it is probable that the consolidated entities will generate sufficient taxable profit against which the deductible temporary differences can be utilised except when the deferred tax asset arises as a result of the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit or taxable profit or loss. Any other deferred tax assets (unused tax losses and unused tax credits) are only recognised to the extent that it is probable that the consolidated entities will generate sufficient taxable profit in the future against which these assets can be utilised.

Income tax and changes in deferred tax assets and deferred tax liabilities that do not arise on business combinations are recognised in full in the consolidated statement of profit or loss or in equity in the consolidated statement of financial position depending on where the gains or losses giving rise to their recognition were initially recognised.

Deferred tax assets and deferred tax liabilities are not discounted and are classified as non-current assets or non-current liabilities in the consolidated statement of financial position.

Deferred tax assets and liabilities are reviewed at the end of each reporting period to verify that they continue to qualify for recognition, and the appropriate adjustments are made on the basis of the results of the reassessment.

In accordance with prevailing regulations, El Corte Inglés, S.A. files consolidated tax returns with Spanish subsidiaries in which it holds at least 75% of their capital, except companies with a different reporting date than the Parent due to sector regulations.

Since 1 January 2008, El Corte Inglés, S.A., as Parent, has availed itself of the special regime for consolidated groups regulated by Chapter IX of Title IX of Law 37/1992 on value added tax, together with certain Spanish subsidiaries.

4.2.11 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements, except for Veci Travel Group revenue from transportation, cruises and other, which it presents net (as agent). Refer to note 2.6.

Revenue from contracts with customers is measured at the fair value of the consideration received or receivable. Prompt payment, volume and other discounts are recognised as a reduction in revenue.

Discounts granted to customers are recognised as a reduction in revenue when it becomes probable that the attached terms will be met.

The Group has customer loyalty programmes that do not give rise to credits since they entail the grant of discounts at the time of the sale and are recognised as a reduction in the amount of the transaction to which they are applied.

4.2.11.1 Retail sale of consumer goods

Revenue from retail sales relates to the sale of goods through the Group's various department stores, hypermarkets, supermarkets, Sfera and Bricor outlets and other lines of business.

Revenue from the sale of goods or services is recognised at the fair value of the consideration received or receivable. Sales are recognised on delivery to the customer, generally at the Group's retail outlets and warehouses.

The Group estimates variable consideration by using the expected value method given the large number of transactions with similar characteristics. It applies the requirements for constraining estimates of variable consideration in determining the amount of variable consideration that can be included in the transaction price and recognised as revenue. A provision for returns is recognised for the amount of goods expected to be returned, i.e. the amount not included in the transaction price. It also recognises the right to recover those products from the customer as inventory, with the corresponding adjustment to cost of sales.

4.2.11.2 Rendering of services

Revenue from the rendering of services relates mainly to Veci Travel Group and insurance services.

- <u>Veci Travel Group:</u>

Revenue is recognised on an accrual basis; i.e., when the service is rendered, which is generally when the related tickets or travel documents are given to the customer, regardless of when actual payment occurs. Specifically, revenue represents the amounts receivable for services rendered in the ordinary course of activities, less discounts, VAT and other sales taxes.

The Parent's directors consider that it is the principal in the arrangements since it assumes, at least partially, the risks and rewards of rendering the services, except for revenue from transportation, cruises and other (note 2.6). Therefore, revenue and expenses arising from the rendering of services inherent to the Travel Group's activities are recognised at their gross amount in the consolidated statement of profit or loss, except for revenue from transportation, cruises and other (note 2.6).

Rental income:

Rental income is classified as operating income since there is no transfer of goods and is recognised over the lease term.

4.2.12 Provisions and contingencies

a) General criteria:

Group policy is to recognise provisions for the estimated amounts required to settle liabilities arising from ongoing litigation, indemnities or other obligations, and from guarantees and warranties where it is probable that the Group will have to make payment, provided the amount can be estimated reliably.

The amount of provisions is based on the best information available about the underlying circumstances and events and is remeasured at the end of each reporting period and reversed, in part or in full, when the underlying obligations cease to exist or diminish.

Contingent liabilities are not recognised in the consolidated financial statement, except those recognised in a business combination, but are disclosed in the notes the financial statements in accordance with IAS 37.

After the end of the reporting period, the Spanish anti-trust authorities (Comisión Nacional de los Mercados y la Competencia) conducted inspections as part of an investigation into potential bid-rigging in travel agency tenders entailing contract sharing. Inspections are a preliminary step in an investigation into suspected anti-trust behaviour of certain companies in the sector and do not prejudge the outcome of the investigation, whether or not the companies are guilty or any damages they may have caused.

4.2.13 a. Termination benefits and other employee benefits payable

Under current labour law, the Group is obliged to pay severance to employees terminated under certain conditions.

The Parent's directors estimate that the provisions recognised at 28 February 2023 to cover these situations are sufficient (note 16.1).

4.2.13 b. Other long-term employee benefits

The Group recognises the long-term cash incentive ("LTIP") for 2021-2024 in profit or loss for the year at the net amount of the following: (a) the service cost; (b) the net interest on the net defined benefit liability; and (c) the remeasurements of the net defined benefit liability.

Award of these long-term employee benefits is linked to achievement of certain targets in the Company's strategic plan. Bonuses are distributed on a straight-line basis over the vesting period.

4.2.14 Government grants

Government grants are recognised as income when the attached conditions are complied with over the periods the related costs are expensed and deducted from the related cost item.

Government grants related to property, plant and equipment and intangible assets are considered deferred income and classified under "Other non-current liabilities" and recognised in income over the expected useful life of the related asset.

The Group's business was affected by Covid-19 in 2021, above all the business of the travel agencies. Therefore, the Group continued to avail itself of furlough schemes, affecting 4,748 employees in the first half and 4,656 employees in the second half of the year.

The furlough scheme came with government assistance, subject to compliance with certain terms and conditions.

This relief was considered a government grant and recognised as revenue as social security cost arose while the furlough was in effect.

4.2.15 Discontinued operations and non-current assets and liabilities held for sale

The Group classifies property, plant and equipment, intangible assets, other non-current assets or assets included in "Investments accounted for using the equity method" and disposal groups (i.e. a group of assets to be disposed of together with liabilities directly associated with those assets) that are being actively marketed at the end of the reporting period at a price that is reasonable and for which a sale is expected to take place within 12 months after that date as non-current assets held for sale.

The Group considers discontinued operations to be lines of business that have been sold or otherwise disposed of or that meet the requirements for classification as held for sale, including as applicable other assets which, together with the line of business, form part of the same sale plan or purchase commitments. Also considered discontinued operations are assets acquired exclusively with a view to resale.

These assets (or disposal groups) are measured at the lower of their carrying amount or fair value less costs to sell. Depreciation on these assets ceases when they are classified as held for sale.

Non-current assets held for sale and components of groups classified as held for sale are presented in the accompanying statement of financial position as follows: the assets are presented in a single line item called "Non-current assets held for sale and discontinued operations", while the related liabilities are similarly presented in a single line item called "Liabilities associated with non-current assets held for sale".

The post-tax profit or loss of discontinued operations is presented in a single line item in the consolidated statement of profit or loss called "Profit after tax from discontinued operations".

Seguros El Corte Inglés

On 28 October 2021, after approval by the Parent's Board of Directors, an alliance was entered into with Grupo Mutua Madrileña, which included the sale of 50.01% of the Group's insurance business (Seguros El Corte Inglés vida, pensiones y reaseguros, S.A. and Centro de Seguros y Servicios, S.A.), contingent on securing the pertinent authorisations from Spain's anti-trust authority and insurance watchdog. The transaction price was €550 million. Also under the agreement, Mutua Group acquired shares of the Parent representing 8% of its share capital for €555 million.

According to IFRS 5, authorisation by the Parent's Board of Directors and the signing of the agreement required classifying the assets and liabilities of the insurance business as held for sale and its profit or loss as discontinued operations at 28 February 2022.

Lastly, once approval was received from the competent authorities, the transaction with Mutua Group was signed and executed on 31 May 2022 under the terms and conditions explained and the alliance was set up appropriately for both parties. The insurance business ceased to be fully consolidated and the 49.99% stake, over which the Group has significant influence, was accounted for using the equity method. According to IFRSs, the retained interest was remeasured at fair value. The remeasured fair value was €549.8 million.

The main impacts are disclosed below:

Item	€ 000
Net selling price	550,000
Additional net purchase price (variable price)	36,200
Net assets and payables as at 31.05.22	(150,091)
Impact of the remeasurement of the retained equity interest	549,780
Transaction costs and other contingent payments	(2,346)
Profit through 31.05.22	24,643
Profit/(loss) for the period from discontinued operations	**1,008,186**

The statement of profit or loss for the insurance business for the five months ended 31 May 2022 and the year ended 31 December 2021 is as follows:

ITEM	2022*	2021
Revenue	108,656	182,789
Cost of sales	(37,449)	(24,250)
Employee benefits expense, other operating income and expense	(36,269)	(59,948)
Amortisation and depreciation	(1,853)	(4,479)
Provisions, impairment of and gains/(losses) on disposal of assets and other gains/(losses)	(317)	(78)
OPERATING PROFIT/(LOSS)	**32,768**	**94,034**
NET FINANCE INCOME/(COST)	**89**	**744**
PROFIT/(LOSS) BEFORE TAX	**32,857**	**94,778**
Income tax expense	(8,214)	(22,921)
PROFIT/(LOSS) FOR THE PERIOD	**24,643**	**71,857**

In € 000.

*2022 includes the first five months of the year.

The insurance business' statement of financial position is as follows:

ITEM	As at 31 May 2022*	As at 31 December 2021
Non-current assets	**789,032**	**1,011,412**
Property, plant and equipment	42,472	43,646
Deferred tax assets	5,861	3,903
Non-current financial assets	740,699	963,863
Current assets	**226,053**	**98,113**
Trade receivables	54,056	39,196
Current financial assets	4,896	7,172
Other current assets	167,101	51,745
TOTAL ASSETS	**1,015,085**	**1,109,525**
Non-current liabilities	**773,771**	**820,306**
Technical provisions	768,847	809,735
Other non-current liabilities	4,924	10,571
Current liabilities	**91,223**	**324,958**
TOTAL EQUITY AND LIABILITIES	**864,994**	**1,145,264**

In € 000.

Net cash flows at the Insurance Subgroup:

ITEM	2022*	2021
Cash flows from operating activities	21,609	43,740
Net cash flows from/(used in) investing activities	269,961	(5,992)
Net cash flows used in financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	291,570	37,748
Cash and cash equivalents, opening balance	37,573	61,787
Cash flows from dividends and other adjustments	(253,591)	(61,961)
Cash and cash equivalents, closing balance	75,552	37,574

In € 000.
*2022 includes the first five months of the year.

Of the financial assets disclosed in the table above, most are investments associated with the insurance business of Seguros El Corte Inglés, Vida, Pensiones y Reaseguros, S.A., as shown below:

ITEM	2021	
	CURRENT	NON-CURRENT
Loans and receivables	-	81,089
Financial assets at fair value through profit and loss	-	148,626
Financial assets at fair value through equity	7,172	734,148
TOTAL	**7,172**	**963,863**

In € 000

The insurance business's investments are for the most part set aside for the purposes of meeting its technical provision requirements.

Marineda department store

At 28 February 2023, the sale of the Marineda department store was considered highly probable in accordance with IFRS 5. As a result, the carrying amount of that department store's net assets - in the amount of €13,904 thousand - was reclassified to "Non-current assets held for sale". The related sale-purchase agreement was signed on 11 April 2023.

FST Hotels, S.L.

Pursuant to the sale-purchase agreement in 2022 explained in note 10, the ownership interest in FST Hotels, S.L. accounted for using the equity method at 28 February 2022 amounting to €47.1 million was classified under "Non-current assets held for sale".

4.2.16 Environmental assets and liabilities

Environmental assets are those used on a lasting basis in the Group's operations whose main purpose is to minimise environmental damage and to protect and restore the environment, including the reduction or elimination of pollution in the future.

The Group's business, by its very nature, does not have a material impact on the environment. However, disclosures of environmental assets and expenses are provided in note 25.

Carbon footprint

The Group is committed to combating climate change, which is one of the main lines of action of the 2021-2025 Sustainability and CSR Master Plan. Its endeavours to reduce its environmental footprint through new, more efficient and low-carbon products and working methodologies that lower emissions and adapt to climate change include the following lines of action:

- Risk and opportunities analysis and assessment
- Management of GHG impacts
- Energy efficiency
- Procurement of renewable energy
- Technological upgrades and improvements in transport

These measures reduce emissions through energy efficiency, increased procurement of renewable energy and operating improvements. Indeed, guarantees of origin certifying zero emissions have been issued for practically all energy consumed in Spain in 2022. Moreover, through its Telecor subsidiary, El Corte Inglés Group has two long-term renewable energy agreements (power purchase agreement or PPAs). The energy covered by these two PPAs comes from photovoltaic plants with approximately 330 MW of combined installed capacity and the ability to produce slightly over 650 GWh/year of power.

Moreover, to meet its commitment to be carbon neutral by 2050, plans for 2023 are to start assessing, recording and reducing Scope 3 emissions that are beyond the Group's operating control.

4.2.17 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on a current/non-current classification. Current assets and liabilities are those the Group expects to sell, consume, settle or realise in the normal operating cycle, or expected to be realised within 12 months after the reporting period. All other assets and liabilities are classified as non-current.

Assets and liabilities are not offset unless required or permitted by a standard or an interpretation.

4.2.18 Consolidated statement of cash flows

The following terms, with the meanings specified, are used in the consolidated statement of cash flows, which was prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter understood as short-term, highly liquid investments which are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the contributed equity and borrowings of the entity that are not operating activities.

4.2.19 Business combination

<u>VECI Travel Group</u>

On 28 February 2022 (the acquisition date), following approval by the competent authorities, the Logitravel transaction creating a new travel group under the VECI Travel Group holding company in which by the Group owns 75% and Tool Factory the remaining 25% was placed on public record by means of a deed. The new group aims to become a global leader in the travel sector. Its operations will include both leisure and business travel and the MICE segment.

The new group provides a single platform for developing new businesses and driving international expansion. It also strengthens positioning in both the Iberian outbound and inbound travel markets. The new group will also promote new destinations in Latin America, southern Europe and the Mediterranean basin, while selectively penetrating new markets.

As at 28 February 2022, the Group's consolidated statement of financial position included the net assets shown in the following table, but not its share in profit or loss as control was obtained on 28 February 2022 (when the travel group's governing bodies were created).

The inclusion of that statement of financial position in the Group at cost is as follows:

ITEM	VECI Travel Group, S.L.
Intangible assets	11,239
Property, plant and equipment	1,500
Right-of-use assets (IFRS 16)	2,473
Non-current financial assets	2,670
Deferred tax assets	3,927
Total non-current assets	**21,809**
Trade and other receivables	22,338
Current investments in group companies and associates	8,268
Current financial assets	318
Current prepayments and accrued income	253
Cash and cash equivalents	12,106
Total current assets	**43,283**
TOTAL ASSETS	**65,093**
Total equity	**(16,137)**
Non-current provisions	141
Non-current borrowings	14,987
Lease liabilities (IFRS 16)	2,436
Deferred tax liabilities	2
Total non-current liabilities	**17,565**
Current provisions	134
Current borrowings	4,155
Trade and other payables	59,376
Total current liabilities	**63,665**
TOTAL EQUITY AND LIABILITIES	**65,093**

In € 000

Logitravel's integration at fair value resulted in an increase in consolidated reserves of €153.8 million in 2021. The 25% held by Tool Factory led to the recognition of €67.6 million of non-controlling interests (net from equity) in 2021.

The allocation to be recognised for the difference between the price paid and the net assets at the date control was obtained is as follows:

2022

	TOTAL
Total consideration (*)	**236,679**
Net liabilities	(16,137)
Preliminary goodwill	**252,816**
Customer relationships	7,000
Trademark	72,000
Technology platform	36,000
Deferred tax liabilities	(26,000)
Goodwill (note 7)	**163,816**

In € 000
(*) The consideration entailed delivery of 25% of the shares of the new group and a cash payment.

There is also goodwill amounting to €5,366 thousand from Travel Agencies Management Services, S.L. (TAMS) recognised on 24 January 2023 on the sale of stake in Stravel partners ("Soltour") and the inclusion of TAMS' 100% interest in Aperture Travel, S.L. (note 7).

The intangible assets allocated (trademark, technology platform and customer relationships) are amortised on a straight-line basis over their estimated useful life.

Sánchez Romero

On 8 October 2021, following approval from the anti-trust authorities, El Corte Inglés, S.A. acquired 100% of the shares of Supermercados Sanchez Romero, S.L.U. ("SSR"). The acquisition price was €35.2 million.

Sanchez Romero has 10 supermarkets in Madrid, with over 9,000m^2 of combined sales floor. It also owns a 4,000^2 distribution hub in Alcalá de Henares (Madrid), where the Company also has its offices and headquarters.

Supermercados Sanchez Romero is a Spanish company founded in 1954, which specialises in food and consumer product retailing. The company is noted for its broad, varied and unique product and service offering, the type and formats of its stores, and the high quality of its fresh products. The transaction strengthens the Group's foothold in the food retail sector, with a broad and unique sales proposition, to which it can add the best products and latest market innovations.

After the required analysis, the measurement was performed for the purchase price allocation (PPA).

The analysis focused on measuring the Sanchez Romero brand, since it will continue. The measurement gave a value of €17.8 million, with the difference recognised as goodwill (€23.5 million).

The fair values of the identified assets and liabilities plus the impacts of IFRS 16 *Leases* at the acquisition date and the goodwill generated were as follows:

ITEM	SSR, S.L.
Property, plant and equipment	5,689
Right-of-use assets (IFRS 16)	8,504
Inventories	4,722
Other current assets	1,009
Cash and cash equivalents	2,067
TOTAL ASSETS	**21,991**
Other liabilities	(3,531)
Lease liabilities (IFRS 16)	(8,513)
Non-current bank borrowings	(2,156)
Current bank borrowings	(5,821)
Trade and other payables	(5,358)
TOTAL LIABILITIES	**(25,379)**
TOTAL NET ASSETS	**(3,388)**

In € 000.

The result of the assessment of the purchase price allocation is as follows:

SSR, S.L.	TOTAL
Total consideration (including down payment less advisors' fees)	**35,244**
Net assets	3,388
Consolidation difference	**38,632**
Sánchez Romero brand	17,824
Deferred tax liabilities	(2,729)
Goodwill	23,537

In € 000.

4.2.20 Segment information

Segment information is presented in accordance with IFRS 8 *Operating Segments*. The required disclosures are explained in note 23.1.

5. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the various components of property, plant and equipment at the beginning and end of 2022 and 2021 is provided below:

2022

DESCRIPTION	OPENING BALANCE	Additions/ (charges)	Derecognitions/ (reversals)	Transfers	CLOSING BALANCE
Cost					
Land and buildings	9,778,956	5,213	(92,553)	(480,614)	9,211,002
Machinery, plant and tools	6,125,070	22,781	(108,910)	110,873	6,149,814
Furniture and fixtures	2,070,403	3,145	(73,408)	13,028	2,013,168
Computer equipment	349,474	15,469	(12,203)	47,081	399,821
Vehicles	6,190	457	(206)	(7)	6,434
Property, plant and equipment under construction	193,655	201,910	-	(122,322)	273,243
TOTAL COST	**18,523,748**	**248,975**	**(287,280)**	**(431,961)**	**18,053,482**
Depreciation					
Buildings	(1,294,927)	(49,050)	20,004	82,911	(1,241,062)
Machinery, plant and tools	(4,919,581)	(161,379)	80,500	(6,711)	(5,007,171)
Furniture and fixtures	(1,599,746)	(66,114)	51,530	(905)	(1,615,235)
Computer equipment	(314,860)	(19,901)	11,564	(24,173)	(347,370)
Vehicles	(4,956)	(185)	190	(32)	(4,983)
TOTAL DEPRECIATION	**(8,134,070)**	**(296,629)**	**163,788**	**51,090**	**(8,215,821)**
Impairment					
Land and buildings	(1,292,823)	(183,599)	69,041	257,917	(1,149,464)
Machinery, plant and tools	(280,230)	(88,697)	37,683	68,586	(262,658)
Furniture and fixtures	(46,835)	(6,709)	24,451	(1,686)	(30,779)
Computer equipment	(143)	(434)	353	(470)	(694)
Vehicles	(31)	(1)	-	17	(15)
TOTAL IMPAIRMENT	**(1,620,062)**	**(279,440)**	**131,528**	**324,364**	**(1,443,610)**
CARRYING AMOUNT	**8,769,616**	**(327,094)**	**8,036**	**(56,507)**	**8,394,051**

In € 000

2021

DESCRIPTION	OPENING BALANCE	Changes in Group structure	Additions/ (charges)	Derecognitions/ (reversals)	Transfers	CLOSING BALANCE
Cost						
Land and buildings	9,945,001	(22,087)	12,314	(94,276)	(61,996)	9,778,956
Machinery, plant and tools	6,127,183	9,196	20,170	(108,094)	76,615	6,125,070
Furniture and fixtures	2,127,613	(2,416)	4,846	(76,309)	16,669	2,070,403
Computer equipment	356,220	7,459	7,498	(22,012)	309	349,474
Vehicles	6,994	8	128	(774)	(166)	6,190
Property, plant and equipment under construction	167,200	-	132,272	-	(105,817)	193,655
TOTAL COST	**18,730,211**	**(7,840)**	**177,228**	**(301,465)**	**(74,386)**	**18,523,748**
Depreciation						
Buildings	(1,248,535)	2,270	(53,991)	4,710	619	(1,294,927)
Machinery, plant and tools	(4,847,488)	(9,343)	(158,269)	92,174	3,345	(4,919,581)
Furniture and fixtures	(1,588,548)	1,881	(65,501)	52,691	(269)	(1,599,746)
Computer equipment	(319,220)	(6,078)	(16,900)	21,313	6,025	(314,860)
Vehicles	(5,675)	(1)	(276)	874	122	(4,956)
TOTAL DEPRECIATION	**(8,009,466)**	**(11,271)**	**(294,937)**	**171,762**	**9,842**	**(8,134,070)**
Impairment						
Land and buildings	(1,411,396)	591	(31,083)	100,721	48,344	(1,292,823)
Machinery, plant and tools	(282,421)	-	(10,976)	9,311	3,856	(280,230)
Furniture and fixtures	(63,491)	-	(1,611)	19,279	(1,012)	(46,835)
Computer equipment	(3,117)	-	(57)	505	2,526	(143)
Vehicles	(29)	-	-	-	(2)	(31)
TOTAL IMPAIRMENT	**(1,760,454)**	**591**	**(43,727)**	**129,816**	**53,712**	**(1,620,062)**
CARRYING AMOUNT	**8,960,291**	**(18,520)**	**(161,436)**	**113**	**(10,832)**	**8,769,616**

In € 000

The changes in Group structure in 2021 stemmed from discontinued operations and business combinations (notes 4.2.15 and 4.2.19).

Additions to property, plant and equipment in 2022 and 2021 related mainly to costs to upgrade and enlarge several department stores and other formats.

Disposal of property, plant and equipment in 2022 related primarily to fully depreciated items and the sale of certain properties, for €313.4 million, as part of the asset rotation process begun in March 2022 encompassing retail premises and offices. The sales generated a gain of €132.52 million, recognised in the consolidated statement of profit or loss under "Provisions, impairment of and gains/(losses) on disposal of assets and other gains/(losses)".

Disposals of property, plant and equipment in 2021 related mainly to the derecognition of fully depreciated items and the sale of certain properties (primarily the La Bisbal logistics centre in 2021).

Transfers included the reclassification of certain properties to investment properties and the reclassification of the Marineda department store (Coruña) to "Non-current assets held for sale" (note 4.2.15).

Transfers in 2021 related to the reclassification of certain properties to investment properties in line with the Group's real estate strategy (note 6).

At year-end 2022, the Group recognised €2,004.2 million of impairment losses on property, plant and equipment, intangible assets and investment properties (2021: €1,862.2 million) (notes 5, 6 and 7).

The breakdown of the carrying amounts of the Group's land and buildings at year-end 2022 and 2021 is shown below:

ITEM	2022	2021
Land	4,313,551	4,470,354
Buildings	2,506,925	2,720,852
TOTAL	**6,820,476**	**7,191,206**

In € 000

In 2022, the Group capitalised borrowings costs of €1.97 million within buildings in property, plant and equipment (2021: €1.29 million).

The Group had the following investments in property, plant and equipment located outside of Spain at year-end 2022 and 2021:

ITEM	2022		2021	
	Cost	Depreciation and impairment	Cost	Depreciation and impairment
Land and buildings	285,742	(65,452)	350,532	(130,503)
Machinery and plant	232,689	(173,252)	227,920	(163,383)
Other property, plant and equipment under construction	112,191	(90,749)	109,857	(83,325)
TOTAL	**630,622**	**(329,453)**	**688,309**	**(377,211)**

In € 000

Assets built on land obtained under a concession arrangement are as follows:

ITEM	2022	2021
Buildings	164,294	164,294
Machinery and plant	177,275	179,072
Other assets	62,328	62,999
Accumulated depreciation	(218,435)	(215,575)
Accumulated impairment	(69,057)	(69,054)
TOTAL	**116,405**	**121,736**

In € 000

At year-end 2022 and 2021, the Group had firm investment commitments totalling €68,161 thousand and €38,917 thousand, respectively.

Group policy is to take out third-party insurance policies covering the value of its property, plant and equipment. The Parent's directors consider that the coverage of these policies was appropriate in 2022 and 2021.

6. Investment properties

The Group's investment properties consist mainly of properties leased out for rent. The reconciliation of the carrying amount of this statement of financial position sheet heading at the beginning and end of 2022 and 2021 is as follows:

2022

ITEM	Balance at 1 March 2022	Additions/(charges)	Disposals	Transfers	Balance at 28 February 2023
Land and buildings	848,083	2,516	(47,429)	229,339	1,032,509
TOTAL COST	848,083	2,516	(47,429)	229,339	1,032,509
Accumulated depreciation	(48,843)	(5,005)	11,641	(13,909)	(56,116)
Impairment	(197,531)	(133,925)	4,082	(172,827)	(500,201)
CARRYING AMOUNT	**601,709**	**(136,414)**	**(31,706)**	**42,603**	**476,192**

In € 000

2021

ITEM	Balance at 1 March 2021	Changes in Group structure	Additions/(charges)	Disposals	Transfers	Balance at 28 February 2022
Land and buildings	842,600	(8,588)	2,039	(3,515)	15,547	848,083
TOTAL COST	842,600	(8,588)	2,039	(3,515)	15,547	848,083
Accumulated depreciation	(43,860)	609	(4,512)	175	(1,255)	(48,843)
Impairment	(195,682)	1,070	-	541	(3,460)	(197,531)
CARRYING AMOUNT	**603,058**	**(6,909)**	**(2,473)**	**(2,799)**	**10,832**	**601,709**

In € 000

Transfers in 2022 and 2021 related to the reclassification of certain properties to investment properties in line with the Group's real estate strategy (note 5).

The changes in Group structure in 2021 stemmed from business combinations (notes 4.2.15 and 4.2.19).

The breakdown by use of these investments at year-end 2022 and 2021 is as follows:

ITEM	2022	2021
Offices	127,153	179,852
Premises	113,220	127,546
Land	197,894	218,552
Other	37,925	75,759
TOTAL	**476,192**	**601,709**

In € 000

The decrease in the value of land in 2022 was primarily the result of the write-down recognised in 2022.

Group policy is to take out third-party insurance policies covering the value of its investment properties. The Parent's directors consider that the coverage of these policies was appropriate in 2022 and 2021.

7. GOODWILL

The breakdown of goodwill at year-end 2022 and 2021:

ITEM	Balance at 28 February 2023	Balance at 28 February 2022
Logitravel goodwill (note 4.2.19)	163,816	157,624
TAMS goodwill (note 4.2.19)	5,366	-
Mark & Spencer merger goodwill	10,688	10,688
Sanchez Romero goodwill (note 4.2.19)	10,339	23,537
Sicor goodwill	2,870	2,383
Izaro Films goodwill (Gomel)	1,000	-
TOTAL	**194,079**	**194,232**

In € 000

The impairment tests performed at 28 February 2023 on all the CGUs, excluding the goodwill arising during the year, did not indicate any impairment, except Sanchez Romero, whose cash flows were adversely affected by electricity costs.

8. OTHER INTANGIBLE ASSETS

The reconciliation of "Other intangible assets" at the beginning and end of 2022 and 2021:

2022

DESCRIPTION	OPENING BALANCE	Additions/ (charges)	Derecognitions/ (reversals)	Transfers	CLOSING BALANCE
Cost					
Key money	13,491	-	-	2,189	15,680
Software	1,367,404	149,323	(50,129)	1,108	1,467,706
Concessions	144,695	-	-	-	144,695
Industrial property	134,470	134	-	(487)	134,117
Other assets	53,679	4,001	-	791	58,471
TOTAL COST	**1,713,739**	**153,458**	**(50,129)**	**3,601**	**1,820,669**
Amortisation					
Amortisation of key money	(11,427)	(909)	1,364	(2,659)	(13,631)
Amortisation of software	(877,738)	(150,090)	23,414	(1,271)	(1,005,685)
Amortisation of concessions	(48,169)	(1,921)	-	-	(50,090)
Amortisation of industrial property	(6,508)	(5,574)	-	(5)	(12,087)
Amortisation of other assets	(5,383)	(3,398)	-	218	(8,563)
TOTAL AMORTISATION	**(949,225)**	**(161,892)**	**24,778**	**(3,717)**	**(1,090,056)**
Impairment					
Impairment of key money	(1,905)	-	-	-	(1,905)
Impairment of software	(163)	(14,160)	-	-	(14,323)
Impairment of concessions	(15,350)	(1,715)	-	116	(16,949)
Impairment of industrial property	(27,208)	-	-	-	(27,208)
TOTAL IMPAIRMENT	**(44,626)**	**(15,875)**	**-**	**116**	**(60,385)**
CARRYING AMOUNT	**719,888**	**(24,309)**	**(25,351)**	**-**	**670,228**

In € 000

2021

DESCRIPTION	OPENING BALANCE	Changes in Group structure	Additions/ (charges)	Derecognitions/ (reversals)	Transfers	CLOSING BALANCE
Cost						
Key money	18,436	-	-	(89)	(4,856)	13,491
Software	1,212,002	29,638	124,857	(2,106)	3,013	1,367,404
Concessions	144,695	-	-	-	-	144,695
Industrial property	44,388	89,825	256	-	1	134,470
Other assets	50,452	161	653	-	2,413	53,679
TOTAL COST	**1,469,973**	**119,624**	**125,766**	**(2,195)**	**571**	**1,713,739**
Amortisation						
Amortisation of key money	(13,308)	-	(19)	89	1,811	(11,427)
Amortisation of software	(789,849)	13,994	(101,937)	1,701	(1,647)	(877,738)
Amortisation of concessions	(46,377)	-	(1,792)	-	-	(48,169)
Amortisation of industrial property	(6,450)	-	(68)	(1)	11	(6,508)
Amortisation of other assets	(1,309)	(2,169)	(4,240)	-	2,335	(5,383)
TOTAL AMORTISATION	**(857,293)**	**11,825**	**(108,056)**	**1,789**	**2,510**	**(949,225)**
Impairment						
Impairment of key money	(1,905)	-	-	-	-	(1,905)
Impairment of software	(163)	-	-	-	-	(163)
Impairment of concessions	(15,206)	-	-	-	(144)	(15,350)
Impairment of industrial property	(27,208)	-	-	-	-	(27,208)
TOTAL IMPAIRMENT	**(44,482)**	**-**	**-**	**-**	**(144)**	**(44,626)**
CARRYING AMOUNT	**568,198**	**131,449**	**17,710**	**(406)**	**2,937**	**719,888**

In € 000

The changes in Group structure in 2021 stemmed from business combinations (notes 4.2.15 and 4.2.19) and the Aperture Travel Group purchase price allocation (PPA).

Additions to "Software" in 2022 and 2021 related mainly to business software developments.

In 2022, the Group recognised €1.32 million of capitalised borrowings costs within intangible assets (2021: €1.85 million).

As at 28 February 2023, the indefinite-lived intangible assets other than goodwill correspond mainly to the Sánchez Romero trademark acquired in 2021 for €17.8 million and a series of other trademarks acquired in prior years by El Corte Inglés, S.A. whose carrying amount at year-end stood at €248 thousand (2021: €340 thousand). Those trademarks are not amortised systematically but they are tested for impairment annually.

9. LEASES

9.1 Group as lessee

The Group has lease contracts, mainly over retail premises, travel and insurance agencies, computer equipment and other assets (e.g., offices, car parks and vehicles). The criterion used to depreciate those right-of-use assets is outlined in note 4.2.6. The Group's obligations as lessee establish the terms on which it is entitled to use the corresponding underlying assets. Some of the lease agreements include extension and early termination options and variable payments.

The Group also has low-value leases of equipment and machinery and leases with a term of less than 12 months. As already noted, the Group applies the recognition exemption provided for in IFRS 16 *Leases* to its low-value and short-term leases.

The table below reconciles the opening and closing balances of right-of-use assets:

2022

Item	Retail premises	Travel agencies	Computer equipment	Other (e.g., offices, car parks, vehicles)	Total
Opening balance	**327,966**	**15,174**	**584**	**27,855**	**371,579**
Additions and derecognitions	46,945	5,893	74	46,078	98,990
Depreciation	(81,807)	(4,890)	(417)	(12,463)	(99,577)
Reversals and impairments	24,667	-	-	-	24,667
Closing balance	**317,771**	**16,177**	**241**	**61,470**	**395,659**

In € 000

2021

Item	Retail premises	Travel and insurance agencies	Computer equipment	Other (e.g., offices, car parks, vehicles).	Total
Opening balance	**278,874**	**16,313**	**25,840**	**80,270**	**401,297**
Additions and derecognitions	144,069	3,772	(24,019)	(40,868)	82,954
Depreciation	(81,675)	(4,911)	(1,237)	(11,547)	(99,370)
Impairment	(13,302)	-	-	-	(13,302)
Closing balance	**327,966**	**15,174**	**584**	**27,855**	**371,579**

In € 000

The reconciliation of the related lease liabilities:

Item	2022	2021
Total lease liabilities under IFRS 16	**422,924**	**454,507**
Additions	100,992	74,064
Interest expense	15,567	13,475
Finance income	-	(2,302)
Lease payments	(115,109)	(116,820)
Total lease liabilities under IFRS 16	**424,374**	**422,924**

In € 000

The breakdown between current and non-current leases:

Item	2022	2021
Current	97,175	100,386
Non-current	327,199	322,538
Operating lease liabilities	**424,374**	**422,924**

In € 000

Maturity analysis of lease liabilities:

2022

Year	
2023	97,175
2024	88,983
2025	56,010
2026	39,366
2027	31,440
Other	111,400
Operating lease liabilities	**424,374**

In € 000

2021

Year	
2022	100,386
2023	70,234
2024	58,388
2025	32,870
2026	29,528
Other	131,518
Operating lease liabilities	**422,924**

In € 000

In 2022, the Group also recognised lease expense of €24,809 thousand in its statement of profit or loss associated with leases of low-value assets, short-term leases, variable lease payments and amounts related with substitution rights (2021: €27,952 thousand).

Discount rates: Because of the difficulty of determining the interest rate implicit in each lease, the Group used its incremental borrowing rate by country, term and currency and type of leased asset (premises, logistics centres and others). The incremental borrowing rate at the date of application ranged from 1.5% to 9.9% (the latter primarily for leases in South America) (2021: 1.7% to 4.3%).

Lastly, the Group has a series of leases with extension and/or early termination options. Those clauses are negotiated by management to provide the Group with a degree of flexibility over the management of the assets it leases. Management uses significant judgement in determining whether it is reasonably certain it will exercise those extension and termination options.

9.2 Group as lessor

The main leases in which El Corte Inglés Group is lessor are operating leases, mainly rentals of properties, stores and premises. Those leases are usually revised annually or whenever stipulated in the lease agreements in order to align them with market conditions.

Future minimum rentals receivable under the Group's current leases year-end 2022 and 2021, without factoring in costs to be reimbursed by the lessor, inflation-related adjustments or contractually-agreed rent increases:

ITEM	2022	2021
Received during the year	33,522	28,995
Within one year	31,374	28,177
Between one and five years	104,300	100,971
More than five years	93,256	107,464
TOTAL	**262,452**	**265,607**

In € 000

Part of the amount collected during the year related to income from investment properties.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group's most significant investments in associates at 28 February 2023 and 28 February 2022:

2022

ITEM	Balance at 1 March 2022	Other changes	Share of profit/(loss) of companies accounted for using the equity method	Balance at 28 February 2023
Financiera El Corte Inglés E.F.C., S.A.	167,602	(33,436)	28,760	162,926
Seguros ECI Vida, Pensiones y Reaseguros, S.A.	-	283,821	6,596	290,417
Centro de Seguros, S.A.	-	253,411	5,952	259,363
Gestión de Puntos de Venta, Gespevesa, S.A.	22,101	(6,682)	315	15,734
Sephora Cosméticos España, S.L.	(508)	3	(183)	(688)
Citorel, S.L.	1,843	(577)	376	1,642
Only You Hotels, S.L.	41,604	(41,604)	-	-
Tagus Books, S.L.	(426)	426	-	-
Kio Networks España, S.L.	9,524	(218)	1,032	10,338
Lecius, S.L.	689	-	65	754
STravel Partners Group	(299)	(428)	727	-
TOTAL	**242,130**	**454,715**	**43,641**	**740,486**

In € 000

2021

ITEM	Balance at 1 March 2021	Other changes	Share of profit/(loss) of companies accounted for using the equity method	Balance at 28 February 2022
Financiera El Corte Inglés E.F.C., S.A.	160,230	(20,015)	27,387	167,602
Gestión de Puntos de Venta, Gespevesa, S.A.	21,760	(57)	398	22,101
Sephora Cosméticos España, S.L.	3,949	-	(4,457)	(508)
Citorel, S.L.	1,744	(464)	563	1,843
FST Hotels, S.L.	49,842	(48,453)	(1,389)	-
Only You Hotels, S.L.	42,736	(858)	(274)	41,604
Tagus Books, S.L.	(352)	-	(74)	(426)
Kio Networks España, S.L.	8,826	(242)	940	9,524
Lecius, S.L.	632	-	57	689
STravel Partners Group	-	(299)	-	(299)
TOTAL	**289,367**	**(70,388)**	**23,151**	**242,130**

In € 000

The main change in the period related to the additions of Centro de Seguros y Servicios Correduría de Seguros, S.A. and Seguros El Corte Inglés, Vida, Pensiones y Reaseguros, S.A. after the completion of the sale of 50.01% of the insurance business to Mutua Group following approval by the pertinent authorities (note 4.1.15). The date of the loss of control of both insurance subsidiaries was 31 May 2022, when the sale of 50.01% of the insurance business to Mutua Group was executed. In accordance with the applicable regulatory framework of the International Financial Reporting Standards (IFRSs), Group companies Centro de Seguros y Servicios, correduría de Seguros, S.A. and Seguros El Corte Inglés, Vida, Pensiones y Reaseguros, S.A.U. ceased to be fully consolidated and were accounted for using the equity method. Moreover, according to applicable standards, the 49.99% stakes were remeasured at market value (€549.8 million).

On 28 July 2022, the 50% stake in Only You Hoteles, S.L. was sold, with the gain recognised in "Impairment of and gains/(losses) on disposal of financial instruments".

FST Hotels. S.L was classified as a non-current asset held for sale as a result of the agreement entered into on 29 December 2021 for the sale of 100% of the shares in that investee. As at 28 February 2022, the sale was pending approval by the pertinent authorities. Finally, on 31 March 2022, the sale was completed.

The Group's investment in Financiera El Corte Inglés E.F.C., S.A. was accounted for using the equity method since 2013.

The amounts recognised under "Other changes" in 2022 mainly correspond to dividends distributed to the Group by the various investees during the year, the impairment of Gestión de Puntos de Venta, S.A. recognised in the year and the above-mentioned sale of the investment in Only You Hotels, S.L.

The amounts recognised under "Other changes" in 2021 mainly corresponded to dividends distributed to the Group by the various investees during the year and the above-mentioned transfer of the investment in FST Hotels, S.L.

The key metrics for the Group's joint ventures and associates:

2022

ITEM	Assets	Liabilities	Operating profit/(loss)	Profit/(loss) for the year	Ownership interest (%)
Financiera El Corte Inglés E.F.C., S.A.	2,447,780	2,110,726	(33,461)	58,693	49.00
Seguros ECI Vida, Pensiones y Reaseguros, S.A.	871,422	737,889	38,061	28,647	49.99
Centro de Seguros, S.A.	81,196	44,726	29,103	22,630	49.99
Gestión de Puntos de Venta, Gespevesa, S.A.	69,943	17,958	910	629	50.00
Sephora Cosméticos España, S.L.	58,359	62,535	1,434	(364)	50.00
Citorel, S.L.	4,950	1,666	1,006	752	50.00
Kio Networks España, S.A.	25,351	4,628	2,025	2,063	50.00
Lecius, S.L.	3,482	1,973	148	129	50.00
STravel Partners Group	309,522	70,156	1,465	1,547	35.25
TOTAL	**3,872,005**	**3,052,257**	**40,691**	**114,727**	

In € 000

2021

ITEM	Assets	Liabilities	Operating profit/(loss)	Profit/(loss) for the year	Ownership interest (%)
Financiera El Corte Inglés E.F.C., S.A.	1,710,467	1,390,860	(25,587)	58,778	49.00
Gestión de Puntos de Venta, Gespevesa, S.A.	62,310	10,969	1,106	829	50.00
Sephora Cosméticos España, S.L.	52,204	56,571	(8,232)	(10,551)	50.00
Citorel, S.L.	4,789	1,103	1,502	1,127	50.00
FST Hotels, S.L.	56,535	(2,826)	(1,846)	(2,779)	50.00
Only You Hotels, S.L.	148,829	65,621	127	(548)	50.00
Tagus Books, S.L.	512	2,292	(314)	(309)	24.00
Kio Networks España, S.A.	23,255	4,154	1,886	1,879	50.00
Lecius, S.L.	3,151	1,772	174	114	50.00
STravel Partners Group	21,088	10,706	-	-	35.25
TOTAL	**2,083,140**	**1,541,222**	**(31,184)**	**48,540**	

In € 000

10.1 Interests in joint ventures

Below is more detailed financial information about the Group's joint ventures that are material to it (presented on a 100% basis):

ITEM	GESPEVESA		ONLY YOU HOTELS	
	2022	2021	2022	2021
Property, plant and equipment	30,745	31,838	-	140,587
Financial assets	20	22	-	7
Deferred tax assets	133	315	-	-
Inventories	779	786	-	443
Trade and other receivables	32,525	22,101	-	5,187
Current financial assets	-	-	-	(20)
Investments in group companies and associates	-	-	-	-
Current prepayments and accrued income	-	4	-	50
Cash and cash equivalents	5,741	7,244	-	2,575
TOTAL ASSETS	**69,943**	**62,310**	**-**	**148,829**
Capital and reserves	51,984	51,341	-	83,208
Grants and donations	-	-	-	-
Non-current borrowings	38	39	-	29,336
Non-current borrowings from group companies	-	-	-	15,500
Deferred tax liabilities	-	-	-	1
Current borrowings	-	-	-	12,813
Borrowings from group companies	-	-	-	-
Trade and other payables, provisions and accruals	17,921	10,930	-	7,971
TOTAL EQUITY AND LIABILITIES	**69,943**	**62,310**	**-**	**148,829**

In € 000

ITEM	SEPHORA 2022	SEPHORA 2021
Property, plant and equipment	18,105	20,315
Financial assets	3,552	2,491
Deferred tax assets	1,500	1,500
Inventories	31,486	29,176
Trade and other receivables	16,558	9,492
Investments in group companies and associates	(40)	(25)
Current prepayments and accrued income		-
Cash and cash equivalents	(12,802)	(10,745)
TOTAL ASSETS	**58,359**	**52,204**
Capital and reserves	(4,177)	(4,367)
Non-current provisions	342	1,801
Non-current borrowings	16,031	5,691
Non-current borrowings from group companies	10,000	10,000
Current provisions	75	228
Current borrowings	4,660	4,161
Trade and other payables, provisions and accruals	31,428	34,690
TOTAL EQUITY AND LIABILITIES	**58,359**	**52,204**

In € 000

ITEM	GESPEVESA		ONLY YOU HOTELS	
	2022	2021	2022	2021
Revenue	46,522	45,877	-	24,199
Cost of sales	(33,446)	(33,005)	-	(2,613)
Other income and expenses	(10,522)	(10,287)	-	(17,430)
Depreciation, amortisation, impairment and gains/(losses) on disposals	(1,644)	(1,479)	-	(4,029)
Operating profit/(loss)	910	1,106	-	127
Net finance income/(cost)	(93)	-	-	(675)
Profit/(loss) before tax	817	1,106	-	(548)
Income tax	(188)	(277)	-	-
PROFIT/(LOSS) FOR THE YEAR	**629**	**829**	**-**	**(548)**

In € 000

ITEM	SEPHORA 2022	2021
Revenue	176,544	120,225
Cost of sales	(101,940)	(66,501)
Other income and expenses	(53,957)	(55,389)
Depreciation, amortisation, impairment and gains/(losses) on disposals	(19,303)	(6,567)
Operating profit/(loss)	1,344	(8,232)
Net finance income/(cost)	(1,829)	(819)
Profit/(loss) before tax	(485)	(9,051)
Income tax	121	(1,500)
PROFIT/(LOSS) FOR THE YEAR	**(364)**	**(10,551)**

In € 000

10.2 Investments in associates

Below is the summarised financial information for the Group's material associates (presented on a 100% basis):

ITEM	FINANCIERA EL CORTE INGLÉS 2022	2021
Property, plant and equipment	41,565	32,397
Financial assets	-	3
Deferred tax assets	7,450	7,847
Trade and other receivables	1,831,597	1,658,123
Current financial assets	5,666	7,315
Current prepayments and accrued income	3,522	2,000
Cash and cash equivalents	570,315	2,782
TOTAL ASSETS	**2,460,115**	**1,710,467**
Capital and reserves	337,054	319,607
Non-current provisions	828	933
Non-current borrowings	900,000	1,000,000
Current provisions	4,669	6,607
Current borrowings	1,067,024	246,061
Borrowings from group companies	46,146	59,624
Trade and other payables, provisions and accruals	104,394	77,635
TOTAL EQUITY AND LIABILITIES	**2,460,115**	**1,710,467**

In € 000

ITEM	FINANCIERA EL CORTE INGLÉS 2022	2021
Cost of sales	(779)	(297)
Other income and expenses	(26,297)	(17,762)
D&A, impairment and gains/(losses) on disposals	(6,385)	(7,528)
Operating profit/(loss)	(33,461)	(25,587)
Net finance income/(cost)	113,957	106,621
Profit/(loss) before tax	80,496	81,034
Income tax	(21,803)	(22,256)
PROFIT/(LOSS) FOR THE YEAR	**58,693**	**58,778**

In € 000

ITEM	SEGUROS ECI, VIDA Y PENSIONES		CENTRO DE SEGUROS	
	2022	2021	2022	2021
Property, plant and equipment	27,738	28,521	14,966	13,705
Financial assets	739,563	1,063,082	250	316
Deferred tax assets	11,506	1,672	1,409	781
Trade and other receivables	34,744	33,217	6,476	107,990
Current financial assets	6,705	6,912	40,207	260
Investments in group companies and associates	-	-	42	45
Current prepayments and accrued income	16,642	13,969	225	202
Cash and cash equivalents	34,524	36,892	17,621	681
TOTAL ASSETS	**871,422**	**1,184,266**	**81,196**	**123,980**
Capital and reserves	159,994	331,653	36,470	47,431
Valuation adjustments	(26,461)	19,694	-	-
Non-current provisions	717,724	811,437	667	-
Non-current borrowings	56	56	-	-
Current provisions	93	93	-	-
Current borrowings	6,449	7,890	-	-
Borrowings from group companies	61	23	(33,567)	13
Trade and other payables, provisions and accruals	13,506	13,420	77,626	76,536
TOTAL EQUITY AND LIABILITIES	**871,422**	**1,184,266**	**81,196**	**123,980**

In € 000

ITEM	SEGUROS ECI, VIDA Y PENSIONES 2022	SEGUROS ECI, VIDA Y PENSIONES 2021	CENTRO DE SEGUROS 2022	CENTRO DE SEGUROS 2021
Revenue	145,209	185,240	106,752	95,602
Cost of sales	(77,895)	(122,438)	(214)	(251)
Other income and expenses	(27,584)	874	(73,681)	(61,243)
Depreciation, amortisation, impairment and gains/(losses) on disposals	(1,669)	(1,967)	(3,754)	(2,049)
Operating profit/(loss)	38,061	61,709	29,103	32,059
Net finance income/(cost)	-	-	389	670
Profit/(loss) before tax	38,061	61,709	29,492	32,729
Income tax	(9,414)	(15,276)	(6,862)	(7,645)
PROFIT/(LOSS) FOR THE YEAR	**28,647**	**46,433**	**22,630**	**25,085**

In € 000

11. NON-CURRENT AND CURRENT FINANCIAL ASSETS

The breakdown of this consolidated statement of financial statement heading:

ITEM	2022 CURRENT	2022 NON-CURRENT	2021 CURRENT	2021 NON-CURRENT
Loans and receivables	12,870	57,050	11,851	40,147
Financial assets at amortised cost	308	-	222	-
Financial assets at fair value through equity	19,819	6,651	6,110	6,187
Deposits and other	14,140	16,776	27,276	14,259
Derivatives (note 19)	5,729	71,603	17,827	-
TOTAL	**52,866**	**152,080**	**63,286**	**60,593**

In € 000

11.1 Loans and receivables

The breakdown of this consolidated statement of financial statement heading:

ITEM	2022 CURRENT	2022 NON-CURRENT	2021 CURRENT	2021 NON-CURRENT
Loans, derivatives and other:				
Loans	251	25,789	1,723	2,250
Deposits and guarantees	12,619	31,261	10,128	37,897
TOTAL	**12,870**	**57,050**	**11,851**	**40,147**

In € 000

In 2022, Tool Factory, S.L. took out a €24 million loan repayable in a lump sum on 28 February 2029, although there can be voluntary repayments. Also in 2022, the Company wrote off a long-term loan due from a third party in an amount to €41.5 million (2021: €41 million).

The maturity analysis of "Loans and receivables - Loans":

2022

ITEM	2024	2025	2026	2027	From 2028 on	TOTAL
Loans	-	-	-	-	25,789	**25,789**

In € 000

2021

ITEM	2023	2024	2025	2026	From 2027 on	TOTAL
Loans	696	367	286	309	592	**2,250**

In € 000

11.2 Financial assets at amortised cost

The breakdown of this consolidated statement of financial statement heading:

ITEM	2022		2021	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Equity instruments	308	-	222	-
TOTAL	**308**	**-**	**222**	**-**

In € 000

The debt securities are mostly short-term deposits placed at a number of financial institutions that earn interest at market rates.

11.3 Financial assets at fair value through equity, deposits and other assets

The breakdown of this consolidated statement of financial statement heading:

ITEM	2022		2021	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Equity instruments		22,838		19,850
Deposits and other	33,959	-	33,386	-
Debt securities	-	589	-	596
TOTAL	**33,959**	**23,426**	**33,386**	**20,446**

In € 000

"Deposits and other" under current assets includes primarily an escrow account at a financial institution with a balance of €13.67 million (2021: €27.27 million) in guarantee of certain contractual obligations with certain members of the Board of Directors.

"Equity instruments" under non-current assets includes primarily the Group's 11.22% investment, held through Parinver, S.A., in Grupo Real Turismo, S.A.B de Capital Variable, a Mexican hospitality company, which is carried at €5.2 million, and Parinver, S.A.'s 9.90% interest in Grupo Financiero Multiva, carried at €7.9 million.

11.4 Derivatives

The breakdown of this consolidated statement of financial statement heading:

ITEM	2022		2021	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Loans, derivatives and other (note 19)	5,729	71,603	17,827	-
TOTAL	**5,729**	**71,603**	**17,827**	**-**

In € 000

11.5 Fair value hierarchy

Below is a synopsis of the judgements and estimates used to determine the fair value of the financial instruments recognised in the Group's consolidated financial statements. The Group classifies its financial instruments into the three levels stipulated in IFRS 7, as disclosed in note 4.2.8:

FAIR VALUE MEASUREMENT	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
As at 28 February 2023				
Financial assets at fair value through equity (note 11.4)				
Equity instruments	589	-	22,838	23,427
Derivatives	-	71,603	-	71,603
Debt securities	16,776	-	40,274	57,050
TOTAL FINANCIAL ASSETS	**17,365**	**71,603**	**63,112**	**152,080**

In € 000

FAIR VALUE MEASUREMENT	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
As at 28 February 2022				
Financial assets at fair value through equity (note 11.4)				
Equity instruments	596	-	24,954	25,550
Debt securities	14,259	-	20,784	35,043
TOTAL FINANCIAL ASSETS	**14,855**	**-**	**45,738**	**60,593**

In € 000

12. INVENTORIES

The breakdown of this consolidated statement of financial position heading:

ITEM	2022	2021
Goods held for resale	1,824,913	1,535,752
Consumables	54,916	43,580
TOTAL	**1,879,829**	**1,579,332**

In € 000

In line with widespread practice in the retail sector, El Corte Inglés, S.A. places purchase orders with certain suppliers months before the merchandise is due to be delivered. As a result, it was contractually committed to purchases in the amount of €783.03 million at 28 February 2023 (28 February 2022: €941.80 million).

The Group was also contractually committed to customer sales in the amount of €143.77 million at 28 February 2023 (28 February 2022: €142.75 million).

It is Group policy to take out the insurance policies necessary to cover the potential risks to which its inventories are exposed. The Parent's directors believe that the coverage provided by those inventory insurance policies was adequate at both reporting dates.

13. TRADE AND OTHER RECEIVABLES

The breakdown at 28 February 2023 and 28 February 2022:

ITEM	2022	2021
Trade receivables	175,156	128,741
Unbilled trade receivables	6,694	2,752
Allowance for expected credit loss on trade receivables	(39,489)	(38,398)
Subtotal: trade receivables	142,361	93,095
Subtotal: other receivables	243,843	163,222
TOTAL	**386,204**	**256,317**

In € 000

There were no material "trade and other receivables" in default or for which the Group had not recognised a loss allowance for expected credit losses at either reporting date.

In 2022, the Group recognised a provision for expected credit losses on trade and other receivables in the amount of €3.71 million (2021: a reversal of €4.21 million).

"Current tax assets" on the consolidated statement of financial position at 28 February 2023 was reduced by €182.6 million to reflect the transfer of corporate income tax after arranging a nonrecourse receivables discounting facility under which all of the risks and benefits of ownership have been transferred.

14. CASH AND CASH EQUIVALENTS

The breakdown of this consolidated statement of financial position heading at year-end:

ITEM	2022	2021
Cash in hand	48,645	50,650
Cash at banks	134,442	108,318
TOTAL	**183,087**	**158,968**

In € 000

"Cash and cash equivalents" in 2022 and 2021 include cash on hand and demand deposits at banks that earn interest at market rates.

15. EQUITY

15.1 Capital

El Corte Inglés, S.A.'s share capital was represented by 75,766,824 bearer shares with a unit par value of €6 at 28 February 2023 (28 February 2022: 75,766,824), all fully paid. The Company's shares are not listed.

The Group reduced capital by €32,263,056 on 28 February 2022 by cancelling 5,377,176 own shares (with a unit par value of €6). The capital reduction had a €257.6 million impact on own shares and a €225.3 million impact on reserves; it did not have any impact on the Group's equity. The capital reduction was approved by the Board of Directors at its meeting held on 24 November 2021.

The legal persons with ownership interests of over 10% in the Company are Fundación Ramón Areces (40.04%) and Cartera de Valores IASA, S.L (18.40%).

15.2 Legal reserve

The Spanish Corporate Enterprises Act stipulates that 10% of profit for each year be transferred to the legal reserve until it represents at least 20% of share capital.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

The Group's Parent had fully endowed its legal reserve, in the amount of €90,920 thousand at 28 February 2023 (28 February 2022: €97,373 thousand.

15.3 Other reserves

"Other reserves" includes €2,029 million of restricted reserves (2021: €2,129 million) corresponding to the legal reserves of its consolidated entities and other restricted reserves (revaluation reserve by virtue of IFRS 1, goodwill reserve, etc.).

The Parent's voluntary reserves at 28 February 2023 amounted to €3,094 million (28 February 2022: €2,599 million).

In addition, as a result of the capital reduction outlined in note 15.1, this reserve account was endowed in 2021 by an amount equal to the par value of the shares cancelled, i.e., €32.2 million; that balance can only be used in keeping with the requirements for reducing share capital, in keeping with article 335.c) of the Corporate Enterprises Act.

15.4 Own shares

The own shares held by the Group, on a temporary basis, earmarked for upcoming sale, at each year-end:

ITEM	No. of shares	Par value (€)
Own Class A shares at 28 February 2023	4,449,594	6
Own Class A shares at 28 February 2022	6,142,679	6

In € 000

In 2022, the Parent bought back own shares for €500.79 million (2021: €149.18 million) and sold shares for €291.30 million (2021: €10.88 million).

On 31 May 2022, the Company, under the scope of its alliance with Mutua Group, sold shares representing 8% of its share capital. The transaction amounted to €555.0 million and entailed the sale of 6,061,346 shares. As a result of the transaction, an amount of €291.3 million of own shares was derecognised and a positive impact of €263.7 million was recognised in reserves.

On 25 May 2022, the Company acquired 4,192,689 of its shares from Primefin, representing 5.5% of its share capital (classified as own shares). The price paid was €485.7 million, including the payment of contractual compensation.

On 7 April 2021, the Group acquired 22.18% of Cartera de Valores de IASA, S.L. and, as part of the same proceedings, the latter reduced capital through the repayment of capital contributions to the Group. As a result of the reduction, the Group received own shares equivalent to 5%. That transaction amounted to €145 million (included in the €149.18 million of buybacks).

In addition, as disclosed in note 15.1, the Parent reduced capital by cancelling own shares with an impact of €257.6 million.

The Parent has an agreement with PrimeFin, S.A. giving the latter the option to sell it, and other compensation over, all of its shares in El Corte Inglés, S.A. That compensation agreement and put option can be exercised from year 10 after the agreement was entered into (i.e., 2025) and its execution depends on certain conditions, delivery of which is under the control of the Parent.

As at 28 February 2023, the Group held a total of 4,449,594 own shares, equivalent to 5.9% of its share capital (2021: 8.1%).

15.5 Valuation adjustments

Financial assets at fair value through equity

This consolidated statement of financial position heading includes the after-tax impact of changes in the fair value of financial assets classified as available-for-sale. Those fair value gains or losses are reclassified to profit or loss when the underlying assets are sold or become impaired.

Cash-flow hedges

This consolidated statement of financial position heading includes the after-tax impact of changes in the fair value of the derivatives designated as cash-flow hedges (note 19).

15.6 Non-controlling interests

This consolidated statement of financial position heading presents the interests at year-end of the non-controlling shareholders of the following entities:

2022

COMPANY	Ownership interest, %	Capital and reserves	Share of: Profit/(loss) for the year	TOTAL
Canal Club de Distribución de Ocio y Cultura, S.A.	25.00	18	10	28
Moda Sfera Joven México, S.A. de C.V.	49.00	24,127	6,773	30,900
VECI Travel Group (note 4.2.19)	25.00	65,362	3,494	68,856
TOTAL		**89,507**	**10,277**	**99,784**

In € 000

2021

COMPANY	Ownership interest, %	Capital and reserves	Share of: Profit/(loss) for the year	TOTAL
Canal Club de Distribución de Ocio y Cultura, S.A.	25.00	18	18	36
Moda Sfera Joven México, S.A. de C.V.	49.00	19,430	2,501	21,931
VECI Travel Group (note 4.2.19)	25.00	67,637	-	67,637
TOTAL		**87,085**	**2,519**	**89,604**

In € 000

The reconciliation of non-controlling interests at the beginning and end of 2022 and 2021:

2022

COMPANY	Balance at 1 March 2022	Valuation and other adjustments	Profit/(loss) for the year	Balance at 28 February 2023
Canal Club de Distribución de Ocio y Cultura, S.A.	36	(18)	10	28
Moda Sfera Joven México, S.A. de C.V.	21,932	2,195	6,773	30,900
VECI Travel Group (note 4.2.19)	67,636	(2,274)	3,494	68,856
TOTAL	**89,604**	**(97)**	**10,277**	**99,784**

In € 000

2021

COMPANY	Balance at 1 March 2021	Valuation and other adjustments	Profit/(loss) for the year	Balance at 28 February 2022
Canal Club de Distribución de Ocio y Cultura, S.A.	38	(20)	18	36
Moda Sfera Joven México, S.A. de C.V.	17,332	2,099	2,501	21,932
VECI Travel Group (note 4.2.19)	-	67,636	-	67,636
TOTAL	**17,370**	**69,715**	**2,519**	**89,604**

In € 000

The financial information of Moda Sfera Joven México, S.A. de CV is presented below:

STATEMENT OF FINANCIAL POSITION	MODA SFERA JOVEN MÉXICO 2022	2021
Property, plant and equipment	22,568	22,879
Deferred tax assets	14,410	11,626
Inventories	23,647	18,409
Trade and other receivables	22,686	11,642
Cash and cash equivalents	7,745	3,113
TOTAL ASSETS	**91,056**	**67,669**
Capital and reserves	63,061	49,206
Valuation adjustments	6,952	1,223
Borrowings and trade and other payables	21,043	17,240
TOTAL EQUITY AND LIABILITIES	**91,056**	**67,669**

In € 000

STATEMENT OF PROFIT OR LOSS	MODA SFERA JOVEN MÉXICO 2022	2021
Revenue	100,378	76,411
Cost of sales	(52,431)	(44,149)
Other income and expenses	(26,585)	(20,088)
Depreciation, amortisation, impairment and gains/(losses) on disposals	(4,841)	(4,003)
Operating profit/(loss)	16,521	8,171
Net finance income/(cost)	1,569	(431)
Profit/(loss) before tax	18,090	7,740
Income tax	(4,268)	(1,356)
PROFIT/(LOSS) FOR THE YEAR	**13,822**	**6,384**

In € 000

The financial information of Vecitravel Group is presented below:

STATEMENT OF FINANCIAL POSITION	VECI TRAVEL GROUP 2022	2021
Property, plant and equipment	394,724	357,445
Deferred tax assets	12,317	10,955
Inventories	277	514
Trade and other receivables	249,253	121,633
Cash and cash equivalents	25,458	27,799
TOTAL ASSETS	**682,029**	**518,346**
Capital and reserves	195,802	177,756
Valuation adjustments	(16,649)	(16,057)
Borrowings and trade and other payables	502,876	356,647
TOTAL EQUITY AND LIABILITIES	**682,029**	**518,346**

In € 000

STATEMENT OF PROFIT OR LOSS	VECI TRAVEL GROUP 2022	2021
Revenue	1,674,682	981,587
Cost of sales	(1,334,112)	(871,785)
Other income and expenses	(282,710)	(161,152)
Depreciation, amortisation, impairment and gains/(losses) on disposals	(52,648)	(40,700)
Operating profit/(loss)	5,212	(92,049)
Net finance income/(cost)	1,419	(2,591)
Profit/(loss) before tax	6,631	(94,640)
Income tax	7,346	1,151
PROFIT/(LOSS) FOR THE YEAR	**13,977**	**(93,489)**

In € 000

15.7 Capital management

The Group's capital management objectives are to safeguard its ability to continue as a going concern in order to generate further returns for its shareholders and benefits for all its stakeholders and to maintain an optimum financial structure to reduce the cost of capital.

The Parent's directors use the leverage ratio to monitor compliance with the Group's capital management objectives. It defines leverage as the ratio of net debt to equity. Net debt is calculated as the sum of its current and non-current borrowings, excluding those corresponding to non-current assets held for sale, less short-term financial assets and cash and other cash equivalents.

The leverage ratios at year-end:

ITEM	2022	2021
Net debt:		
Non-current bonds and other marketable securities	80,632	1,379,331
Current bonds and other marketable securities	299,341	195,491
Non-current borrowings	2,080,330	1,702,500
Current borrowings	37,022	36,323
Current financial assets, cash and cash equivalents (excluding derivatives)	(201,863)	(219,216)
TOTAL	**2,295,461**	**3,094,429**
Equity:		
Attributable to owners of the parent	6,463,785	5,590,566
Attributable to non-controlling interests	99,784	89,604
TOTAL	**6,563,569**	**5,680,170**
LEVERAGE RATIO	**35.0%**	**54.5%**

In € 000

16. PROVISIONS AND CONTINGENT LIABILITIES

16.1 Current and non-current provisions

The reconciliation of the opening and closing balances of provisions:

NON-CURRENT PROVISIONS	Opening balance	Liabilities associated with non-current assets held for sale	Amounts recognised	Amounts used	Transfers and other	Closing balance
2022:						
Employee benefit obligations	13,319	-	29,440	(24,546)	245	18,458
Provision for long-term incentives	21,535	-	24,138	-	-	45,673
Provision for tax matters (note 22)	34,053	-	-	(51,700)	17,647	-
Other	89,590	-	5,956	(23,603)	(17,647)	54,296
TOTAL NON-CURRENT	**158,497**	**-**	**59,534**	**(99,849)**	**245**	**118,427**
2021:						
Employee benefit obligations	10,147	-	3,232	-	(61)	13,318
Technical provisions (note 4.2.15)	846,754	(811,437)	-	(35,317)	-	-
Provision for long-term incentives	-	-	1,660	-	19,875	21,535
Provision for tax matters (note 22)	-	-	34,053	-	-	34,053
Other	136,687	-	3,915	(14,221)	(36,790)	89,591
TOTAL NON-CURRENT	**993,588**	**(811,437)**	**42,860**	**(49,538)**	**(16,976)**	**158,497**

In € 000

CURRENT PROVISIONS	Opening balance	Amounts recognised	Amounts used	Closing balance
2022:				
Employee benefit obligations	43,080	36,726	(35,157)	44,649
Other	4,354	64,464	(8,439)	60,379
TOTAL CURRENT	**47,434**	**101,190**	**(43,596)**	**105,028**
2021:				
Employee benefit obligations	157,400	28,630	(142,950)	43,080
Other	2,545	9,708	(7,899)	4,354
TOTAL CURRENT	**159,945**	**38,338**	**(150,849)**	**47,434**

In € 000

Employee benefit obligations

At 28 February 2023, "Employee benefit obligations" mainly recognised the provision for the impact of redundancies under the early-retirement plan notified to employees aged 61 before year-end. The total amount of the provision for early retirements at 28 February 2023 was €17.3 million (28 February 2022 : €15.3 million), of which €5.6 million (28 February 2022: €1.7 million) was classified within current provisions. In addition, in 2022 the Group recognised a provision for €30 million as part of the early-retirement plan (note 2.7.1).

<u>Provision for long-term incentives</u>

On 23 July 2021, the Company's shareholders ratified, in general meeting, a cash-settled long-term incentive plan for its executive directors and certain members of its management team articulated around delivery of the strategic plan presented by the Group and approved by the Board of Directors.

In 2022, the provision amounted to €45.7 million (2021: €21.5 million) following delivery of the financial targets established for the first two years of that plan.

<u>Other provisions</u>

"Other" in the table above includes miscellaneous provisions for certain lawsuits and other obligations.

16.2 Sureties and guarantees extended to third parties and other contingent liabilities

The sureties extended by the Group as at 28 February 2023 amounted to €216.38 million (28 February 2022: €161.10 million). Of the year-end total, €0.87 million was related with legal and tax matters (28 February 2022: €3.01 million). The rest, deposited at a range of financial institutions, are bonds securing business transactions.

The Parent's directors believe that any liabilities that could materialise on account of the sureties extended that have not been provided for at 28 February 2023 would not be material.

17. NON-CURRENT AND CURRENT BANK BORROWINGS, NOTES AND OTHER MARKETABLE SECURITIES

The breakdown of these consolidated statement of financial statement headings:

ITEM	NON-CURRENT		CURRENT	
	Year-end 2022	Year 2021	Year 2022	Year 2021
Syndicated loan	1,794,192	900,000	-	-
ICO syndicated loan	-	463,000	-	-
EIB loan	199,715	216,286	16,571	16,813
ICO loan	85,714	100,000	14,286	-
Other financial liabilities	161	23,214	7,445	19,510
Bank borrowings	**2,079,782**	**1,702,500**	**38,302**	**36,323**
Lease liabilities under IFRS 16 (note 9.1)	327,199	322,538	97,175	100,386
Lease liabilities	**327,199**	**322,538**	**97,175**	**100,386**
Notes	80,632	1,213,200	-	-
Promissory notes payable to employees	-	-	-	17,600
MARF-listed commercial paper	-	166,131	297,041	167,994
Other borrowings	-	-	5,593	9,897
Notes and other marketable securities	**80,632**	**1,379,331**	**302,634**	**195,491**
Derivatives (note 19)	-	2,244	25,906	-
Other financial liabilities	3,012	3,106	1,430	971
Other financial liabilities	**3,012**	**5,350**	**27,336**	**971**
TOTAL	**2,490,625**	**3,409,719**	**465,448**	**333,171**

In € 000

Bank borrowings

Syndicated loan

On 18 March 2022 the Parent agreed to refinance up to €2.6 billion of its bank debt, improving the pre-existing terms and conditions by locking in stable financing at a lower cost with longer maturities (until 2027 with two additional one-year extension options). In accordance with the applicable financial reporting framework, the qualitative and quantitative terms of the new borrowings were not substantially different from the previous ones.

The agreement included the following tranches:

- Tranche A, for €918.9 million, repayable at maturity on 28 March 2027.
- Tranche B, for €1,081.1 million, consisting of a credit facility with maturity at 28 March 2027.
- A new €600 million tranche earmarked, on 6 April 2022, for full payment of the note issued in 2020 (with a face value of €593 million, maturity of 15 March 2024 and carrying interest of 3.625%).

The refinancing agreement also includes sustainability commitments in line with the Group's corporate social responsibility strategies.

As stipulated in the syndicated financing agreement, the Group will not be obliged to comply with any financial ratios, calculated based on El Corte Inglés Group's consolidated financial statements, in the event it secures an investment-grade credit rating. If not, its leverage (measured as debt-to-EBITDA) may not exceed 4.5x. At 28 February 2023, this ratio stood at 2.4x.

Until the Company obtains an investment-grade rating, compliance with the above-mentioned ratios is taken into consideration for dividend distribution purposes.

ICO syndicated loan

The ICO syndicated loan was prepaid in full on 2 June 2022.

Other bank borrowings

The Parent obtained a loan facility of €116 million from the European Investment Bank (EIB) in December 2016. The last instalment on that loan is due in February 2027. At 28 February 2023, the balance of both of these loans and borrowings was €66.2 million (28 February 2022: €82.8 million).

Under the EIB facility, the Group has to comply with certain financial ratios calculated on the basis of its consolidated financial statements. The Group was in compliance with those covenants at 28 February 2023.

Subsequently, on 30 March 2020, the Company arranged two new 10-year loan facilities with ICO and EIB in the amounts of €100 million and €150 million (after the latest increase of €40 million in March 2021), respectively. At 28 February 2023, those loans were drawn down by €250 million on aggregate.

On 18 January 2023, the Parent took out a new 10-year €74 million loan with the EIB to fund digitalisation and energy efficiency projects. No amounts had been drawn down at 28 February 2023.

The maturity profile of the liabilities comprising bank borrowings and lease liabilities is provided below:

2022

ITEM	2024	2025	2026	2027	Other	TOTAL
Bank borrowings	46,571	652,285	52,285	1,230,067	98,574	2,079,782
Lease liabilities (note 9.1)	88,983	56,010	39,366	31,440	111,400	327,199
TOTAL	**135,554**	**708,295**	**91,651**	**1,261,507**	**209,974**	**2,406,981**

In € 000

2021

ITEM	2023	2024	2025	2026	Other	TOTAL
Bank borrowings	42,553	952,629	194,911	377,879	134,528	1,702,500
Lease liabilities (note 9.1)	70,234	58,388	32,870	29,528	131,518	322,538
TOTAL	**112,787**	**1,011,017**	**227,781**	**407,407**	**266,046**	**2,025,038**

In € 000

The interest rates are benchmarked to Euribor plus a market spread in 2022 and 2021.

The Group has receivables discounting and credit facilities, which accrue interest at market rates, with the following limits:

ITEM	2022 Limit	2022 Undrawn	2021 Limit	2021 Undrawn
Receivables discounting facilities	4,000	4,000	4,000	4,000
Credit facilities (a)	1,081,121	805,647	1,100,000	1,100,000
TOTAL	**1,085,121**	**805,647**	**1,104,000**	**1,104,000**

In € 000
(a) Part of the syndicated loan agreement.

As at 28 February 2023, the credit facility was drawn down by €275.5 million (28 February 2022: €0). The Group also had credit facilities in US dollars at year-end 2022 with a limit of $1.5 million (2021: $1.5 million).

Notes and other marketable securities

Notes

In 2022, the Group prepaid its 2018 and 2020 bond issues. In addition, following the deconsolidation of the insurance business, a note issued by Supercor and subscribed in full by Seguros El Corte Inglés was recognised in an amount of €80.6 million. This debt instrument matures in August 2024.

MARF-listed commercial paper

"Current notes and marketable securities" at 28 February 2023 includes the commercial paper listed on Spain's alternative fixed-income market (MARF for its acronym in Spanish) in the amount of €297,041 thousand (28 February 2022: €334,125 thousand). The commercial paper bears interest at market rates.

Promissory notes payable to employees

In 2022, the promissory notes payable to employees were cancelled in full (2021: €17.6 million outstanding balance).

Changes in current and non-current financial liabilities arising from financing activities

As required under IAS 7, below are the disclosures regarding the changes in financial liabilities arising from financing activities. Availing itself of the related transition options, the Group presents that information for the year ended 28 February 2023 and 2022.

Item	1 March 2022	Cash flows	IFRS 16 leases	Other	28 February 2023
Non-current notes and other marketable securities	**1,379,331**	(1,298,699)	-	-	**80,632**
Non-current bank borrowings	**2,025,038**	380,493	1,450	-	**2,406,981**
Other non-current financial liabilities	**5,350**	(2,338)	-	-	**3,012**
Current notes and other marketable securities	**195,491**	107,143	-	-	**302,634**
Current bank borrowings	**136,709**	(100,774)	99,542	-	**135,477**
Other current financial liabilities	**971**	26,364	-	-	**27,335**
Acquisition of own equity instruments	**(87,512)**	42,074	-	-	**(45,438)**
Dividends paid	**(30,430)**	(78,228)	-	-	**(108,658)**
TOTAL LIABILITIES ARISING FROM FINANCING ACTIVITIES	**3,624,948**	**(923,965)**	**100,992**	**-**	**2,801,975**

In € 000

Item	1 March 2021	Cash flows	IFRS 16 leases	Other	28 February 2022
Non-current notes and other marketable securities	**1,210,400**	168,931	-	-	**1,379,331**
Non-current bank borrowings	**2,493,451**	(442,091)	(26,322)	-	**2,025,038**
Other non-current financial liabilities	**10,181**	(4,831)	-	-	**5,350**
Current notes and other marketable securities	**883,529**	(688,038)	-	-	**195,491**
Current bank borrowings	**175,909**	(187,462)	100,386	47,876	**136,709**
Other current financial liabilities	**18,560**	(17,589)	-	-	**971**
Acquisition of own equity instruments	**-**	(87,512)	-	-	**(87,512)**
Dividends paid	**-**	(30,430)	-	-	**(30,430)**
TOTAL LIABILITIES ARISING FROM FINANCING ACTIVITIES	**4,792,030**	**(1,289,022)**	**74,064**	**47,876**	**3,624,948**

In € 000

18. RISK MANAGEMENT POLICIES

The Group's business activities expose it to various types of financial risk: market risk (including foreign exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. Risk management at the Group is overseen by the Parent's management team, which puts the necessary mechanisms in place. Management focuses on uncertainty in the financial markets and seeks to minimise the potential adverse effects on the Group's profitability, using financial instruments (note 19).

This note provides details about the Group's exposure to each of the above-mentioned risks, the risk management targets, policies and processes for each, the methods used to measure them and the year-on-year changes in the various exposures.

In general, the Group holds its cash and cash equivalents at financial entities with high credit ratings.

The Group's credit risk vis-a-vis third parties is not significantly concentrated: the vast majority of its revenue stems from retail sales which are settled, fundamentally, in cash or by card.

The Group recognises a provision for expected credit losses from other business transactions (mainly corporate retail transactions and corporate travel agency services), using a provision matrix based on historical credit loss experience and prevailing macroeconomic conditions.

The amount of the provision is the difference between the carrying amount of the assets and the present value of forecast future cash flows. That provision is recognised in the consolidated statement of profit or loss (note 13). The Group recognised a provision for expected credit losses of €39.5 million in 2022 (2021: €38.3 million) on receivables of €374.2 million (2021: €244.7 million).

There were no significant balances at 28 February 2023 or 28 February 2022 that had not been adjusted for expected credit losses based on the analysis conducted by the Group and its policies for determining those haircuts. The fair value of the Group's receivables is not materially different from their carrying amount.

Liquidity risk

Prudent management of liquidity risk entails maintaining adequate cash and marketable securities and ensuring available funding in the form of sufficient committed credit facilities (note 17).

Ultimate responsibility for liquidity risk management lies with the Parent's management, which is tasked with drawing up an adequate framework for controlling the Group's liquidity needs in the short, medium and long term. The Group manages liquidity by maintaining adequate funds, using appropriate bank services, keeping undrawn credit and loan facilities and continuously monitoring prevailing and forecast cash flows, matching them with the maturity profiles of its financial assets and liabilities. The Group had ample liquidity at 28 February 2023 (note 17). It has commercial paper issued on the MARF in addition to the credit facilities outlined in note 17.

Interest rate risk

The future cash flows of assets and liabilities benchmarked against floating rates of interest fluctuate because of changes in interest rates. The Group's financial instruments that expose it to interest rate risk are essentially its floating-rate loans and its derivative instruments.

The Group enters into derivatives to mitigate that exposure based on its outlook for interest rates and its long-term capital structure targets (note 19).

The Parent's management performs a sensitivity analysis, especially in respect of interest rate risk, to ensure that any changes in its interest rate estimates do not have a material impact. As interest rate derivatives, an increase or decrease in interest rates of 0.1p.p. would result in an increase of €3.2 million and a decrease of €3.3 million, respectively, in the MTM as at 28 February 2023.

Price risk

The Group's exposure to price risk stems from its investments in equity instruments, which after the deconsolidation of the insurance business are immaterial.

In 2022 and 2021, as a result of the pandemic, aggravated more recently by geopolitical developments, inflation spiralled, affecting the prices of commodities and utilities, particularly energy. Faced by that situation, the Group and the legal authorities (European Union) have taken measures to curb the impact of inflation (note 2.7.1).

Foreign currency risk

The Group operates in international markets and is, therefore, exposed to foreign exchange risk, especially on account of transactions arranged in US dollars.

Foreign exchange risk is managed in accordance with Group management guidelines which essentially contemplate natural hedging strategies and constant monitoring of exchange rates, among other mitigating measures. It is Group policy to arrange financial instruments (currency forwards) to reduce its exposure to exchange differences on foreign-currency transactions (note 19).

The breakdown of the most significant transactions denominated in foreign currencies, mainly the US dollar, performed by the Spanish Group companies, and the resulting year-end balances, measured at the average and closing exchange rates, respectively:

ITEM	2022	2021
Payables	155,728	118,857
Purchases	719,565	588,774

In € 000

The most significant transactions and resulting year-end balances of the Group companies that operate in currencies other than the euro (mainly the subsidiaries located in Latin America), measured at the average and closing exchange rates, respectively:

ITEM	MEXICAN PESOS		OTHER CURRENCIES		TOTAL	
	2022	2021	2022	2021	2022	2021
Payables	34,753	26,178	29,059	24,507	63,812	50,685
Other liabilities	-	-	470	236	470	236
Sales	99,856	76,288	(82)	(78)	99,774	76,210
Services rendered	161,604	56,346	313,477	36,484	475,081	92,830
Purchases	190,918	93,740	318,113	33,304	509,031	127,044
Services received	17,440	11,254	6,735	3,718	24,175	14,972

In € 000

In this instance, the impacts of movements in the corresponding exchange rates are recognised under "Translation differences" within equity, as stipulated in the description of the measurement criteria followed.

19. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge the risks to which its activities, operations and future cash flows are exposed.

The methods used by the Group to calculate the fair value of its derivatives, including the associated credit risk adjustments (IFRS 13) and the corresponding input levels for fair value hierarchy purposes (IFRS 7), are disclosed in note 4.2.8. The derivative financial instruments held by the Group as at 28 February 2023 and 28 February 2022:

2022

ITEM	Classification	Type	NOTIONAL Amount	Maturity	FAIR VALUE (a) Assets	Liabilities
Interest-rate swaps	Interest-rate hedges	Floating-to-fixed	600,000 (a)	2025	30,270	-
Interest-rate swaps	Interest-rate hedges	Floating-to-fixed	600,000 (a)	2027	40,145	-
Currency forwards	Foreign exchange hedges	Purchase of currency	600,423 (b)		4,852	19,115
Cash flow hedges	Trading derivatives: swaps related with energy purchases	Swaps and futures		2024	-	6,791

(a) In € 000.
(b) In $ 000.

2021

ITEM	Classification	Type	NOTIONAL Amount	Maturity	FAIR VALUE (a) Assets	Liabilities
Interest-rate swaps	Interest-rate hedges	Floating-to-fixed	500,000 (a)	2023	-	2,244
Currency forwards	Foreign exchange hedges	Purchase of currency	423,653 (b)	2022	11,422	-
Cash flow hedges	Trading derivatives: swaps related with energy purchases	Swaps and futures	8,298 (a)	2022	2,049	-

(a) In € 000.
(b) In $ 000.

In a new development this year, as outlined in note 2.7.2 above, the Group, through its subsidiary, Telecor S.A.U., has been hedging energy prices by arranging futures contracts.

The Group recognises gains or losses on derivatives classified as cash flow hedges under "Valuation adjustments - Hedging transactions". Specifically, it recognised a net gain of €35.29 million in 2022 (2021: €21.67 million).

At both reporting dates, the Group had arranged a number of derivative financial instruments that did not qualify for hedge accounting, with the following characteristics:

ITEM	CURRENCY FORWARDS		INTEREST-RATE DERIVATIVES	
	2022	2021	2022	2021
Notional amount	73,454 (b)	66,193 (b)	-	-
Maturity	-	-	-	-
Fair value (a)				
Assets	2,064	4,356	-	-
Liabilities	11	-	-	-
Amounts recognised in profit or loss	-	-	-	-

(a) In € 000.
(b) In $ 000.

The impact recognised in profit or loss includes the amounts paid or received on interest rate derivatives designated as speculative hedges. These changes are caused by hedge inefficiencies. There was no impact on profit or loss in this respect in either reporting period.

20. TRADE PAYABLES

"Trade and other payables" mainly includes the amounts outstanding on the purchase of goods for resale and related expenses. The Group's management believes that the carrying amounts of the Group's trade payables approximate their fair value.

20.1 Supplier payment term disclosures

Below are the disclosures required under Additional Provision Three - "Disclosure requirements" - of Spanish Law 15/2010 (5 July 2010):

ITEM	2022	2021
Average supplier payment term	39 days	44 days
Paid transactions ratio	40 days	45 days
Outstanding transactions ratio	24 days	24 days
	AMOUNT	
TOTAL PAYMENTS MADE	**12,087,913**	**9,271,742**
TOTAL PAYMENTS OUTSTANDING	**774,519**	**658,551**
Number of invoices paid within the legally stipulated deadline	11,372,010	N/A
Percentage of total payments	94.1%	N/A
Number of invoices paid within the legally stipulated deadline	8,456,742	N/A
Percentage of total invoices paid	92.0%	N/A

In € 000

The data provided in the table above regarding supplier payments refer to suppliers qualifying as trade creditors in respect of amounts due in exchange for goods and services supplied, to which end it includes the amounts presented under "Trade and other payables" within current liabilities on the accompanying consolidated statement of financial position.

"Average supplier payment term" is the period elapsing between delivery of the goods or provision of the services by the supplier and payment for the transaction.

That term is calculated by dividing the sum of the paid transactions ratio times total payments made plus the outstanding transactions ratio times total payments outstanding by the sum of total payments made and total payments outstanding.

The paid transactions ratio is calculated by dividing the sum of the payments made times the days of payment (the number of calendar days elapsing between delivery of the goods or provision of the services by the supplier until effective payment for the transactions) by the total amount of payments made.

Lastly, the outstanding transactions ratio is calculated by dividing the sum of the payments outstanding times the days payable outstanding (the number of calendar days elapsing between delivery of the goods or provision of the services by the supplier and the reporting date) by the total amount of payments outstanding.

The Parent is bound by Spain's Retail Trade Act. The maximum payment term applicable to the Company under that legislation is 60 days, as virtually all of the goods it purchases for resale are food items and consumer goods, unless a longer term of payment is expressly negotiated with the supplier and the supplier is offered financial compensation for such deferral; at any rate, that term cannot exceed 90 days.

21. TRADE AND OTHER PAYABLES

The breakdown of this heading at year-end:

ITEM	2022	2021
Trade payables	2,757,094	2,455,313
Taxes payable	237,567	249,450
Payable to employees	432,677	489,700
TOTAL	**3,427,338**	**3,194,464**

In € 000

"Trade payables" includes €26.7 million of contractual liabilities for retail sales returns based on the terms and condition of sale and the Group's past experience with returns.

21.1 Payable to employees

This heading breaks down as follows at year-end:

ITEM	2022	2021
Accrued remuneration and other employee benefits payable	157,147	212,537
Current account balances	275,530	277,163
TOTAL	**432,677**	**489,700**

In € 000

"Current account balances" in the table above relate to the net balance in the current accounts between El Corte Inglés, S.A., group company employees and the Parent's directors (note 24.1).

22. TAXES PAYABLE | RECEIVABLE AND TAX MATTERS

El Corte Inglés, S.A. files its income tax return under the consolidated tax regime together with the Spanish subsidiaries in which it holds at least 75% of their capital and the majority of their voting rights since the start of the tax period, as provided in prevailing legislation. Companies included in the tax group:

TAX CONSOLIDATION GROUP	
Parent:	
EL CORTE INGLÉS, S.A.	
Ason Inmobiliaria de Arriendos, S.L.	Rubiños 1860, S.A.
Canal Club de Distribución, Ocio y Cultura, S.A.	Sicor Empresas El Corte Ingles, S.L.
CDV Senior, S.L.	Sicor Interservicios ETT, S.L.
Cinamar, S.A.	Sicor Integra El Corte Ingles, S.L.
Confecciones Teruel, S.A.U.	Sicor Limpieza Integral, S.L.
Construccion, Promociones e Instalaciones, S.A.	Sicor Logística Integral, S.L.
El Corte Ingles Cadena de Suministro, S.L.	Sicor Seguridad El Corte Inglés, S.A.
Editorial Centro de Estudios Ramon Areces, S.A.	Sicor Servicios Integrales, S.L.
Esgueva, S.A.	Supercor, S.A.
Eventos, S.A.	Telecor, S.A.
Garanair, S.L.	Tourmundial Operadores, S.A.
Industrias del Vestido, S.A.U.	Uría Veinte, S.A.
Ingondel, S.L.	Veci Travel Group, S.L.
Iniciativas Inmobiliarias Valderas, S.A.	Viajes El Corte Inglés, S.A.
Izaro films, S.A.	Aperture Travel, S.L.
Parinver, S.A.	Tu Experto En Viajes 2020, S.L.U.
Parinver Servicios, S.A.	Travelconcept, S.L.
Veci Group Tech, S.L.	Traveltino 2009, S.L.U.
Sport Travel Management, S.L.	Promociones Inmobiliarias Gallegas, S.A.
Publicidad Punto de Venta ECI, S.A.	Construcciones Inmobiliarias Alcoral, S.A.

Lastly, Group companies that are non-residents in Spain file individual tax returns in their related jurisdiction.

Accounting disclosures related to corporate restructuring operations that qualify for the tax neutrality regime contemplated under article 86 of the Spanish Corporate Income Tax Act (Law 27/2014, of 27 November 2014) are presented in the separate financial statements of the companies included in consolidation.

22.1 Reconciliation of accounting profit/(loss) and taxable income/(tax loss)

Corporate income tax is calculated on the basis of separate accounting profit, obtained by applying generally accepted accounting principles that do not necessarily coincide with taxable profit (tax loss), understood as the tax base.

The reconciliation of the Group's aggregate accounting profit/(loss) and taxable income/(tax loss) is as follows:

2022

ITEM	INCREASE	DECREASE	AMOUNT
Accounting profit (before tax)			**981,812**
Consolidation adjustments	787	(44,690)	(43,903)
Permanent differences	135,476	(892,425)	(756,949)
Temporary differences:			
Current fiscal year	573,448	(4,846)	568,602
Previous fiscal years	2,494	(606,125)	(603,631)
AGGREGATE TAXABLE PROFIT/(TAX LOSS)			**145,931**

In € 000

2021

ITEM	INCREASE	DECREASE	AMOUNT
Accounting profit (before tax)			**179,977**
Consolidation adjustments	262,970	(23,762)	239,208
Permanent differences	20,442	(226,722)	(206,280)
Temporary differences:			
Current fiscal year	136,573	(13,284)	123,289
Previous fiscal years	2,678	(460,814)	(458,136)
AGGREGATE TAXABLE PROFIT/(TAX LOSS)			**(121,942)**

In € 000

The negative permanent differences arising in 2022 include €296.56 million (2021: €79.15 million) in relation to the exemption for dividends received from companies that are part of the consolidated tax group and others that are not part of the tax group but meet the requirements for application of article 21 of the Corporate Income Tax Act.

They also include the sum of €579.51 million resulting from the application of the exemption, provided for in article 21.3.of the Corporate Income Tax Act, on the gain obtained on the following sales: (i) the 50.01% shareholdings in Seguros El Corte Inglés vida, pensiones y reaseguros, S.A. and Centro de Seguros y Servicios, S.A, (ii) the 50% shareholding in FST Hotels, S.L. and (iii) the 50% shareholding in Only You Hotels, S.L., and to the proceeds from the share capital reduction of Stravel Partners, S.L., through the repayment of capital contributions to Aperture Travel, S.L. consisting of shares in Travel Agencies Management Services, S.L.

The positive permanent differences include €56.93 million (2021: €6.7 million) corresponding to the elimination of impairment losses recognised on equity investments in group companies.

The amount of negative temporary differences stems mainly from: the reversal of the adjustment made in prior years for provisions that had been treated as non-deductible charges when made (€238.30 in 2022 and €215.24 in 2021); the temporary limit imposed on the deductibility of depreciation charges (€29.53 million in 2022 and €27.29 million in 2021); the adjustment for the depreciation and derecognition of assets written down for impairment in prior years that had been treated as non-deductible charges when made (€102.59 million in 2022 and €99.28 million in 2021); the adjustment for the reversal for accounting purposes of asset impairment charges that were considered non-deductible in the year they were recognised (€67.54 million); and the reversal of the adjustment for the limit on the deductibility of interest costs in prior years (€142.45 million in 2022 and €62.39 million in 2021).

The positive temporary differences in 2022 relate mainly to accounting provisions deemed non-deductible in the amount of €178.02 million (2021: €44.90 million) and the recognition of asset impairment losses in the amount of €375.87 million. They also included an amount of €2.4 million for the reversal of the off-book adjustment raising from the share capital reduction of Stravel Partners, S.L., with reimbursement of capital contributions to Aperture Travel, S.L., which had acquired the securities as its contribution to Stravel Partners, S.L. in a transaction that qualified for the tax neutrality regime contemplated in Chapter VII of Title VII of the Spanish Corporate Income Tax Act (Law 27/2014 of 27 November 2014).

El Corte Inglés, S.A. and Hipercor, S.A.U. (transferor) applied the tax credits contemplated in Royal Decree-Law 3/1993 (26 February 1993) in relation to the depreciation of new fixed assets.

In 2001, El Corte Inglés, S.A. and Hipercor, S.A.U. opted, in respect of the gains obtained on the transfer of assets, as provided for under Transitional Provision 3 of Law 24/2001, to avail of the regime contemplated in article 21 of the Corporate Income Tax Act, such that it did not include the sum of €34.6 million in taxable income that year, with both companies reinvesting the full amount obtained on the disposal giving rise to the gain in the shopping centre in Cadiz that same year. The method being used to include the deferred gain in taxable income is that stipulated in article 21.3 of the Corporate Income Tax Act and article 34.1.b) of the implementing regulation at the time.

ITEM	2022	2021
Income deferred in 2001	34,643	34,643
Income included in taxable income between 2002 and 2021	(8,122)	(7,740)
Income included in taxable income in 2022	(417)	(382)
DEFERRED INCOME PENDING INCLUSION	**26,104**	**26,521**

In € 000

The deferred income pending inclusion in taxable income will be included in the tax periods in which the shopping centre building in Cadiz is depreciated in proportion to the amount of the depreciation charges relative to the building's cost.

In addition, the Group revalued land in 2012 in connection with certain properties in the amount of €37.4 million.

22.2 Taxes recognised in equity

In addition to the tax expense recognised in its consolidated statement of profit or loss, the Group also recognised tax expense of €11.8 million directly in equity in 2022 (2021: tax income of €3.2 million). The taxes recognised directly in equity correspond primarily to the tax effects of the valuation changes in available-for-sale financial assets and hedging derivatives.

22.3 Reconciliation of accounting profit/(loss) and tax income/(expense)

The reconciliation of accounting profit/(loss) and tax income/(expense) is as follows:

ITEM	2022	2021
Accounting profit/(loss) before tax	**981,812**	**179,977**
Permanent differences and consolidation adjustments	(802,863)	32,787
Tax base for the purpose of determining tax expense	178,949	212,765
TAX PAYABLE/(RECEIVABLE) before deductions	**35,449**	**27,330**
Deductions:		
Double taxation	-	(15)
Other	(1,485)	(527)
Other	67,421	30,467
TOTAL TAX INCOME/(EXPENSE) RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS	**101,385**	**57,255**

In € 000

In 2022, the Group generated €1.62 million of tax credits that have not been recognised as tax assets. Also in the year, the Group recognised a total of €7.78 million of tax assets in respect of unused tax losses.

22.4 Breakdown of tax expense

Tax income/(expense) breaks down as follows:

ITEM	2022	2021
Current tax	(22,579)	27,792
Deferred tax	116,112	18,911
Other	7,852	10,552
Total tax expense/(income)	**101,385**	**57,255**

In € 000

22.5 Deferred tax

The breakdown of the Company's deferred tax assets and liabilities at year-end:

DEFERRED TAX ASSETS	2022	2021
Temporary differences	188,899	267,645
Unused tax losses	194,307	161,364
Unused tax credits and other	246,676	307,915
Deferred tax assets - discontinued operations		(3,902)
TOTAL DEFERRED TAX ASSETS	**629,882**	**733,022**

In € 000

DEFERRED TAX LIABILITIES	2022	2021
Differences arising from the revaluation of assets following first-time application of IFRS 1	745,586	741,563
Temporary differences (deferred taxes)	100,777	113,060
Deferred tax liabilities - discontinued operations		(7,890)
TOTAL DEFERRED TAX LIABILITIES	**846,363**	**846,733**

In € 000

The temporary differences mainly originated from the recognition of impairment losses on items of property, plant and equipment, the limit on the deductibility of interest expense, differences arising from accelerated depreciation schedules and the adjustments made in prior years due to the temporary limit on the deductibility of depreciation charges.

The above-listed deferred tax assets, recognised in the accompanying consolidated statement of financial position, reflect the Parent's directors' belief, underpinned by its best estimate of the Group's earnings, that it is probable that future taxable profit will be available against which the assets can be utilised.

The reconciliation of deferred taxes at the beginning and end of 2022 and 2021:

2022

ITEM	Deferred tax assets	Deferred tax liabilities
Balance at 28 February 2022	**267,645**	**828,623**
Temporary differences:		
Current fiscal year	29,364	25,085
Previous fiscal years	(108,110)	(7,345)
TOTAL	**188,899**	**846,363**

In € 000

2021

ITEM	Deferred tax assets	Deferred tax liabilities
Balance at 28 February 2021	**278,136**	**815,742**
Temporary differences:		
Current fiscal year	9,466	17,894
Previous fiscal years	(19,957)	(5,013)
TOTAL	**267,645**	**828,623**

In € 000

The unused tax credits capitalised and the corresponding expiration dates:

TYPE OF CREDIT	2022	Year of expiry	2021	Year of expiry
Intra-group double taxation credit	129,665	Unlimited	167,339	Unlimited
International double taxation credit	448	Unlimited	448	Unlimited
Investment tax credit	75,755	2025-2039	99,188	2025-2038
Donations to NGOs	2,275	2022-2031	6,603	2021-2030
Re-investment tax credit	27,510	2022-2030	27,510	2022-2029
Reversal of temporary measures	11,023	Unlimited	9,540	Unlimited
BALANCE AT YEAR-END	**246,676**		**310,628**	

In € 000

The unused tax credits generated during the year that have not been capitalised:

TYPE OF CREDIT	2022	Year of expiry	2021	Year of expiry
Intra-group double taxation credit	-	Unlimited	-	Unlimited
International double taxation credit	174	Unlimited	163	Unlimited
Investment tax credit	843	2038-2040	6,166	2037-2040
Donations to NGOs	610	2033	579	2032
Re-investment tax credit	-	-	-	-
Reversal of temporary measures	-	Unlimited	-	Unlimited
BALANCE AT YEAR-END	**1,627**		**6,908**	

In € 000

The Group has €624.94 million of tax credits in respect of unused tax losses generated by the consolidated tax group, of which €194.30 million have been capitalised.

Under Law 27/2014, there is no time limit for the offset of unused tax losses.

22.6 Years open to inspection and tax inspections

In 2020, the Spanish tax authorities (AEAT) initiated general verification proceedings encompassing 2015 to 2017 in respect of corporate income tax, the settlement periods between June 2016 and February 2018 in relation to value-added tax and the Company's various withholding obligations, with the exception of withholdings in relation to non-resident personal income, for which the inspection covered the period between January 2016 and December 2018.

Between March and April 2022 a number of assessments were signed in respect of the various taxes and tax periods verified, some uncontested and others contested. The settlement agreements related with the assessments that have been contested, which relate mainly to corporate income tax and retentions in respect of non-resident personal income. The amounts due under the uncontested settlements were paid in 2022 (note 16).

The Company has lodged an appeal against the contested assessments before the National Economic-Administrative Court; the proceedings are currently pending ruling. All of which notwithstanding the fact that the original liability lies with the non-resident income tax-payers as the beneficiaries of the income subject to withholding.

In December 2022, the same tax authority initiated a partial versification and inspection limited to the verification of certain matters related with the group's transfer pricing in the area of corporate income tax, this time encompassing 2018 to 2020.

In May 2023, i.e. after the end of the reporting period, assessments in relation to those proceedings were signed uncontested. Those assessments do not have a material impact on the Company's net assets.

The Company has formally asked to have the competent Spanish and Portuguese authorities initiate a friendly procedure in order to eliminate the double taxation generated as a result of transfer price adjustments made by the Spanish Administration.

Group companies have all the prescribed tax returns open to inspection. Given the various possible interpretations of applicable tax regulations, the results of any inspections by the tax authorities in the future are uncertain. However, the Company's directors believe that the probability of any such inspections having a material impact on its net assets is remote.

23. REVENUE AND EXPENSES

23.1 Segment reporting

The Group's core business is the retailing of consumer goods and the provision of a broad range of services, including travel agency and security services, among other, to which end it leverages a network of department stores, hypermarkets, supermarkets, convenience stores and agencies.

The property management business is becoming increasingly important given the size and variety of the Group's portfolio of property assets - the majority are owner-occupied although there are also properties leased to third parties, land and projects in progress - whose carrying amount at the end of the reporting period was approximately €16,030 million (note 4.2.5.2). This activity could result in a change of segments in future periods if it continues to growth and gain greater autonomy within the Group.

The following tables provide the required disclosures by business segment:

2022

ITEM	Retail	Veci Travel Group	Other Business Lines	Consolidation Adjustments	TOTAL
Total revenue	12,213,304	2,935,064	305,831	(127,353)	15,326,846
Revenue	12,213,304	1,676,939	305,831	(127,353)	14,068,721
Gross profit	3,981,978	342,290	170,122	(107,583)	4,386,807
Operating profit/(loss)	36,686	11,208	3,698	(25,531)	26,061
Profit/(loss) for the year	633,911	12,684	48,843	184,989	880,427
Capital expenditure	383,271	73,955	24,961	(77,896)	404,291

In € 000

2021 (*)

ITEM	Retail	Veci Travel Group	Other Business Lines	Consolidation Adjustments	TOTAL
Total revenue	11,325,674	983,153	304,701	(105,919)	12,507,609
Revenue	11,325,674	472,116	304,701	(105,919)	11,996,572
Gross profit	3,708,258	110,665	151,712	(72,866)	3,897,769
Operating profit/(loss)	203,665	(92,410)	37,005	46,802	195,062
Profit/(loss) for the year	284,358	(95,511)	36,808	(102,933)	122,722
Capital expenditure	279,700	24,183	26,002	(24,852)	305,033

In € 000

(*) Restated in accordance with the change in the revenue recognition policy for travel revenue (note 2.6)

2022

STATEMENT OF FINANCIAL POSITION	Retail	Veci Travel Group	Other Business Lines	Consolidation Adjustments	TOTAL
Fixed assets	6,207,978	94,530	165,299	3,266,743	9,734,550
Right-of-use assets	366,892	27,512	1,255	-	395,659
Financial assets	1,674,949	167,172	259,856	(1,197,742)	904,235
Deferred tax assets	574,440	12,298	7,053	36,091	629,882
Available-for-sale financial assets (note 4.2.19)	13,904	-	-	-	13,904
Inventories	1,876,374	277	3,178	-	1,879,829
Trade and other receivables	612,378	280,414	187,251	(576,793)	503,250
Cash and cash equivalents	132,396	25,456	25,142	93	183,087
TOTAL ASSETS	**11,459,311**	**607,659**	**649,034**	**1,528,392**	**14,244,396**
Equity	4,607,018	74,808	477,077	1,404,666	6,563,569
Non-current provisions	139,224	3,870	-	(24,667)	118,427
Non-current borrowings	2,225,995	19,899	267	(37,008)	2,209,153
Non-current operating lease liabilities	303,774	22,766	659	-	327,199
Deferred tax liabilities	93,214	696	6	752,447	846,363
Other non-current financial liabilities	26,607	58	1,042	10	27,717
Current provisions	128,917	2,873	2	(26,764)	105,028
Current borrowings	738,949	2,728	101,504	(461,582)	381,599
Current operating lease liabilities	90,405	6,159	611	-	97,175
Other current liabilities	3,105,208	473,802	67,866	(78,710)	3,568,166
TOTAL EQUITY AND LIABILITIES	**11,459,311**	**607,659**	**649,034**	**1,528,392**	**14,244,396**

In € 000

2021

STATEMENT OF FINANCIAL POSITION	Retail	Veci Travel Group	Other Business Lines	Consolidation Adjustments	TOTAL
Fixed assets	6,685,999	102,747	215,041	3,281,658	10,285,445
Right-of-use assets	354,686	15,890	1,004	(1)	371,579
Financial assets	1,672,009	70,520	283,550	(1,711,539)	314,540
Deferred tax assets	689,137	10,851	5,261	27,773	733,022
Available-for-sale financial assets (note 4.2.19)	-	-	-	1,156,661	1,156,661
Inventories	1,575,988	514	2,854	(24)	1,579,332
Trade and other receivables	595,356	146,611	120,484	(475,001)	387,450
Cash and cash equivalents	178,471	27,796	5,798	(53,097)	158,968
TOTAL ASSETS	**11,751,646**	**374,929**	**633,992**	**2,226,430**	**14,986,997**
Equity	3,966,269	(32,323)	415,583	1,330,641	5,680,170
Non-current provisions	194,650	5,164	75	(41,392)	158,497
Non-current borrowings	3,220,883	37,177	3,367	(130,990)	3,130,437
Non-current operating lease liabilities	309,498	12,312	729	(1)	322,538
Deferred tax liabilities	76,242	1,720	1,011	767,760	846,733
Other non-current financial liabilities	18,088	62	1,074	13	19,237
Liabilities associated with non-current assets held for sale	-	-	-	1,145,264	1,145,264
Current provisions	53,004	20,352	-	(25,922)	47,434
Current borrowings	789,851	5,566	176,359	(710,354)	261,422
Current operating lease liabilities	95,097	4,979	309	1	100,386
Other current liabilities	3,028,064	319,920	35,485	(108,590)	3,274,879
TOTAL EQUITY AND LIABILITIES	**11,751,646**	**374,929**	**633,992**	**2,226,430**	**14,986,997**

In € 000

Total revenue includes gross revenue from Vecitravel Group from transportation-related revenue, third-party travel packages, cruises and other. Refer to reconciliation in note 2.6. The consolidation adjustments that affect net profit or loss relate mainly to dividends received from subsidiaries and effects of business combinations.

The breakdown of consolidated revenue by geographic market:

REVENUE	2022	2021 (*)
Spain	12,817,437	11,328,688
European Union	656,996	520,762
Rest of world	594,288	147,122
TOTAL	**14,068,721**	**11,996,572**

In € 000 (*) Restated in accordance with the change in the revenue recognition policy for travel revenue (note 2.6).

The breakdown of consolidated revenue by segment and division:

REVENUE	2022	2021 (*)
Retail	**12,213,304**	**11,325,674**
Food	2,951,249	2,779,586
Fashion	4,745,458	4,150,702
Household	1,375,794	1,339,760
Culture & leisure	2,226,771	2,198,726
Miscellaneous	376,953	361,182
Other income	537,079	495,718
Veci Travel Group	**1,676,939**	**472,116**
Business travel	458,103	235,243
Leisure travel	1,218,744	236,841
Other	92	32
Other Business Lines	**305,831**	**304,701**
Consolidation Adjustments	**(127,353)**	**(105,919)**
TOTAL	**14,068,721**	**11,996,572**

In € 000
(*) Restated in accordance with the change in the revenue recognition policy for travel revenue (note 2.6)

Note that the assets and liabilities derived from contracts with customers are those related with Veci Travel Group and Sicor Group business.

23.2 Cost of sales

The breakdown of "Cost of sales" in 2022 and 2021:

ITEM	2022	2021(*)
Consumption of goods for resale	9,599,507	8,008,186
Consumption of raw materials and other consumables	62,612	61,616
Subcontracted work	19,795	29,001
TOTAL	**9,681,914**	**8,098,803**

In € 000(*) Restated in accordance with the change in the revenue recognition policy for travel revenue (note 2.6).

"Cost of sales" in the accompanying consolidated statement of profit or loss includes the costs of preparing the goods for sale. In 2022, the Group incurred €9.73 million of expenses in that respect (2021: €8.86 million).

That heading also includes €33.16 million corresponding to internal and external expenses incurred in 2022 to process and prepare food items sold by El Corte Inglés, S.A. (2021: €28.97 million).

23.3 Employee benefits expense

The breakdown of "Employee benefits expense" in 2022 and 2021:

ITEM	2022	2021
Wages and salaries	1,756,403	1,586,341
Termination benefits	16,128	21,979
Employee benefits:	580,878	531,165
Social Security	540,986	508,042
Uniforms	7,205	4,176
Life insurance	10,683	6,192
Other employee benefits	22,004	12,755
TOTAL	**2,353,409**	**2,139,485**

In € 000

The Group's average headcount, expressed in terms of full-time equivalents, broken down by employee category, in 2022 and 2021:

CATEGORIES	AVERAGE HEADCOUNT	
	2022	2021 (*)
Managers	6,366	6,429
Coordinators	2,713	3,007
Skilled professionals	5,405	4,905
Professionals	45,777	47,935
Staff	11,165	7,654
TOTAL	**71,426**	**69,930**

(*) Does not include personnel from the Insurance Group as it is available for sale and classified in the current period as an associate.

The breakdown of the year-end headcount by employee category and gender is as follows:

CATEGORIES	2022		2021 (*)	
	Female	Male	Female	Male
Managers	2,220	4,959	2,501	5,660
Coordinators	1,544	1,648	1,582	1,649
Skilled professionals	3,982	2,035	3,376	1,381
Professionals	35,413	17,351	36,524	17,627
Staff	7,515	4,767	5,419	2,820
TOTAL	**50,674**	**30,760**	**49,402**	**29,137**

(*) Does not include personnel from the Insurance Group as it is available for sale and classified in the current period as an associate.

The number of Group employees that had a disability of a severity of 33% or higher at year-end 2022 and 2021, by employee category:

CATEGORIES	2022	2021 (*)
Managers	73	65
Coordinators	31	32
Skilled professionals	51	46
Professionals	934	854
Staff	511	363
TOTAL	**1,600**	**1,360**

(*) Does not include personnel from the Insurance Group as it is available for sale and classified in the current period as an associate.

23.4 Other operating income and expense

"Other operating income and expenses" breaks down as follows:

ITEM	2022	2021 (*)
Changes in inventories of finished products	4	(12)
Self-constructed assets	157,634	147,103
Other operating income	191,037	174,426
Other operating expenses	(1,430,708)	(1,275,520)
TOTAL	**(1,082,033)**	**(954,003)**

In € 000

"Other operating expenses" in the table above in turn breaks down as follows:

ITEM	2022	2021 (*)
Leases and royalties	44,107	41,133
Repairs and upkeep	58,923	61,356
Services outsourced	436,530	427,031
Transportation	59,393	79,645
Insurance premiums	18,512	16,327
Banking services	61,202	54,110
Advertising	189,407	155,514
Utilities	311,647	208,954
Taxes other than income tax	113,117	101,016
Other	137,870	130,434
TOTAL	**1,430,708**	**1,275,520**

In € 000

23.5 Finance income and costs

The breakdown of the Group's finance income and costs is as follows:

ITEM	2022	2021
Finance income:		
Income from equity investments	315	4
Income from other securities	8,327	1,642
TOTAL FINANCE INCOME	**8,642**	**1,646**
Finance costs:		
Borrowings from related parties and associates	1,299	1,304
Interest expense on leases	15,567	13,475
Third-party borrowings	113,579	122,204
TOTAL FINANCE COSTS	**130,445**	**136,983**

In € 000

24. RELATED PARTY TRANSACTIONS AND BALANCES

The transactions between the Parent and its subsidiaries, which are related parties, that form part of the ordinary course of its business in scope and terms, have been eliminated as part of the consolidation process and are not disclosed in this note. The transactions between the Group and its associates and other related parties are disclosed below.

24.1 Transactions and balances with associates and related parties

The transactions performed with associates and other related parties in 2022 and 2021:

2022

ITEM	Associates	Other related parties	TOTAL
Sales	35,578	1,496	37,074
Purchases	23,323	14,923	38,246
Purchase of fixed assets	-	662	662
Services rendered	27,353	275	27,628
Services received	44,739	2,041	46,780

In € 000

2021

ITEM	Associates	Other related parties	TOTAL
Sales	40,745	2,120	42,865
Purchases	26,478	15,378	41,856
Services rendered	14,272	419	14,691
Services received	34,076	2,669	36,745

In € 000

The breakdown of the resulting balances payable to and receivable from associates and related parties at year-end is as follows:

2022

ITEM	Associates	Other related parties	TOTAL
Trade and other receivables	35,409	53	35,462
Current financial assets	1,698	10	1,708
Non-current borrowings	(135)	(48,604)	(48,739)
Current borrowings	(17,501)	(23,162)	(40,663)
Trade and other payables	(11,723)	(5,793)	(17,516)
Current accounts with directors	-	(33,859)	(33,859)

In € 000

2021

ITEM	Associates	Other related parties	TOTAL
Trade and other receivables	30,077	95	30,172
Current financial assets	1,594	402	1,996
Non-current borrowings	(3)	(48,603)	(48,606)
Current borrowings	(7,092)	(22,516)	(29,608)
Trade and other payables	(15,843)	(7,217)	(23,060)
Current accounts with directors	-	(47,104)	(47,104)

In € 000

The main transactions performed by the Group with other related parties are business transactions. Those transactions were arranged on an arm's length basis.

24.2 Director remuneration

The remuneration received by the members of the Company's Board of Directors, classified by item, in 2022 and 2021:

ITEM	2022	2021
Board of Directors:		
Salaries	7,932	5,687
Other items[1]	7,988	9,029
TOTAL	**15,920**	**14,716**

In € 000

(1) Other items: Other remuneration associated with the performance of director duties.

In addition to the remuneration itemised above, the Company accrued €17.6 million of termination benefits in 2022.

At 28 February 2023, the Company recognised current payables to members of its Board of Directors in the amount of €35.4 million (28 February 2022: €48.5 million) related with remuneration associated with their work as directors and as executives, as well as dividends in some instances.

The Parent arranges its director and officer liability insurance under several policies written with different entities; those policies cover all Group companies. It paid €330,939 in premiums for that coverage in 2022 (2021: €330,939).

As at 28 February 2023, the Board of Directors was made up of nine directors, four women and five men (28 February 2022: nine directors, four women and five men).

The following events took place in 2022:

- Víctor del Pozo Gil left the Company of his own accord in March 2022, having served as the chief executive of El Corte Inglés for the previous five years.
- Javier Rodríguez-Arias, already part of the Company's management team, was appointed as director in March 2022.
- Following completion of the alliance in May 2022, Ignacio Garralda joined El Corte Inglés's board in representation of Mutua Madrileña, having acquired an 8% shareholding in the Company.
- As a result of the purchase of Primefin's 5.5% shareholding in the Company, Shahzad Shahbaz left the board and Antonio Rodríguez Pina was added as a permanent guest (but not a director).

At the Board meeting held on 26 May 2021, Florencio Lasaga Munárriz resigned as director.

Key management personnel

A majority of the senior management team was overhauled in 2022.

The remuneration accrued by the Company's key management personnel (corresponding to 12 people; 11 men and one woman) in 2022 amounted to €9.5 million (2021: €10.9 million). In addition, the Company accrued €6.6 million of termination benefits.

Long-Term Incentive Plan

On 23 July 2021, the Company's shareholders ratified, in general meeting, a cash-settled long-term incentive plan for its executive directors and certain members of its management team articulated around delivery of the strategic plan presented by its group and approved by the Board of Directors. The expense recognised in this respect in 2022 (note 13.1) amounted to €24.1 million (2021: €21.5 million), of which €10.8 million corresponds to the Company's directors (2021: €9.6 million) and €5.0 million to its key management personnel (2021: €5.1 million).

25. ENVIRONMENTAL DISCLOSURES

The Group has an environmental management policy in compliance with prevailing legislative environmental protection requirements in Spain.

The main lines of initiative pursued in 2022:

25.1 Environmental assets

The Group constantly fine-tunes the systems currently in place to reduce the environmental impact of its facilities by continuing to work to reduce emissions, enhance wastewater treatment and reuse and reduce noise and vibrations. That cost is capitalised within the corresponding facilities in which the systems are located. The cost of the identified environmental assets, broken down by their management function, and the corresponding accumulated depreciation and impairment charges, at year-end 2022 and 2021:

2022

ITEM	Cost	Accumulated depreciation	Impairment recognised in the year	Carrying amount
Water protection	4,725	(1,417)	(375)	2,933
Air protection	61,434	(44,950)	(2,780)	13,704
Noise protection	2,563	(1,283)	-	1,280
Other	482	(89)	(18)	375
TOTAL	**69,204**	**(47,739)**	**(3,173)**	**18,292**

In € 000

2021

ITEM	Cost	Accumulated depreciation	Impairment recognised in the year	Carrying amount
Water protection	4,832	(1,499)	(375)	2,958
Air protection	62,240	(43,817)	(2,783)	15,640
Noise protection	2,563	(1,234)	(142)	1,187
Other	387	(67)	(18)	302
TOTAL	**70,022**	**(46,617)**	**(3,318)**	**20,087**

In € 000

25.2 Environmental expenses

The Group recognised €16.42 million of environmental protection expenses in 2022 (2021: €16.60 million) under the following headings of the consolidated statement of profit or loss:

ITEM	2022	2021
Cost of sales	213	205
External services	13,736	13,722
Taxes other than income tax	2,469	2,664
TOTAL	**16,418**	**16,591**

In € 000

The amounts recognised under cost of sales relate to the *ad-hoc* purchase of consumables not included in the external service purchases whose purpose is related with environmental performance, such as: air pollution filters, water treatment products and boiler and treatment facility maintenance products.

External services encompass all services, whether regular maintenance or other general services, purchased with a view to enhancing the Group's environmental performance. Specific actions include the cleaning of air conditioning ducts, onsite water treatment (cleaning, disinfection, etc.), packaging and packaging-waste management, waste transport and handling (fluorescent bulbs, machinery oil, paper waste, vegetable oils, organic waste, sanitary product waste, etc.) and civil liability insurance cover.

Lastly, the taxes other than income tax include environmental levies, mainly derived from the use of landfills.

26. OTHER DISCLOSURES

26.1 Disclosures regarding director conflicts of interest

At year-end 2022, neither the members of the Parent's Board of Directors or any of their related parties (as defined in the consolidated text of Spain's Corporate Enterprises Act) had informed the other members of the Board of Directors of any potential direct or indirect conflicts with respect to the interests of the Group companies.

26.2 Audit fees

The fees paid for financial statement audit and other services to the auditor of the consolidated annual financial statements, Ernst & Young, S.L., and entities related to the latter by means of control, joint ownership or joint management, in 2022 and 2021:

ITEM	2022		2021	
	Lead auditor	Other firms	Lead auditor	Other firms
Financial statement audit services	1,949	-	1,771	12
Other assurance services	536	-	612	-
TOTAL AUDIT SERVICES	**2,485**	**-**	**2,383**	**12**
Tax services	14	-	14	-
Other services	1,050	-	383	-
TOTAL OTHER SERVICES	**1,064**	**-**	**397**	**-**
TOTAL	**3,549**	**-**	**2,780**	**12**

In € 000

26.3 Events after the reporting period

No significant events have taken place since the end of the reporting period.

EL CORTE INGLÉS GROUP

GROUP MANAGEMENT REPORT FOR THE YEAR ENDED 28 FEBRUARY 2023

KEY BUSINESS ACTIVITIES AND BUSINESS PERFORMANCE

The core business of El Corte S.A. and its subsidiaries (the Group) is the retailing of consumer goods and the provision of a broad range of services (travel, security, energy, facility services,etc.) leveraging a network of department stores, hypermarkets, supermarkets, travel and other agencies and digital platforms.

The Group's key lines of business are outlined in greater detail below:

- El Corte Inglés department stores: selling a wide variety of products and services, including leisure and culture services, furniture, fashion, accessories, food, toys, jewellery and electronics. As at 28 February 2023, El Corte Inglés had 74 department stores in Spain and two in Portugal.

- El Corte Inglés Supermarkets: 52 in Spain and two in Portugal.

- Outlets: 54 in Spain and one in Portugal.

- ECI Business Service Offices: 15 in Spain.

- Other retail establishments (TMJ and Sportown): 13 in Spain.

- Hipercor hypermarkets: selling a wide variety and range of value-for-money Spanish, international, regional and local food products and personal care, textile and home products. As at 28 February 2023, the Group was operating 37 such hypermarkets.

- Supercor convenience stores: a neighbourhood convenience supermarket chain where customers can satisfy all their basic shopping needs. At 28 February 2023, there were 189 Supercor stores in Spain and six in Portugal.

- Sfera: a retail chain specialised in fashion and accessories. At 28 February 2023, there were 164 standalone, proprietary Sfera stores in a number of countries, 251 franchised stores abroad and 75 stores within ECI department stores in Spain and Portugal.

- Veci Travel Group: travel agency devoted to business and leisure travel. At 28 February 2023, there were 557 travel agencies in Spain, 19 in Portugal and 157 in other countries. Note that as at 28 February 2022, the Group also consolidated the universe of Logitravel companies within the Travel Group, so reinforcing its digital capabilities in the travel business (note 4.2.19).

- Other businesses: providing in-person security services (security guards) and fitting and maintaining security (CCTV) and access control systems. Since 2022 this business is also selling and installing alarms for individuals and businesses.

In 2022, the Group recognised €14.07 billion of revenue, year-on-year growth of 17.3%. The breakdown by business line:

ITEM	Percentage contribution	€ 000 2022	2021 (*)	% Chg. 22/21
Total revenue		15,326,849	12,507,609	22.5
Retail	86.8	12,213,304	11,325,674	7.8
Veci Travel Group	11.9	1,676,939	472,116	255.2
Other business lines	2.2	305,831.0	304,700.8	0.4
Consolidation adjustments	(0.9)	(127,353)	(105,919)	20.2
REVENUE	**100**	**14,068,721**	**11,996,572**	**17.3**

The two biggest business lines revenue-wise are the Retail and Veci Travel Group businesses.

2022 was marked by a solid recovery in the Retail Business, with revenue growth of 7.8%, fuelled by increases across the board, but mainly by fashion sales.

Veci Travel Group saw strong growth in all categories as restrictions were lifted, cementing its position in the online business following the merger with Logitravel.

Operating expenses amounted to €13.51 billion (2021: €11.51 billion): cost of sales of €9.68 billion, employee benefits expense of €2.35 billion and external services of €1.43 billion (mainly other management costs, of which other external services of €1.26 billion).

Inventories stood at €1.88 billion at 28 February 2023 (2021: €1.58 billion).

Cash from operating activities amounted to €554.02 million in 2022, as reflected in the statement of cash flows, with proceeds from disposals and payments primarily to purchase assets, for capital rotation and to repay debt.

Group capital expenditure amounted to €405 million in 2022 (2021: €305 million), broken down as follows:

ITEM	€ million
Property, plant and equipment	249
Intangible assets	153
Investment properties	3

The investments in property, plant and equipment in turn break down as follows:

ITEM	€ million
Land and buildings	5
Plant, equipment, tools and other	23
Furniture and fittings	3
Computer equipment	15
PP&E under construction	203
TOTAL	**249**

OUTLOOK

The current geopolitical upheaval gave rise to inflationary pressures, which could continue to shape performance in 2023 and have triggered a sharp spike in interest rates.

Economic growth is expected to continue slowing in the short term, with a consider risk of recession caused by (i) erosion of consumer purchasing power due to the contraction of product demand, (ii) potential further increases in commodity prices and (iii) higher price volatility related to energy supply.

Group management is assessing the impact of movements in interest rates on its earnings, mitigating rises through a medium-term risk management policy under which it arranges certain financial instruments to hedge its exposure to interest and foreign exchange rates. Commercial paper is proving to be a useful tool for raising short-term funding quickly.

To control energy costs, through Telecor S.A.U. steps are being taken in the wake of rising energy costs that involve hedges through forward purchase contracts to reduce costs and lock in future cash flows.

Part of the efforts will remain geared towards a business model predicated on innovation, constant adaptation to new trends and the needs of society, a wide assortment, specialisation, quality, personalised customer care, unique services and good value for money to maximise customer satisfaction.

Looking ahead to the next few years, we will continue to digitalise our stores and integrate them with our online platforms, which are performed extremely well and are expected to account for an increasing share of the Group's total revenue. The new technology will enhance customer experience considerably, facilitating interaction with our products and making their shopping easier.

Implementation of the process digitalisation plan continued in a bid to streamline management by means of new and improved procurement systems, advanced data analysis and logistics automation models and reinforced cybersecurity capabilities, which are key to the development of our business model.

RISK MANAGEMENT

As detailed in the notes to the consolidated financial statements, the Group's business activities expose it to various types of financial risk: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. Risk management at the Group is overseen by the Parent's management team, which puts the necessary mechanisms in place. Management focuses on uncertainty in the financial markets and seeks to minimise the potential adverse effects on the Group's profitability.

The main risks are:

- Credit risk: the Group's credit risk vis-a-vis third parties is not significantly concentrated: the vast majority of its revenue stems from retail sales which are settled, fundamentally, in cash or by card.

There were no significant balances at 28 February 2023 or 28 February 2022 that had not been adjusted for expected credit losses based on the analysis conducted by the Group and its policies for determining those haircuts. The fair value of the Group's receivables is not materially different from their carrying amount.

- Liquidity risk: prudent management of liquidity risk entails maintaining adequate cash and marketable securities and ensuring available funding in the form of sufficient committed credit facilities.

The Group manages liquidity by maintaining adequate funds, using appropriate bank services, keeping undrawn credit and loan facilities and continuously monitoring prevailing and forecast cash flows, matching them with the maturity profiles of its financial assets and liabilities.

- Interest-rate risk: the future cash flows of assets and liabilities benchmarked against floating rates of interest will fluctuate because of changes in interest rates. The Group's financial instruments that expose it to interest rate risk are essentially its floating-rate loans and its derivative instruments.

The Group arranges derivative financial instruments to mitigate that exposure based on its outlook for interest rates and its long-term capital structure targets.

- Price risk: the Group and the legal authorities (European Union) have taken measures to curb the impact of inflation (note 2.7.)

- Foreign currency risk: the Group operates in international markets and is, therefore, exposed to foreign exchange risk, particularly as a result of purchases of merchandise arranged in US dollars.

Foreign exchange risk is managed in accordance with Group management guidelines which essentially contemplate natural hedging strategies and constant monitoring of exchange rates, among other mitigating measures. It is Group policy to arrange financial instruments (currency forwards) to reduce its exposure to exchange differences on foreign-currency transactions.

USE OF FINANCIAL INSTRUMENTS

In order to control and reduce the potential adverse impact of movements in interest and foreign exchange rates on the Group's earnings, the Parent has a medium-term risk management policy under which it arranges certain financial instruments to mitigate its exposure to variability in those rates, and also to energy prices. The notional amounts covered by those interest and foreign exchange risk management programmes are disclosed in note 19 of the consolidated financial statements.

HUMAN CAPITAL

As at 28 February 2022, the Group had a headcount of 81,434 people, an increase 2,895 people or 3.69% more than at 28 February 2022.

The average headcount, in terms of full-time equivalents, was 71,404:

CATEGORIES	AVERAGE HEADCOUNT	
	2022	2021 (*)
Managers	6,366	6,429
Coordinators	2,713	3,007
Skilled professionals	5,405	4,905
Professionals	45,777	47,935
Staff	11,165	7,654
TOTAL	**71,426**	**69,930**

(*) Does not include personnel from the Insurance Group as it is available for sale and classified in the current period as an associate.

The table above does not include the average number of employees on furlough. In 2022, on average, 7% of the Group's headcount was furloughed.

Of the Group's employees, 96.7% have permanent contracts. The breakdown of the year-end headcount by employee category and gender is as follows:

CATEGORIES	Year 2022 Female	Year 2022 Male	Year 2021 (*) Female	Year 2021 (*) Male
Managers	2,220	4,959	2,501	5,660
Coordinators	1,544	1,648	1,582	1,649
Skilled professionals	3,982	2,035	3,376	1,381
Professionals	35,413	17,351	36,524	17,627
Staff	7,515	4,767	5,419	2,820
TOTAL	**50,674**	**30,760**	**49,402**	**29,137**

(*) Does not include personnel from the Insurance Group as it is available for sale and classified in the current period as an associate.

The Board of Directors is made up of 9 directors, four of whom are women.

OCCUPATIONAL HEALTH AND SAFETY

Refer to the 2022 Non-Financial Statement.

TRAINING

Refer to the 2022 Non-Financial Statement.

ENVIRONMENT

The Group's environmental management effort is focused on the consumption of raw materials, energy and water, control over its greenhouse gas emissions and waste management.

The Group's general environmental protection and awareness policy encompasses the following aspects:

- Reduction of the impact of materials usage and minimisation of packaging.

- Energy consumption efficiency plans at the department stores (addressing lighting, the cold chain, HVAC and control systems) and the search for more efficient technologies.

The following key initiatives stand out:

- Choice of lighting systems based on the criteria, such as the colour rendering index, useful life, design, auxiliary equipment and light regulation, control and maintenance systems, that largely determine their energy consumption.

- Technical upgrade of the stock of refrigerators, enhancing their performance and improving their energy efficiency.

- Water consumption reduction and wastewater quality improvement measures. Many of the Group's facilities have been fitted with new wastewater treatment techniques based on microbial ecology fermentation systems.

- Gradual reduction in the use of water-pumped cooling towers.

- Energy efficiency measures targeted at cutting emissions.

- Specific treatment programmes for the various categories of waste generated by the Group.

The Group recognised €16.42 million of environmental protection expenses in 2022 (2021: €16.59 million), broken down as follows:

ITEM	2022	2021
Cost of sales	213	205
External services	13,736	13,722
Taxes other than income tax	2,469	2,664
TOTAL	**16,418**	**16,591**

In € 000

The amounts recognised under cost of sales relate to the *ad-hoc* purchase of consumables not included in the external service purchases whose purpose is related with environmental performance, such as: air pollution filters, water treatment products and boiler and treatment facility maintenance products.

External services encompass all services, whether regular maintenance or other general services, purchased with a view to enhancing the Group's environmental performance. Specific actions include the cleaning of air conditioning ducts, onsite water treatment (cleaning, disinfection, etc.), packaging and packaging-waste management, waste transport and handling (fluorescent bulbs, machinery oil, paper waste, vegetable oils, organic waste, sanitary product waste, etc.) and civil liability insurance cover.

Lastly, the taxes other than income tax include environmental levies, mainly derived from the use of landfills.

RESEARCH AND DEVELOPMENT

In 2022 the Group carried out a range of R&D projects aligned with its strategic lines of initiative. The most important projects in terms of content and scope were:

- Development of an advanced software platform based on structured system design techniques whose aim is to deliver smart customer segmentation by leveraging big data analytical tools and artificial intelligence algorithms. That platform provides a real picture of season/collection management and classifies the customer database on the basis of risk, fraud detection, debt collection and non-performance estimates.

- Digitalisation of the customer relationship function in the ECI Insurance Group. That project is articulated around the implementation of a cloud-based CRM and optimisation of the customer communication processes. That digital transformation process will enable the Group to better align its product and service range with user needs. Service levels will increase thanks to the ability to manage customer relations in a more customised manner, so boosting customer loyalty.
- Creation of an end-to-end management platform for the insurance brokerage environment based on Java J2EE technology. This is an ambitious multi-year plan that requires the development of key functionalities as well as the re-engineering and digitalisation of all business processes. Phase one of the project will tackle the Back-Office, Smart Agenda and Sales Structure modules.
- Design and development of a range of technological upgrades for a new web-based portal through which the Group will publicise and market its financial products. The portal encompasses financing management and secure product payment tools, as well as the corresponding user authentication and document management services. In parallel, work is underway to develop the platform app, reinforcing the omnichannel nature of the solution.

As in prior years, the Group continued to work to improve its systems and operating procedure processes in 2022. That effort has implied the incorporation and use of next-generation technology and the development of conceptual models that, leveraging the data built up thanks to experience, enable continuous improvement of the Group's productive and management systems.

The optimal configuration of the quality assurance processes is another key enabling factor in providing customers with excellent service quality and personalised care.

OWN SHARES

The own shares held by the Group, on a temporary basis, earmarked for upcoming sale, at each year-end:

ITEM	No. of shares	Par value (€)
Own Class A shares at 28 February 2023	4,449,594	6
Own Class A shares at 28 February 2022	6,142,679	6

In € 000

In 2022, the Parent bought back own shares for €500.79 million (2021: €149.18 million) and sold shares for €291.30 million (2021: €10.88 million).

On 31 May 2022, the Group, under the scope of its alliance with Mutua Group, sold shares representing 8% of its share capital. The transaction amounted to €555.0 million and entailed the sale of 6,061,346 shares. As a result of the transaction, an amount of €291.3 million of own shares was derecognised and a positive impact of €263.7 million was recognised in reserves.

On 25 May 2022 the Group acquired 4,192,689 shares, representing 5.5% of its share capital (now classified as own shares) from Primefin. The price paid was €485.7 million.

On 7 April 2021, the Group acquired 22.18% of Cartera de Valores de IASA, S.L. and, as part of the same proceedings, the latter reduced capital through the repayment of capital contributions to the Company. As a result of the reduction, the Company received own shares equivalent to 5%. That transaction amounted to €145 million (included in the €149.18 million of buybacks).

In addition, as disclosed in note 12.1, in 2021, the Parent reduced capital by cancelling own shares with an impact on this heading of €257.6 million.

The Group has an agreement with PrimeFin, S.A. giving the latter the option to sell it, and other compensation over, all of its shares in El Corte Inglés, S.A. That compensation agreement and put option can be exercised from year 10 after the agreement was entered into (i.e., 2025) and its execution depends on certain conditions, delivery of which is under the control of the Company.

As at 28 February 2023, the Group held a total of 4,449,594 own shares, equivalent to 5.9% of its share capital.

PAYMENTS TO SUPPLIERS

Below are the disclosures required under Additional Provision Three - "Disclosure requirements" - of Spanish Law 15/2010 (5 July 2010):

ITEM	2022	2021
Average supplier payment term	39 days	44 days
Paid transactions ratio	40 days	45 days
Outstanding transactions ratio	24 days	24 days
	AMOUNT	
TOTAL PAYMENTS MADE	**12,087,913**	**9,271,742**
TOTAL PAYMENTS OUTSTANDING	**774,519**	**658,551**
Number of invoices paid within the legally stipulated deadline	11,372,010	N/A
Percentage of total payments	94.1%	N/A
Number of invoices paid within the legally stipulated deadline	8,456,742	N/A
Percentage of total invoices paid	92.0%	N/A

In € 000

OTHER DISCLOSURES

Note that the Group has endorsed and complies with the Code of Best Tax Practices. The Group files all of the required tax returns within the deadlines and in the manner stipulated.

SEPARATE NON-FINANCIAL STATEMENT

As required in applicable legislation, the Parent's directors have opted to draw up a separate non-financial statement for the purpose of compliance with the provisions of Royal Decree-Law 11/2018 (of 28 December 2018), which amends the Code of Commerce, the consolidated text of the Corporate Enterprises Act enacted by means of Royal Legislative-Decree 1/2010 (2 July 2010) and Spain's Audit Act (Law 22/2015 of 20 July 2015) with respect to non-financial and diversity reporting.

EVENTS AFTER THE REPORTING PERIOD

The significant developments taking place after the reporting period are disclosed in note 26.3 of the consolidated financial statements.

This document represents a translation into English of the consolidation financial statements (balance sheet, income statement, statement for changes in equity and statement of cash flow) and the accompanying notes for the year ending 28 February of 2023 originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

José Ramón de Hoces Íñiguez
Director Secretary of the Board