

Europastry, S.A. and Subsidiaris

Consolidated Annual Accounts and Report of Directors 2022

Includes Audit Report on the Consolidated Annual Accounts

AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS ISSUED BY AN INDEPENDENT AUDITOR

(Translation of a report and accounts originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles. In the event of a discrepancy, the Spanish-language version prevails.)

To the shareholders of EUROPASTRY, S.A.

Opinion

We have audited the consolidated annual accounts of EUROPASTRY, S.A. (hereinafter the Parent Company) and subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2022, the income statement, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated annual accounts for the year ended on that date.

In our opinion, the accompanying consolidated annual accounts present, in all material aspects, a true and fair view of the net equity and the financial position of the Group at 31 December, 2022, and of the results of its operations and its cash flows, on a consolidated basis, for the year ended on that date, in accordance with the International Financial Reporting Standards, adopted by the European Union (EU-IFRS), and the rest of the regulations established by the financial reporting framework applicable in Spain.

Basis for our opinion

We have carried out our audit in accordance with the current Spanish standards for auditing accounts. Based on those standards, our responsibilities are set out below in the section *Auditor's responsibilities for the audit of the consolidated annual accounts* of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, as required by the regulations governing the auditing of annual accounts. In this regard, we have not provided any services different to the audit of the annual accounts and no situations or circumstances have arisen that, based on said regulations, might have affected the required independence in such a way that it could have been compromised.

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

Most relevant audit aspects

The most relevant audit aspects are those that, in our professional judgement, were considered as the most significant risks of material misstatement in our audit of the consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these risks.

Recoverable value of tangible assets, goodwill, and other intangible items

The Group calculates the recoverable value of goodwill annually and assesses the existence or not of indications of impairment in tangible or intangible assets to determine their recoverable value. The recoverable value is determined considering the value in use of the cash generating units, as appropriate. For the estimate of this value, the Group has used valuation techniques that require the exercise of judgment by the Parent Company's Directors and Management and the use of estimates. Due to the high degree of judgment, the uncertainty associated with said estimates and the significance of the book value of non-current assets has been considered a key matter in our audit.

Our audit procedures have comprised, among others:

- the evaluation of the design and implementation of the key controls related to the process of estimating the recoverable value of goodwill and other non-current assets,
- the evaluation of the methodology and hypotheses used in the estimation of the recoverable value, using the value in use method from the discounting of cash flows at the cash generating unit level, with the involvement of our valuation specialists to evaluate the suitability of discount rates and long-term growth rates,
- the comparison of the estimates of cash flows estimated in previous years with the actual flows obtained,
- the assessment of the sensitivity of certain hypotheses before changes that can be considered reasonable,
- the contrast of the information contained in the model used for the recoverable value with the financial budgets and / or strategic plans approved by Management,
- and the verification that the information disclosed in the annual accounts complies with the requirements of the financial reporting regulatory framework applicable to the Group.

Business combinations

As detailed in note 4 to the consolidated annual accounts, during the year 2022 the Group has carried out two business combinations, these being those relating to the Dawn Foods Group and European Pastry. In accordance with the financial information regulatory framework applicable, the Group's Management, with the collaboration of independent experts, assigned the acquisition prices, which included the estimate of future payment commitments for contingent considerations, to the assets acquired and liabilities assumed in the respective business combinations and based on them, the resulting goodwill has been determined.

We have considered that this is one of the most relevant aspects of our audit due to the significance of the acquisition considerations and their estimation, as well as the inherent judgment involved in making fair value estimates of the identified assets acquired and liabilities assumed and their impact on the consolidated annual accounts.

Our audit procedures in response to this risk have included, among others:

- Understanding of the policies and processes implemented by the Group for the identification, valuation and recording of assets acquired and liabilities assumed and estimation of future payment commitments.

- In relation to the business combination operation of the Dawn Foods Group based on the analysis carried out by the Group's Management with the collaboration of independent experts, to carry out the identification and valuation of the assets acquired and liabilities assumed, and the determination of the resulting goodwill for each business combination, with the collaboration of our valuation specialists, we have evaluated the reasonableness of the identification and valuation of the assets acquired and liabilities assumed in accordance with the financial information regulatory framework applicable and we have evaluated the methodology and key assumptions used therein to determine the fair values of the assets acquired and liabilities assumed.
- Evaluation of the subsequent changes in the estimate of the contractually established future considerations and their impact on the attached consolidated annual accounts.
- Verification that the breakdowns included in Note 4 of the attached consolidated annual accounts regarding business combinations are in accordance with current regulations.
- Obtaining written confirmations from experts external to the Group's Management regarding their competence, capacity, and objectivity.

Other information: Consolidated Directors' Report

The other information relates exclusively to the consolidated Directors' Report for 2022. The Directors of the Parent Company are responsible for preparing this consolidated report, which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated Directors' Report. Our responsibility for the information contained in the consolidated Directors' Report is defined in the regulations governing the auditing of annual accounts, which establishes two different levels of responsibility:

- a) A specific level that is applicable to the non-financial information statement, which consists of verifying only that the information has been provided in the consolidated Directors' Report or, if applicable, that the corresponding reference has been incorporated therein to the separate non-financial information statement in the manner established by the regulations, and if not, to report on it.
- b) A general level applicable to the rest of the information included in the consolidated Directors' Report, which consists of reviewing and reporting on the agreement of the aforementioned information with the consolidated annual accounts, based on the knowledge of the entity obtained in the performance of the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit, as well as reviewing and reporting on whether the content and presentation of this part of the consolidated Directors' Report are in accordance with the applicable regulations. If, based on the work we have done, we conclude that there are material misstatements, we are obliged to report it.

On the basis of the work carried out, as described above, we have verified that the consolidated Directors' Report includes a reference that the information mentioned in section a) above will be presented in the consolidated Directors' Report of the Group GALLÉS OFFICE, S.L. and Subsidiaries of which the Company is a part, and, the rest of the information contained in the Directors' Report agrees with that of the 2022 consolidated annual accounts and its content and presentation are in accordance with the applicable regulations. At the date of issue of this audit report, the consolidated annual accounts of Group GALLÉS OFFICE, S.L. and Subsidiaries have not yet been drawn up.

Responsibility of the Directors of the Parent Company concerning the consolidated annual accounts

The Directors of the Parent Company are responsible for drawing up the attached consolidated annual accounts, so that they show a true and fair view of the net equity, the financial situation and the consolidated results of the Group, in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and the rest of the regulations reflected in the financial reporting framework applicable in Spain, and for such internal control that they consider necessary to enable the preparation of consolidated annual accounts that are free from material misstatements, whether due to fraud or error.

When drawing up the consolidated annual accounts, 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 the use of the going concern basis, unless the Directors intend to liquidate the Group or to cease its operations, or whether there is no other realistic alternative.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the current Spanish regulations for auditing accounts 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 based on these consolidated annual accounts.

As part of an audit in accordance with current Spanish audit regulations, we exercise our professional judgement, and we maintain an attitude of professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated annual accounts, due to fraud or error, design and perform audit procedures to respond to those risks and obtain audit evidence that is enough 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 imply collusion, forgery, deliberate omissions, intentionally incorrect representations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Parent Company.
- Conclude on the appropriateness by the Directors of the Parent Company of the 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 to this in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated annual accounts, including the information disclosed, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- We obtain enough and adequate evidence in relation to the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision, and performance of the Group's audit. We are solely responsible for our audit opinion.

We communicate with the Directors of the Parent Company concerning, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

From the significant risks communicated to the Directors of the Parent Company, we determine those matters that were most significance in the audit of the consolidated annual accounts of the current period and are, therefore, the risks considered most significant.

We describe these risks in our auditor's report unless law or regulations prohibit public disclosure of the matter.

Grant Thornton, S.L.P. Sociedad Unipersonal
ROAC nº S0231



Joan Vall
ROAC nº 17.809
May 12, 2023

Consolidated Annual Accounts

EUROPASTRY, S.A. and Subsidiaries

Consolidated balance sheet as of December 31, 2022 and 2021

		Thousands of euros	
		31.12.2022	31.12.2021
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets	Note 5	627.856	555.122
Rights of use	Note 6	13.877	15.949
Goodwill	Note 7	201.120	178.042
Intangible assets	Note 8	121.434	86.206
Financial assets	Note 9	9.483	10.963
Investments in companies by equity method	Note 10	-	-
Active deferred taxes	Note 23	11.270	11.934
Derivative financial instruments	Note 19	30.951	-
Total non-current assets		1.015.992	858.216
CURRENT ASSETS			
Stocks	Note 11	109.658	81.228
Trade debts and other accounts receivable	Note 12	131.255	78.848
Other assets	Note 13	14.919	14.362
Current tax assets	Note 22	364	433
Other current assets	Note 13	14.555	13.929
Cash and equivalent liquid assets	Note 14	67.440	65.025
Total current assets		323.272	239.463
TOTAL ASSETS		1.339.264	1.097.679
LIABILITIES			
EQUITY			
Share capital	Note 15(a)	173	173
Share premium	Note 15(b)	18.745	18.745
Reserves		237.917	224.330
Results attributed to the Parent Company		36.002	24.081
Shareholders' funds		292.837	267.330
Funds attributed to minority interests	Note 15(l)	6.293	4.728
Value change adjustments		23.213	(1.230)
Exchange differences	Note 15(k)	4.912	(4.398)
Other equity items		28.125	(5.628)
Total net assets	Note 15	327.255	266.430
NON-CURRENT LIABILITIES			
Debts with financial institutions	Note 16	614.225	534.783
Other debts	Note 16	11.937	12.271
Deferred tax liabilities	Note 23	54.974	38.222
Deferred income	Note 17	945	983
Provisions	Note 18	1.697	1.438
Derivatives and other financial instruments	Note 19	-	1.638
Total non-current liabilities		683.777	589.336
CURRENT LIABILITIES			
Debts with financial institutions	Note 16	37.415	41.657
Other debts	Note 16	5.743	6.598
Trade debtors and other accounts payable	Note 20	229.458	167.112
Other liabilities	Note 21	55.615	26.547
Current tax liabilities	Note 22	4.563	2.715
Other current liabilities	Note 21	51.053	23.832
Total current liabilities		328.232	241.914
TOTAL LIABILITIES		1.339.264	1.097.679

Notes 1 to 32 to the attached consolidated annual accounts, together with Appendix I, form an integral part of the consolidated balance sheet as of December 31, 2022.

EUROPASTRY, S.A. and Subsidiaries

Consolidated statement of profit and loss for the year ended December 31, 2022 and 2021

		Thousands of euros	
		2022	# 2021
Income	Note 24 (a)	1.121.500	845.578
Work carried out by the Group itself and capitalized	Notes 5 and 8	7.432	10.425
Variation of stocks	Note 11	16.597	19.401
Other operating income		2.020	2.335
Consumption of goods and other expenses	Note 24 (b)	(523.161)	(375.128)
Personnel expenses	Note 24 (c)	(172.342)	(145.987)
Provisions for depreciation	Notes 5,6 and 8	(70.494)	(67.427)
Provisions for impairment	Notes 5,6 and 8	(709)	-
Other operating expenses	Note 24 (d)	(306.502)	(240.377)
OPERATING RESULT		74.341	48.820
Financial income	Note 24 (e)	2.743	1.935
Financial expenses	Note 24 (e)	(29.980)	(25.970)
CONSOLIDATED INCOME BEFORE TAXES		47.105	24.785
Income tax	Note 22	(10.806)	(454)
CONSOLIDATED INCOME (continuing operations)		36.299	24.331
Net income from discontinued operations			-
CONSOLIDATED RESULT FOR THE YEAR		36.299	24.331
	(Note 15)		
Attributable to:			
Minority interests		297	249
Shareholders of the Parent Company		36.002	24.081
Earnings per share (in euros)	Note 15 (m)	208	139

Notes 1 to 32 to the attached consolidated annual accounts, together with Appendix I, form an integral part of the consolidated profit and loss account as of December 31, 2022.

EUROPASTRY, S.A. and Subsidiaries

Consolidated statement of comprehensive income for the year ended December 31, 2022 and 2021 (in thousands of euros)

	Note	2,022	2,021
Result of the consolidated income statement attributable to the Group		36,002	24,081
Result of the consolidated income statement attributable to minority interests		297	249
Income and expenses allocated directly to equity:		-	-
Due to changes in the fair value of other financial liabilities	Note 16	-	-
For cash flow hedges	Note 19	31,030	(615)
Due to exchange differences	Note 15.1	9,310	12,018
Tax effect		(7,757)	153
Total income and expenses allocated directly to consolidated equity		32,583	11,556
Transfers to the profit and loss account:			
For cash flow hedges	Note 19	1,560	1,622
Tax effect		(390)	(406)
Total transfers to the consolidated income statement		1,170	1,217
Global Result:		70,053	37,102
Attributable to minority interests		297	249
Attributable to the Group		69,755	36,853

Consolidated statement of changes in net equity for the year ended 31 December, 2022

	Share capital	Shareholders' funds	Other reserves	Reserves in consolidated companies	Exchange differences	Minority interests	Result	Value change adjustments	Total
Balance as of December 31, 2020	173	18,745	199,875	28,490	(16,416)	4,479	6,265	(1,983)	239,328
- Result allocation	-	-	(3,158)	9,423	-	-	(6,265)	-	-
- Dividend allocation	-	-	(10,000)	-	-	-	-	-	(10,000)
- Global result for the year	-	-	-	-	-	249	24,081	-	24,330
Consolidated result for the year	-	-	-	-	12,018	-	-	753	12,771
Other global results	-	-	-	-	(4,398)	4,728	24,081	(1,230)	266,429
Balance as of December 31, 2021	173	18,745	186,717	37,613	9,283	-	(24,081)	-	-
- Result allocation	-	-	14,798	9,283	-	-	-	-	(10,000)
- Dividend allocation	-	-	(10,000)	-	-	-	-	-	-
- Other variations	-	-	-	(495)	-	1,268	-	-	773
- Global result for the year	-	-	-	-	-	297	36,002	-	36,299
Consolidated result for the year	-	-	-	-	9,310	-	-	24,443	33,753
Other global results	-	-	-	-	4,912	6,293	36,002	23,213	327,255
Balance as of December 31, 2022	173	18,745	191,515	46,401	4,912	6,293	36,002	23,213	327,255

Notes 1 to 32 to the attached consolidated annual accounts, together with Appendix 1, form an integral part of the consolidated statement of changes in net equity and the consolidated income statement as of December 31, 2022.

EUROPASTRY, S.A. y Sociedades dependientes

Consolidated cash flow statement for the year ended December 31, 2022 and 2021

		Thousands of euros	
		2022	2021
Cash flows from operating activities			
Profit for the year before taxes		47.105	24.785
<i>Result adjustments:</i>			
Depreciation of tangible and intangible fixed assets	Notes 5, 6 and 8	70.494	67.427
Impairment of tangible and intangible fixed assets	Notes 5, 6 and 8	709	-
Financial income	Note 24 (e)	(2.743)	(1.935)
Financial expenses	Note 24 (e)	29.980	25.970
Results from disposal of fixed assets	Note 5	118	60
Valuation corrections for impairment	Note 12	3.087	2.274
Other adjustments to the result	Note 11 and 18	1.000	178
<i>Changes in working capital:</i>			
Stocks		(19.048)	(25.390)
Customers and other accounts receivable		(38.499)	(17.371)
Suppliers and other accounts payable		48.518	44.657
Other current assets and liabilities		4.408	1.240
Other non-current assets and liabilities		-	-
Cash generated from operations		145.129	121.895
Interest and other financial expenses paid	Note 24 (e)	(22.342)	(22.718)
Paid taxes		(3.078)	(1.215)
Net cash generated by operating activities		119.709	97.962
<i>Investment payments</i>			
Group and associated companies and business units	Note 4 and 16	(61.543)	(30.000)
Tangible fixed assets	Note 5	(100.703)	(87.051)
Intangible fixed assets	Note 8	(9.956)	(3.813)
Other financial assets		(41)	-
<i>Charges for divestments</i>			
Group and associated companies		-	925
Net cash used in investing activities		(172.244)	(119.940)
Cash flows from financing activities			
Income from external resources - financial institutions	Note 16	90.000	20.000
Income from other resources - other debts	Note 16	-	-
Reimbursement of debts with financial entities	Note 16	(18.313)	(9.841)
Reimbursement of other debts		(7.604)	(8.489)
Dividends paid to Shareholders	Note 15	(10.000)	(10.000)
Net cash used in financing activities		54.082	(8.330)
Net (decrease)/increase in cash and cash equivalents		1.547	(30.308)
Effect of changes in exchange rates on cash		867	1.107
Cash and other equivalent liquid assets at the beginning of the year		65.025	94.225
Cash and other equivalent liquid assets at the end of the year	Note 14	67.440	65.025

Notes 1 to 32 to the attached consolidated annual accounts, together with Appendix I, form an integral part of the consolidated cash flow statement as of December 31, 2022.

EUROPASTRY, S.A. and Subsidiaries

Notes to the Consolidated Annual Accounts for the year ended December 31, 2022

1. Group's structure and activity

EUROPASTRY S.A. with tax identification number A-58695032, is a company with registered office at Sant Cugat del Vallés (Spain), Pza. Xavier Cugat 2, Building C, Floor 4 in Parc Sant Cugat Nord, registered in the Public Registry of Commerce of Barcelona, in volume 24,789, Page B -76.007, entry no.15. Europastry, S.A. is the parent company of the Group. The main activity of the Group basically consists of the manufacture and sale of pre-baked bread, frozen dough, and other food products. The information relating to the different companies that make up the Group is detailed below:

a) Parent Company

Europastry, S.A., hereafter referred to as the Parent Company, was incorporated on April 28, 1988, with the name Servispa, S.A., changing its corporate name to the current one on July 1, 1995. Its registered office is in Sant Cugat del Vallés (Spain), Pza. Xavier Cugat 2, Edificio C, Planta 4, Parc Sant Cugat Nord, 2. In the financial year 1995 Servispa, S.A. merged with its associated company Europastry, S.A. and, at the same time, it changed the corporate name of Servispa, S.A. to Europastry, S.A. Likewise, in the financial year 1998 the Parent Company and Fripan Madrid, S.L., merged by absorption of the latter by the former. In the financial year 2003, the Parent Company proceeded to the merger by absorption of the companies Frida Alimentaria, S.A., Frizenshares, S.L. and Eurodistribuciones Málaga, S.L., of which it held 100% ownership of the share capital. In September of 2007, the Parent Company proceeded to the merger by absorption of the company Palma Pan, S.L. of which it held 100% ownership of the share capital.

On September 13, 2017, the Parent Company proceeded to the merger by absorption of the companies Yaya M^a S.L.U. and Digem XXI S.L.U. of which it held 100% ownership of the share capital.

On November 28, 2019, the Parent Company proceeded to the merger by absorption of the companies Ingapan Coruña S.L.U. and Hornos Salvatierra S.L.U. of which it owned 100% of the share capital.

On May 30, 2022, the company proceeded to the merger by absorption of the company Ingapan, S.L.U. of which it held ownership of 100% of the share capital.

The main activity of the Parent Company consists of the production and marketing of pre-baked bread and frozen pastries. It also acts as a shareholding company, and therefore can establish or own shares in other companies, regardless of their nature or purpose, through the signing or acquisition and holding of shares, stocks or any other type of securities derived thereof.

b) Subsidiaries and associated companies

Europastry, S.A. is the holding company of Europastry Group (hereinafter, the Group), which is composed by the Parent Company itself and by the subsidiaries and associated companies described in the accompanying Appendix I.

Company	% Europastry Group			
	31/12/2022		31/12/2021	
	Direct	Direct	Direct	Direct
Europastry Portugal, S.A.	100%	0%	100%	0%
Dias, Martins e Lopes, Lda.	100%	0%	100%	0%
Ingapan, S.L.U. (*)	-	-	100%	0%
Europastry Canarias, S.L.	75%	0%	75%	0%
Europastry Central Europe, B.V.	99.59%	0%	97.56%	0%
Grand Duet B.V.	0%	99.59%	0%	97.56%
Europastry USA Holding, Inc	100%	0%	100%	0%
Wenner Holding Corp.	0%	100%	0%	100%
Wenner Holding LLC	0%	100%	0%	100%
Europastry USA, Inc	0%	100%	0%	100%
Euro Classic Imports LLC	0%	100%	0%	100%
Euro Classic USA LLC (**)	0%	80%	-	-
DSR Logistics LLC	0%	100%	0%	100%
Europastry Colombia, S.A.S.	100%	0%	100%	0%
Europastry Chile S.p.A.	100%	0%	100%	0%
Europastry France, SARL	100%	0%	100%	0%
Europastry Italia SRL	100%	0%	100%	0%
Europastry México, S.A. de C.V.	100%	0%	100%	0%
Europastry International, S.L.U.	100%	0%	-	-
European Pastry SRL (**)	90%	0%	-	-
European Pastry Prod SRL (**)	0%	90%	-	-
Dawn Foods Frozen Netherlands Holding B.V. (***)	0%	100%	-	-
Dawn Foods Frozen Holding B.V. (***)	0%	100%	-	-
Dawn Foods Frozen Germany GmbH (***)	0%	100%	-	-
Dawn Foods Frozen France B.V. (***)	0%	100%	-	-
Dawn Foods Frozen Ltd (***)	100%	0%	-	-
Europastry Alimentaria, S.A.U. (**)	-	-	100%	0%
Frida Alimentaria España, S.L. (****)	100%	0%	100%	0%
Fripan, S.A. (****)	100%	0%	100%	0%

(*) Company merged in 2022 with Europastry, S.A.

(**) Companies liquidated in 2022.

(***) Companies acquired or incorporated in 2022.

(****) Inactive companies.

The registered offices and main activities of the group companies as of December 31, 2022, are as follows:

The main activity of Europastry Portugal, S.A., with registered office in Carregado (Portugal), is the production and marketing of frozen pastries and foodstuffs.

The main activity of Dias, Martins e Lopes Lda., with registered office in Trofa (Portugal), is the production and marketing of frozen dough products.

The main activity of Europastry Canarias, S.L., with registered office in Abona (Spain), is the marketing of food products.

The main activity of Europastry Central Europe, B.V. with registered office in Oldenzaal (Netherlands), is the production and marketing of frozen pastries and frozen food products.

The main activity of Grand Duet B.V., with registered office in Beuningen (Netherlands), is the production and marketing of pre-baked bread, frozen pastries, and snacks.

The main activity of Europastry USA Holding, Inc, with registered office in Delaware (USA), is the holding, administration, and shareholding management.

The main activity of Wenner Holding Corp, with registered office in New York (USA), is the holding, administration, and shareholding management.

The main activity of Wenner Holding LLC, with registered office in New York (USA), is the holding, administration, and shareholding management.

The main activity of Europastry USA, Inc, with registered office in New York (USA), is the production and marketing of pre-baked bread and frozen pastries.

The main activity of Euroclassic USA LLC, with registered office in Laurens (USA), is the manufacture and sale of pre-baked bread and frozen dough.

The main activity of DSR Logistics LLC, with registered office in Williamstown (USA), is to provide logistics and transport services.

The main activity of Europastry Colombia, S.A.S., with registered office in Bogota (Colombia), is the marketing of pastries and frozen foodstuffs.

The main activity of Europastry Chile, S.p.A (formerly Crandon, S.A.), with registered office in Santiago de Chile (Chile), is the marketing of pastries and frozen foodstuffs.

The main activity of Europastry France, S.A.R.L., with registered office in Guyancourt (France), is the marketing of bakery products.

The main activity of Europastry Italia, S.r.L., with registered office in Milan (Italy), is the marketing of bakery products.

The main activity of Europastry México S.A de CV, with registered office in Mexico City (Mexico), is the marketing of bakery products.

The main activity of Europastry International S.L.U, with registered office in Sant Cugat del Vallés (Spain), is the marketing of bakery products.

The main activity of European Pastry SRL, with registered office in Bucharest (Romania), is the marketing of bakery and pastry products.

The main activity of European Pastry Prod SRL, with registered office in Bucharest (Romania), is the production and marketing of bakery and pastry products.

The main activity of Dawn Foods Frozen Netherlands Holding B.V., with registered office in Steenberg (The Netherlands), is the production and marketing of pastries and frozen food products.

The main activity of Dawn Foods Frozen Holding B.V., with registered office in Oosterhout (The Netherlands), is the holding, administration, and control management of shares.

The main activity of Dawn Foods Frozen France B.V., with registered office in Oosterhout (Netherlands), is the holding, administration, and control management of shares. It maintains a French branch, with registered office in Erquinghem sur Lys (France), whose main activity is the marketing of pastries and frozen food products.

The main activity of Dawn Foods Frozen Germany GmbH, with registered office in Darmstadt (Germany), is the marketing of pastries and frozen food products.

The main activity of Dawn Foods Frozen Ltd, with registered office in Worcestershire (United Kingdom), is the marketing of pastries and frozen food products.

Fripan, S.A., with registered office in Sant Joan Despí (Spain), remains inactive.

Frida Alimentaria España, S.L., with registered office in Barcelona (Spain), remains inactive.

All the subsidiaries and associated companies close their financial year as of December 31 of each year.

c) Changes in subsidiaries and associated companies

2022

The main changes in the composition of the Group, with respect to December 31, 2021, are as follows:

- The acquisition in January 2022 of European Pastry SRL and a subsidiary (European Pastry Prod SRL).
- The acquisition in December 2022 of Dawn Foods Frozen Netherlands Holding B.V. and subsidiaries (Dawn Foods Frozen Holding B.V., Dawn Foods Frozen France B.V. and Dawn Foods Frozen Germany GmbH) and Dawn Foods Frozen Ltd.
- The incorporation in April 2022 of the company Euroclassic USA LLC.

- The merger by absorption of Ingapan, S.L.U. by the Parent Company, effective on January 1, 2022. Said merger implies the extinction of the absorbed company and the block transfer of all its assets and liabilities to the absorbing company, with no impact on the consolidation scope.

2021

There were no significant changes in the composition of the Group with respect to December 31, 2020. The only changes in the consolidation scope correspond to the settlement of inactive companies (note 1b) and the disposal of the stake in Casa Bona Tradicional, S.L. (note 1b and 10).

In 2021, the company Europastry International, S.L.U., whose commercial activity began in 2022, was incorporated.

The changes in the consolidation scope did not have a significant impact on the Group.

d) Relevant events of the year

The result attributable to the Group has reached 36,002 thousand euros, an increase of 11,921 thousand euros compared to the year 2021.

2. Basis for presentation and consolidation principles

a) Basis for presentation

The consolidated annual accounts have been prepared from the accounting records of Europastry S.A. and Subsidiaries. The accompanying consolidated annual accounts of Europastry Group for the financial year 2022 have been prepared in accordance with the international financial reporting standards adopted by the European Union (IFRS-EU), in accordance with the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, with the aim of presenting a true and fair view of the consolidated equity and the financial statements of Europastry Group as of December 31, 2021, the consolidated income statement from its operations, its consolidated cash flows and the changes in its consolidated equity for the financial year then ended.

The Directors of the Parent Company expect that the consolidated annual accounts for the financial year 2022, prepared on March 28, 2023, will be approved by the General Shareholders' Meeting with no amendments.

The consolidated annual accounts of Europastry Group for the financial year 2021 prepared by the Directors of the Parent Company on March 14, 2022, were approved by the General Shareholders' Meeting held on June 30, 2022, and filed in the Public Registry of Commerce of Barcelona.

The figures contained in these consolidated annual accounts are presented in euros, which is the functional currency of the Group; all the information is shown in thousands of euros and has been rounded to the nearest unit, unless otherwise stated.

b) Comparison of information

The information contained in these consolidated annual accounts regarding to the financial period ending on December 31, 2021, is presented with the sole purpose to serve as a comparison with the information for the financial period ended December 31, 2022.

c) New standards, amendments, and interpretations of mandatory application in the calendar year commencing on January 1, 2021, approved by the European Union

The abbreviations "IAS" and "IFRS" are used in these consolidated annual accounts about the International Accounting Standards and the International Financial Reporting Standards, respectively, approved by the European Union, based on which the consolidated annual accounts have been prepared, as well as "IFRIC" for the Interpretations of the "IFRS".

The accounting policies adopted in the preparation of these consolidated annual accounts are consistent with those used in the preparation of the consolidated annual accounts of the Group for the financial period ending on December 31, 2021, except for the adoption of new standards and interpretations of the "IFRS" that have entered into force on January 1, 2022, which are detailed below:

Standards adopted by the European Union		
IAS 37 (amendment) "Provisions, contingent liabilities and contingent assets: Provisions for onerous contracts"	Specifies that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that are directly related to fulfilling the contract.	January 1, 2022
IAS 16 (amendment) "Tangible assets: Consideration prior to its intended use"	Prohibits deducting from the cost of tangible assets any income obtained from the sale of goods produced while the Company is preparing the asset for its intended use.	January 1, 2022
Annual improvement project 2018-2020	Several minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	January 1, 2022
IFRS 3 (amendment) "Reference to the conceptual framework"	It aligns the definitions of assets and liabilities in a business combination with those contained in the conceptual framework.	January 1, 2022

The application of these standards, interpretations and amendments has not had a significant impact on the Group's financial information.

d) **New standards, amendments, and interpretations of mandatory application in years after the calendar year that began on January 1, 2022, adopted (applicable from January 1, 2023, onwards) or pending adoption by the European Union**

The regulations, amendments, and interpretations that will enter into force for the following years beginning after January 1, 2023, and following years are detailed below:

Standards adopted by the European Union		Entry into force for the years started
IFRS 17 "Insurance contracts"	New standard that replaces IFRS 4.	January 1, 2023
IAS 8 (amendment) "Definition of accounting estimates"	New definition of accounting estimates.	January 1, 2023
IAS 12 (amendment) "Deferred Taxes related to Assets and Liabilities arising from a Single Transaction"	Limits the exemption from the initial recognition of deferred tax assets and liabilities in certain single transactions.	January 1, 2023
IFRS 17 (amendment) "Initial application IFRS 17 and IFRS 9, comparison of information"	Transition option related to the comparative information on financial assets presented in the initial application of IFRS 17.	January 1, 2023
IAS 1 (amendment) "Disclosures of accounting policies"	Develops criteria for disclosing material accounting policies.	January 1, 2023
Standards Issued by the IASB pending adoption by the European Union		Entry into force for the years started
IAS 1 Presentation of Financial Statements (amendment)	Classification of liabilities as current or non-current	January 1, 2024
IAS 16 "IFRS 16 leases and leasebacks"	Specification of the requirements for lessees and lessors to measure the lease liability in a sale-leaseback transaction.	January 1, 2024

None of these regulations and amendments has been applied early. No significant impact is expected from the application of these amendments.

e) **Use of estimates and assumptions**

The Directors of the Parent Company are responsible for the information contained in these consolidated annual accounts. In accordance with IFRS-EU, the preparation of the accompanying consolidated annual accounts requires the occasional application of accounting estimations and for judgments, estimates and assumptions to be made by the Directors of the Parent Company in the process of applying the Group's accounting policies to calculate the value of some of the assets, liabilities, income, expenses, and considerations that are recorded therein. To this end, a summary is provided below describing the aspects that have involved a more of judgment or complexity or where the assumptions and estimations are significant for the preparation of the consolidated annual accounts:

- The valuation of assets and goodwill to determine, if applicable, the existence of any impairment losses thereof (see Notes 3d and 7).
- Calculation of the fair value of assets, liabilities, and contingent liabilities in relation to the business combinations. The methods for calculating fair value used by the Group are described in Note 3.

- Valuation of development expenses for their activation (see Notes 3e and 8).
- The assumptions used to calculate the expected losses (see Note 12).
- The useful life of tangible and intangible assets (Notes 3a and 3e).
- The assumptions used to calculate the fair value of the financial instruments (Note 19).
- The deferred tax assets and liabilities have been estimated at the forecast tax rate of refund or cancellation (see Note 23).
- Evaluation and valuation of provisions and contingencies (see Note 18).

These estimates have been made based on the best available information at the time of preparing these consolidated annual accounts on the events under analysis. However, it is likely that events taking place in the future may demand amending them (upwards or downwards) in next financial years, which would be done prospectively, as established in the IAS 8, recognizing the effects of the estimate change in the corresponding income statements of the future consolidated annual accounts.

f) Aspects derived from the transition of accounting standards

The consolidated annual accounts of the Europastry Group corresponding to the financial year 2006 were the first ones prepared in accordance with the IFRS-EU. Upon preparing the Group's consolidated annual accounts of the financial year 2006 according to the Spanish accounting principles, this set of rules and regulations implied, with respect to that in force, the following amendments:

- Changes in accounting policies, valuation criteria and way to present the consolidated financial statements.
- The incorporation of two new financial statements: the statement of changes in the consolidated equity and the consolidated cash flow statement.
- An increase of information described in the notes attached.

The disclosures required by the IFRS 1 - First-time adoption of the IFRS – in terms of the transition from the Spanish Accounting Standards, are included in the consolidated annual accounts of the financial period 2006 in Note 3, which describes the reconciliation between the initial and final balances of the financial year ended 31 December 2005 and, therefore, they are included in the Group's consolidated annual accounts corresponding to that financial year, to the correlative opening balances of the financial year 2006 determined pursuant to the new rules and regulations.

According to the provisions of the IFRS 1, in some specific cases, there are certain alternatives that can be used in the preparation of the financial and accounting information on the date of transition.

The alternatives chosen by the Europastry Group were the following:

- On the date of transition, tangible assets are presented with a value of their depreciated acquisition cost, except for plots of land or real estate that were adjusted for their fair value, using this value as the cost attributed to such date.
- Goodwill and other assets and liabilities acquired in business combinations performed before 1 January 2005 have not been calculated retroactively pursuant to the provisions of IFRS 3.

g) Consolidation principles

The attached consolidated annual accounts have been prepared based on the accounting records of Europastry, S.A. and of the subsidiaries that are members of the Group and include the necessary adjustments and reclassifications for value homogenization with the Parent Company, as well as those necessary to adapt the consolidated annual accounts to IFRS-EU.

Intragroup transactions, balances, and unrealized profit on transactions between group companies are eliminated. The accounting policies of the subsidiaries are changed when necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated balance sheet, respectively.

(i) Subsidiaries

Subsidiaries are those companies over which the Company directly or indirectly exercises control, through its employees. Control refers to the power to establish the financial and operating policies to obtain the profit from their activities. It is understood that said control exists when the Parent Company holds the direct or indirect ownership of more than 50%, or less than this percentage, if there are agreements with other shareholders of the associated companies that grant the control to the Parent Company.

The annual accounts of the subsidiaries will be consolidated with the holding Company using the global integration method, starting from the date of acquisition, which is when the Group effectively obtains control of them. When it is necessary, the pertinent adjustments of accounting policies and criteria standardization to those established for the whole group are performed. All the significant unrealized balances, transactions and profit or losses between companies of the Group have been derecognized in the consolidation process.

From January 1, 2005, the date of transition of the Europastry Group to the IFRS-EU, when a company is acquired, its assets, liabilities and contingent liabilities are measured at their market value as of the acquisition date. The difference between the acquisition cost and the market value of the net assets acquired, when positive, is recorded as goodwill and when it is negative, it is recorded as income of the financial year. The profits and losses of the companies acquired are included in the income statement as from the effective acquisition date.

The minority interests are established based on the share percentage thereof on the recognized market value of the subsidiary's assets and liabilities.

(ii) Associated companies

It is considered that associated companies are those over which the Parent Company has the capacity to exercise a significant influence, without having an effective domain. In general, it is understood that there is such influence when the Parent Company holds the direct or indirect ownership, equal to or higher than 20% of the voting rights of the associated company.

Associated companies have been accounted for by applying the equity method from the date on which significant influence is exercised until the date on which the Company can no longer justify its existence. Under the equity method, investments are initially recognized at cost and are adjusted thereafter to recognize in results the part that corresponds to the Group of the results of the investee after the acquisition and the part of the Group of the movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from multi-group and associated companies are recognized as a decrease in the carrying amount of the investment.

When the part that corresponds to the Group of losses in an investment accounted for by the equity method is equal to or greater than its shareholding in the company, including any other non-guaranteed non-current receivables account, the Group does not recognize additional losses, unless they occur through obligations or events paid on behalf of the other company.

Unrealized profit arising from transactions between the Group and its associated companies and joint ventures is derecognized in line with the Group's shareholding in those companies. Unrealized losses are also derecognized unless the transaction shows evidence of impairment in the value of the asset being transferred. The participated companies' accounting policies that are accounted for by the equity method are adjusted when it is necessary to ensure the uniformity with the policies adopted by the Group.

When the Group stops consolidating or accounting for an investment by the equity method because of a loss of control, joint control or significant influence, any retained stake in the company is once again valued at its fair value, recognizing the change in the book value amount in the income statement.

If the stake in a joint venture or an associated company is decreased, but the joint control or significant influence remains the same, only a proportional part of the amounts previously recognized under other comprehensive income is reclassified under income when it is appropriate.

3. Valuation standards

The main principles, accounting policies and valuation criteria used by the Parent Company when preparing the accompanying consolidated annual accounts, in accordance with the IFRS-EU, are those described hereunder:

a) **Tangible assets**

(i) Initial recognition

Assets included in this heading are recorded for their acquisition cost or production cost, plus the start-up costs that are directly attributable, being revised frequently and adjusted, if necessary, for their corresponding accumulated depreciation and any decrease in their value due to impairment, if any, as described in this note in section c).

(ii) Depreciation

Depreciation is calculated for the different assets included in this heading in accordance with the straight-line method based on the expected useful life of the respective assets, addressing the depreciation suffered for their operation, use and enjoyment, according to the following breakdown:

	<u>Years</u>
Buildings	30-50
Technical facilities and machinery	10-15
Other facilities, tools, and furniture	8-12
Tools	2-5
Information processing equipment	3-4
Deep freezers and ovens	3
Other tangible assets	3-10

(iii) Subsequent recognition

After its recognition as an asset, an item of tangible assets is accounted for at its cost value less the accumulated depreciation and the accumulated amount of losses due to impairment of its value (see Note 3 c).

The extension, renovation or improvement costs that represent an increase in productivity, capacity or efficiency, or an extension of the assets' useful life, are capitalized as a higher cost of the corresponding assets.

The conservation and maintenance expenses are recorded in the income statement of the financial year in which they are incurred.

The loss or gain arising from the sale of an item of tangible assets is included under income for the financial period when the item is sold. Profit will not be classified as ordinary income.

b) Leasing

The lease contracts imply, for the lessee, at the beginning of the lease, the recognition of an asset for right of use and a liability for lease in the balance sheet. The right-of-use asset is valued at cost, which is made up of the initial valuation of the lease liability, the initial direct costs incurred by the Group, an estimate of the costs of dismantling and removing the asset at the end of the lease and lease payments made prior to the start date of the lease (net of any incentives received).

The Group depreciates the right-of-use asset on a straight-line basis from the start date of the lease until the end of the useful life of the right-of-use asset or the end of the lease term, whichever comes first. The Group also assesses the impairment of the value of the right-of-use asset when there are indications of it.

On the start date, the Group values the lease liability at the current value of the installments pending payment on that date, discounted using the incremental interest rate of the Group's loans. The Group considers different rates by category, country, and term. Said term is determined by the years of the contract, or the useful life of the asset to which it is attached.

The lease payments included in the valuation of the lease liability are made up of fixed payments.

After the initial valuation, the liability is decreased by the lease payments that are allocated between capital reimbursements and financial costs. The financial cost is the amount that produces a constant periodic interest rate on the remaining balance of the lease liability.

The Group has chosen to account for leases of less than one year and leases of low-value assets using the practical exemptions, where instead of recognizing a right-of-use asset and a lease liability, the related payments are recognized as an expense in profit or loss for the year on a straight-line basis over the lease term.

c) Impairment of tangible and intangible assets (excluding goodwill)

The Group follows the criteria to assess the existence of any indication that might result in the impairment to the value of the non-financial assets subject to depreciation, with the aim of verifying whether the book value of said assets is greater than the recoverable value.

The recoverable amount of the asset is the greater between its attainable value in the market less the costs of its sale or disposal by other means and its value in use. To determine the value-in-use of the asset, the estimated future cash flows are deducted at the current value using interest rates appropriate to such purpose.

If, because of this valuation, the attainable value of the asset is lower than the net book value, the net book value of the asset is decreased to its attainable value. The loss due to the value impairment is recognized immediately under income for the financial period.

Additionally, and regardless of there is any indication of value impairment, at least once a year the Group verifies the potential value impairment that may affect the intangible assets with an indefinite useful life, as well as the intangible assets that are not yet available for use.

The net realizable value is calculated for an individual asset, unless the asset does not generate cash flows that are discernibly independent from those that correspond to other assets or groups of assets. If this is the case, the valuation analyses are determined for the Cash-Generating Unit (CGU) to which it belongs.

d) Goodwill

Goodwill on consolidation represents the excess in the acquisition price of subsidiaries consolidated by global integration on the fair value of its net assets acquired at the acquisition date.

In accordance to Note 2 f, the Europastry Group did not recalculate retroactively, pursuant to the provisions of the IFRS 3, the business combinations prior to the date of transition; the goodwill arisen have maintained the previous amounts pursuant to the Spanish accounting principles subject to an impairment test at the date of transition.

When the acquisition of new investments is performed with deferred payment, the acquisition price includes the updated value of such deferred payment. In the cases where the final amount of the deferred price may be affected by future events, the amount of said deferred amount is estimated at the acquisition date and it is recorded as a liability. Said changes in the deferred price will result in an adjustment in the income statement in the year when the change in the estimate takes place, also adjusting the corresponding liability.

The goodwill resulting from the business combinations is allocated to each of the cash generating units (CGU) of the Group that are expected to benefit from the synergies of the business combination and the cited impairment criteria is applied to each one of the cash generating units (CGU) that are expected to benefit from the synergies of the business combination.

Goodwill is recorded as intangible assets on the balance sheet. These are not depreciated, but rather they are subject to impairment tests carried out on them on an annual basis, or more often in cases where incidents may have been identified that indicate a potential loss of value of the asset.

Any impairment arising out of said impairment tests, and which imply decreasing their value to an amount lower than the book value, is recognized in the income statement, which cannot be reversed in the future. Likewise, the negative goodwill is recognized in the income statement once the fair value of the net assets acquired is confirmed.

In the case of disposal or sale of a subsidiary or associated company, the goodwill attributed to such company, if any, is included in the determination of the profit or loss of the disposal or sale.

e) Intangible assets (excluding goodwill)

These are identifiable non-monetary assets, without physical appearance, acquired from third parties or developed by the Group. The intangible assets are recorded by their acquisition price or production cost, in the case that their cost can be established in an objective manner, and it is expected to obtain an economic gain in the future, being periodically revised and adjusted if applicable, for their corresponding accumulated depreciation, and any decrease in their value due to impairment, as described in this note in section c. The assets included in this section are the following:

- Concessions, patents, licenses, and brands: this heading includes the development expenses incurred when the corresponding patent or similar is obtained. Besides, the new trademarks acquired from third parties are included for the acquisition cost, and the trademarks acquired through a business combination transaction are included for their market value. The estimated useful life of the owned brands varies between 10 and 20 years, depending on the case.
- Relations with customers: these include the value of the existing relationship between the corresponding company and their customers, which is underpinned in a contractual point of origin, and therefore its identification as an intangible asset is derived from a legal and contractual basis. Its useful life varies between 10 and 20 years, depending on the case.
- Development:

Costs corresponding to related development activities are capitalized to the extent that:

- The Group has technical studies that can justify the feasibility of the production process.
- There is a commitment of the Group to complete the production of the asset to ensure that it is in conditions for sale (or internal use).
- The asset will generate enough economic profits.
- The Group has the technical and financial resources required to complete the development of the asset (or for internal use) and has developed systems of budget control and analytical accounting that enable it to monitor the budgeted costs, the changes introduced and the costs that are actually allocated to the several projects.

Costs incurred in the performance of the activities in which it is not possible to clearly identify the costs attributable to the research phase of those corresponding to the development phase of the intangible assets are recorded as a debit entry under income.

Equally, the costs incurred in the performance of the activities that contribute to developing the value of the several businesses in which the Group operates overall are recorded as an expense as and when they arise. Similarly, and in a general sense, the replacements or subsequent costs incurred in intangible assets are recorded as an expense, unless they increase the future economic profits expected to be gained from the assets.

Development expenses that are included in the value of the asset are depreciated on a linear basis over a period of 5 years.

- Software: This heading includes the amounts paid to own or to hold the right to use software tools, as well as the costs incurred in the programs created by the company itself, only in the cases where the use of software will involve several financial years and they are linearly depreciated according to their useful life which, in general, is expected to be 5 years. The maintenance expenses of computer software are recorded directly as expenses of the financial year in which they occur.

An intangible asset is derecognized from the books when it sold or disposed of by other means (i.e., the date on which the receiver obtains control of it) or when it is no longer expected to generate future economic profits from its use or from its sale or disposal of other means. Any profit or losses that arise from removing the asset from the books (calculated as the difference between the net amount of the sale or disposal by other means and the book value of the asset) will be reported in the income statement.

f) Financial assets

The Group classifies its financial assets based on the business model applied to them and the characteristics of the instrument's cash flows. This category includes all the assets that do not need to be classified in the rest of the categories.

When categorizing assets, the Group also considers the characteristics of the cash flows that they accrue. Specifically, it distinguishes between those financial assets whose contractual conditions give rise, on specified dates, to cash flows that are collections of principal and interest on the outstanding principal amount (assets that meet the UPPI criteria), from the rest of the financial assets (assets that do not meet the UPPI criteria).

Specifically, the Group's financial assets are classified into the following categories:

a) Financial assets at depreciated cost

This category is the most relevant for the Group. The Group values financial assets at their depreciated cost if the following two conditions are met:

- The financial asset is maintained within a business model with the objective of maintaining financial assets to collect the contractual cash flows.
- The contractual conditions of the financial asset give rise, on certain dates, to cash flows that are solely payments of principal and interest on the principal pending payment.

Financial assets at depreciated cost are subsequently valued using the effective interest rate (EIR) method and are subject to impairment and the expected loss model. Profit and losses are recognized in the result of the year when the asset is derecognized, changed, or impaired. The Group's financial assets at depreciated cost include trade receivables, as well as fixed-income securities.

b) Financial assets at fair value with changes recorded in the income statement

These are assets that are acquired with the purpose of selling them in the short term. Derivatives fall within this heading unless they are designated as hedging instruments. These financial assets are valued at their fair value - at the start as well as in subsequent valuations - allocating the changes that arise from said valuation in the consolidated income statement for the financial period.

As of December 31, 2022, and 2021, the Group does not hold any financial assets of this heading.

c) Financial assets at fair value with changes recorded in other comprehensive income

A financial asset must be valued at fair value through other comprehensive income if the following two conditions are met:

- a) The financial asset is maintained within the framework of a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets; and
- b) The contractual conditions of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

Also included in this category are those equity instruments for which the Group has made an irrevocable choice at the time of initial recognition for accounting in this category. These are recognized at their fair value and increases or decreases arising from changes in fair value are recorded in other comprehensive income, except for dividends from such investments that will be recognized in the period's result. Therefore, impairment losses are not recognized in results, and at the time of sale, profit or losses are not reclassified to the consolidated income statement.

The fair value measurements carried out in these consolidated annual accounts are classified using a fair value hierarchy that reflects the relevance of the variables used to carry out said measurements. This hierarchy consists of three levels:

- Level 1: Valuations based on the quoted price of identical instruments in an active market. Fair value is based on market quoted prices on the closing date.
- Level 2: Valuations based on variables that are observable for the asset or liability. The fair value of financial assets and liabilities included in this category is determined using valuation techniques. Valuation techniques maximize the use of available observable market data and are based as little as possible on specific estimates made by the Group. If all the significant inputs required to calculate fair value are observable, the instrument is included in Level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.
- Level 3: Instruments whose fair value has been estimated using of valuation techniques in which some significant input is not based on observable market data.

Financial assets are derecognized once the contractual rights to the cash flows of the asset have expired or have been transferred, such that the risks and profits derived from its ownership are transferred in full. The financial assets are not derecognized, and a liability is recognized for an amount equal to the consideration received in the transfer of the assets in which the risks and profits pertaining to it have been held back.

The transfer contracts of receivables are regarded as non-factoring without resource, provided they involve a transfer of the risks and profits deriving from the ownership of the financial assets transferred.

The value impairment of the financial assets is based on a model of expected loss. The Group accounts for the expected loss as well as the changes in its value on each date of reporting results. The reason for this is to reflect the changes in credit risk starting from the date of initial recognition without waiting for any impairment event to occur.

g) Stocks

Stocks are measured by the lesser value between their production cost and their net attainable value, basically applying as a valuation method that of the weighted average.

The acquisition price includes the amount recorded in the invoice plus all the additional expenses incurred until the goods reach the warehouse. The production cost is determined adding to the acquisition cost of raw materials and other consumables, the manufacture costs directly attributable to the product and the corresponding portion of the costs indirectly attributable to the respective products, if said costs correspond to the period of manufacture.

In those circumstances where the book value of the stocks is greater than the net realizable value, corrective valuations are carried out, with the effects being recorded in the consolidated income statement.

h) Cash and equivalent liquid assets

It includes liquid assets and other equivalent assets, which mainly are deposit certificates, temporary deposits, current marketable securities, current government bonds and other money market assets with a maturity same as or lower than three months. These items are measured at their acquisition price which is close to their realization value.

i) Grants

Official grants related to expenses are deferred and are recognized as income during the relevant financial periods in which they can be correlated with the costs that they aim to cover.

Official grants related to the acquisition of tangible assets are recorded under non-current liabilities as deferred income and are recognized as income on a systematic basis over the course of the expected life of the corresponding assets.

j) Provisions and contingent liabilities

- Permanence commitments and similar obligations

By application of the current collective bargaining agreement, the Parent Company is obliged to pay permanence bonuses to part of its personnel.

The provision constituted represents the current value, calculated through actuarial studies carried out by independent experts, of the possible future payment commitments contracted with active personnel in relation to the payment of said retirement commitments (see Note 18).

- Other provisions

They are recorded when the Group has a current obligation (legal or by contract) because of a past event, if it is possible that for the evolution of said obligation it will imply in the future a cash outflow, and a fair estimate of the monetary amount involved is feasible. It is allocated for the amounts estimated at the end of the financial year (at the current value) to face possible or certain liabilities, arising out from ongoing lawsuits, or pending obligations.

The provisions are reversed in income when it is no longer probable that there will be an outflow of resources embodying future economic profit required to settle the obligation. The reversal is carried out in the heading of the consolidated income statement in which the corresponding expense was recorded.

The contingent liabilities are not recognized in the annual accounts; instead, they are informed in the notes of the annual accounts.

k) Financial liabilities

The Group's financial liabilities include financial debt, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value and, where appropriate, are adjusted for transaction costs, unless the Group has designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are valued at depreciated cost using the effective interest rate method.

All charges related to interest and, if applicable, changes in the fair value of an instrument that are reported in the income statement for the year are included in finance costs or income.

A financial liability is derecognized once the obligation derived from it has been concluded, cancelled, or expired. When an existing financial liability is replaced by another from the same lender under substantially different conditions, or the conditions of an existing liability are substantially changed, this exchange or amendment is treated as a termination in the accounts of the original liability and the recognition of a new liability. The difference between the respective book values is recognized in the income statement.

The hierarchical levels of the financial liabilities recorded at fair value are the same as those used for financial assets (see Note 3 f).

I) Corporate tax

The expense of corporate tax comprises both current tax and deferred tax.

The current tax is the amount payable or recoverable for corporate tax relating to the consolidated tax gain or loss for the financial period. The tax assets or liabilities on current income are valued based on the amounts that are expected to be paid or recovered by the tax authorities, using the regulations and tax rates that are approved or are practically approved at the closing date.

Deferred tax liabilities are the tax amounts payable in the future on income relating to tax temporary differences, while deferred tax assets are the amounts recoverable relating to corporate tax due to any deductible temporary differences, compensable negative tax bases or deductions pending application. For these purposes, a temporary difference is understood to be the difference between the book value of the assets and liabilities and their tax base.

Tax on current or deferred income is recognized in the income statement, unless they may have derived from a transaction or financial event that has been recognized in the same financial year or in another different period, in equity or from a business combination.

(i) Recognition of tax temporary differences

The tax temporary differences are recognized in all cases, except where:

- They arise from the initial recognition of the goodwill of an asset or liability in a transaction that is not a business combination and does not affect the book result nor the tax base on the date of the transaction.
- They correspond to differences associated with investments in subsidiaries over which the Group has the capacity to exert control at the time of their reversal, and it is not probable that this will be reversed in the foreseeable future.

(ii) Recognition of deductible temporary differences

Tax temporary differences are recognized provided that:

- It is probable that there will be enough future positive tax bases for its offset, except in those cases where the difference arises from the initial recognition of assets or liabilities in a transaction that is not a business combination and does not affect the book result nor the tax base on the date of the transaction.
- They correspond to temporary differences associated with investments in subsidiaries to the extent that the temporary differences will be reversed in the foreseeable future, and it is expected that they will generate future positive tax bases to offset the differences.

The opportunities of financial planning will only be accounted for in the valuation of the recovery of the deferred tax assets if the Group intends to adopt them or if it is probable that it will adopt them.

(iii) Valuation

Deferred tax assets and liabilities are valued by the tax rates that will be applicable in the financial years in which the assets are expected to be realized or the liabilities are expected to be paid, in line with the regulations and rates that are approved or are practically approved, and once the tax consequences to be derived from them are considered in the way the Group expects to recover the assets or settle the liabilities.

The Group reviews the book value of the deferred tax assets at the close of the financial period, with the aim of decreasing said value to the extent that it is not probable that there will be sufficient future positive tax bases to offset them.

The deferred tax assets that do not meet said conditions are not recognized on the consolidated balance sheet. The Group will review, at the close of the financial year, whether they meet the conditions to recognize the deferred tax assets that were not previously recognized.

(iv) Classification

The deferred tax assets and liabilities are recognized on the consolidated balance sheet as non-current assets and liabilities, regardless of the date of realizing or settling them.

Since January 1, 2017, the Parent Company has been taxed under a tax consolidation regime with its Spanish subsidiaries Europastry Canarias, S.L. (since 2018) and Ingapan S.L.U. (merged in 2022 with the Parent Company), this company being the result of the merger, carried out in 2020, of Ingapan Corporación S.L.U., Ingapan S.L.U., Hornos San Fiz, S.A. and Ingapan Alta Cocina, S.L.U, integrated into the tax group since 2019. Additionally, the following entities are also part of the tax group Frida Alimentaria S.A.U. and Fripan, S.A., all of them inactive, and until their settlement in 2022 and 2021, the companies Europastry Alimentaria, S.A.U., Plomer DPA, S.L., L'Obrador Bakery, S.L., and Kirya XXI, S.L.U.

m) Derivative financial instruments

Derivative financial instruments are initially recognized by following the criteria described above for financial assets and liabilities. Derivative financial instruments that fulfill the accounting criteria for hedging transactions are initially recognized at their fair value, plus any transaction costs that are directly attributable to the contracting of them or minus any transaction costs that are directly attributable to the issuance of them. However, the transaction costs are subsequently recognized as income, provided if they do not form part of the effective fluctuation of the hedging transaction.

At the start of the hedging transaction, the Group officially designates and documents the terms of the hedging transaction, as well as the objective and the strategy that it pursues in relation to them. The documentation includes the identification of the hedging instrument, the item that it hedges, the nature of the risk and the form in which the Group measures the effectiveness of the hedging transaction.

The accounting of the hedging transactions is only applicable when there is an economic connection between the hedged item and the hedging instrument, the credit risk does not create a dominant effect on the changes to the value resulting from this economic connection and the hedging ratio of the hedging connection is the same as that resulting from the amount of the hedged item which the Group really uses to cover said amount of the hedged item. Nevertheless, this designation must not cause an imbalance between the considerations of the hedged item and the hedging instrument which could generate a hedging inefficiency, regardless of whether it is recognized that it may result in an entry that is contrary to the purpose of accounting for hedging transactions.

Similarly, for the hedging of cash flows from planned transactions or a component part of them, the Group assesses whether said transactions are highly probable and whether they present exposure to the fluctuations in the cash flows that could ultimately affect the income statement for the financial period.

At the start of the hedging transaction and thereafter on an ongoing basis, the Group assess whether the transaction fulfil the efficiency requirements prospectively. The Group assesses the efficacy at the close of each accounting period or when there are any significant changes that affect the efficiency requirements.

The Group carries out a qualitative assessment of the efficacy, provided that the fundamental conditions of the instrument and of the hedged item coincide.

To measure the inefficacy, the Group considers the temporary value of the money, based on which the hedged item is calculated in terms of the present value, and therefore the change in the value of the hedged item includes the effect of the temporary value.

The Parent Company accounts for hedging of cash flows, since:

- (i) There is an official designation as a hedging instrument and there is written documentation that allows for the hedging to be supported, identifying the objective of risk management, the strategy to be pursued by the company, the nature of the hedged risk, clear identification of the hedged item and how the effectiveness of the hedging will be measured.
- (ii) The effectiveness of the hedging can be measured reliably.
- (iii) The hedging is expected to be highly effective in line with the documentation mentioned in the first section.
- (iv) The hedging has demonstrated to be highly effective during the elapsed period of the derivative.

The profit or loss portion of the hedging instrument is temporarily recognized in the equity, recording the same in the income statement in the same period as the item object of hedging, unless the hedge corresponds to a transaction planned to end in the recognition of a non-financial asset or liability, in which case the amounts recorded in the equity are included in the cost of the asset or liability when acquired or assumed. Based on the effectiveness of the hedge, the changes in the valuation are recorded in equity or results (profit or loss) of the financial year; only in the case of effective hedging they are recorded in equity.

In the hypothetical case of inefficacy in the hedging of the derivative, the ineffective part would be recorded in the consolidated income account for the financial period. In this case, due to the financial instrument and the contracted notional amount, the impact would not be significant.

n) Foreign currency transactions

(i) Functional and presentation currency

The consolidated annual accounts are presented in euros, which is the functional currency and the presentation currency of the Parent Company.

(ii) Transactions, balances, and cash flows in foreign currency

The exchange into functional currency of the monetary items and the receivable and payable balances stated in foreign currency are done applying the exchange rate in force at the time of performing the corresponding transaction, measuring at the end of the financial year in accordance with the exchange rate in force at that moment.

In the presentation of the consolidated cash flow statement, the cash flows deriving from transactions in foreign currency are exchanged into euros by applying the exchange rates effective as at the date on which they took place. The effect of changes in the exchange rates on cash and other cash equivalents denominated in foreign currency are reflected separately in the cash flow statement as "Effect of changes in exchange rates on cash".

The exchange changes resulting from the valuation at the end of the financial year of the debits and credits in foreign currency are recorded directly in the income statement.

(iii) Exchange of foreign operations

The exchange to euros of foreign operations whose functional currency is not of a hyper-inflationary country, has been done by applying the following criteria:

- The assets and liabilities, including the goodwill and adjustments to net assets derived from the acquisition of the businesses, are exchanged at the prevailing exchange rate on the closing date of each balance sheet.
- All income and expenses are exchanged at the monthly average exchange rates for all income and expenses of the present month. This method does not differ significantly from applying the exchange rate at the date of the transaction.

- The exchange differences resulting from applying the above criteria are recognized in other global results.

o) Income and expenses

Income is recognized so that it represents the transfer of committed goods and services to customers for an amount that reflects the consideration to which the Group expects to be entitled to an exchange of those goods and services. Income is recognized when the customer gains control of the goods or services. In the recognition of income, you must a five-step model to determine the moment in which they must be recognized, as well as their amount:

- Step 1: Identify the contract
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Assign the transaction price among the obligations of the contract
- Step 5: Recognize income as contract obligations are met

At the beginning of the contract, the Group assesses the goods or services promised in a contract with a customer and identifies as a compliance obligation each commitment to transfer to the customer:

- a good or service (or a group of goods or services) that is different.
- a series of different goods or services that are the same and have the same pattern of transfer to the customer.

The Group recognizes income from ordinary activities when (or a measure that) fulfills an execution obligation by transferring the promised goods or services (that is, one or more assets) to the customer. An asset is transferred when the customer gains control of that asset. The Group normally meets its performance obligations at the time of delivery of the products. There are no post-billing delivery agreements.

If a customer pays a consideration, the Group has an unconditional right to receive an amount as consideration (i.e., an account receivable) before the Group transfers a good or service to the customer, the Group presents a contract liability when the Payment is made or is due (whichever occurred first). This liability recognizes the Group's obligation to transfer goods or services to a customer from whom it has already received a consideration (or that consideration is already payable to the customer).

The Group considers the terms of the contract and its traditional business practices to determine the price of the determination. The transaction price is the amount of the consideration to which the Group expects to have the right to change the goods or services promised to a customer, excluding those imported collected on behalf of third parties. The consideration that is committed in a contract with a customer may include importing fixed, importing variables, or both.

In this regard, the Group grants discounts, and marketing incentives to its customers on a recurring basis (see Note 12). Marketing discounts granted to customers are retrospective. In this sense, the Group performs at each recommended closing on the expected purchase volume for each contract.

For its part, the Group recognizes a liability for reimbursement if it receives consideration from a customer and expects to reimburse all or part of the consideration. A redemption liability is measured at the amount of the consideration received (or to be received) to which the Group does not expect to be entitled (that is, the amounts not included in the price of the loss). The liability for reimbursement (and the corresponding change in the price of the contribution) and, therefore, the liability of the contract will be updated at the end of each presentation period to consider changes in circumstances.

Expenses are recognized based on their accrual, immediately in the event of disbursements that will not generate future economic profit or when they do not meet the necessary requirements to record them as assets.

p) Environmental information

Environmental expenses are those amounts accrued from the environmental activities conducted or to be conducted, to manage the environmental effects of the Group's operations, as well as deriving from commitments on said environment.

Investments are regarded as the items incorporated to the Group's equity to be used in lasting ways in its activity, which main purpose is the mitigation of the environmental impact and the protection and improvement of the environment, including the decrease or elimination of future contamination of the Group's operations. For the purposes of the accounting record of these assets, we consider what was established for the items of tangible assets.

q) Consolidated cash flow statement

The following terms are used in the consolidated cash flow statement, prepared according to the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents, understanding these as current investments with a high liquidity and without a significant risk of changes in their value.
- Operating activities: typical activities of the companies forming the Group, as well as other activities that cannot be classified as investing or financing activities.
- Investing activities: those related to the acquisition, sale, or disposal by other means of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that produce changes in the size and breakdown of the equity and of the liabilities that are not part of the operating activities.

r) Equity-based payments

The goods or services received in these operations are recorded as assets or as expenses depending on their nature, when obtaining them, and the corresponding increase in equity, if the transaction is settled with equity instruments, or the corresponding liability, if the transaction is settled with an amount based on the value thereof.

In the cases where the provider or supplier of goods or services has the chance to decide the way to receive the consideration, a compound financial instrument is recorded.

Transactions with employees settled with equity instruments, both the services rendered and the increase in the equity to recognize, are measured by the fair value of the equity instruments transferred, referring to the date of the concession agreement.

In transactions with employees settled with equity instruments having in exchange goods or services not rendered by employees, they are measured by the fair value of the goods or services on the date they are received. In the case that said fair value could not be reliably measured, the goods or services received and the increase in equity are measured at the fair value of the equity instruments transferred, referring to the date when the company obtains the goods, or the other party renders the services.

In transactions settled in cash, the goods or services received and the liability to recognize are measured at the fair value of the liability, referring to the date when the requirements for the recognition have been met.

The liability generated in these transactions is measured for its fair value, on the closing date of the financial year, recording in the income statement any valuation change taking place during the financial year.

For the financial periods 2022 and 2021, there were no payments based on equity instruments. Moreover, as of December 31, 2022, as well as 2021, there were no liabilities generated in previous periods for these items.

s) Business combinations

The accounting acquisition method is used for the accounting of all business combinations, regardless of whether they acquire equity instruments or other assets. The consideration transferred for the acquisition of a subsidiary comprises the following:

- the fair values of the transferred assets
- the liabilities incurred by the previous owners of the acquired business
- the stake in the equity issued by the Group
- the fair value of any asset or liability that results from an agreement of contingent consideration, and
- the fair value of any stake in the previous equity of the subsidiary

The identifiable assets acquired, and the liabilities and contingent liabilities assumed in a business combination, with limited exceptions, are initially valued at their fair value at the date of acquisition.

The costs related to the acquisition are recognized as an expense when they are incurred thereof.

When the settlement of any part of the consideration in cash is deferred, the amounts payable in future are discounted at their present value at the date of the exchange. The type of discount used is the company's incremental borrowing interest rate, with the rate with which a similar loan could be attained from an independent finance company under comparable terms and conditions.

If the business combination is carried out over stages, the book value on the acquisition date of the stake held in the equity of the acquired company previously maintained is re-valued at its fair value as at the acquisition date, recognizing any resulting profit or losses in income.

t) Classification of assets and liabilities as current and non-current

The Group presents assets and liabilities in the statement of financial position in accordance with the classification between current and non-current.

It is considered as current asset when:

- It is expected to be carried out or it is planned to be sold or consumed within the normal operating cycle.
- It is expected to be carried out within a term of 12 months starting from the reporting period.

It is considered as current liability when:

- It is expected to be settled within the normal operating cycle.
- It is held primarily with the purpose of being traded.
- It should be settled within a term of 12 months starting from the reporting period in reference.

4. Business combinations

2022

In January 2022 (which corresponds to the start date of the financial year), the Parent Company acquired 90% of the shares of European Pastry SRL, which, in turn, holds 100% of the company European Pastry Prod SRL's shares.

On December 5, 2022, the Company Europastry Central Europe B.V. acquired 100% of the shares of Dawn Foods Frozen Netherlands Holding, which in turn holds 100% of the companies Dawn Foods Frozen Holding B.V., Dawn Foods Frozen France B.V. and Dawn Foods Frozen Germany GmbH. Additionally, the Parent Company has acquired 100% of the shares of Dawn Foods Frozen Ltd.

In accordance with the regulatory framework applicable to the business combinations described above IFRS 3, and regarding intangible assets (IAS 38), it is established that an intangible asset is identifiable only if it is separable or arises from contractual rights and future economic profit is expected with high probability.

Customer portfolios have been recorded by identifying significant customers individually for the companies or groups acquired, with mature business relationships and stability in both invoicing and profitability. Relating of the business combinations described above, customer portfolios for a global amount of 24 million euros have been identified. These intangible assets are depreciated as described in note 3e.

4.1 European Pastry and European Pastry Prod

In January 2022 (which corresponds to the start date of the financial year), the Parent Company acquired 90% of the shares of European Pastry SRL for an amount of 4.2 million euros, which in turn, holds 100% of European Pastry Prod SRL. As of December 31, 2022, the amount pending payment amounts to 986 thousand euros.

The main reasons that have motivated the business combination are the acquisition of the product portfolio and the trade network that will allow maximizing penetration in the Romanian market. The acquired business has generated ordinary income and consolidated results for the Group during the period between the acquisition date and the end of the year for amounts of 9.6 million euros and 515 thousand euros, respectively.

The breakdown of the consideration given, the fair value of the net assets acquired and the final goodwill (or the excess of net assets acquired over the cost of the combination) is as follows (expressed in thousands of euros):

Net identifiable assets acquired	Net book value	Capital gains	Fair value	Note
Net tangible assets	1.551		1.551	5
Net intangible assets	18		18	8
Stocks	290		290	
Receivables	804		804	
Other current assets	15		15	
Cash and equivalent liquid assets	157		157	
Total assets	2.835	-	2.835	
Other non-current debt	(835)		(835)	
Current financial debt	(673)		(673)	
Suppliers and other payables	(1.027)		(1.027)	
Total liabilities	(2.535)	-	(2.535)	
Minority interests	30	-	30	
Fair value of identifiable acquired net assets and liabilities	270	-	270	
Cash paid			3.290	
Deferred price (expiration 2023)			986	
Total consideration given			4.276	
Goodwill			4.006	7
Consideration delivered in cash			3.290	
Cash and cash equivalents acquired			(157)	
Net cash outflow from acquisition			3.133	

4.2 Dawn Foods Frozen Group

In December 2022, the company Europastry Central Europe, B.V. acquired 100% of the stake in the company Dawn Foods Frozen Netherlands Holding B.V, which in turn holds shares in Dawn Foods Frozen Holding B.V. (100%), Dawn Foods Frozen Germany GmbH (100%) and Dawn Foods Frozen France B.V. (100%). Additionally, the Parent Company has acquired 100% of the stake in the company Dawn Foods Frozen Ltd. The amount of the operation has been 55 million euros.

The main reasons that have motivated the business combination are the acquisition of the product portfolio and the trade network that will allow maximizing market penetration. The acquired business has generated ordinary income and consolidated results for the Group during the period between December 5, 2022, and the end of the year for amounts of 7,367 thousand euros and 107 thousand euros, respectively.

If the acquisition had taken place on January 1, 2022, the ordinary income of the Group and the consolidated result for the year ended on December 31, 2022, would have amounted to 73.8 million euros and 3.8 million euros, respectively, without considering the effect of depreciation related to intangible assets disclosed in the consolidated financial statements.

The breakdown of the consideration given, the fair value of the net assets acquired and the final goodwill (or the excess of net assets acquired over the cost of the combination) is as follows (expressed in thousands of euros):

Net identifiable assets acquired	Net book value	Capital gains	Fair value	Note
Net tangible assets	3.698	43	3.742	5
Net intangible assets	9.129	24.058	33.187	8
Stocks	9.286	379	9.665	
Receivables	14.158	(419)	13.739	
Cash and equivalent liquid assets	1.138		1.138	
Total assets	37.410	24.062	61.472	
Suppliers and other accounts payable	(5.440)	-	(5.440)	
Current debts (group)	(6.056)		(6.056)	
Other current debt	(3.534)		(3.534)	
Provisions	(14)		(14)	
Financial liabilities	(1.312)		(1.312)	
Deferred tax liabilities	(669)	(6.113)	(6.782)	
Total liabilities	(17.024)	(6.113)	(23.138)	
Minority interests	-	-	-	
Fair value of identifiable acquired net assets and liabilities	20.386	17.948	38.334	
Cash paid			55.054	
Total consideration given			55.054	
Goodwill			16.720	7
Consideration delivered in cash			55.054	
Cash and cash equivalents acquired			(1.138)	
Net cash outflow from acquisition			53.916	

2021

There were no business combinations in 2021.

5. Tangible assets

The breakdown of the Group's tangible assets as of December 31, 2022, and 2021 and of their corresponding depreciation together with the activity of each financial year is as follows (in thousands of euros):

Cost	Balance as of 31.12.2021	Additions to the consolidation scope	Exchange rate effect	Additions	Disposals	Transfers	Balance as of 31.12.2022
Land and buildings	233.652	4.243	(279)	15.013	-	4.500	257.139
Technical facilities and machinery	684.888	11.209	5.938	15.750	-	13.235	731.020
Other facilities, tools and furniture	82.624	35	280	802	(7)	2.667	86.402
Advances and tangible assets in progress	46.207	328	293	82.613	-	(24.670)	104.681
Other tangible assets	74.703	239	2	3.463	(509)	1.137	79.034
Total	1.122.083	16.053	6.144	117.641	(516)	(3.130)	1.258.276
Depreciation	Balance as of 31.12.2021	Additions to the consolidation scope	Exchange rate effect	Additions	Disposals	Transfers	Balance as of 31.12.2022
Land and buildings	(51.021)	(1.611)	-	(5.050)	-	-	(57.682)
Technical facilities and machinery	(382.204)	(8.993)	(2.590)	(36.969)	44	-	(430.812)
Other facilities, tools and furniture	(64.904)	(16)	(231)	(4.563)	-	-	(69.714)
Advances and tangible assets in progress	-	-	-	-	-	-	-
Other tangible assets	(68.687)	(140)	(2)	(3.628)	391	-	(72.067)
Total	(566.816)	(10.760)	(2.923)	(50.210)	435	-	(630.275)
Impairment	Balance as of 31.12.2021	Additions to the consolidation scope	Exchange rate effect	Additions	Disposals	Transfers	Balance as of 31.12.2022
Land and buildings	(145)	-	-	-	-	-	(145)
Total	(145)	-	-	-	-	-	(145)

Cost	Balance as of 31.12.2020	Additions to the consolidation scope	Exchange rate effect	Additions	Disposals	Transfers	Balance as of 31.12.2021
Land and buildings	215.141	-	-	392	-	18.128	233.662
Technical facilities and machinery	644.944	-	7.577	6.823	(48)	25.592	684.888
Other facilities, tools and furniture	75.592	-	348	551	(138)	6.271	82.624
Advances and tangible assets in progress	24.869	-	375	75.595	-	(54.632)	46.207
Other tangible assets	69.895	-	-	3.690	(388)	1.506	74.703
Total	1.030.441	-	8.300	87.051	(574)	(3.135)	1.122.083

Depreciation	Balance as of 31.12.2020	Additions to the consolidation scope	Exchange rate effect	Additions	Disposals	Transfers	Balance as of 31.12.2021
Land and buildings	(46.286)	-	-	(4.735)	-	-	(51.021)
Technical facilities and machinery	(343.729)	-	(3.609)	(35.302)	39	397	(382.204)
Other facilities, tools and furniture	(60.512)	-	(283)	(4.442)	125	208	(64.904)
Advances and tangible assets in progress	-	-	-	-	-	-	-
Other tangible assets	(63.835)	-	(17)	(4.580)	350	(605)	(68.687)
Total	(514.363)	-	(3.909)	(49.058)	515	(0)	(566.816)

Impairment	Balance as of 31.12.2020	Additions to the consolidation scope	Exchange rate effect	Additions	Disposals	Transfers	Balance as of 31.12.2021
Land and buildings	(145)	-	-	-	-	-	(145)
Total	(145)	-	-	-	-	-	(145)

Net book value	31.12.2022	31.12.2021
Land and buildings	199.312	182.496
Technical facilities and machinery	300.208	302.684
Other facilities, tools and furniture	16.689	17.720
Advances and tangible assets in progress	104.680	46.207
Other tangible assets	6.967	6.016
Total	627.856	555.122

The Group owns real estate whose acquisition value at the end of the financial years 2022 and 2021, stated in thousands of euros, is the following:

Cost	31.12.2022	31.12.2021
Land	77.439	73.907
Buildings	179.701	159.754
Total	257.139	233.661

Said values include the amounts corresponding to the increase of value determined on January 1, 2006, resulting from the adoption of the International Financial Reporting Standards, and derived from appraisals performed by independent professional valuers for a total of 35.7 million euros for land and 6.9 million euros for buildings.

As of December 31, 2022, and 2021, there are several tangible assets with an original cost of 324 and 282 million euros, respectively, which are fully depreciated and are still in use.

Additions for the year correspond mainly to investment in production lines for the development of the ordinary activity of the Group. The work carried out for tangible assets itself corresponds to the start-up of the new lines.

Derecognitions for the year have not had a significant impact on the consolidated income statement as their book value is not deferred from the value sold to third parties.

As of December 31, 2022, and 2021, there are no tangible assets subject to guarantees.

The Group has formalized contracts for the acquisition of different assets as of December 31, 2022, and 2021 for an amount of 37 million euros and 28.4 million euros, respectively.

There are no tangible assets subject to operation for significant amounts.

It is the Group's policy to take out all the insurance policies deemed necessary to cover the possible risks that could affect these items.

6. Rights of use

The breakdown of the rights of use, derived from the application of IFRS 16 – Leases, as of December 31 and their corresponding depreciation together with the movements of each year, is as follows (in thousands of euros):

Cost	Balance as of 31.12.2021	Exchange rate effect	Additions	Disposals	Balance as of 31.12.2022
Land and buildings	20.870	548	3.125	(3.976)	20.566
Technical facilities and machinery	2.457	4	57	(314)	2.204
Other facilities, tools and furniture	420	7	-	(5)	422
Other tangible assets	5.370	45	2.748	(1.179)	6.984
Total	29.116	604	5.930	(5.474)	30.176

Depreciation	Balance as of 31.12.2021	Exchange rate effect	Additions	Disposals	Balance as of 31.12.2022
Land and buildings	(9.488)	(350)	(5.271)	3.439	(11.668)
Technical facilities and machinery	(1.184)	1	(708)	314	(1.578)
Other facilities, tools and furniture	(186)	(1)	(64)	5	(246)
Other tangible assets	(2.311)	(3)	(1.673)	1.179	(2.808)
Total	(13.167)	(354)	(7.716)	4.937	(16.299)

Cost	Balance as of 31.12.2020	Exchange rate effect	Additions	Disposals	Balance as of 31.12.2021
Land and buildings	20.461	1.640	4.549	(5.780)	20.870
Technical facilities and machinery	3.281	10	284	(1.119)	2.457
Other facilities, tools and furniture	475	21	-	(77)	420
Other tangible assets	4.916	64	1.942	(1.553)	5.370
Total	29.133	1.735	6.775	(8.528)	29.116

Depreciation	Balance as of 31.12.2020	Exchange rate effect	Additions	Disposals	Balance as of 31.12.2021
Land and buildings	(8.829)	(451)	(4.856)	4.650	(9.486)
Technical facilities and machinery	(1.231)	(4)	(834)	884	(1.184)
Other facilities, tools and furniture	(152)	(7)	(91)	64	(186)
Other tangible assets	(1.974)	(20)	(1.870)	1.553	(2.311)
Total	(12.186)	(482)	(7.650)	7.151	(13.167)

Net book value	31.12.2022	31.12.2021
Land and buildings	8.898	11.384
Technical facilities and machinery	627	1.273
Other facilities, tools and furniture	176	234
Other tangible assets	4.176	3.059
Total	13.877	15.949

The breakdown of maturities of the liabilities associated with the rights of use as of December 31 is as follows:

Maturity	31.12.2022	31.12.2021
2022	-	6.398
2023	5.723	4.900
2024	3.493	2.485
2025	2.835	1.636
2026	2.061	999
2027	706	47
2028	207	33
2029	1	-

The financial expenses accrued in 2022 amounted to 725 thousand euros (720 thousand euros in 2021).

The breakdown of payments for the 2022 financial year amounted to 8,136 thousand euros (8,256 thousand euros in 2021).

The main rights of use registered as of December 31, 2022, are the following:

- Land and buildings in New Jersey and New York where the production plants of Europastry USA, Inc (formerly Wenner Bread Products Inc) are located.
- Buildings in Sant Cugat del Vallés (Barcelona) where the offices of Europastry, S.A. are located.
- Land and buildings in Mercamadrid, where a Europastry, S.A. logistics center is located.

Expenses for leasing for a period of less than one year or for leasing low-value assets not included in the application of the regulations are not significant.

There are no expenses for variable payments related to leases either as of December 31, 2022, or as of December 31, 2021.

7. Goodwill

The breakdown of the Group's goodwill on consolidation as of December 31, 2022, and 2021, along with the transactions of each financial year, is the following (in thousands of euros):

Goodwill	Balance as of 31.12.2021	Additions	Exchange rate effect	Impairment	Balance as of 31.12.2022
Cost	178.042	20.726	2.351	-	201.120
Net book value	178.042	20.726	2.351	-	201.120

Goodwill	Balance as of 31.12.2020	Additions	Exchange rate effect	Impairment	Balance as of 31.12.2021
Cost	175.641	-	2.401	-	178.042
Net book value	175.641	-	2.401	-	178.042

As of December 31, the net value of goodwill is broken down as follows (in thousands of euros):

Segment	CGU	Thousands of euros	
		2022	2021
Iberia	Iberia	132.428	132.428
USA	USA	38.215	36.022
Northern Europe	Northern Europe	20.693	7.037
Rest of the World	Chile	2.715	2.555
Rest of the World	France	3.063	-
Rest of the World	Romania	4.006	-
Total		201.120	178.042

The cash generating units (CGUs) described above reflect the smallest identifiable group of assets that generate identifiable cash flows separately from other assets or group of assets, primarily therefore to the integrated management and grouping of them to create a single trade network.

In accordance with the estimates of the Parent Company's Directors, the expected cash flow for the cash generating units to which the different goodwill is assigned, cover the value of goodwill recorded as of December 31, 2022, and 2021.

The recoverable amount of the cash-generating unit to which the goodwill corresponds has been determined based on its fair value, using cash flow projections that are based on the budgets approved by the Group that cover a period of five years. Cash flows that exceed the five-year period are extrapolated using a growth rate equal to the long-term average growth rate of the relevant unit.

The Group performs the annual impairment test for goodwill. The determination of the recoverable amount of a CGU to which goodwill has been assigned implies the use of estimates by the Group. The recoverable amount is the higher of fair value less costs to sell and its value in use. The Group uses cash flow discount methods to determine these values. The flows consider past experience and represent the Group's best estimate of the future evolution of the market.

Key assumptions in determining fair value include growth rates, the weighted average rate of capital, and expected sales.

Estimates, including the methodology used, can have a significant impact on values and impairment losses. Cash flows beyond the five-year period are extrapolated using the estimated growth rates indicated below. The growth rate does not exceed the long-term average growth rate for the pre-baked bread and frozen dough manufacturing and marketing business in which the CGU operates.

The recoverable amount of each CGU is determined based on fair value calculations. These calculations use cash flow projections based on financial budgets and/or strategic plans, approved by Management, of the different cash-generating units to which the goodwill is assigned, considering the current market situation of each CGU, analyzing the macroeconomic and competitive environment, as well as the position of the CGU in said environments. These projections are corrected based on the degree of compliance with the strategic plans and/or financial budgets.

The discount rates before taxes applied to the cash flow projections used for the different CGUs, as well as the long-term growth rates, are detailed below:

	CGU			
	Iberia	USA	Northern Europe	Chile
Long-term growth rate	2%	2%	2%	2%
Discount rate before taxes	11,18%	10,20%	9,09%	11,65%

The Group has determined the growth in sales based on their evolution in the past and the expectations of market development. Weighted average growth rates are consistent with forecasts included in industry reports. The discount rates used are before taxes and reflect specific risks related to the relevant segments.

Based on the sensitivity analysis and by Cash Generating Unit:

Iberia:

- Upward changes of 399 basis points in the discount rate do not reveal additional recognition of impairment due to goodwill.
- Downward changes of 17% in the estimated sales amount for each of the projected periods do not reveal recognition of impairment due to goodwill.

USA:

- Upward changes of 130 basis points in the discount rate do not reveal recognition of impairment due to goodwill.
- Downward changes of 8% in the estimated sales amount for each of the projected periods do not reveal recognition of impairment due to goodwill.

Northern Europe:

- Upward changes of 68 basis points in the discount rate do not reveal recognition of impairment due to goodwill.
- Downward changes of 5% in the estimated sales amount for each of the projected periods do not reveal recognition of impairment due to goodwill.

Chile:

- Upward changes of 2,216 basis points in the discount rate do not reveal recognition of impairment due to goodwill.
- Downward changes of 75% in the estimated sales amount for each of the projected periods do not reveal recognition of impairment due to goodwill.

The expected sales are based on the figures for the year 2022 and the growth and discount rates are aligned with those used by other companies in the sector and those used in previous years. The Directors estimate that the reasonably possible changes in sales and growth and discount rates are, in both cases, much lower than the allowances that support the impairment test.

8. Intangible assets

The breakdown of the Group's intangible assets as of December 31, 2022, and 2021, and of their corresponding depreciation together with the activity of each financial year is as follows (in thousands of euros):

	Balance as of 31.12.2021	Additions to the consolidation scope	Exchange rate effect	Additions	Disposals	Transfers	Balance as of 31.12.2022
Cost							
Development	9.478	-	-	1.907	-	1.970	13.355
Software	16.550	329	1	429	-	1.169	18.459
Customer relations and brands and patents	113.905	34.365	3.816	7.620	-	-	159.706
Total	139.933	34.694	3.817	9.956	-	3.139	191.529
Depreciation							
Development	(2.853)	-	-	(1.267)	-	-	(4.120)
Software	(11.580)	(287)	(1)	(1.321)	(29)	-	(13.218)
Customer relations and brands and patents	(39.293)	(1.202)	(1.573)	(9.990)	-	-	(52.048)
Total	(53.727)	(1.489)	(1.574)	(12.567)	(29)	-	(69.386)
Impairment							
Customer relations and brands and patents	-	-	-	(709)	-	-	(709)
Total	-	-	-	(709)	-	-	(709)
Cost							
Development	7.304	-	-	2.169	-	5	9.478
Software	12.175	-	(6)	1.252	-	3.129	16.550
Customer relations and brands and patents	108.990	-	4.521	393	-	1	113.905
Total	128.470	-	4.515	3.813	-	3.135	139.933
Depreciation							
Development	(1.728)	-	-	(1.126)	-	-	(2.853)
Software	(10.566)	-	4	(1.022)	-	4	(11.580)
Customer relations and brands and patents	(28.775)	-	(1.820)	(8.693)	-	(4)	(39.293)
Total	(41.069)	-	(1.817)	(10.841)	-	-	(53.727)

Net book value	31.12.2022	31.12.2021
Development	9.234	6.625
Software	5.252	4.970
Customer relations and brands and patents	106.948	74.611
Total	121.434	86.206

The amounts detailed above correspond to assets with defined useful lives.

As of December 31, 2022, and 2021, there are no items subject to guarantees.

The main additions in financial year 2022 correspond to the acquisition of the customer portfolios of the Frozen branch of Dawn Foods.

The work carried out by the Group related to development activities has amounted to 1,906 thousand euros (2,169 thousand euros as of December 31, 2021) and corresponds mainly to projects carried out at the Cereal Bakery research center.

Relationships with customers and brands correspond mainly to:

- Dawn Foods Frozen Group, with a net book value of 39.9 million euros as of December 31, 2022, of which 32.3 million correspond to the business combination (note 4.2).
- Grupo Ingapan, acquired in 2018, with a net book value of 28.1 million euros as of December 31, 2022 (30.6 million euros as of December 31, 2021).
- Euroclassic Imports, acquired in 2018, with a net book value of 25.5 million euros as of December 31, 2022 (26.9 million euros as of December 31, 2021).

Their useful life ranges from 10 to 20 years.

As of December 31, 2022, and 2021, there are several assets with an original cost of 16.1 million euros and 11.7 million euros, respectively, which are fully depreciated and are still in use.

9. Financial assets

The breakdown of the financial assets of the Group as of December 31 is as follows (in thousands of euros):

December 31, 2022	Depreciated cost	Fair Value with changes in income statement	Fair Value with changes in net equity	Total
Fixed income securities and receivables	84	-	-	84
Other financial assets	8.614	-	-	8.614
Deposits and bonds	785	-	-	785
Non-current financial assets	9.483	-	-	9.483
Debtors and othe receivables (Note 12)	131.255	-	-	131.255
Current financial assets	131.255	-	-	131.255
Total financial assets	140.738			140.738

December 31, 2021	Depreciated cost	Fair Value with changes in income statement	Fair Value with changes in net equity	Total
Fixed income securities and receivables	233	-	-	233
Other financial assets	10.045	-	-	10.045
Deposits and bonds	685	-	-	685
Non-current financial assets	10.963	-	-	10.963
Debtors and othe receivables (Note 12)	78.848	-	-	78.848
Current financial assets	78.848	-	-	78.848
Total financial assets	89.811			89.811

The heading other financial assets includes, mainly, the multi-year grant, amounting to 5.6 million euros (7.0 million euros as of December 31, 2021), which Europastry USA, Inc expects to receive in the coming years, and which is conditioned, mainly, to the maintenance of certain levels of personnel hiring required by the local authorities of the state of New Jersey. Said grant was part of the identifiable assets acquired in the purchase of said company.

As of December 31, 2022, and 2021, the fair value and book value of financial assets corresponding to rental securities, deposits and bonds and other financial assets do not differ significantly.

10. Investments in companies accounted for using the equity method

As of December 31, 2022, and 2021, the breakdown of the companies consolidated by the equity method is as follows (in thousands of euros):

	%	Balance as of 31/12/2021	Participation in results	Disposals	Balance as of 31/12/2022
Casa Bona Tradicional, S.L.	44	-	-	-	-
		-	-	-	-

	%	Balance as of 31/12/2020	Participation in results	Disposals	Balance as of 31/12/2021
Casa Bona Tradicional, S.L.	44	722	-	(722)	-
		722	-	(722)	-

In April 2021, the stake that the Parent company held in Casa Bona Tradicional, S.L. was disposed of for 925 thousand euros. The profit of said operation, amounting to 203 thousand euros, was recorded in the Group's financial result (note 24e).

11. Stocks

The breakdown of stocks as of December 31 is shown below:

	Thousands of euros	
	2022	2021
Trading stocks	30.001	28.592
Raw materials and other supplies	32.817	20.297
Work in progress and finished products	51.280	36.093
Impairment of stocks	(4.441)	(3.754)
Stocks	109.658	81.228

The Group has contracted several insurance policies to cover the risks to which stocks are subject. The coverage of these policies is considered sufficient.

The movement of the provision for obsolescence of stocks is as follows (in thousands of euros):

	Thousands of euros	
	2022	2021
Initial balance	(3.754)	(3.907)
Net endowments	(687)	153
Closing balance	(4.441)	(3.754)

The net movement of products in progress and finished products in 2022 reflects a positive change of 16,597 thousand euros (negative change of 19,401 thousand euros in 2021) recognized under the heading "Change in stocks" of the attached consolidated income statement.

12. Trade debtors and other receivables

The breakdown of this heading is as follows:

	Thousands of euros	
	2022	2021
Customers	131.376	80.758
Other debtors	12.692	8.236
Provision for bad debts	(12.813)	(10.146)
Total	131.255	78.848

As of December 31, 2022, non-recourse factoring has been carried out with banks on customer balances for an amount of 28,115 thousand euros (23,683 thousand euros as of December 31, 2021). These have been derecognized since the associated risks have been transferred to the bank entities.

As of December 31, 2022, and 2021, the fair value and book value of trade debtors and other receivables do not differ significantly.

The movement of the provision for expected losses as of December 31 is shown below (thousands of euros):

	Thousands of euros	
	2022	2021
Initial balance	(10.147)	(11.533)
Net endowments	(3.087)	(2.274)
Allocation	421	3.660
Reversals	-	-
Closing balance	(12.813)	(10.146)

The classification of customer balances as of December 31, broken down based on the age of the debt, is as follows:

	Thousands of euros	
	2022	2021
Not expired	91.892	60.380
0-90 days	33.313	15.519
90-180 days	3.629	1.666
>180 days	2.420	1.283
Total	131.255	78.848

13. Other current assets

The breakdown of other current assets as of December 31 is shown below:

	Thousands of euros	
	2022	2021
Public Administration (Note 22)	10.302	12.346
Accrual adjustments	4.617	2.016
	14.919	14.362

The accrual adjustments broken down above correspond to invoices received whose accrual has not occurred as of December 31, 2022, and 2021, respectively.

14. Cash and equivalent liquid assets

The breakdown of cash and equivalent liquid assets as of December 31 is shown below:

	Thousands of euros	
	2022	2021
Cash on hand and banks	66.896	62.968
Short-term deposits and equivalents	545	2.057
	67.440	65.025

Cash in banks accrues a variable interest rate based on the daily interest rate for bank deposits.

The maturity of current deposits varies between one day and three months depending on the Group's immediate liquidity needs; deposits accrue interest at market rates.

15. Shareholders' funds

The breakdown and movement of Shareholders' funds for the years 2022 and 2021 are shown in the consolidated statement of changes in equity.

a) Share capital

As of December 31, 2022, and 2021, the Parent Company's share capital is represented by 173,499 ordinary and registered shares with a par value of one euro each, fully subscribed and paid up.

The shareholders of the Parent Company as of December 31, 2022, and 2021 are the following:

Stakeholder	% stake
Gallès Office S.L.	73.27%
Exponent, S.a.r.l.	20.73%
Palisandre, S.L.	3%
Indinura, S.L.	3%

b) Share premium

This reserve is freely available. As of December 31, 2022, and 2021, the share premium amounts to 18,745 thousand euros.

c) Legal reserve

The legal reserve as of December 31, 2022, and 2021 amounts to 40 thousand euros and is fully constituted in accordance with the current Capital Companies Act, which establishes that, in any case, a figure equal to 10 percent of the profit for the year of the Parent Company will be allocated to it until it reaches at least 20 percent of the share capital.

It cannot be allocated, and if it is used to offset losses, if there are no other reserves available sufficient for that purpose, it must be replaced with future profits.

d) Reserve for depreciated capital

In accordance with article 335 of the Capital Companies Act, the Parent Company maintains a reserve for the nominal value of the shares redeemed in the years 2000 and 2001. This reserve is unavailable and as of December 31, 2022, and 2021 amounts to 3,019 thousand euros.

e) Goodwill reserve

For the unavailable amount according to Final Provision 13 of Act 22/2015:

With the entry into force of Act 22/2015, of July 20, on Auditing of Accounts, section twelve of the Fourth Final Provision, the former article 273.4 of the Consolidated Text of the Capital Companies Act is revoked, by which , in the allocation of the result of each financial year, an unavailable reserve needed to be allocated for the goodwill that appeared in the assets of the balance sheet, allocating for this purpose a figure of the profit that represented, at least, five percent of the amount of said goodwill. In accordance with the Thirteenth Final Provision of Act 22/2015, of July 20, on Auditing of Accounts and the Sole Transitory Provision of Royal Decree 602/2016, of December 2, in years beginning on or after January 1 of 2016, the reserve for goodwill will be reclassified to the voluntary reserves of the Parent Company and will be available from that date in the amount that exceeds the goodwill recorded in the assets of the balance sheet. Said reserve amounts to 18,119 thousand euros (23,949 thousand euros in 2021).

f) Capitalization reserve

Endowed in accordance with article 25 of Act 27/2014 on Corporate Tax. It is unavailable and amounts to 6,207 thousand euros (7,777 thousand euros in 2021).

g) Voluntary reserves of the Parent Company and other reserves

As of December 31, 2022, the Parent Company's voluntary reserves amount to 81,727 thousand euros (84,236 thousand euros as of December 31, 2021).

In addition, as of December 31, 2022, there are other reserves resulting from the consolidation process in the Parent Company amounting to 82,404 thousand euros (67,603 thousand euros as of December 31, 2021).

h) Reserves in companies consolidated by global integration and by the equity method:

The breakdown by companies as of December 31, 2022, and 2021 of this heading is the following:

Company	31.12.2022	31.12.2021
Europastry Portugal, S.A	5.144	2.079
Europastry Central Europe B.V	11.202	8.103
Europastry Alimentaria S.A.U	-	(9)
Europastry France, SARL	555	272
Ingapan, S.L.U. (*)	-	120
Europastry USA Inc.	2.132	3.823
Europastry Canarias, S.L.U.	2.776	1.654
Europastry Chile S.A	177	217
Europastry USA Corp	15.567	15.545
Europastry Colombia, S.A.S.	1.592	1.446
Grand Duet, B.V.	850	959
Dias Martins e Lopes, Lda.	579	780
EuroClassic Import y DSR Logistics LLC	6.048	2.510
Europastry Italia SRL	335	221
Europastry Mexico, S.A	(62)	(107)
European Pastry SRL	(495)	-
Kirya XXI, S.A.U.	-	-
Total	46.401	37.613

(*) Merged with the Parent Company.

i) Limitation to the allocation of dividends

The reserves designated in other sections of this note as of free allocation, as well as the results of the year, are subject, however, to the limitation to their allocation referred to the fact that dividends that reduce the balance of the reserves to an amount lower than the total of the negative results of previous years cannot be allocated. Also, prior to the allocation of dividends, said reserve must be endowed in relation to goodwill.

Additionally, the syndicated financing contract includes a clause limiting the allocation of dividends for a maximum amount of 10,000 thousand euros per year if certain conditions and financial ratios are met.

In the current financial year, the Parent Company has allocated dividends amounting to 10,000 thousand euros charged to voluntary reserves (10,000 thousand euros charged to voluntary reserves in 2021).

j) Proposed allocation of the Parent Company's result

The proposal for the allocation of the Parent Company's result for the financial year 2022 of 18,862 thousand euros to be presented to the General Shareholders' Meeting is the accounts of the positive result of the year 2022 in "negative results of previous years" and "voluntary reserves".

The allocation of the Parent Company's result for the year 2021 of 2,088 thousand euros, approved by the General Shareholders' Meeting, was the accounting of the negative result of the year 2021 in "negative results of previous years".

k) Exchange differences

The breakdown is as follows:

	31.12.2020	Exchange	31.12.2021	Exchange	31.12.2022
Europastry USA, Inc	(11.202)	8.787	(2.415)	6.888	4.473
Euro Classic Imports LLC	(3.010)	3.868	858	2.837	3.695
Europastry Chile S.p.A.	(1.035)	(428)	(1.463)	287	(1.176)
Europastry Colombia, S.A.S.	(1.169)	(206)	(1.375)	(318)	(1.693)
Europastry México, S.A. de C.V.	-	-	(3)	(7)	(10)
European Pastry SRL	-	-	-	(1)	(1)
European Pastry Prod SRL	-	-	-	1	1
Dawn Foods Frozen Ltd	-	-	-	16	16
Euroclassic USA LLC	-	-	-	(392)	(392)
Europastry USA Corp	-	-	-	(1)	(1)
	(16.416)	12.021	(4.398)	9.310	4.912

l) Minority interests

As of December 31, 2022, all minority interests correspond to those of Europastry Canarias, S.L., Euroclassic USA LLC and European Pastry SRL.

As of December 31, 2021, all minority interests corresponded to those of Europastry Canarias, S.L.

The main figures as of December 31 are broken down below (in thousands of euros):

December 31, 2022	Assets	Liabilities	Equity	Net turnover	Result
Europastry Canarias, S.L.	24.084	5.430	18.652	17.137	1.592
Euroclassic USA LLC	6.827	1.893	4.935	515	(796)
European Pastry SRL	4.382	3.539	843	8.882	995
European Pastry Prod SRL	323	886	(563)	1.663	(261)

December 31, 2022	Assets	Liabilities	Equity	Net turnover	Result
Europastry Canarias, S.L.	21.645	4.556	17.089	12.639	997

m) Earnings per share

The basic earnings per share are calculated by dividing the profit attributable to the Parent Company's shareholders by the number of shares of the Parent Company.

(in thousands of euros)	2022	2021
Profit attributable to shareholders of the Parent Company	36.002	24.081
Number of shares	173.499	173.499
Earnings per share	208	139

16. Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities as of December 31 is shown below (in thousands of euros):

	Thousands of euros			
	2022		2021	
	Non-current	Current	Non-current	Current
Bank loans and credits	614.225	36.191	534.783	39.999
Interest debt	-	1.224	-	1.658
Debts with finance companies	614.225	37.415	534.783	41.657
Debts for leases	9.436	5.743	10.271	6.598
Business combination payments	1.886	-	2.000	-
Other debts with third parties	615	-	-	-
Other debts	11.937	5.743	12.271	6.598

All financial liabilities included in the above table are valued at depreciated cost.
Gross maturities and estimated interest per year are as follows:

Thousands of euros					
2022			2021		
Maturity	Principal	Estimated interest	Maturity	Principal	Estimated interest
2023	37,415	18,246	2022	41,657	16,181
2024	15,647	17,198	2023	15,481	15,014
2025	598,418	16,760	2024	15,480	14,581
2026	161	2	2025	503,591	9,956
2027	0	0	2026	230	6
2028 and following	0	0	2027 and following	0	0
Total current	37,415	18,246	Total current	41,657	16,181
Total non-current	614,226	33,961	Total non-current	534,783	39,557

The balance of loans as of December 31, 2022, and December 31, 2021, corresponds mainly to a syndicated loan formalized by the Parent Company.

The syndicated loan was restructured with the same entities in November 2021, and its maturity is June 2025.

The Parent Company acts as borrower, while the group companies Europastry Portugal, S.A., Europastry USA Inc, Euro Classic Imports Llc, Europastry Central Europe, B.V., Grand Duet, B.V. and Europastry International, S.L. act as guarantors.

The loan includes a tranche A, with principal for an outstanding amount of 485 million euros (503 million euros in 2021) and 64 million USD (64 million USD in 2021). Additionally, two tranches of 135 million euros and 60 million euros respectively are contemplated (disposed at 30 and 60 million euros, respectively, and not disposed in 2021), a revolving tranche of 50 million euros (disposed at 20 million euros in 2022 and 2021) and a credit facility of 26.5 million euros (fully available as of December 31, 2022, and 2021).

The syndicated loan maintains semi-annual depreciations of 9 million euros of the principal of tranche A in euros (503 million euros) from June 2022 until the maturity date. The rest of the tranches have a single final maturity in June 2025.

The gross amount disposed as of December 31, 2022, amounts to 654.9 million euros (579.5 million euros in 2021).

The syndicated loan restructuring operation carried out in 2021 did not change the conditions of the previous debt and the resulting terms were not substantially different, being the difference between the discounted present value of the cash flows in the new conditions (using for the discount the original effective interest rate) and discounted present value of the cash flows of the previous loan less than 10%. In this sense, the syndicated loan, because of said restructuring, was recorded as the present value of the contractual future cash flows discounted at the effective interest rate of the loan.

The applicable interest rate was Euribor (tranche in euros) and Libor (tranche in USD) plus a variable market margin.

The financing contract contemplates compliance with financial ratios associated with Ebitda, financial expenses and net financial debt. As of December 31, 2022, and 2021, all ratios have been met. Additionally, environmental ratios that subsidize the variable margin of the interest rate of the loan have been included, whose compliance has also been satisfactory this year.

The Directors of the Parent Company estimate that during the financial year 2023 there will be no circumstances that could lead to a breach of the obligations contemplated in said contract.

The movements in total debts with bank entities are broken down below:

	31.12.2021	Additions to the consolidation scope	Exchange differences	Issuance	Depreciation	Interest accrued	Interest paid	31.12.2022
Debts with finance companies	576.440	673	3.437	90.000	(18.313)	21.747	(22.343)	651.640

	31.12.2020	Additions to the consolidation scope	Exchange differences	Issuance	Depreciation	Interest accrued	Interest paid	31.12.2021
Debts with finance companies	565.339	-	4.410	20.000	(9.841)	17.628	(21.096)	576.440

The interest paid presented in the table above corresponds only to interest accrued on bank loans and credits, as well as financial lease debts.

The heading Other Payables as of December 31, 2022, includes, among others, pending payments for business combinations derived from the acquisitions made in the years 2022 and 2018.

As of December 31, 2022, and 2021, the pending payments are as follows (expressed in thousands of euros):

	Thousands of euros			
	2022		2021	
	Non-current	Current	Non-current	Current
European Pastry SRL	986	-	-	-
Europastry Central Europe, B.V.	900	-	2.000	-
Total	1.886	-	2.000	-

In relation to the outstanding liability as of December 31, 2019, for the acquisition of Grand Duet B.V., during the year 2020, its payment was agreed through the delivery of 244 shares of Europastry Central Europe, B.V. In said agreement, a cross purchase-sale option was contemplated, having recorded in 2020 a liability of 2,000 thousand euros corresponding to the contingent purchase commitment of said shares, whose eventual execution price would be their market value. The change in said liability has been recorded in group's income statement.

In the financial year 2022, Europastry Central Europe, B.V. executed the cross purchase-sale option of 203 shares for an amount of 4,000 thousand euros. Additionally, a liability of 900 thousand euros has been recorded for the remaining 41 shares, on which it maintains the cross-purchase and sale option. The change in these liabilities has been recorded against the consolidated result for the year.

The fair value of debts with finance entities and other debts does not differ from their book value.

17. Deferred income

The balance of this heading as of December 31 consists of official capital subsidies granted to the Group in relation to certain investment projects in tangible assets as shown below:

	Thousands of euros	
	2022	2021
Deferred income	945	983

18. Provisions

This heading includes the provisions deriving from the commitments with the employees of the Parent Company, and other provisions for risks and expenses corresponding to the estimate of the liabilities referring to risks inherent to the Group's business.

a) Provisions derived from commitments with personnel

These correspond to the provision to meet the commitments with the Parent Company personnel for permanence and relation bonuses. It has been endowed in accordance with the updating of the actuarial calculations made by independent experts.

The main assumptions used in the actuarial studies carried out to determine the provision necessary to meet said obligations are the consideration of a technical interest rate of 3.7% and the annual salary increase of 2%. The mortality table used is PERM/F 2020.

A schedule of expected payments is not presented as it does not have a pre-established expiration.

b) Other provisions

They basically correspond to provisions for restructuring, tax contingencies and other existing claims.

The movements during the years 2022 and 2021 have been the following:

	Thousands of euros					31.12.2022
	31.12.2021	Additions to the consolidation scope	Endowments	Reversals	Disposals	
Personnel	1.186	13	271	-	(17)	1.453
Restructuring	64	-	28	(10)	(29)	53
Other provisions	188	1	1	-	-	190
Total provisions	1.438	14	300	(10)	(46)	1.697

	Thousands of euros					31.12.2021
	31.12.2020	Additions to the consolidation scope	Endowments	Reversals	Disposals	
Personnel	1.183	-	3	-	-	1.186
Restructuring	54	-	22	-	(12)	64
Other provisions	194	-	-	-	(6)	188
Total provisions	1.431	-	25	-	(18)	1.438

19. Derivative financial instruments

The breakdown and valuation of derivative financial instruments at year-end, classified as cash flow hedges for loans, is as follows:

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Swap	30.951	-	-	1.638

Said amount includes the valuation of derivative financial instruments at the end of the financial year. Since they are derivatives not listed on an organized market, their valuation is based on assumptions about market conditions on the year-end date. Specifically, the fair value is calculated as the updated value of flows resulting from the amounts to be paid as interest from the differential between the interest rates contracted through the hedges and the interest rates expected by the market (implicit rates) during the derivative life.

In this sense, a sensitivity analysis has been carried out to determine the variation in the valuation of said instruments based on possible future variations in the applicable interest rates, which is broken down below:

	Thousands of euros
	Change in fair value (liabilities)
+ 50 basis points	4.923
- 10 basis points	(992)

The Group has carried out a qualitative evaluation of the effectiveness, concluding satisfactorily about it and, consequently, recording the changes in the fair value of the derivative directly in equity.

The impacts on equity and on the consolidated income statement are as follows:

(Thousands of euros)	2022			2021		
	Gross impact	Tax effect	Net impact	Gross impact	Tax effect	Net impact
Total recognized in the consolidated statement of comprehensive income	31.030	(7.757)	23.273	(617)	154	(463)
Total transfers to the consolidated income statement	1.560	(390)	1.170	1.622	(406)	1.216
	32.590	(8.147)	24.443	1.005	(252)	753

The amount accumulated in equity for the value adjustments of derivative instruments as of December 31, 2022, amounts to 23,213 thousand euros (-1,230 as of December 31, 2021).

The main characteristics of derivatives as of December 31, 2021, are as follows:

	<u>Classification</u>	<u>Type</u>	<u>Outstanding nominal (thousands of euros)</u>	<u>Maturity</u>
Swap	Interest rate hedge	Variable to fixed	507.925	2025

These financial instruments are classified as non-current because their maturity is correlated with the payment schedule of the long-term bank financing obtained.

The nominal value of the liabilities subject to hedging as of December 31, 2022, amounts to 507.9 million euros (251.5 million euros at the end of the 2021 financial year).

The fair value hierarchy in the valuation of the derivative is level 2 as it is based on observable market data.

20. Trade creditors and other payables

The breakdown of trade creditors and other payables as of December 31 is as follows:

	<u>Thousands of euros</u>	
	<u>2022</u>	<u>2021</u>
Suppliers	166.801	123.215
Creditors	62.658	43.897
	229.458	167.112

The fair value of balances with suppliers and creditors does not differ from their book value.

For the purposes of the provisions of the second additional provision of Act 31/2014, of July 5, which amends the Capital Companies Act and in accordance with the Resolution of February 29, 2016, of the Institute of Accounting and Audit of Accounts, the average days of payment to suppliers for the financial years 2022 and 2021 for the Parent Company is as follows:

	<u>2022</u>
	<u>Days</u>
Average payment period to suppliers	93
Ratio of operations paid	93
Ratio of operations pending payment	95
	<u>Amount</u>
	<u>(thousands of euros)</u>
Total payments made	463.320
Total outstanding payments	127.576
Volume of invoices paid within the legal term	164.484
Number of invoices paid within the legal term	21.283
Percentage of the volume of invoices paid within the legal term over the total volume of invoices paid (%)	36%
Percentage of the number of invoices paid within the legal term over the total number of invoices paid (%)	25%
	<u>2021</u>
	<u>Días</u>
Average payment period to suppliers	92
Ratio of operations paid	91
Ratio of operations pending payment	99
	<u>Amount</u>
	<u>(thousands of euros)</u>
Total payments made	386.539
Total outstanding payments	84.476

It should be considered that the Group carries out financing negotiations, the cost of which is included in the purchase price, for all those suppliers in which the effective payment term is greater than the legal term, thus adjusting to the requirements established by Act 15/ 2010.

21. Other liabilities

The breakdown of other liabilities as of December 31, 2022, and 2021, is as follows (in thousands of euros):

	Thousands of euros	
	2022	2021
Tangible asset suppliers	19.901	4.188
Other creditors	24.556	13.068
Public Administration (Note 22)	11.159	9.290
	55.615	26.547

22. Taxation

The breakdown of the debit and credit balances as of December 31 of the accounts with Public Administration (excluding deferred taxes broken down in note 23), is as follows (in thousands of euros):

	Thousands of euros			
	Debit balances (Note 13)		Credit balances (Note 21)	
	2022	2021	2022	2021
Corporate tax	364	433	4.563	2.715
Public Treasury for VAT, personal income tax	9.539	11.376	1.574	1.867
Social Security	-	-	3.620	3.407
Other Public Administrations	399	537	1.403	1.301
Total	10.302	12.346	11.159	9.290

The reconciliation between the accounting result and the tax base (tax result) is as follows:

	Thousands of euros	
	2022	2021
Group result before taxes	47.105	24.785
Permanent differences (fines)	3.371	1.712
Temporary differences	1.002	2.086
Tax Base	51.479	28.582

The reconciliation between the accounting result before taxes and the corporate tax expense of the Group companies is as follows:

	Thousands of euros	
	2022	2021
Group result before taxes	47.105	24.784
Corporate tax expense (25%)	(11.776)	(6.197)
Permanent differences	(843)	(428)
Effect of the application of different tax rates	619	296
Unrecorded tax credits and negative tax bases	1.523	5.560
Consolidation adjustments and differences from prior years	(328)	315
Corporate tax expense	(10.806)	(454)

Corporate tax expense is broken down as follows:

	Thousands of euros	
	2022	2021
Tax base	51.479	28.582
Current tax	(12.871)	(7.146)
Deferred tax	251	521
Effect of the application of different tax rates	619	296
Unrecorded tax credits and negative tax bases	1.523	5.560
Consolidation adjustments and differences from prior years	(328)	315
Corporate tax expense	(10.806)	(454)

The permanent differences correspond to non-deductible and non-taxable income and expenses, respectively, mainly from the Parent Company. Temporary differences attributable to consolidation adjustments correspond to the reversal of the depreciation of individual goodwill.

Those corresponding to individual companies correspond mainly to the application of the freedom of depreciation, to the accounting depreciation of the revaluation of buildings and to the greater tax allowance of the depreciation of assets acquired through financial leasing, to the tax depreciation of goodwill and the annual endowment to the liability for retirement awards.

The years open to inspection in relation to the applicable taxes vary for the different companies of the consolidated Group, although they generally cover the last four years.

The Directors of the Parent Company consider that in the event of discrepancies in the current regulatory interpretation due to the tax treatment granted to the operations, the eventual resulting liabilities, if they materialize, would not significantly affect the attached annual accounts.

23. Deferred taxes

The composition of the Group's deferred taxes and the breakdown of their movements as of December 31 is as follows (in thousands of euros):

	31.12.2021	Results	Equity	Exchange differences	31.12.2022
Fair value of derivatives	409	-	(409)	-	0
Insolvencies	670	416	-	-	1.086
Depreciation	502	(125)	-	-	377
Negative tax bases	2.396	(2.232)	-	(118)	46
Pending deductions to be applied	5.578	(1.791)	-	-	3.787
Others	2.379	3.466	-	129	5.974
Total assets	11.934	(266)	(409)	11	11.270

	31.12.2021	Additions to the consolidation scope	Results	Equity	Exchange differences	31.12.2022
Revaluation of land and buildings	10.054	-	(50)	-	-	10.004
Consolidation intangible assets	10.728	6.782	(851)	-	295	16.954
Freedom for depreciation	15.030	-	2.723	-	563	18.317
Other deferred tax liabilities	2.409	-	(548)	7.738	100	9.700
Total liabilities	38.222	6.782	1.274	7.738	958	54.974

The negative tax bases correspond to those generated in previous years by the company Europastry USA, Inc (previously called Wenner Bread Products, Inc).

The deductions applied in the year correspond to those generated in the Group's consolidated tax, with the Parent Company being the tax head.

The Directors of the Parent Company estimate that the facts and circumstances exist so that the negative tax bases, the deductions pending application and the rest of the assets of a tax nature have been registered as of December 31, 2022, and 2021 based on the future projections; there being no doubts about its recoverability in a reasonable period as established by the applicable regulations.

The Group has not recognized deferred liabilities for exchange differences in the consolidated financial statement, because of the application of the regulations.

	31.12.2020	Results	Equity	Exchange differences	31.12.2021
Fair value of derivatives	661	-	(252)	-	409
Insolvencies	355	315	-	-	670
Depreciation	637	(136)	-	-	502
Negative tax bases	3.899	(2.145)	-	642	2.396
Pending deductions to be applied	2.884	2.694	-	-	5.578
Others	2.826	(485)	-	38	2.379
Total assets	11.262	243	(252)	680	11.834

	31.12.2020	Results	Equity	Exchange differences	31.12.2021
Revaluation of land and buildings	10.106	(52)	-	-	10.054
Consolidation intangible assets	11.563	(1.130)	-	294	10.728
Freedom for depreciation	15.741	(1.470)	-	759	15.030
Other deferred tax liabilities	2.590	(320)	-	139	2.409
Total liabilities	40.000	(2.971)	-	1.192	38.222

24. Income and expenses

a) Sales

The breakdown of sales by type of product and by foreign currency is as follows (expressed in thousands of euros):

Sales by products	Thousands of euros	
	2022	2021
Bread	516.218	392.139
Pastries	587.892	441.109
Others	17.390	12.331
	1.121.500	845.578

Sales by segments	Thousands of euros	
	2022	2021
Iberia	626.267	488.669
USA	238.130	177.636
Northern Europe	136.622	104.378
Rest of the World	120.481	74.896
	1.121.500	845.578

Sales by currency	Thousands of euros	
	2022	2021
USD	244.669	182.792
Colombian pesos	14.520	4.026
GBP	4.003	2.758
Chilean pesos	13.502	11.574
Romanian Leu	9.653	-
Mexican pesos	12.152	3.871
	298.500	205.021

b) Consumption of goods

The breakdown of consumption of goods is as follows (in thousands of euros):

	Thousands of euros	
	2022	2021
Purchases of merchandise	106.766	72.338
Purchases of raw materials and other supplies	428.914	308.449
Change in stocks	(12.519)	(5.659)
Merchandise consumption	523.161	375.128

c) Personnel expenses

The breakdown of personnel expenses is as follows:

	Thousands of euros	
	2022	2021
Wages, salaries and similar	137.494	113.497
Social charges	31.346	31.454
Others	3.503	1.035
Personal expenses	172.342	146.987

Social charges correspond to the cost of Social Security on behalf of the company, and its equivalent in other countries.

The average composition of the Parent Company's Board of directors by gender is 4 men and 2 women.

The breakdown by gender of the average number of employees during the years is as follows:

	2022		2021	
	Men	Women	Men	Women
Management	35	12	36	12
Logistics	386	57	382	54
Administration	78	123	73	126
Commercial	169	184	158	168
Production	1.496	1.249	1.360	1.230
	2.164	1.626	2.009	1.590

The average number of people employed with a disability equal to or greater than 33% for the year 2022 is 34 (34 people in 2021).

The number of Group employees at year-end, by professional category, is as follows:

	2022		2021	
	Men	Women	Men	Women
Management	35	12	36	12
Logistics	420	78	383	56
Administration	79	132	70	129
Commercial	169	189	170	190
Production	1.586	1.485	1.370	1.286
	2.289	1.896	2.029	1.673

In 2020 financial year, due to the impact of the Covid-19 pandemic, temporary employment regulation files (ERTE) were submitted, mainly affecting the Parent Company.

On March 23, 2020, a Force Majeure ERTE was presented because of the declaration of the state of alarm (still in force at the date of preparation of these annual accounts after various extensions) by RD 463/2020 of March 14 and that in its article 10 it suspended the hotel and restaurant business and article 7 that limited the freedom of movement of people. These limitations meant that it was impossible to continue with the production and sale of products destined for customers that comprise the horeca channel. This measure initially affected 412 employees of the Parent Company.

Subsequently, on April 1, 2020, an ERTE was filed for economic and productive reasons, justified by a very significant drop in total sales of the Parent Company. This second file initially included the suspension of the contract of 329 workers and the decrease of working hours to 574 workers.

Both files ended on June 30, 2020.

On July 1, 2020, a new temporary file was presented for economic and productive reasons, which initially included 519 suspensions and 502 contract decreases. This temporary file has been extended until February 28, 2022.

Throughout this period, the Parent Company has been incorporating the workers affected by the suspension/decrease of working hours measures as sales and production levels have been recovering.

Europastry voluntarily adopted the decision to partially supplement the fixed remuneration of the employees affected by the files.

As of December 31, 2022, a total of 0 employees of the Parent Company continues to be affected by the regulation file presented (10 employees as of December 31, 2021).

d) Other operating expenses

The breakdown of the other operating expenses is the following (in thousands of euros):

	Thousands of euros	
	2022	2021
Logistics	8.158	6.096
Supplies	54.325	29.274
Maintenance and repairs	27.635	23.006
Professional services	6.119	5.572
Advertising	20.002	15.850
Transport and other external services	185.324	156.618
Change of traffic provisions	3.087	2.275
Taxes	1.850	1.685
Other operating expenses	306.502	240.377

The fees for the services provided by the primary auditor, Grant Thornton, S.L., and its international network, as well as for the auditing services provided by other firms are as follows (in thousands of euros):

	Thousands of euros	
	2022	2021
For audit services	163	138
For other assurance services	3	4
Main auditor	166	142
For audit services	282	238
For other assurance services	32	62
Other audit firms	314	301

e) Net financial result

The breakdown of the net financial results is as follows:

	Thousands of euros	
	2022	2021
Financial income	2.743	1.935
Interest income	443	284
Another financial income	931	258
Exchange rate income	1.369	1.393
Financial expenses	(29.980)	(25.970)
Debts with third parties	(21.747)	(17.628)
Other financial expenses (Note 16)	(2.900)	-
Exchange rate expenses	(3.773)	(6.720)
Fair value hedge derivative expenses	(1.560)	(1.622)
Net financial result	(27.237)	(24.035)

Financial expenses correspond mainly to interest accrued on the financing obtained.

25. Commitments and contingencies

The Group has provided guarantees for an amount of 287 thousand euros as of December 31, 2022 (287 thousand euros as of December 31, 2021).

26. Contingent liabilities

During the financial years 2022 and 2021, the Directors of the Europastry Group have not identified any significant contingent liabilities.

27. Risk management objectives and policies

The Europastry Group has been managed with conservative criteria, to increase management efficiency and improve its mid- and non-current results. The risk diversification in management is implemented through:

- a) The business segment diversification per region, which, although related always to food, generates different circumstances and purchasing decisions.
- b) The customer diversification, aimed at managing a larger number of portfolios with balances of a lower amount (there is no customer that represents more than 10% of the global billing).
- c) The product range diversification, aimed at satisfying its customers as much as possible, at covering a larger range of potential customers in the market and at diluting the threats on the margin drop of specific products due to the action of competition; and
- d) The depth of investment studies, aimed at decreasing the uncertainty of the results.

The Europastry Group has established risk identification, valuation, management, and information systems, which cover the total of activities developed by the Group. They are systems with which regulatory and business, credit, occupational and technology risks are covered.

The following describes the control systems to assess, mitigate or decrease the main risks of the Parent Company and its group:

1. Regulatory risk

The Group, that develops its activity in the production and marketing of pre-baked bread, frozen pastries and other food products, is subject to an entire series of legal provisions that are basically ruled by the European Union through the Regulations (EC) 178/2002, of January 28, the basic standard directly and generally applying to all European Union member countries, that establishes the general principles and requirements of food law, creates the European Food Safety Authority, and defines procedures stocks food safety.

In terms of food safety, we must highlight the absence of incidents and the continuous development of an HACCP (Hazard Analysis and Critical Control Point) system, which meets the requirements established by Spanish and European Union legislation, as well as North American legislation, in compliance with the FSMA (Food Safety Modernization Act).

2. Risk for R&D technological gap

The Group, through its R&D department, offers coverage to the main lines of business, facilitating the development and innovation of new products and processes that allow capitalizing in the market the launching of new products and be a leader of the frozen pastries sector.

3. Occupational risks

Since the Group's business basis is an industrial activity and most of the employees are in factories, the control and prevention of the occupational risks is very important therefor.

The object of the Group's policy in terms of prevention of occupational risks is the promotion of work conditions improvement, aimed at raising the level of health and safety protection of workers at the workplace. There are protocols applicable to prevent possible losses, which include evacuation plans, first aid... Likewise, there are specific programs aimed at promoting the improvement of the work environment and the improvement of protection levels, standing out among said programs the training courses to employees of the Group and the acquisition of materials and facilities to perform the task.

4. Credit risk

The Group records impairment losses to the amount that represents its best estimate of the losses incurred. Given the characteristics of the sector and the automation of the portfolio of customers, as well as the fact that no credit insurance is contracted, the credit risk of its trade debtors is monitored closely, establishing a systematic policy of provision due to insolvencies based on the aging of the accounts receivable. In this sense, using the model defined by the company, default of payment by the maturity date would constitute objective evidence of impairment.

The marketing risks committees have established tables or templates by customer, which include the acceptable risk limit for each customer classification, as well as the possible bonuses and volume discounts. Said committees prepare every month a list with the aging of balances to collect from our customers, the aging of said balance, its origin and the processes carried out for collection. After a certain aging, this is sent to legal advisers of the Group for the corresponding claim through judicial proceedings.

The maximum exposure to credit risk of the group as of December 31, (in thousands of euros) is broken down below:

	Thousands of euros	
	2022	2021
Fixed income securities and receivables	84	233
Deposits and finance	785	684
Other financial assets	8.614	10.045
Trade debts and other receivables	131.254	78.848
Maximum exposure to credit risk	140.737	89.810

5. Exchange rate risk

The exchange rate risk to which the Group is exposed arises from business transactions, recognized assets and liabilities and net investments in business operations conducted in countries with a currency other than the euro.

In this sense, as shown under the consolidated Equity, exposure to this risk is limited and the Group is primarily operating in countries with stable exchange rate fluctuations and with a high level of predictability, while maintaining a low level of transactions carried out in countries with exchange rates that are less predictable. Additionally, the Group has financial debt lines denominated in US dollars, thereby decreasing as far as possible the effect from potential fluctuations, and consequently the impact on the value of the Group's net assets.

Currency	Change	Impact on consolidated		
		results	Impact on equity	Impact on debt in USD
USD	(15%)	(840)	(6.110)	(9.600)
USD	(10%)	(560)	(4.074)	(6.400)
USD	(5%)	(280)	(2.037)	(3.200)
USD	5%	280	2.037	3.200
USD	10%	560	4.074	6.400
USD	15%	840	6.110	9.600

The risk derived from the fluctuation in the rest of the currencies in which the Group operates is not significant.

6. Interest rate risk

The Group's interest rate risk arises from external funds that it holds at variable rates, which exposes the Group to the interest rate risks of cash flows.

The objective of the risk management of interest rate risk is to reach a balance in the debt structure that allows for the element of volatility in the income statement to be minimized.

In this regard, the Group uses derivative financial instruments to manage its financial risk associated with changes in interest rates. These derivative financial instruments have been considered as cash flow hedges and have been recognized at fair value, accounting for changes in value with a counterpart to Adjustments for changes in value, in consolidated Equity (see Note 19). Through these, the Group reaches the level of exposure to the volatility of the exchange rate that it considers appropriate. As indicated in note 19, the nominal amount covered by the derivative amounts to 251.5 million euros and corresponds to tranche A of the syndicated loan. That is why the changes shown below only have an impact on the total uncovered debt.

Interest rate change	(2%)	(1%)	1%	2%
Financial cost	(2.874)	(1.437)	1.437	2.874

7. Liquidity risk

The Group maintains some liquidity policies that ensure compliance with the payment commitments acquired, diversifying the hedging of the financing needs and the maturities of the debt. A prudent management of liquidity risk includes the holding of sufficient cash and liquid assets and the availability of funds of sufficient amounts to cover the lending obligations.

As of December 31, 2022, and 2021, the availability levels of liquidity are as follows:

	Thousands of euros	
	2022	2021
Credit policies available	56.500	56.500
Undrawn loans (currency: euro)	105.000	195.000
Cash and equivalent liquid assets	67.440	65.025
Total	228.940	316.525

8. Risk on price of raw materials

The Group is exposed to risk due to changes in the price of the raw materials it uses in the framework of its production process, given that possible upward changes in the prices of raw materials could increase the volume of consumption recorded in the consolidated results, reducing the Group's Operating Income. In this sense, a sensitivity table is presented below, which reflects the impact that the change in the price of flour and butters / fats, being the main raw materials that the Group:

Impact on results due to purchase price changes	Thousands of euros
5% increase	(10.888)
3% increase	(6.533)
3% decrease	6.533
5% decrease	10.888

The Group minimizes the potential risk derived from the increase in the cost of raw materials with active management that seeks to guarantee their supply in the medium term, actively managing its purchasing policy, complementing it with marketing policies that adapt to these possible tensions. in the prices of raw materials.

9. Capital risk management

The Directors' policy is to maintain a solid capital base to preserve the confidence of shareholders, minority interests, creditors, and the market, and to sustain the future development of the business. The Directors monitor the return on capital through the ratios of return on equity (ROE). The Board of Directors also monitors the level of dividends paid to shareholders.

As of December 31, 2022, the ROE was 11% (9% as of December 31, 2021). ROE is calculated by dividing the result attributable to the Parent Company by the equity attributed to the Parent Company.

The Group does not have any employee remuneration policy via options or shares.

In relation to capital management objectives and policies, the objective of the Europastry Group is to safeguard its ability to continue as a going concern to procure a return for shareholders. In this sense, Note 15 of these consolidated annual accounts details the proposed allocation of results.

28. Segmented information

The information presented below on segments has been prepared by identifying the corresponding operating segments based on the type of customers and the type of products and services offered in each of them.

The information is presented with this breakdown to adjust to the definition of operating segments, as it is considered the most relevant and because it is the way in which it is presented, on a recurring basis to the Group's Senior Management.

The Group considers the following four segments: Iberia, United States, Northern Europe, and Rest of the world. These segments do not obey a merely geographical criterion, but correspond to the organizational management structure of the Group, corresponding to each segment the balances and transactions linked to the generation of business volume in each of these management areas, regardless of the geographic area in which the component that maintains said balance or supports each transaction is located, although both non-current assets, stocks, and suppliers have been maintained in the segment in which the corresponding industrial activity is located.

The financial information of the different segments is as follows:

December 31, 2022	Iberia	USA	Northern Europe	Rest of the World	Total
Net turnover	626.267	238.130	136.622	120.481	1.121.500
Operating result	63.206	8.263	969	1.902	74.341
Total consolidated assets	814.686	229.435	219.643	75.500	1.339.264
Total consolidated liabilities	898.182	46.584	53.842	13.402	1.012.009

December 31, 2021	Iberia	USA	Northern Europe	Rest of the World	Total
Net turnover	488.669	177.636	104.378	74.895	845.578
Operating result	34.979	4.459	3.925	5.457	48.820
Total consolidated assets	727.054	204.489	141.536	24.600	1.097.679
Total consolidated liabilities	759.708	36.446	28.496	6.599	831.249

29. Remuneration and other information on Senior Management and Directors of the Parent Company

The remuneration corresponding to the financial year 2022 of the members of the Board of Directors of the Parent Company (4 men and 2 women) and Senior Management (11 men and 1 woman; excluding managers who are part of the Board of Directors) have amounted to 1,728 thousand euros and 2,349 thousand euros, respectively, for wages and salaries, fixed and variable, and expenses for attendance to the Board (in the case of directors of the Parent Company) (1,686 thousand euros and 2,345 thousand euros, respectively in 2021). There are no advances or pension plans granted to current or predecessor members of the Board of Directors or to Senior Management.

There are loans granted to members of the Board of Directors for an amount of 2.9 million euros as of December 31, 2022 (2.9 million euros as of December 31, 2021), which have been repaid in January 2023. Additionally, as of the date of preparation of these consolidated annual accounts, there is a variable remuneration commitment for members of Senior Management linked to the achievement of the Group's business plan in 2022 and a loyalty award for members of the Parent Company's Board of Directors. The total amount provisioned as of December 31, 2022, amounts to 8,334 thousand euros (1,896 thousand euros at December 31, 2021).

In accordance with the provisions of article 229 of the Consolidated Text of the Capital Companies Act, the Directors of the Parent Company state that there are no situations of conflict, direct or indirect, that the members of the Board of Directors of the Company and persons related to them referred to article 231, could have with the interest of the Company and its subsidiaries.

The Group's financial structure is independent from that of related companies.

30. Transactions with related parties

The balances of the Group with associated companies and related parties as of December 31, 2022, and 2021 (expressed in thousands of euros) are as follows:

	2022		2021	
	Debt balances	Credit balances	Debt balances	Credit balances
Abet, S.L.	-	46	-	124
Healthy Food Iberia, S.L.	-	-	100	-
Andeni B.V.	-	31	-	-
Mas Vell Center, S.L.	10	-	-	28
Total balances	10	77	100	152

The transactions carried out during the year were the following (expressed in thousands of euros):

Relationship	Relationship	Type of operations	2022	2021
Abet, S.L.	Other related parties	Services expenses and others	(381)	(466)
Mas Vell Center, S.L.	Board of Directors	Services expenses and others	(170)	(185)
Ingapan USA LLC	Other related parties	Services income and others	56	-
Andeni B.V.	Other related parties	Services expenses and others	(368)	(386)
Gallés Office, S.L.	Board of Directors	Services expenses and others	(30)	(47)
Whitley, S.L.	Board of Directors	Services expenses and others	(34)	(30)
Loftus, S.L.	Board of Directors	Services expenses and others	(30)	(30)
Total transactions			(957)	(1.144)

These transactions correspond to the rental of vehicles, offices and buildings, provision of services, purchases of goods and sale of products and they have been performed at market prices.

31. Environmental information

The breakdown of the assets included in the heading "Tangible assets" of the balance sheet of the Group whose purpose is the mitigation of the environmental impact and the environmental protection, is the following:

	Balance as of 31.12.2021	Additions	Disposals	Balance as of 31.12.2022
Cost	5.275	-	-	5.275
Depreciation	(2.433)	(37)	-	(2.470)
Net book value	2.842	(37)	-	2.805

	Balance as of 31.12.2020	Additions	Disposals	Balance as of 31.12.2021
Cost	5.275	-	-	5.275
Depreciation	(2.195)	(238)	-	(2.433)
Net book value	3.080	(238)	-	2.842

The breakdown of the environmental expenses incurred during the year is as follows:

	2022	2021
Personnel expenses	281	171
Cleaning and waste removal expenses	903	413
Purification expenses	973	457
Other expenses	501	174
	2.658	1.214

As of December 31, 2022, and 2021, the Group has not incurred environmental contingencies and, therefore, it has no provision for risk and expenses corresponding to environmental matters.

32. Subsequent events

There have been no relevant subsequent events between the year-end date and the date of preparation of the consolidated annual accounts.

APPENDIX I – Companies included in the consolidation scope

Company	Country	Currency	Direct	Indirect	Direct Parent Company	Investment (thousands of euros)	Auditor
Europasty Portugal, S.A.	Portugal	EUR	100%	0%	Europasty S.A.	6.172	Oliveira e Rego Associados
Dias, Martins e Lopes, Lda.	Portugal	EUR	100%	0%	Europasty S.A.	10.186	Oliveira e Rego Associados
Europasty Canarias, S.L.	Spain	EUR	75%	0%	Europasty S.A.	12.217	Grant Thornton
Europasty Central Europe, B.V.	Netherlands	EUR	99,59%	0%	Europasty S.A.	96.107	Ecovis BensenReuling Audit
Grand Duet B.V.	Netherlands	EUR	0%	99,59%	Europasty Benelux, B.V.	12.226	Ecovis BensenReuling Audit
Europasty USA Holding, Inc	USA	USD	100%	0%	Europasty S.A.	142.401	Unaudited
Wenner Holding Corp	USA	USD	0%	100%	Europasty USA Holding, Inc	1	Unaudited
Wenner Holding LLC	USA	USD	0%	100%	Wenner Holding Corp	1	Unaudited
Europasty USA Inc	USA	USD	0%	100%	Wenner Holding LLC	122.919	RSM
Euro Classic Imports LLC	USA	USD	0%	100%	Europasty USA Holding, Inc	44.835	RSM
Euroclassc USA LLC	USA	USD	0%	80%	Europasty USA Holding, Inc	4.571	Unaudited
DSR Logistics LLC	USA	USD	0%	100%	Euro Classic Imports LLC	1	Unaudited
Europasty Colombia, S.A.S.	Colombia	COP	100%	0%	Europasty S.A.	2.479	Mónica Mora Perez
Europasty Chile S.p.A.	Chile	CLP	100%	0%	Europasty S.A.	6.412	Unaudited
Europasty France, SARL	France	EUR	100%	0%	Europasty S.A.	14	Grant Thornton
Europasty Italia SRL	Italy	EUR	100%	0%	Europasty S.A.	70	Grant Thornton
Europasty México, S.A. de C.V.	Mexico	MXN	100%	0%	Europasty S.A.	2	Unaudited
Europasty Intermacional, S.L.U.	Spain	EUR	100%	0%	Europasty S.A.	42	Grant Thornton
European Pastry SRL	Romania	RON	90%	0%	Europasty S.A.	4.275	Unaudited
European Pastry Prod SRL	Romania	RON	0%	90%	European Pastry SRL	9	Unaudited
Dawn Foods Frozen Netherlands Holding B.V.	Netherlands	EUR	0%	100%	Europasty Central Europe, B.V.	54.974	Unaudited
Dawn Foods Frozen Holding B.V.	Netherlands	EUR	0%	100%	Dawn Foods Frozen Netherlands Holding B.V.	2.495	Unaudited
Dawn Foods Frozen Germany GmbH	Germany	EUR	0%	100%	Dawn Foods Frozen Holding B.V.	276	Unaudited
Dawn Foods Frozen France B.V.	Netherlands	EUR	0%	100%	Dawn Foods Frozen Holding B.V.	2.219	Unaudited
Dawn Foods Frozen Ltd	United Kingdom	GBP	100%	0%	Europasty S.A.	1	Unaudited
Frida Alimentaria España, S.L.	Spain	EUR	100%	0%	Europasty S.A.	3	Unaudited
Fripan, S.A.	Spain	EUR	100%	0%	Europasty S.A.	72	Unaudited

EUROPASTRY, S.A. and Subsidiaries

Consolidated Directors' Report for the financial year ended December 31, 2022

1- Group's situation

Europastry, SA was incorporated on April 28, 1988, and is the Parent Company of the Group.

The main activity of the Group consists in the manufacture and commercialization of pre-baked and frozen bread, pastries, and ready-made dishes. The group is characterized by its experience in its differentiated production process: its mastery of cold technology. This great achievement, together with a clear commitment to R+D+i, make it a dynamic and constantly expanding Group.

The Group markets and sells frozen products in more than 50 countries, directly and through external distributors, to a diversified customer base that includes hypermarket and supermarket chains, hotels, restaurants, cafes, catering companies, chain stores fast food and bakery.

The Group operates with a portfolio of B2B brands, including Europastry, Fripan, Frida, Yaya Maria, Wenner Bakery, Dots, Koama and Friart.

The Group's strategy is to lead the market in product development and speed of commercialization. The objective of the Group is to develop bakery products based in an artisan inspiration and recover craftsmanship's traditions, improving it thanks to the innovation, betting on the development of new products at the speed the market demands. In this sense, innovation is the strategic pillar of the Group, each year new and better products are launched, more natural, without additives or preservatives.

The concern for healthy eating conditions the behavior of those who trust Europastry products every day, therefore this fact is considered during the development of any new product.

The market in which the Group operates is characterized by high entry barriers, due to the need for significant investments in production, distribution, and technology. The frozen bakery products market offers potential growth due to the rapid response that the market should give to changes in preferences and habits of the consumer as well as to the needs of the wholesale market, with high standards over food security that often exceed the capabilities of traditional producers and a more demanding in which consumers expect a wide range of products. Additionally, frozen bakery products offer a better value proposition for retailers and food service operators, driving the growing penetration of frozen products.

In the Iberia segment, which corresponds to the territories of Spain and Portugal, the group owns 16 production plants located in Spain and Portugal, 13 branches and 200 distributors that guarantee a remarkable capillarity and help the optimal distribution in the territory.

International development is a fundamental part of the Group's strategy, currently having 8 production plants, 21 branches and more than 150 distributors throughout the World, allowing us to serve more than 63 thousand customers and, at the same time, provide local products with local ingredients and adapted to the uniqueness of each market.

The Group has achieved this growth by leveraging the knowledge and skills developed in Spain to expand it to other major frozen bakery products markets. Expansion to international markets through disciplined acquisitions, through the establishment of new production facilities and through exports to markets where we do not have production facilities.

In the US segment, the Group continues to implement the strategy of growing in the US market. The product portfolio in this segment covers all customer needs and offers a full range of solutions. The presence in all sales channels allows a better knowledge of the needs of the market, being able to offer personalized solutions to our customers. This year, the American company Euroclassic USA has been incorporated, which will expand the range of products and strengthen growth in this segment.

To respond to our growth in the Northern Europe segment, we constantly innovate at the Oldenzaal Plant (The Netherlands), which provides the optimal supply to all the countries in its area of influence. The Oldenzaal plant began operating in 2015 and currently has three production lines. In 2018, the Dutch company Grand Duet joined the Group. This year the business Frozen in Dawn Foods has been incorporated. Said incorporations have allowed us to expand the range of products and strengthen growth in this segment.

In the Rest of the World segment, we supply customers through exports of products made in our other production centers that have been specially adapted to local preferences. We have increased our presence in Latin America through strategic acquisitions such as Crandon (currently Europastry Chile) (carried out in 2017), strengthening our growth in this area, with a presence also in Colombia. This segment also incorporates areas of central Europe, highlighting the markets of France and Italy. This year, the company located in Romania, European Pastry, and its subsidiary European Pastry Prod, have joined the group, which will expand the range of products and strengthen growth in this segment.

2- Strategies and plans

Europastry's strategy is to lead the development of the frozen bakery industry, consolidate the leading market position in Iberia, accelerate international expansion, boost efficiency, and seek strategic and value-added acquisitions. Our leadership strategy is based on three pillars: innovation, international development, and quality.

We frame innovation in our concept of "tradition". We believe that tradition shows us how to bake the best products. In addition, we remain committed to artisan cooking, following traditional cooking techniques and recipes and staying focused on every detail of the process. All this combined with innovation to produce quality products on an industrial scale.

Our international expansion follows a multi-local strategy, whereby we aim to bring our products to new locations and at the same time learn from our customers in these new locations to strengthen our product offering in the various regions in which we operate. In addition, we are focused on our international and product category expansion through strategic acquisitions. In recent years we have acquired Wenner Bakery and Euroclassic, both in the United States, Crandon in Chile, Grand Duet in the Netherlands, Confeitaria Torres (Dias Martins e Lopes) in Portugal, and European Pastry and European Pastry Prod in Romania, as well as Dawn Foods' Frozen business in the countries: Germany, France, the Netherlands, and the United Kingdom.

We are constantly focused on quality. Our products must meet the highest quality and food safety standards. As part of our focus on quality, we are constantly investing in research and development to improve our products and their nutritional value.

3- Evolution and results

a. Main figures

Main economic figures

	Thousands of euros		%
	2022	2021	
Net turnover	1.121.500	845.578	32,6%
Adjusted EBITDA	155.143	120.229	29,0%
Operating result	74.341	48.820	52,3%
Profit attributable to the Parent Company	36.002	24.081	49,5%
Net investments	127.597	90.865	40,4%
Shareholders' funds attributable to the Parent Company	292.836	267.330	9,5%
Net financial debt	570.929	531.923	7,3%

The result of the Group has reached 36,002 thousand euros, an increase of 11,921 thousand euros compared to the year 2021.

Even with the improvement in the result of the financial year 2021, the effects of the COVID-19 pandemic had a negative impact on the result of the financial year 2021, where despite the gradual recovery of the volume of operations thanks to the progress of the pandemic data, the release of restrictions on restoration and mobility, the full normality of previous years was not achieved. In practically all the sectors and markets where the Group operates, the restrictions continued intermittently.

Said normality has been reached in the financial year 2022, exceeding the sales figure of the financial year 2019.

b. Evolution of results by segment

Net turnover by segment:

	Thousands of euros		%
	2022	2021	
Iberia	626.267	488.669	28,2%
USA	238.130	177.636	34,1%
Northern Europe	136.622	104.378	30,9%
Rest of the World	120.481	74.895	60,9%
Total	1.121.500	845.578	32,6%

The net turnover of the financial year 2022, has experienced an increase of 275,922 million euros, 32.6% compared to the financial year 2021. The main reasons for the increase in invoicing have been the following:

- In Iberia, 626.3 million euros have been reached, an increase of 28.2% compared to the previous year, where the turnover figure reached 488.7 million euros. The main reasons for the increase in turnover have been the increase in sales prices and the full recovery of the sectors most affected by COVID-19.
- In the United States, the Group has reached 238.1 million euros, an increase of 34.1% compared to the previous year, where the turnover amounted to 177.6 million euros, mainly due to the increase in prices of sales, new customers in the retail channel as well as the introduction of new products.
- In Northern Europe, the Group has reached 136.6 million euros, a growth of 30.9% compared to the previous year, where the turnover figure reached 104.4 million euros, mainly due to the increase in sales prices and the full recovery of sectors affected by the restrictions by COVID-19.
- The Rest of the World segment reached 120.5 million euros, an increase of 60.9% compared to the previous year, where the turnover amounted to 74.9 million euros. This increase in turnover is motivated by the increase in sales prices, the improvement in the volume of operations in Mexico, France, Italy, Romania and Chile and the boost in sales in countries such as Japan, Saudi Arabia, Switzerland, or South Korea.

Adjusted EBITDA:

Adjusted EBITDA is calculated as the operating result plus provisions for depreciation, impairment and disposals and non-recurring operating results.

This parameter is a useful measure of group performance by providing information to analyze profitability by approximating cash-generating operating flows.

The breakdown of adjusted EBITDA is as follows (in thousands of euros):

	Thousands of euros		%
	2022	2021	
Operating result	74.341	48.820	52,3%
Non-ordinary operating results (*)	9.599	3.982	141,1%
Allowances for depreciation and impairment	71.203	67.427	5,6%
Total adjusted EBITDA	155.143	120.229	29,0%

(*) Non-ordinary operating results include exceptional employee salaries, merger, and acquisition and restructuring costs.

c. Investment evolution

Investments for the year include growth investments and maintenance investments and other investments (in thousands of euros).

	Thousands of euros	
	2022	2021
Intangible assets (Note 8)	9.956	3.813
Tangible assets (Note 5)	117.641	87.051
Total investment	127.597	90.865

The Group has had the ability to adapt the investment plan to current demand and the needs, trends, and preferences of consumers. In this sense, we have focused investments on products with high added value and safe, sustainable, and innovative packaging.

Investments for the year in intangible assets include a client portfolio corresponding to the acquisition of the Frozen business from Dawn Foods for an amount of 7.6 million euros.

4- Non-Financial Information Statement

As of December 31, 2022, Europastry, S.A. is a subsidiary of Gallés Office, S.L., and at the same time, it is the Parent company of the Europastry subgroup.

As detailed in the resolution of the Institute of Accounting and Auditing of Accounts of February 2019, when a company dependent on a group is, in turn, the parent of a subgroup, it will be exempt from the obligation to present the non-financial information statement if the information relating to the company and its subsidiaries is included in the consolidated Report of Directors of the parent company.

Gallés Office, S.L., the parent company of Europastry, S.A., will deposit the annual accounts and the consolidated Report of Directors for the year 2021 in the Public Registry of Commerce of Barcelona. In this sense, the information related to the non-financial information statement of Europastry, S.A. and subsidiaries will be included in said consolidated Directors' Report.

5- Liquidity and capital resources

The net financial Debt as of December 31, 2022, amounts to 570.9 million euros and is calculated by adding the headings "Long and short-term debts with finance companies", "Other debts", "Derivatives and other instruments financial assets", lessened by "Cash and equivalent liquid assets).

	Thousands of euros	
	2022	2021
Debts with finance companies	651.641	576.440
Other debts	17.680	18.869
Derivatives and other financial instruments	(30.951)	1.638
Cash and equivalent liquid assets	(67.440)	(65.025)
Net financial debt	570.929	531.923

The syndicated loan, maturing in 2022, was restructured with the same companies in November 2021, and its new maturity is June 2025.

The loan includes an outstanding principal of 485 million euros and 64 million USD. Additionally, two tranches of 135 million euros and 60 million euros respectively are contemplated (available at 30 and 60 million euros, respectively), a revolving tranche of 50 million euros (30 million euros available as of December 31, 2022) and a credit facility of 26.5 million euros (fully available as of December 31, 2022).

The main amounts that make up the net financial debt refer to a syndicated loan with finance companies for a total maximum of 748 million euros and 64 million USD, maturing in June 2025.

This loan is made up of three tranches:

- Tranche A: Multi-currency loan divided into two sub-tranches for maximum amounts of 503 million euros and 64 million USD, respectively.
- Tranche B: A revolving credit line for a maximum amount of 50 million euros.
- Tranche C: Loan divided into two sub-tranches for a maximum amount of 135 million euros and 60 million euros respectively.

The interest rates applicable to all loans are indexed to Euribor or Libor (depending on the currency) plus a variable margin at market prices.

As of December 31, 2022, the gross debt drawn down amounted to 595 million euros and 64 million dollars, leaving 135 million euros undrawn.

At the end of the 2022 financial year, compliance by the Parent Company with the financial ratios contemplated in the syndicated loan contract has been positive in all cases.

Additionally, the Parent Company has credit policies, the limit of which amounts to 26.5 million euros and which as of December 31, 2022, is unavailable.

On the other hand, cash, and equivalent liquid assets as of December 31, 2022, amount to 67 million euros.

As of December 31, 2022, and 2021, the liquidity availabilities are as follows:

	Thousands of euros	
	2022	2021
Credit policies available	56.500	56.500
Undrawn loans (currency: euro)	105.000	195.000
Cash and equivalent liquid assets	67.440	65.025
Total	228.940	316.525

The other debts heading includes debts pending payment for business combination operations and lease debts (IFRS-16), amounting to 3 million euros and 15.8 million euros respectively.

6- Main risks and uncertainties

The Europastry Group has been managed with conservative criteria, to increase management efficiency and improve its mid- and non-current results. The risk diversification in management is implemented through:

- a) The business segment diversification per region, which, although related always to food, generates different circumstances and purchasing decisions.
- b) The customer diversification, aimed at managing a larger number of portfolios with balances of a lower amount (there is no customer that represents more than 10% of the global billing).
- c) The product range diversification, aimed at satisfying its customers as much as possible, at covering a larger range of potential customers in the market and at diluting the threats on the margin drop of specific products due to the action of competition; and
- d) The depth of investment studies, aimed at decreasing the uncertainty of the results.

The Europastry Group has established risk identification, valuation, management, and information systems, which cover the total of activities developed by the Group. They are systems with which regulatory and business, credit, occupational and technology risks are covered.

The following describes the control systems to assess, mitigate or decrease the main risks of the Parent Company and its group:

Regulatory risk

The Group, that develops its activity in the production and marketing of pre-baked bread, frozen pastries and other food products, is subject to an entire series of legal provisions that are basically ruled by the European Union through the Regulations (EC) 178/2002, of January 28, the basic standard directly and generally applying to all European Union member countries, that establishes the general principles and requirements of food law, creates the European Food Safety Authority, and defines procedures stocks food safety.

In terms of food safety, we must highlight the absence of incidents and the continuous development of an HACCP (Hazard Analysis and Critical Control Point) system, which meets the requirements established by Spanish and European Union legislation, as well as North American legislation, in compliance with the FSMA (Food Safety Modernization Act).

Risk for R&D technological gap

The Group, through its R&D department, offers coverage to the main lines of business, facilitating the development and innovation of new products and processes that allow capitalizing in the market the launching of new products and be a leader of the frozen pastries sector.

Occupational risks

Since the Group's business basis is an industrial activity and most of the employees are in factories, the control and prevention of the occupational risks is very important therefor.

The object of the Group's policy in terms of prevention of occupational risks is the promotion of work conditions improvement, aimed at raising the level of health and safety protection of workers at the workplace. There are protocols applicable to prevent possible losses, which include evacuation plans, first aid... Likewise, there are specific programs aimed at promoting the improvement of the work environment and the improvement of protection levels, standing out among said programs the training courses to employees of the Group and the acquisition of materials and facilities to perform the task.

Credit risk

The Group records impairment losses to the amount that represents its best estimate of the losses incurred. Given the characteristics of the sector and the automation of the portfolio of customers, as well as the fact that no credit insurance is contracted, the credit risk of its trade debtors is monitored closely, establishing a systematic policy of provision due to insolvencies based on the aging of the accounts receivable. In this sense, using the model defined by the company, default of payment by the maturity date would constitute objective evidence of impairment.

The marketing risks committees have established tables or templates by customer, which include the acceptable risk limit for each customer classification, as well as the possible bonuses and volume discounts. Said committees prepare every month a list with the aging of balances to collect from our customers, the aging of said balance, its origin and the processes carried out for collection. After a certain aging, this is sent to legal advisers of the Group for the corresponding claim through judicial proceedings.

The maximum exposure to credit risk of the group as of December 31, (in thousands of euros) is broken down below:

	Thousands of euros	
	2022	2021
Fixed income securities and receivables	84	233
Deposits and bonds	785	684
Other financial assets	8.614	10.045
Trade debts and other receivables	131.254	78.848
Maximum exposure to credit risk	140.737	89.810

Exchange rate risk

The exchange rate risk to which the Group is exposed arises from business transactions, recognized assets and liabilities and net investments in business operations conducted in countries with a currency other than the euro.

In this sense, as shown under the consolidated Equity, exposure to this risk is limited and the Group is primarily operating in countries with stable exchange rate fluctuations and with a high level of predictability, while maintaining a low level of transactions carried out in countries with exchange rates that are less predictable. Additionally, the Group has financial debt lines denominated in US dollars, thereby decreasing as far as possible the effect from potential fluctuations, and consequently the impact on the value of the Group's net assets.

Currency	Change	Impact on consolidated		
		results	Impact on equity	Impact on debt in USD
USD	(15%)	(840)	(6.110)	(9.600)
USD	(10%)	(560)	(4.074)	(6.400)
USD	(5%)	(280)	(2.037)	(3.200)
USD	5%	280	2.037	3.200
USD	10%	560	4.074	6.400
USD	15%	840	6.110	9.600

Interest rate risk

The Group's interest rate risk arises from external funds that it holds at variable rates, which exposes the Group to the interest rate risks of cash flows.

The objective of the risk management of interest rate risk is to reach a balance in the debt structure that allows for the element of volatility in the income statement to be minimized.

In this regard, the Group uses derivative financial instruments to manage its financial risk associated with changes in interest rates. These derivative financial instruments have been considered as cash flow hedges and have been recognized at fair value, accounting for changes in value with a counterpart to Adjustments for changes in value, in consolidated Equity (see Note 19). Through these, the Group reaches the level of exposure to the volatility of the exchange rate that it considers appropriate. As indicated in note 19, the nominal amount covered by the derivative amounts to 251.5 million euros and corresponds to tranche A of the syndicated loan. That is why the changes shown below only have an impact on the total uncovered debt.

Interest rate change	(2%)	(1%)	1%	2%
Financial cost	(2.874)	(1.437)	1.437	2.874

Liquidity risk

The Group maintains some liquidity policies that ensure compliance with the payment commitments acquired, diversifying the hedging of the financing needs and the maturities of the debt. A prudent management of liquidity risk includes the holding of sufficient cash and liquid assets and the availability of funds of sufficient amounts to cover the lending obligations.

Risk on price of raw materials

The Group is exposed to risk due to changes in the price of the raw materials it uses in the framework of its production process, given that possible upward changes in the prices of raw materials could increase the volume of consumption recorded in the consolidated results, reducing the Group's Operating Income. In this sense, a sensitivity table is presented below, which reflects the impact that the change in the price of flour and butters / fats, being the main raw materials that the Group:

Impact on results due to purchase price changes	Thousands of euros
5% increase	(10.888)
3% increase	(6.533)
3% decrease	6.533
5% decrease	10.888

The Group minimizes the potential risk derived from the increase in the cost of raw materials with active management that seeks to guarantee their supply in the medium term, actively managing its purchasing policy, complementing it with marketing policies that adapt to these possible tensions in the prices of raw materials.

7- R+D+i activities

Our research and development center, which we refer to as "Cereal", or the Advanced Laboratory of the Center for Research in Europe, has the mission of researching and undertaking technological innovations through the creation of new products and production processes. It has more than 30 employees with extensive experience in our industry dedicated to research and development. "Cereal" researches and monitors new technologies to improve our products and production processes and studies new raw materials, nutrition, and product packaging on a European and international level. In addition to the independent development of new products, which we present to customers through updated product portfolios three times a year, "Cereal" also develops new products in close cooperation and following the indications of our customers. Finally, it also develops and supervises compliance with our quality policies regarding the technologies used, as well as our production practices and environmental regulations, with an emphasis on food safety.

Our internal microbiology laboratory has obtained certification according to the International Organization for Standardization ("ISO") 17025 from the Spanish National Accreditation Entity (ENAC). Obtaining this certification demonstrates our desire to provide quality products.

We have remained a leader in the global frozen baked goods market by developing new products and adapting to changing consumer preferences, preserving the qualities of traditional baked goods, and remaining concerned about the nutrition of our products. In addition, the profit margins of the new products developed by "Cereal" have traditionally been higher than those of existing products.

8- Health and environment

In addition to complying with the regulations on licenses and permits required for the operation of our production centers, we have obtained numerous voluntary certifications that reflect our commitment to preserve high food safety standards for our products.

Most of our production centers in Europe are certified in food safety by the British Retail Consortium's Global Standard (BCR Global Standard), while our production centers in Rubí, Vallmoll and Oldenzaal are also certified in food safety according to IFS (International Food Standard). In the United States, we are certified by the U.S. Food and Drug Administration on food safety, which protects and safeguards public health. Our product ranges of Dots, doughnuts and Muffins are certified for food quality and safety in accordance with the International Food Standard.

Our Rubí production center has obtained ISO 14001 and has also obtained occupational health and safety certification according to the Occupational Health and Safety Assessment (OHSAS 18001). In addition, our Viennoiserie Caprice pastry production center (in the Sarral plant) is Kosher certified and, regarding our Dots, doughnuts and muffins, Halal certified.

9- Acquisition of own shares

As of December 31, 2022, and 2021, the parent company did not have own shares. Additionally, neither in financial year 2022 nor in financial year 2021 have there been purchases and sales of own shares of the Parent Company.

10- Average payment period

For the purposes of the provisions of the second additional provision of Act 31/2014, of December 3, for the Parent Company, the average payment to suppliers for the financial year 2022 and 2021 is as follows:

	2022	2021
	Days	Days
Average payment period to suppliers	93	92
Ratio of operations paid	93	91
Ratio of operations pending payment	95	99

	Thousands of euros	
Total payments made	463.320	386.540
Total outstanding payments	127.576	84.476

It should be considered that the Company carries out financing negotiations, the cost of which is included in the purchase price, for all those suppliers in which the effective payment term is greater than the legal term, thus adjusting to the requirements established by Act 15/ 2010.

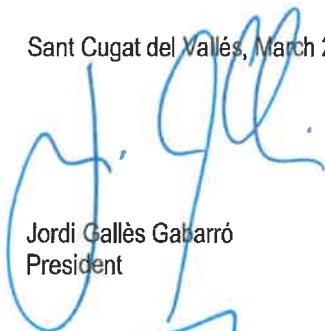
11- Subsequent events

No significant subsequent events have occurred between the year-end date and the date of preparation of the consolidated annual accounts.

Sant Cugat del Vallés, March 28, 2023

The Board of Directors of EUROPASTRY, S.A. proceed to prepare the consolidated annual accounts for the year ended December 31, 2022, which comprise the consolidated statement of financial position, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the statement of changes in equity, the consolidated statement of cash flows and the consolidated notes, made up of pages 1 to 70, appendix I and the consolidated management report, made up of pages 1 to 12, which are attached in the annexed documents preceding this document.

Sant Cugat del Valès, March 28th, 2023



Jordi Gallès Gabarró
President



Eva Gallès Gabarró
(Galles Office, S.L.)
Director



Ramón Núñez Cabezón
(Loftus, S.L.)
Director



José María Muñoz Domínguez
(Whitley, S.L.)
Director



Jordi Morral Hospital
Director



Inés Arnau Almirall
Director