EL CORTE INGLÉS CONSOLIDATED GROUP

FINANCIAL REPORT 2019

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

EL CORTE INGLÉS, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and Management Report
for the year ended
February 29, 2020 (2019 financial year)

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

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

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of EL CORTE INGLÉS, S.A. (the Parent) and its subsidiaries (the Group), which comprise the balance sheet at February 29, 2020, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, and the notes thereto, all consolidated for the year then ended (2019 financial year).

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at February 29, 2020 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (EU-IFRS), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

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

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

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

Domicilio Social: C/ Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Key audit matters

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

Impairment of property, plant and equipment and investment properties

Description	As explained in Notes 5 and 6 to the accompanying consolidated financial statements, at February 29, 2020 the Group presents "Property, plant, and equipment" and "Investment properties" amounting to 11,165,404 thousand euros and 318,104 thousand euros, respectively. "Property, plant and equipment" includes primarily net investments made in shopping centers, hypermarkets, supermarkets and nearby stores operated by the Group as well as other corporate assets, such as logistics centers, offices, land for future developments, etc. Investment properties correspond to assets held to earn rentals. In accordance with the applicable financial reporting framework, the Group must perform an impairment test on its properties, including those relating to its core business as well as its "investment properties" (each of them defined as a separate cash-generating unit) when there is indication of potential impairment. The valuation of the Group's shopping centers is conducted primarily using fair value (based on an appraisal carried out by an independent expert), less cost of sales. In practice, it is the Group's policy to engage an independent appraiser to carry out a valuation of almost all of its shopping centers at each year-end. This matter is key in the context of our audit given that the valuation process for properties is complex and requires that the independent appraiser and management make significant estimates (primarily, cash flows and rental income estimates, reversal values, discount rate, arithmetical calculations, and sensitivity analysis). The principal criteria applied in determining the recoverable amount of the assets as well as any impairment included in "Property, plant and equipment" and shopping centers are described in Notes 4.2.5 to the accompanying consolidated financial statements.
Our response	With regard to this matter, our audit procedures included: ▶ Understanding the process used by Group management to determine the existence of impaired items and their quantification of "Property, plant and equipment" and "Investment properties." ▶ Reviewing, in collaboration with our valuation experts, the reasonableness of the methodology used to assess the impairment and verifying the consistency of this methodology with the applicable financial reporting framework. ▶ Reviewing, for a sample of assets, in collaboration with our valuation experts, the consistency and reasonableness of the hypotheses used when calculating their fair value. ▶ Reviewing, for a sample of assets, the accuracy of the arithmetical calculations made to determine their recoverable amount. ▶ Reviewing the disclosures included in the notes to the financial statements in accordance with the regulatory reporting framework applicable to the Group.

Recoverability of deferred tax assets

Description	As stated in Note 22.5 to the accompanying consolidated financial statements, at February 29, 2020, the Group presents deferred tax assets amounting to 861,868 thousand euros. As explained in Notes 2.3 and 4.2.10 to the accompanying consolidated financial statements, the assessment made by Group management to determine the recoverable amount of deferred tax assets depends on the amounts and dates on which future taxable profits will be obtained and the reversion period of taxable temporary differences. This is a key audit matter due to the fact that the valuation process is complex and requires that Parent management make significant estimates and judgments, specifically, on future economic and market conditions that could affect the Group.
Our response	In this regard, our audit procedures included: ▶ Understanding the process used by Group management to determine the recoverable amount of deferred tax assets recognized at year end. ▶ Analyzing the recoverability of deferred tax assets as well as whether they were correctly accounted for in the accompanying consolidated financial statements, based on the evaluation of the reasonableness of the hypotheses assumed by management to estimate the recovery period. Specifically, we focused our analysis on economic and financial hypotheses as well as on the model used to make the economic projections for estimating future taxable profit, in collaboration with our valuation specialists. ▶ Assessing, in collaboration with our tax specialists, the principal corporate income tax law considerations supporting the Parent management's analysis. ▶ Reviewing the disclosures included in the notes to the accompanying consolidated financial statements in accordance with the regulatory reporting framework applicable to the Group.

Valuation of inventories Description

Description	As stated in Note 12 to the accompanying consolidated financial statements, at February 29, 2020, the Group's consolidated balance sheet reflects inventories amounting to 2,089,107 thousand euros, which represent 12% of its total assets valued as described in Note 4.2.7 to the consolidated financial statements. These inventories mainly correspond to a high number of items from different categories (fashion, beauty, technology, decoration, household items, sport, etc.) which are sold in the various types of commercial establishments offered by the Group, as well as via its online sales platform. The items are stored primarily in the Group's points of sale and in its three main logistics centers. Given the nature of the Group's business, inventory reflects high rotation and for a significant percentage, sale prices can vary significantly depending on the time of year (decreasing during sales seasons).

We have determined this to be a key audit matter in view of the quantitative significance of inventory amounts, the relevance of judgments and hypotheses applied by Group management in determining both the cost and recoverable amount of inventories, as well as the complexity of the technological environment supporting inventory valuation.

Our response

In this regard, our audit procedures included:

- Understanding the inventory management and valuation process as well as identifying the related relevant controls and analyzing their design and implementation.
- Testing the operating efficiency of the identified relevant controls, in collaboration with our IT specialists.
- Reviewing the valuation, at cost or net realizable value, of inventories via substantive tests performed for a representative samples.
- Reviewing the disclosures included in the notes to the accompanying consolidated financial statements in accordance with the regulatory reporting framework applicable to the Group.

IT systems related to revenue recognition for the Group's retail and travel businesses

Description

The majority of the sales recorded by the Group pertain to a high volume of independent transactions related to its retail and travel businesses that are for insignificant amounts when considered individually. These sales are carried out in its network of department stores, hypermarkets, supermarkets and nearby stores, and other establishments, as well as via its online sales platform.

Sales related to retail and travel businesses both in traditional stores as well as online can be characterized as highly automated and are supported through interaction between a number of highly complex IT applications. As a result, the recognition of this type of revenue is heavily dependent upon the correct functioning of IT systems.

In this context, maintenance of an adequate internal control environment for IT systems is essential to guarantee proper functioning and thus, the correct processing of this revenue.

We determined this area to be a key audit matter due to the increased risk of material misstatement and the effort required of us during the course of our audit work, given the nature and scope of the work performed, to analyze the high volume of transactions carried out, as well as the complexity and high automation of the IT systems supporting revenue recognition for the retail and travel businesses.

Our response

In this regard, our audit procedures included:

- Identifying and understanding key IT systems supporting the revenue recognition process for the retail and travel businesses and the related internal control. Our procedures consisted in reviewing the existence of IT security policies, reading and analyzing the Group's IT procedures as well as its structure, governance, and organization. In addition, we carried out a tax inspection of the main data processing center that houses the technological infrastructure supporting revenue recognition for the retail and travel businesses.

- Evaluating, in collaboration with our IT systems experts, the design, implementation, and operational effectiveness of overall controls applied to access management, program changes, and other general controls, in addition to the key application involved in the revenue recognition process for the retail and travel businesses.
- Evaluating, in collaboration with our IT systems experts, the design, implementation, and operational effectiveness of key automated controls applied to the revenue recognition process for the retail and travel businesses.
- Conducting tests of the daily ledger of the Group's main subsidiaries to identify manual and unusual entries impacting revenue not recorded via key IT applications supporting the automated revenue recognition process for the retail and travel businesses.
- Performing substantive test on sales based on a selected sample.

Matter-of-emphasis paragraph

We draw your attention to the event after the reporting period included in Note 26.3 to the accompanying consolidated financial statements, which describes the effects that the situation brought on by the COVID-19 crisis could have on the Group's future operations, as well as the measures taken by the directors and management to address it. Our opinion was not modified with respect to this matter.

Other information: Consolidated management report

Other information refers exclusively to the consolidated management report for the year ended February 29, 2020, the preparation of which is the responsibility of the Parent's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

a. A specific level applicable to non-financial information as stated in the art. 35.2. b) of the Law 22/2015, on Auditing, which solely requires that we verify whether said information has been included in the management report, or if applicable, that the management report includes the corresponding reference to the separate report on non-financial information as required by regulations, and if not, disclose this fact.

b. A general level applicable to the remaining information included in the consolidated management report, which requires us to evaluate and report on the consistency of said information in the consolidated financial statements, based on knowledge of the Group obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the non-financial information referred to in paragraph a) above is provided in the separate report on non-financial information which is referred to in the consolidated management report, and that the remaining information contained therein is consistent with that provided in the consolidated financial statements for the year ended February 29, 2020 and their content and presentation are in conformity with applicable regulations.

Responsibilities of the Parent's directors and the audit and control committee for the consolidated financial statements

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

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

Among other issues, we communicate with the Parent's audit and control committee regarding the planned scope and time of production of the audit, and the significant findings of the audit, as well as any significant faults in the internal control which we identify during the audit.

We also provide the audit and control committee of the Parent with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Parent's audit and control committee, we determine those that were of most significance in the audit of the consolidated financial statements for the current period, and that are therefore considered the key audit issues.

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

Report on other legal and regulatory requirements

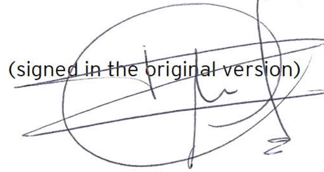
Additional report for the Parent's audit and control committee

The opinion given in this report is coherent with what is set out in our additional report for the Parent's audit and control committee dated 17 of June of 2020.

Term of engagement

During the Ordinary General Shareholders' Meeting held on August 28, 2016, we were appointed auditors for a period of three years, commencing the year ended February 28, 2018.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under No. S0530)



(signed in the original version)

José Luis Ruiz
(Registered in the Official Register of Auditors under No. 5217

June 17, 2020

CONSOLIDATED FINANCIAL STATEMENTS FOR 2019

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Consolidated Financial Statements for 2019 drawn up in accordance with the international financial reporting standards adopted by the European Union

EL CORTE INGLÉS CONSOLIDATED GROUP

CONSOLIDATED BALANCE SHEET AT 29 FEBRUARY 2020

ASSETS	Notes	Year 2019	Year 2018
Property, plant and equipment	Note 5	11,165,404	11,826,005
Investment property	Note 6	318,104	184,219
Rights of use	Note 9.1	553,987	-
Goodwill	Note 7	10,688	10,688
Other intangible assets	Note 8	568,679	573,264
Non-current currents and other financial assets		11,642	11,765
Investments accounted for using the equity method	Note 10	294,985	313,516
Non-current financial assets	Note 11	989,773	1,001,795
Deferred tax assets	Note 22.5	861,868	898,417
TOTAL NON-CURRENT ASSETS		14,775,130	14,819,669
Non-current assets held for sale	Note 4.2.15	363,701	-
Inventories	Note 12	2,089,107	2,128,294
Trade and other receivables	Note 13	399,557	644,250
Receivables, associated companies and related parties	Note 24.1	7,148	33,119
Current tax assets		3,905	1,675
Investments in associated companies and related parties	Note 24.1	2,140	2,019
Current financial assets	Note 11	36,953	34,015
Other current assets		43,329	47,445
Cash and other cash equivalents	Note 14	209,508	233,552
TOTAL CURRENT ASSETS		3,155,348	3,124,369
TOTAL ASSETS		17,930,478	17,944,038

Amounts in thousands of euros.

Notes 1 to 26 are an integral part of the consolidated balance sheet at 29 February 2020.

EL CORTE INGLÉS CONSOLIDATED GROUP

CONSOLIDATED BALANCE SHEET AT 29 FEBRUARY 2020

EQUITY AND LIABILITIES	Notes of the Report	Year 2019	Year 2018
Capital	Note 15.1	486,864	486,864
Reserves		8,084,296	7,974,234
- Legal	Note 15.2	97,373	97,373
- Other reserves	Note 15.3	7,986,923	7,876,861
Financial year profit/(loss) attributed to the parent		308,199	256,188
Translation differences		(12,111)	(11,792)
Treasury shares	Note 15.4	(404,736)	(215,413)
Valuation adjustments		32,863	22,332
- Financial assets available for sale		16,072	6,203
- Hedging operations		16,792	16,129
Non-controlling interests	Note 15.6	22,084	19,245
TOTAL EQUITY	Note 15.7	8,517,459	8,531,658
Non-current provisions	Note 16.1	1,087,878	948,172
Non-current debentures and other marketable securities	Note 17	1,240,400	1,389,400
Non-current debts with credit entities	Note 17	1,033,625	1,381,628
Non-current debts with associated companies and related parties	Note 24.1	48,649	48,655
Long-term lease liability	Notes 17 / 9.1	472,393	-
Other financial liabilities	Note 17	60,400	89,634
Fixed asset providers		15,325	26,142
Deferred tax liabilities	Note 22.5	872,742	872,595
TOTAL NON-CURRENT LIABILITIES		4,831,412	4,756,226
Non-current liabilities held for sale	Note 4.2.15	265,825	-
Current provisions	Note 16.1	49,115	34,467
Current debentures and other marketable securities	Note 17	580,709	529,541
Current debts with credit entities	Note 17	27,943	306,520
Current debts with associated companies and related parties	Note 24.1	40,521	109,066
Short-term lease liability	Notes 17 / 9.1	124,419	-
Other current financial liabilities	Note 17	-	6,732
Fixed asset providers		134,326	141,441
Trade and other payables	Note 21	3,305,484	3,503,268
Suppliers, associated companies and related parties	Note 24.1	12,963	6,299
Current tax liabilities		13,030	13,215
Accruals		27,272	5,605
TOTAL CURRENT LIABILITIES		4,581,607	4,656,154
TOTAL EQUITY AND LIABILITIES		17,930,478	17,944,038

Amounts in thousands of euros.

Notes 1 to 26 are an integral part of the consolidated balance sheet at 29 February 2020.

GRUPO El Corte Inglés

EL CORTE INGLÉS CONSOLIDATED GROUP

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR 2019

	Notes	Year 2019	Year 2018 (*)
Net turnover	Note 23.1	15,260,778	15,086,501
- Sales		12,019,371	11,902,140
- Services rendered		3,241,407	3,184,361
Supplies	Note 23.2	(10,756,368)	(10,594,353)
Personnel expenses	Note 23.3	(2,390,931)	(2,427,112)
Other operating income and expenses	Note 23.4	(888,763)	(1,024,147)
Amortisation and depreciation	Notes 5, 6 and 8	(630,213)	(498,619)
Excess provisions, impairment and gains or losses on disposals of assets and other income	Notes 5 and 8	(63,972)	(104,159)
Employee benefit obligations		(34,351)	(45,726)
PROFIT/(LOSS) FROM OPERATIONS		496,180	392,385
Finance income	Note 23.5	2,187	1,580
Finance expenses	Note 23.5	(112,894)	(195,249)
Finance lease expenses	Note 23.5	(15,106)	-
Change in fair value of financial instruments	Notes 11 and 19	(10,689)	(17,641)
Result of companies accounted for using the equity method	Note 10	50,307	47,709
Exchange gains/losses		455	1,026
Impairment and gains/(losses) on sale of financial instruments	Note 10	(21,568)	(1,964)
FINANCIAL PROFIT/(LOSS)		(107,308)	(164,538)
PROFIT/(LOSS) BEFORE TAXES		388,872	227,846
Corporate income tax	Note 22.3	(90,225)	(57,789)
PROFIT/(LOSS) OF THE YEAR FOR ONGOING OPERATIONS		298,647	170,057
Profit after tax from discontinued operations	Note 4.2.15	11,387	88,154
FINANCIAL YEAR PROFIT/(LOSS)		310,034	258,212
Profit attributable to non-controlling interests	Note 15.6	(1,835)	(2,023)
PROFIT ATTRIBUTABLE TO THE PARENT		308,199	256,188

Amounts in thousands of euros.

Notes 1 to 26 are an integral part of the consolidated profit and loss statement of the year ending on 29 February 2020.

(*) Figures modified for comparative purposes. See Note 2.4

EL CORTE INGLÉS CONSOLIDATED GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 2019

STATEMENT OF INCOME AND EXPENSES RECOGNISED IN THE STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Notes	Year 2019	Year 2018
FINANCIAL YEAR PROFIT/(LOSS)(I)		310,034	258,211
Income and expenses attributed directly to net equity			
- Measurement of financial instruments	Note 15.5	14,765	(13,667)
- Cash flow hedging	Note 19	1,464	21,778
- Translation differences		(319)	(1,983)
- Tax effect	Note 22.2	(4,057)	(2,028)
- Effect of tax rate change		-	50
TOTAL INCOME AND EXPENSES ATTRIBUTED DIRECTLY TO EQUITY (II)		11,853	4,150
Transfers to the profit and loss statement			
- Measurement of financial instruments	Note 15.5	(1,607)	(1,922)
- Cash flow hedging	Note 19	(580)	(1,972)
- Tax effect	Note 22.2	547	974
TOTAL TRANSFERS TO THE PROFIT AND LOSS STATEMENT (III)		(1,640)	(2,920)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD (I+II+III)		320,247	259,441
TOTAL CONSOLIDATED COMPREHENSIVE INCOME OF THE PARENT COMPANY		322,081	261,464
TOTAL CONSOLIDATED COMPREHENSIVE INCOME OF NON-CONTROLLING INTERESTS		(1,835)	(2,023)

Amounts in thousands of euros.

The accompanying Notes 1 to 26 form an integral part of the statement of income and expenses recognised in the statement of changes in consolidated equity for the year ended 29 February 2020.

EL CORTE INGLÉS CONSOLIDATED GROUP

STATEMENT OF TOTAL CHANGES IN NET EQUITY 2019

		Reserves									
	Capital	Legal	Other reserves	Total	Other net equity instruments	Treasury shares	Reserves in consolidated companies	Profit attributable to the parent	Valuation adjustments and translation differences	Non-controlling interests	TOTAL
2018 OPENING BALANCE	486,864	97,373	6,835,504	6,932,877	1,000,000	(1,326,121)	1,177,116	200,566	9,309	17,448	8,498,059
Adjustment criteria	-	-	(69,603)	(69,603)	-	-	(21,495)	-	-	-	(91,097)
Total consolidated comprehensive income	-	-	-	-	-	-	-	256,188	1,230	2,023	259,441
Transactions with shareholders	-	-	180,234	180,234	(1,000,000)	1,110,708	(44,668)	(200,566)	-	-	45,708
- Profit distribution FY2017	-	-	180,234	180,234	-	-	(44,668)	(200,566)	-	-	(65,000)
To dividends	-	-	-	-	-	-	-	(65,000)	-	-	(65,000)
To reserves	-	-	180,234	180,234	-	-	(44,668)	(135,566)	-	-	-
- Treasury share transactions (net)	-	-	-	-	(1,000,000)	1,110,708	-	-	-	-	110,708
Other changes to net equity -See Note 4.2.8.c	-	-	(152,548)	(152,548)	-	-	(27,679)	-	-	(225)	(180,452)
2018 CLOSING BALANCE	486,864	97,373	6,793,587	6,890,960	-	(215,413)	1,083,274	256,188	10,539	19,246	8,531,658
Total consolidated comprehensive income	-	-		-	-	-	-	308,199	10,213	549	318,961
Transactions with shareholders	-	-	158,048	158,048	-	(189,323)	23,140	(256,188)	-	-	(264,323)
- Profit distribution FY2018	-	-	158,048	158,048	-	-	23,140	(256,188)	-	-	(75,000)
To dividends	-	-	-	-	-	-	-	(75,000)	-	-	(75,000)
To reserves	-	-	158,048	158,048	-	-	23,140	(181,188)	-	-	-
- Treasury share transactions (net)	-	-	-	-	-	(189,323)	-	-	-	-	(189,323)
Other changes to net equity	-	-	(71,095)	(71,095)	-	-	(31)	-	-	2,289	(68,837)
2019 CLOSING BALANCE	486,864	97,373	6,880,540	6,977,913	-	(404,736)	1,106,383	308,199	20,752	22,084	8,517,459

Amounts in thousands of euros.

The accompanying Notes 1 to 26 form an integral part of the total statement of changes in consolidated equity for the year ended 29 February 2020.

EL CORTE INGLÉS CONSOLIDATED GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS 2019

	Notes	Year 2019	Year 2018(*)
CASH FLOWS FROM OPERATING ACTIVITIES (I)		1,048,879	713,083
Profit/(loss) before tax from continuing operations		388,872	227,844
Adjustments to profit/(loss)		832,927	728,297
- Amortisation and depreciation	Notes 5, 6 and 8	630,213	498,619
- Valuation allowances for impairment losses	Note 5	69,769	79,790
- Change in provisions		66,170	79,543
- Proceeds from disposals of fixed assets	Note 5	(54,747)	(119,036)
- Proceeds from disposals of financial instruments		21,568	1,966
- Finance income	Note 23.5	(2,187)	(1,580)
- Finance expenses	Note 23.5	128,000	195,249
- Exchange gains/(losses)		(455)	(1,026)
- Change in fair value of financial instruments	Notes 11 and 19	10,689	17,641
- Result of companies accounted for using the equity method		(50,307)	(47,709)
- Profit after tax from discontinued operations		11,387	16,090
- Other adjustments to profit/(loss)		3,415	-
- Adjustments to profit/(loss) from discontinued operations		(588)	8,750
Changes in current capital		41,852	4,283
- Inventories		(18,222)	(61,348)
- Trade and other receivables		45,324	108,034
- Other current assets		(2,924)	803
- Trade and other payables		(20,695)	34,560
- Other current liabilities		15,830	(31,291)
- Other non-current assets and liabilities		(14,669)	(47,548)
- Changes in current capital from discontinued operations		37,208	1,073
Other cash flows from operating activities		(214,772)	(247,341)
- Interest paid		(136,830)	(173,822)
- Dividends received		120	55
- Interest received		2,067	1,525
- Collections (payments) for income tax		(39,780)	(26,780)
- Other collections (payments)		(40,349)	(48,319)
CASH FLOWS FROM INVESTING ACTIVITIES (II)		(146,508)	(79,749)
Payments for investments		(352,940)	(397,523)
- Intangible fixed assets	Note 8	(117,130)	(114,438)
- Property, plant and equipment	Note 5	(226,261)	(275,299)
- Investment property	Note 6	(105)	(47)
- Other financial assets		(111)	(480)
- Payments for investments from discontinued operations		(9,333)	(7,259)
Proceeds from sale of investments		206,432	317,774
- Associated and other related companies		2,131	1,927
- Intangible fixed, material and property assets		201,905	219,266
- Other financial assets		2,396	17,524
- Discontinued operations		-	79,057
CASH FLOWS FROM FINANCING ACTIVITIES (III)		(926,870)	(613,366)
Proceeds from and payments for equity instruments		(45,635)	(44,624)
- Acquisition of own equity instruments		(45,316)	(42,642)
- Translation differences		(319)	(1,982)
Proceeds from and payments for financial liability instruments		(806,235)	(429,735)
- Repayment and amortisation of debentures and other marketable securities		(149,000)	(1,101,671)
- Repayment and amortisation of debt with financial institutions		(541,769)	(277,457)
- Repayment and amortisation of debts with Group companies and associates		(1,226)	534
- Repayment and amortisation of other debts		8,787	(45,401)
- Repayment and amortisation of debt from discontinued operations		(65,493)	2,713
- Issue of bonds and other marketable securities		57,132	787,631
- Issue of debt with financial institutions		-	139,379
- Issue of debt with Group companies and associates		-	55,055
- Issue of other debt		-	3,517
- Debt for operating leases (IFRS 16)		(127,629)	-
- Issue of debt from discontinued operations		12,963	5,965
Dividends and interest on other equity instruments paid		(75,000)	(139,007)
- Dividends		(75,000)	(65,000)
- Remuneration from other equity instruments		-	(74,007)
EFFECT OF EXCHANGE RATE CHANGES (IV)		455	1,026
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		(24,044)	20,994
Cash or cash equivalents at the start of the financial year		233,552	212,558
Cash or cash equivalents at the end of the financial year		209,508	233,552

Amounts in thousands of euros.

The accompanying Notes 1 to 26 form an integral part of the statement of consolidated cash flow for the year ended 29 February 2020.

(*) Figures modified for comparative purposes. See Note 2.4

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 29 FEBRUARY 2020

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EL CORTE INGLÉS CONSOLIDATED GROUP

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 29 FEBRUARY 2020

1. COMPANY ACTIVITY AND IDENTIFICATION INFORMATION

The Parent Company El Corte Inglés, S.A. (hereinafter referred to as the "Company") is a company constituted in Spain in accordance with the Corporate Enterprises Act. The Company's registered business address is in Madrid at Calle Hermosilla 112.

The primary activity of El Corte Inglés, S.A. and its consolidated subsidiaries entails the retail sale of consumer goods and the provision of an extensive range of services (travel agency, insurance brokerage, insurance coverage, IT consultancy, etc.), to which end it relies on a network of department stores, hypermarkets, supermarkets, convenience stores, delegations and digital platforms.

The Parent Company heads a group of subsidiaries and, as stipulated by the pertinent legislation currently in force, must separately draw up consolidated financial statements, which also include holdings in joint ventures and associated investments. The consolidated financial statements of the El Corte Inglés Group (hereinafter referred to as the "Group") for year ending on 29 February 2020 were drawn up by the Parent Company's Administrators in a meeting of the Board of Directors held on 16 June 2020 and will be submitted to the General Shareholders' Meeting for approval, which is expected to be passed without any changes whatsoever. The 2018 consolidated financial statements were approved by the General Shareholders' Meeting of El Corte Inglés, S.A. held on 25 August 2019 and filed at the Companies Registry of Madrid.

The financial year of El Corte Inglés, S.A. and most of its subsidiaries begins on 1 March of each year and ends on 28 February of the following year (29 February in leap years). There are some subsidiaries and associates, however, whose financial years coincide with the calendar year. The most relevant are Seguros El Corte Inglés, Vida, Pensiones y Reaseguros, S.A. and Centro de Seguros y Servicios. Correduría de Seguros, S.A., for which the financial year has been determined in accordance with Royal Legislative Decree 6/2004, approving the consolidated text of the Spanish Private Insurance Regulation and Supervision Act. The 12-month year ending on 29 February 2020 in these statements is referred to as "Year 2019"; the year ended on 28 February 2019 as "Year 2018" and so on.

The information on the companies (none listed on a stock exchange) constituting the El Corte Inglés Group included in the consolidation at 29 February 2020 is as follows:

Company		Activity	Location	Auditor	Percentage Stake Direct	Indirect
Parent:						
El Corte Inglés, S.A.	(a)	Department stores	Madrid	EY	-	-
Group Companies:						
Construcción, Promociones e Instalaciones, S.A.	(a)	Constructions and installation	Madrid	EY	100.00	-
Editorial Centro de Estudios Ramón Areces, S.A.	(a)	Editorial	Madrid	EY	100.00	-
Centro de Seguros y Servicios. Correduría de Seguros, S.A., Grupo de Seguros El Corte Inglés	(b)	Insurance brokerage	Madrid	EY	100.00	-
Seguros El Corte Inglés, Vida, Pensiones y Reaseguros, S.A.	(b)	Insurance	Madrid	EY	100.00	-
E.C.I. Hong – Kong Limited	(b)	Purchasing centre	China	Baker Tilly China	100.00	-
E.C.I. Shanghai Limited	(b)	Purchasing centre	China	Baker Tilly China	100.00	-
Supercor, S.A.	(a)	Supermarkets	Madrid	EY	100.00	-
Canal Club de Distribución de Ocio y Cultura, S.A.	(a)	Direct sale by catalogue and television	Madrid	-	75.00	-
El Corte Inglés-Grandes Armazéns, S.A.	(a)	Department stores	Portugal	EY	100.00	-
Uría Veinte, S.A.U.	(a)	Property rental	Madrid	-	99.05	-
Confecciones Teruel, S.A.U.	(a)	Garment manufacturing	Madrid	EY	100.00	-
Industrias del Vestido, S.A.U.	(a)	Garment manufacturing	Madrid	EY	100.00	-
Telecor, S.A.	(a)	Sale of optical products and services	Madrid	EY	-	100.00
Ingondel, S.L.	(a)	Portfolio	Madrid	-	100.00	-
Sfera Subgroup-						
Sfera Joven, S.A.	(a)	Sale of apparel and clothing accessories	Madrid	EY	100.00	-
Moda Joven Sfera México, S.A. DE C.V.	(b)	Sale of apparel and clothing accessories	Mexico	PWC	-	51.00
Parinver Subgroup-						
Parinver, S.A.	(a)	Portfolio	Madrid	-	100.00	-
Publicidad Punto de Venta ECI, S.A.	(a)	Exploitation of advertising rights	Madrid	EY	-	100.00
Viajes El Corte Inglés Subgroup-						
Viajes El Corte Inglés, S.A.	(a)	Travel agency	Madrid	EY	100.00	-
CDV Senior, S.L	(a)	Travel agency	Madrid	EY	100.00	-
Viajes El Corte Inglés, Inc.	(a)	Travel agency	United States	-	-	100.00
Viajes El Corte Inglés, S.A. de C.V.	(b)	Travel agency	Mexico	EY	-	96.00
Viajes El Corte Inglés Argentina, S.A.	(b)	Travel agency	Argentina	-	-	100.00
Viajes El Corte Inglés Perú, S.A.	(b)	Travel agency	Peru	-	-	100.00
Asesores de Viaje, S.A.	(b)	Travel agency	Chile	EY	-	100.00
Viajes El Corte Inglés R. Dominicana, S.R.L.	(b)	Travel agency	Dominican Republic	-	-	100.00
Viajes El Corte Inglés Colombia, S.A.	(b)	Travel agency	Colombia	-	-	95.00
Tourmundial Uruguay, S.A.	(b)	Travel agency	Uruguay	-	-	100.00
Viajes El Corte Inglés Panamá, S.A.	(b)	Travel agency	Panama	-	-	100.00
Viajes El Corte Inglés Ecuador, S.A.	(b)	Travel agency	Ecuador	-	-	100.00
Operadora de Turismo, S.A.	(b)	Travel agency	Chile	-	-	100.00
Promotora Viajes El Corte Inglés, S.A, de C.V.	(b)	Travel agency	Mexico	-	-	100.00
Promotores Conosur, S.A.	(b)	Travel agency	Argentina	-	-	100.00
Promotora Viajes El Corte Inglés Colombia S.A.S	(b)	Travel agency	Colombia	-	-	100.00
Viajes Proworld S.A. de CV	(b)	Travel agency	Mexico	-	-	100.00
Tourmundial	(a)	Travel agency	Madrid	EY	-	100.00
Garanair,S.L.	(b)	Investments in the company IB OPCO Holding	Madrid	EY	13.00	87.00

Company		Activity	Location	Auditor	Percentage Stake Direct	Percentage Stake Indirect
Informática El Corte Inglés Subgroup-						
Informática El Corte Inglés, S.A.	(a)	Sale of computer products and services	Madrid	EY	100.00	-
Informática El Corte Inglés México, S.A. de C.V.	(b)	Sale of computer products and services	Mexico	Deloitte	-	100.00
Informática El Corte Inglés República Dominicana, S.A.	(b)	Sale of computer products and services	Dominican Republic	-	-	100.00
Informática El Corte Inglés Perú, S.A.	(b)	Sale of computer products and services	Peru	-	-	100.00
Informática El Corte Inglés Brasil, L.T.D.A.	(b)	Sale of computer products and services	Brazil	-	-	100.00
Informática El Corte Inglés FZ SAS Colombia, S.A.S.	(b)	Sale of computer products and services	Colombia	-	-	100.00
Informática El Corte Inglés Costa Rica, S.A.S.	(b)	Sale of computer products and services	Costa Rica	-	-	100.00
Informática El Corte Inglés (USA) Corporation	(b)	Sale of computer products and services	USA	-	-	100.00
Investrónica, S.A.	(a)	Sale of computer products and services	Madrid	EY	-	100.00
Asón Inmobiliaria de Arriendos Subgroup-						
Asón Inmobiliaria de Arriendos, S.L.	(a)	Property leasing	Madrid	A.B. Auditors	100.00	-
Esgueva, S.A.	(a)	Property leasing and organisation of events	Madrid	-	-	100.00
Ízaro Films, S.A.	(a)	Property leasing	Madrid	-	-	100.00
Iniciativas Inmobiliarias Valderas, S.A.	(a)	Property leasing	Madrid	-	-	100.00
Construcc Inmobiliarias Alcoral, S.A.	(a)	Property leasing	Madrid	-	-	100.00
N. Jorge Inmóveis – Construçao Inmobiliária S.A..	(a)	Property leasing	Portugal	-	-	100.00
Ferreira, Neves & Leal, S.A.	(a)	Property leasing	Portugal	-	-	100.00
Bonusrelevo, S.A.	(a)	Property leasing	Portugal	-	-	100.00
Promociones Inmobiliarias Gallegas, S.A.	(a)	Property leasing	Madrid	-	-	100.00
Associated Companies:						
Gestión de Puntos de Venta, GESPEVESA, S.A.	(b)	Service stations and convenience stores	Madrid	PWC	50.00	-
Sephora Cosméticos España, S.L.	(b)	Sale of perfumery products and cosmetics	Madrid	PWC	50.00	-
FST Hotels, S.A.	(b)	Hotel management	Palma de Mallorca	Deloitte	-	50.00
Only You Hoteles	(b)	Hotel management	Ibiza	Deloitte	-	50.00
Citorel, S.L.	(a)	Marketing of jewellery and watches	Madrid	-	50.00	-
Financiera El Corte Inglés E.F.C., S.A.	(b)	Financial	Madrid	PWC	49.00	-
Financiera El Corte Inglés PT S.F.C., S.A.	(b)	Financial	Madrid	PWC	-	49.00
Tagus Book, S.L.	(b)	Distribution of electronic books	Madrid	-	24.00	-
HIKU Document Services S.A.P.I. DE C.V.	(b)	Sale of computer products and services	Mexico	-	-	50.00
KIO Networks España	(a)	Sale of computer products and services	Murcia	-	-	50.00
Lecius, S.L.	(b)	Marketing of jewellery and watches	Barcelona	-	50.00	-

(a) Financial year ending on 29 February 2020.
(b) Financial year ending on 31 December 2019.

Refer to Note 2.7.9 for the main changes in the scope.

2. BASES OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATION PRINCIPLES

2.1 Bases of presentation

The El Corte Inglés Group's 2019 consolidated financial statements were drawn up on the basis of the accounting records held by El Corte Inglés, S.A. (referred to herein as the "Parent" or "Parent Company") and Group companies, and formulated by the Parent Company’s directors in a meeting of its Board of Directors held on 16 June 2020 to give a true and fair view of the consolidated assets and financial position of the Group at 29 February 2020 and the results of its operations, changes in equity and consolidated cash flows of the Group during the financial year ending on that date.

These financial statements were drawn up in accordance with the applicable regulatory financial reporting framework and, in particular, as established by the International Financial Reporting Standards adopted by the European Union, in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council. Note 4.2 outlines the most significant mandatory accounting principles, valuation criteria applied, and the alternatives permitted by regulations in this regard, as well as the issued standards and interpretations not in force on the date when these financial statements were drawn up, which are included in Note 4.1.

Given that the accounting principles and valuation criteria applied to draw up the consolidated financial statements of the Group for 2019 (International Financial Reporting Standards) differ from the ones used by the entities integrated therein (local legislation), necessary adjustments and reclassifications were made in the consolidation process to harmonise those principles and criteria, and to adapt them to the International Financial Reporting Standards adopted in Europe.

Unless otherwise indicated, these consolidated financial statements are presented in thousands of euros. Operations abroad are incorporated in accordance with the policies established in Note 4.2.9.

2.2 Accounting principles applied

The Parent Company’s directors have drawn up these consolidated financial statements in consideration all of the applicable, obligatory accounting standards and principles, and valuation criteria which had a significant effect on the consolidated financial statements, and the alternatives permitted by legislation in this regard, which are specified in Note 4.2.

2.3 Accounting estimates and judgements

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

When drawing up these consolidated financial statements, estimates made by the Parent's directors were used to value some of the assets, liabilities, income, expenses and commitments recorded in them.

These estimates essentially refer to:

- The assessment of possible impairment losses of certain assets, including goodwill.
- The valuation of inventories following the retail method.
- The fair value of certain financial instruments.
- The determination of the value of provisions, including those intended to cover contingencies of a tax-related nature.
- The recoverability of deferred tax assets.
- Consideration of early termination clauses and extension options of lease contracts for the purposes of determining the lease liability and its corresponding use rights.

Even though these estimates were made in accordance with the best information available at 29 February 2020 regarding the facts under analysis, future events may require them to be modified (upwards or downwards) in future financial years. This would be carried out in accordance with the provisions set out in IAS 8, prospectively recognising the effects of the changed estimation in the corresponding consolidated profit and loss statement except from those corrections that must be done due to error or change of criteria.

2.4 Comparison of information

In accordance with the requirements of IAS 1, the information contained in these notes to the financial statements referring to financial year 2018 is presented for the purpose of comparison with the information related to financial year 2019 and it does not therefore constitute the consolidated financial statements of the Group for financial year 2018.

In addition, and in accordance with IFRS 5, the classification of non-current assets held for sale of the Informática El Corte Inglés Subgroup (see Note 4.2.15) entails modifying the 2018 consolidated profit and loss statement and consolidated statement of cash flows to adequately break down the continuing activities of the discontinued activities and thus present harmonised comparative figures.

2.5 Grouping of items

Certain items in the consolidated balance sheet, the consolidated profit and loss statement and the states of changes in consolidated net equity and consolidated cash flows are grouped to enhance their understanding; nonetheless, insofar as it is significant, this information has been broken down in the corresponding notes to the consolidated report.

2.6 Changes in accounting criteria, accounting policies and correction of errors

The accounting criteria applied during the preparation of these consolidated financial statements for the year ended on 29 February 2020 coincide with those applied in the consolidated financial statements for the year ended on 29 February 2019, which were approved by the Parent Company's General Shareholders' Meeting.

2.7 Consolidation principles

2.7.1 Integration methods

Consolidation was carried out by the global integration method for controlled companies in accordance with IFRS 10. For cases in which there are joint agreements for the management of the part-owned company by the Group and one or more non-related third parties, in which the parties act jointly in order to direct the relevant activities and the decisions about those activities require the unanimous consent of the parties, the Group evaluates whether it has direct rights and obligations for its proportional part of the assets and liabilities of the agreement (joint operation) or whether it has rights only to the net assets of the agreement (joint business). The Group has no entities classified as "joint operations" (primarily temporary joint ventures) with a significant impact on the present consolidated financial statements.

Companies that are joint businesses or companies in which the Group has a significant ability to influence the management (associates) are valued using the "equity method" (see Notes 2.7.3 and 2.7.4).

2.7.2 Subsidiaries

Subsidiaries are entities over which the Parent Company has the ability to exercise effective control, a capability that is manifest upon the fulfilment of three aspects: having power over the investee company; exposure to losses or entitlement to profits as the return on the investment varies; and the ability to use that power in such a way that it can influence the amount of such returns.

Financial statements of subsidiaries are consolidated together with the Company's statements through the global integration method. Consequently, all balances and notes made between the consolidated companies that are significant have been eliminated in the consolidation procedure.

The acquisition method is used to account for the Group's acquisitions of subsidiaries from third parties (business combinations). The acquisition cost (consideration transferred) is the fair value of the assets handed over, the liabilities incurred or assumed on the acquisition date that brought about the taking control, as indicated in IFRS 3 – Business Combinations, and, where applicable, the stakes in the equity issued by the Group. The consideration includes the fair value of any asset or liability which comes from a contingent consideration agreement. Acquisition-related costs are recognised as expenses in the years in which they are incurred. Identifiable assets acquired and identifiable liabilities and contingencies assumed in a business combination are initially valued at their fair value on the acquisition date. For each combination of businesses, the Group may choose to recognise any non-controlling interest in the investee at either fair value or the proportional part of the non-controlling interest in the investee's identifiable net assets.

Any excess in the acquisition cost with regard to the fair values of the identified net assets is acknowledged as goodwill. If the acquisition cost is lower than the fair value of the identifiable net asset, in the event of dealing with a purchase with advantageous terms, the difference is attributed to the results on the acquisition date.

The results generated by companies acquired in a financial year are consolidated by only considering figures relating to the period included between the acquisition date and the close of that financial year. In parallel, results generated by the divested companies in a financial year are consolidated by only considering the figures relating to the period included between the beginning of the financial year and the divestment date.

Interest of third parties in the equity of their part-owned companies is shown in the heading "non-controlling interests" of the consolidated balance sheet, within the chapter Group Equity. Similarly, the corresponding interest in the profit for the year is shown in the heading "profit attributable to non-controlling interests" of the consolidated profit and loss statement.

In purchases of non-controlling interests (interests held by external partners), the difference between the consideration paid and the applicable proportion of the book value of the subsidiary's net assets is recognised in equity. Gains or losses from the disposal of non-controlling interests are likewise recognised in equity.

2.7.3 Joint ventures

A "Joint Venture" is a contractual agreement whereby two or more entities participate in entities in such a way that any strategic decision of a financial or operating nature which affects them requires the unanimous consent of all the participants, provided those joint agreements give rights to the net assets of the agreement.

The companies considered "joint ventures" are accounted for using the equity method (see Note 2.7.4).

2.7.4 Associates

"Associates" are companies over which the Group exercises a significant influence in terms of management, understood as the power to intervene in decisions regarding the financial and operating policies of the part-owned company, yet with neither control nor joint control.

In the consolidated financial statements, the associates (and joint ventures defined in Note 2.7.3) are accounted for using the equity method, i.e. for the portion of their equity represented by the Group's participation in their capital, after having considered the dividends received from them and other equity eliminations.

The part of the acquisition cost exceeding the Group's percentage stake in the fair value of the net assets of the associate is recorded implicitly as goodwill. The goodwill related to an associate is included in the book value of the investment but not depreciated. Any amount exceeding the Group's percentage stake in the fair value of the net assets of the associate on the purchase date, over the acquisition cost, is recorded in results.

The results of the associates, net of taxes, are incorporated into the consolidated income statement of the Group, in the "Result of companies accounted for using the equity method" line, in accordance with the percentage stake.

If its accounting equity is negative in the consolidated balance sheet of the Group, as a result of the losses incurred in an associate, it will be indicated as zero unless the Group is obliged to give it financial support.

Note 1 contains further details of such entities.

2.7.5 Intra-group eliminations

All the debit and credit balances and transactions carried out among subsidiaries, with associates and joint ventures, and among themselves, have been eliminated in the consolidation process.

2.7.6 Uniformity of valuation

The consolidation of the entities included in the scope of consolidation was carried out based on their individual financial statements, which were in turn drawn up according to the Spanish National Chart of Accounts for companies residing in Spain and also in accordance with the corresponding local regulations for foreign companies. All the significant adjustments necessary to adapt them to the International Financial Reporting Standards and/or to bring them into line with the Parent's accounting criteria, have been considered in the consolidation process.

2.7.7 Companies with closing dates differing from the Group closing date

Companies with closing dates that differ from the closing dates of the consolidated financial statements were consolidated with the financial statements at their closing dates (31 December 2019, see Note 1). Significant operations carried out between the closing dates of such subsidiaries and the closing date of the consolidated financial statements are temporarily harmonised if significant.

2.7.8 Translation of financial statements in foreign currencies

2.7.8.1 Functional and presentation currency

The transactions and balances of each group company are valued using the currency of the main economic environment in which the company operates ("functional currency"). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Parent and its main Subsidiaries.

2.7.8.2 Transactions and balances

Transactions in foreign currencies are converted into the functional currency using the exchange rates on the dates of the transactions. The gains and losses in foreign currency resulting from the settlement of these transactions and the conversion of monetary assets and liabilities denominated in foreign currency at closing exchange rates are recognised in the income statement.

2.7.8.3 Group Entities

The results and financial position of all the companies in the group (none of which has the currency of a hyperinflationary economy, with the exception of Argentina, whose balances and transactions are insignificant) with a functional currency different from the presentation currency are translated into the presentation currency as follows:

- The assets and liabilities of each balance sheet presented are converted at the closing exchange rate on the date of the balance sheet.

- The income and expenses of each income statement are converted at the average exchange rates (unless that average is not a reasonable approximation of the cumulative effect of the exchange rates on the dates of the transactions, in which case the income and expenses are converted on the dates of the transactions).

- The difference resulting from applying the closing exchange rates to the assets and liabilities at close of each accounting period and the average exchange rates to the income and expenses (or where applicable, those on the dates of the transactions) is recognised in equity, in the "Translation Differences" section.

When a foreign business is disposed, the corresponding translation difference is recognised in the income statement as part of the loss or gain from the sale.

Goodwill and fair value adjustments to the acquired net assets arising in the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate.

2.7.9 Changes in the scope of consolidation

On 25 August 2019, the General Shareholders' Meeting of El Corte Inglés approved the merger by absorption of Bricor, S.A.U., which was dissolved and all the assets, rights and obligations of its equity were transferred to the absorbing company (El Corte Inglés, S.A.) according to the merger project agreement signed by the members of the respective Boards of Directors of the companies El Corte Inglés, S.A. and Bricor, S.A.U., and filed with the Companies Registry on 8 October 2019. This operation had no impact on the present consolidated financial statements.

On 28 February 2019, the company Asón Inmobiliaria de Arriendos, S.L. acquired 100% of the Inivasa Group, whose main activity is the holding and leasing of certain properties. The accounting impact of the acquisition was insignificant.

3. DISTRIBUTION OF THE PARENT'S PROFIT

The proposal for the distribution of profit drawn up by the Directors of the Parent, El Corte Inglés, S.A., which will be submitted for approval by the general meeting of shareholders, is as follows:

ITEM	Thousands of euros
Dividends	37,500
Voluntary reserves	251,043
TOTAL	288,543

During the last five years, the Company has distributed dividends in excess of one-quarter of its net profit in each of the financial years.

4. MAIN ACCOUNTING POLICIES

4.1 Adoption of new standards and interpretations issued

4.1.1 Standards and interpretations effective in the present financial year

During 2019, the following accounting standards, amendments and interpretations came into effect, and were therefore taken into account when drawing up to the consolidated financial statements:

Standards, Amendments and Interpretations	Description	Obligatory application in financial years starting from
IFRS 16 - Leases	Replacing IAS 17 and associated interpretations. The central development lies in a single accounting model for lessees, including all leases in the balance sheet (with some limited exceptions), with an impact similar to the impact of finance leases (with amortisation of the asset for the right of use and accrual of a financial expense for the amortised cost of the liability).	1 January 2019
Amendment to IFRS 9 – Prepayment features with negative compensation	This amendment will permit the measurement of some prepayable financial assets at amortised cost for a lower amount than the unpaid principal and interest owed.	1 January 2019
IFRIC 22 – Uncertainty over income tax treatments	This interpretation clarifies how to apply IAS 12 measurement and recognition criteria when there is uncertainty over whether that treatment will be accepted by the tax authority.	1 January 2019
Amendment to IAS 28 – Long-term interest in associates and joint ventures	Clarification that IFRS 9 must be applied to long-term interests in an associate or joint venture to which the equity method is not applied.	1 January 2019

Standards, Amendments and Interpretations	Description	Obligatory application in financial years starting from
Amendment of IFRS 3 – Business combinations – 2015-2017 improvement cycle	Acquisition of control over a business previously registered as a joint operation.	1 January 2019
Amendment of IFRS 11 – Joint arrangements – 2015-2017 improvement cycle	Acquisition of joint control over a joint operation that constitutes a joint arrangement.	1 January 2019
Amendment to IAS 12 – Income tax – 2015-2017 improvement cycle	Accounting for income tax consequences of payments on financial instruments classified as equity.	1 January 2019
Amendment to IAS 23 – Borrowing costs – 2015-2017 improvement cycle	Capitalisation of financing interest pending payment, specific to a ready-to-use asset.	1 January 2019
Amendment to IAS 19 – Modification, reduction or liquidation of a plan	Clarification of how to calculate the cost of the service for the current period and net interest for the rest of an annual period when there is a modification, reduction or liquidation of a defined benefit plan.	1 January 2019

The aforementioned standards were applied on 1 March 2019.

IFRS 16 Leases

IFRS 16, Leases, was applied for the first time on 1 March 2019, under the requirements of the IFRS regulatory framework applicable in the European Union (IFRS-EU). IFRS 16, Leases, replaced IAS 17, Leases, IFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating leases - Incentives, and SIC 27, Evaluating the substance of transactions involving the legal form of a lease. This new standard establishes the principles for the recognition, measurement, presentation and disclosure of leases, and establishes a single model for the lessee in which all leases will be recorded on the balance sheet in a way similar to old finance leases. On the lease start date, the lessee will recognise a liability for the payments to be made for the lease (i.e. the liability for the lease) and an asset representing the right to use the underlying asset during the term of the lease (i.e. the asset for the right of use). Likewise, the impacts on the income statement are modified, since IFRS 16 replaces the operating lease expense for an expense derived from the amortisation of the recognised asset and an interest expense associated with the liability.

The Group has applied the modified retrospective transition method, under which it recognises the accumulated effect of the initial application retrospectively to 1 March 2019 (the application date) without changing the comparative information, which continues to be presented under IAS 17 Leases. The "mixed" option was used when applying the standard under the modified retrospective method. Under this approach, leases previously classified as operating leases under IAS 17 Leases, were

measured on the initial date, contract by contract, using one of the following two methods for recognition of the right of use:

a) at their book value, as if the standard had been applied from the start date of the contract, although applying the respective discount applying the incremental interest rate for the Group's debt as the lessee on the initial application date; or

b) at an amount equal to the lease liability, adjusted by the amount of any advance or accrued payments in relation to the lease recognised in the consolidated balance sheet immediately prior to the initial application date.

The Group also applied the exemptions contemplated in the standard for lessees that allow the non-recognition in the balance sheet of lease liabilities and assets for the right of use for short-term lease contracts (remaining lease period of one year or less), low value assets (less than 5,000 euros), variable instalments and replaceable assets. At the date of initial application of the standard, the Group subtracted the provisions for the onerous contracts recognised for the respective leases from the value of the asset for the right of use.

The Group applied the following procedures and judgements to ensure an effective transition:

- An inventory of all valid contracts as at 28 February 2019, analysing compliance with the definition of a lease in the standard.

- Review of all payments, separating out fixed and variable payments and those corresponding to provision of services excluded by the standard.

- Implementation of tools to simplify control and calculation of leases.

- Lease term: when determining the lease term, the Group considered the costs of completion (mandatory compliance clauses), the strategic importance of the asset for the Group, historical results and future projections of the businesses performed in the leased assets.

- Discount rate: Given the difficulty of determining each lease's implicit interest rate, the Group used its incremental interest rate by country, term and currency, based on the type of leased assets (shops, logistics and others). The incremental interest rate was in a range from 1.7% to 4.3% on the application date.

At 1 March 2019, the impact of first application of IFRS 16 entailed recognition of an asset for rights of use, a negative impact on reserves and a liability for leases of approximately €530.5 million, €15.2 million and €550.7 million, respectively.

As required for the application of IFRS 16 Leases under the modified retrospective transition approach, a reconciliation with the operating lease commitments detailed in the previous year's consolidated financial statements is shown below:

Item	Reconciliation of leases (thousand euros)
Operating lease commitments in the 2018 financial statements, excluding payments in the year	780,713
Exclusion of lease contracts under IFRS 16 (*)	(151,717)
Short-term lease contracts	(17,313)
Discount rate adjustment	(60,769)
Other	(171)
Operating lease liability at 1 March 2019	550,743
Current finance lease liability	23,346
Non-current finance lease liabilities	49,828
Total lease liabilities at 1 March 2019 under IFRS 16	623,917

(*) Low value, variable instalment, replaceable, intangible asset leasing, etc.

The rights of use recognised at 1 March 2019 are shown below:

Item	Rights of use (thousands of euros)
Rights of use under operating lease at 1 March 2019, IFRS 16	530,520
Finance leases under IAS 17	
Cost	179,424
Accumulated amortisation	(37,756)
Total rights of use at 1 March 2019 under IFRS 16	672,188

The comparative figures for 2018 in these consolidated financial statements are presented in the consolidated balance sheet according to IAS 17 Leases.

IFRIC 23 – Uncertainty over income tax treatments

The Group checked for any uncertainty about whether some of the tax treatments applied would be acceptable to the corresponding tax authority. The initial application of this interpretation entailed no substantial modifications.

The impact of the other standards applicable to the Group for the first time on 1 March 2019 was not material.

4.1.2 Issued standards and interpretations not in force

At the time when these financial statements were drawn up, the following are the most significant standards and interpretations published by the IASB but which have not yet come into effect, either because their date of application is after the date of the consolidated financial statements or because they have not yet been adopted by the European Union:

Standards, Amendments and Interpretations	Description	Obligatory application in financial years starting from
Approved for use in the EU		
Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the reform of interest rate benchmarks	1 January 2020
Amendments to IAS 1 and IAS 8 – Definition of "Material"	Amendments to IAS 1 and IAS 8 to align the definition of "material" as defined in the conceptual framework.	1 January 2020
Not approved for use in the EU		
Amendment to IAS 1 – Presentation of Financial Statements	Classifying liabilities as current and non-current.	1 January 2020
IFRS 17 – Insurance Contracts	Replacing IFRS 4, it includes the main principles of recognition, measurement, presentation and disclosure of insurance contracts so that the entity provides relevant and reliable information that allows users of financial information to determine the effect that insurance contracts have in the financial statements.	1 January 2021
Amendment to IFRS 3	Clarification of the definition of a business.	1 January 2020

The Group's Directors expect no significant impacts from the amendments to published rules and interpretations.

4.2 Recognition and measurement standards

4.2.1 Goodwill

The positive differences between the cost of stakes in the capital of consolidated entities compared to the corresponding theoretical book values, adjusted on the date of first consolidation, are allocated as follows:

- If they can be assigned to specific asset elements of the part-owned companies, increasing the value of the assets (or reducing that of the liabilities) whose fair values are higher (lower) than the net book values stated in their balance sheets and whose accounting treatment is similar to that of the assets (liabilities) of the Group: depreciation, accrual, etc.

- If they can be assigned to specific intangible assets, recognising them explicitly in the consolidated balance sheet provided that their fair value on the date of acquisition can be reliably determined.

- The remaining differences are registered as goodwill, which is assigned to one or more specific cash generation units.

Goodwill is only recorded when acquired in return for payment and therefore represents advance payments made by the acquiring entity of the future economic benefits deriving from the assets of the acquired entity which are not individual, separately identifiable and recognisable.

At the time of transfer of a subsidiary or a jointly controlled entity, the attributable amount of the goodwill is included in the determination of the profits or losses deriving from that transfer.

The goodwill which arises in the acquisition of companies with functional currencies other than the euro is valued in the functional currency of the acquired company, the conversion to euros being made at the exchange rate on the date of the balance sheet.

Goodwill is not depreciated, but rather subject to an "impairment test" at least once a year (see Note 4.2.5).

4.2.2 Other intangible assets

Other intangible assets are considered to be the non-monetary and non-physical, specifically identifiable assets which were acquired from third parties or developed by the Group. Only intangible assets whose cost can be estimated objectively and from which future economic benefit can be expected are accounted.

The intangible assets are initially recognised at their acquisition or production cost and, subsequently, they are valued at their cost minus, where applicable, the corresponding accumulated amortisation and any impairment losses they have undergone.

The interim interest accrued during the financing period of projects in progress for investment in new computer software, whose execution period is greater than one year, is recorded as greater value of the fixed assets until that project goes into operation.

An "indefinite useful lifetime" is considered to be when, on the basis of the analyses carried out of all the relevant factors, it is concluded that there is no foreseeable limit to the period during which it is expected that net cash flows will be generated in favour of the Group; in all other cases, they will be considered to have "defined useful lifetimes".

The only assets with indefinite useful lifetimes held by the Group correspond to the goodwill and the value of certain trade marks, whose values at the close of 2019 and 2018, included in the "Goodwill" and "Other intangible assets" sections added up to €10.69 million and €22.86 million respectively (see Notes 7 and 8).

On the basis of an analysis of all the relevant factors, the Group has established that there is no foreseeable limit to the period during which it is expected that the trade marks will generate net cash flows for the entity, and therefore those trade marks are assigned indefinite useful lifetimes.

The company applies the linear depreciation method to its intangible assets with fixed useful lifetimes, applying annual depreciation percentages calculated in accordance with the estimated years of useful life of the respective assets.

The intangible assets with indefinite useful lifetimes are not depreciated, so they are subjected to an "impairment test" at least once a year, following the same criteria as those for goodwill (see Note 4.2.5).

The Group recognises in accounts any loss in the registered value of these assets due to impairment, using as the counterpart the "Impairment and gains or losses on disposals of assets" section of the consolidated profit and loss statement. The criteria for the recognition of the impairment losses of these assets and, where applicable, any recoveries of these which take place subsequently are detailed in Note 4.2.5.

a. Development costs:

The costs of research activities are recognised as expenses in the year in which they are incurred.

Development costs are only recognised as intangible assets if they fulfil all the conditions indicated below:

- specifically individualised by projects
- the cost of the development of the asset can be reliably evaluated
- asset created will likely generate future economic benefits

The assets thus generated are depreciated on a linear basis over the course of their useful lifetimes (over a maximum period of 5 years).

At 29 February 2020 and 28 February 2019, these assets were fully depreciated.

If there are doubts about the technical success or the financial profitability of the project, the amounts recorded in the assets are allocated directly to the consolidated profit and loss statement of the financial year.

b) Industrial property:

This account records the amounts paid for the acquisition of intellectual or industrial property or the right of use of the different manifestations of it (patents, trade marks, licences), or the expenses incurred for the registration of such property developed by the Group.

Patents and trade marks are initially valued at their acquisition price and depreciated on a linear basis throughout their estimated useful lifetimes, with the exception of trade marks considered to have indefinite useful lifetimes, which are subjected to an annual impairment test.

The rest of the assets classified as "industrial and intellectual property", considered of defined useful lifetime, are depreciated on a linear basis, generally over a period of 5 years.

c) Administrative concessions:

Concessions can only be included in the assets if they were acquired by the Company in return for payment in those concessions which may be transferred, or for the amount of the expenses incurred for their direct obtainment from the corresponding Body.

Administrative concessions registered by the Group include the amounts paid to acquire building and operating rights of certain premises and are depreciated linearly over their term of validity, which is between 20 and 99 years.

d) Computer software:

The acquisition and development costs incurred in relation to computer systems which are basic for the Group management are charged to the "Other intangible assets" section of the consolidated balance sheet.

The maintenance costs of the information technology applications are entered in the consolidated profit and loss statement of the year they are incurred.

The depreciation of computer software is carried out applying the linear method over a period of 5 years from the time when each application goes into operation.

e) Transfer rights:

Transfer rights are valued at the amount paid for their acquisition and they are depreciated over 10 years, which is the estimated period during which they will contribute to the obtainment of income.

4.2.3 Property, plant and equipment

The items of property, plant and equipment acquired for use in the production or supply of goods or services, or for administrative purposes, are presented in the consolidated balance sheet at acquisition or production cost minus accumulated depreciation and any impairment losses they have suffered. Additionally, and as a result of applying the First Application Standard (IFRS 1) in 2013, certain properties and other elements of the fixed assets were recorded at fair value (based on appraisals by independent experts) as attributed costs.

The costs of expansion, modernisation or improvements representing an increase in the productivity, capacity, efficiency or useful lifetime of the assets are recorded as a greater cost of those assets. The acquisition cost includes the professional fees and the finance costs incurred during the financing period of work in progress on investments in fixed assets, whose execution period was greater than one year and until that work is transferred to the corresponding item of property, plant and equipment.

The interest rate used is the average rate of financing of the Group.

The conservation and maintenance costs are recognised in the consolidated profit and loss statement for the year in which they are incurred.

Assets and elements which have been removed, whether as a result of a modernisation process or any other reason, are recorded in accounts by removing their balances in the corresponding accumulated amortisation and cost accounts.

The Group recognises in-house work on non-current assets at the cumulative cost resulting from adding to the external costs those other costs determined in accordance with the internal consumptions of warehouse materials and the manufacturing costs incurred.

An item of property, plant and equipment is depreciated on a straight-line basis, distributing the cost of the asset over its estimated useful life, as detailed below:

ITEM	Years
Constructions	33 – 85
Machinery, installations and tooling	3.5 – 17
Furniture and fixtures	3.5 – 15
Information processing equipment	4 – 6
Transport elements	5 – 15

The gain or loss on the disposal or removal of an asset is calculated as the difference between the profit from the sale and the book value of the asset, and it is recognised in the consolidated income statement.

4.2.4 Investment property

The 'Investment property' section of the consolidated balance sheet includes the values of lands, buildings and other constructions which are held either to lease them out or to obtain a capital gain from their sale as a result of future increases in their respective market prices.

Investment property is presented at their acquisition cost, following, for all effects, the same criteria as elements of the same class of property, plant and equipment (see Note 4.2.3).

The income accrued during 2019 deriving from the rental of that investment property was approximately €15.73 million (€14.75 million in 2018), and they are registered in the "Other operating income" section of the accompanying income statement.

4.2.5 Value impairment of non-current assets

In each financial year, and whenever there are indications of a loss of value, the Group evaluates the book values of its property, plant and equipment, investment property and intangible assets, including the goodwill and the intangible assets with indefinite useful lifetimes, by means of an "impairment test", in order to determine whether their recoverable value is lower than their book value (impairment loss). In the case of the goodwill and intangible assets with indefinite useful lifetimes, the impairment test is carried out at least once a year and more frequently if there are indications of impairment.

If the asset does not itself generate cash flows independent from other assets, the Group calculates the recoverable amount of the cash generation unit to which the asset belongs.

The Company defines Cash-Generating Units (CGU) as each one of the commercial premises (department stores, hypermarkets, supermarkets and offices) constituting its distribution network. However, when determining the CGU, those units may be aggregated at the geographical area level, depending on the real management of their operations.

Group assets (offices, warehouses, logistics centres, etc.) which do not fulfil the criteria outlined above have their own treatment in accordance with this note.

The recoverable amount is determined as either the fair value (determined based on appraisals by independent experts) less the estimated sales costs or the value in use, whichever is higher.

When estimating that the recoverable amount of an asset (or cash generation unit) is lower than its book value, the latter is reduced to its recoverable amount, recognising a value impairment loss as an expense, using as the counterpart the "Impairment and gains or losses on disposals of assets" section of the consolidated profit and loss statement.

When a value impairment loss is subsequently reverted, the book value of the asset (or cash generation unit) is increased to the revised estimation of its recoverable value, though in such a way that the increased book value does not exceed the book value that would have been determined if no value impairment loss had been recognised for the asset (or cash generation unit) in previous financial years.

In the case of goodwill, at each accounting closing an estimation is made of whether it has suffered any impairment which reduces its recoverable value to an amount which is lower than the registered net cost and, if so, the appropriate write-down is applied. Impairment losses related to goodwill are not subject to subsequent reversion.

Finally, in the case of trade marks with indefinite useful lifetimes, the recoverable amount was determined as their value in use, using cash flow forecasts which, as a general rule, are based on the company forecasts, which cover a period of five years.

4.2.5.1 Value in use

For each cash generation unit (mainly Supercor supermarkets, Bricor stores and offices of Viajes El Corte Inglés), the value in use is calculated based on the estimated future cash flows, discounted at a rate which reflects the current market valuations with regard to the value of money, adjusted by the specific risks associated with the asset that were not taken into account when estimating the future cash flows.

The Group generally prepares the cash flow forecasts of the cash generation units for a period of 5 years, incorporating the best available estimations of income and expenses, using sector-specific forecasts, past experience and future expectations (the entity's forecasts, business plans, etc.), and also macro-economic indicators reflecting the current and foreseeable economic situation of each market. Likewise, another estimation to be taken into consideration is the margin, depending on the CGU and the nature of the business or product.

The Group's management considers that the average weighted growth rate of sales for the next five years is consistent with past experience, considering expansion plans, conversions of stores to new formats and the evolution of the macroeconomic indicators (population, inflation, GDP, etc.).

In addition, a residual value is calculated depending on the standardised cash flow of the last year of the forecast, to which a growth rate in perpetuity is applied, which in no case exceeds the growth rates of previous years. The cash flow used for the calculation of the residual value takes into account the investments for replacement which are necessary for the future continuity of the business at the estimated growth rate.

For the discounting of the cash flows, the weighted average cost of capital is used, which is determined before taxes and is adjusted by the country risk, the corresponding business risk and other variables influenced by the current market situation. The average discount rate applied depends on the business and the country in which the activity is carried out. For the main assets of the Group it was 6.7% for 2019, and also 6.7% in 2018.

4.2.5.2 Fair value

For the present year, the Group has determined the recoverable amount of the main assets (Department Stores and Hypermarkets) as the fair value based on the appraisals carried out by independent experts. For assets in operation, the valuation was made mainly in accordance with the valuation principles, methodology and criteria contained in Ministerial Order ECO/805/2003 of 27 May, amended by Orders EHA/3011/2007 and EHA/564/2008. For real estate intended to generate rental income, the fair value has been determined in accordance with the updating method according to the methodology described in articles 24 to 28 and 31 to 33 of Ministerial Order ECO/805/2003, depending on the likeliest cash flows to be generated in its remaining working life.

4.2.6 Leases and rights of use

The Group as the lessee

The Group acts as the lessee of commercial, IT, insurance and travel agency premises, offices, car parking facilities and vehicles. The Group applies a single recognition and measurement model for all leases in which it is the lessee, except for low value assets and short-term leases.

Rights of use

The Group recognises the rights of use at the start of the lease. In other words, from the date on which the underlying asset is available for use. Rights of use are measured at their cost less accumulated amortisation and impairment losses, adjusted for any changes in the measurement of

the associated lease liabilities (Note 4.2.5). The initial cost of the rights of use includes the recognised lease liability, initial indirect costs and lease payments made before the start date of the lease. Any incentives received are discounted from the initial cost.

These assets are amortised linearly according to the life of the contract, except when the useful life of the asset is shorter than the contract or when a purchase option is expected to be exercised on the asset, in which case the amortisation period will be the useful life of the asset.

The amortisation periods for each asset type are shown below, following the Group's categorisation:

- Commercial premises: 1-64 years.
- Travel agency and insurance offices: 1-5 years.
- IT and other equipment: 1-3 years.
- Other: 1-12 years.

However, if the Group considers that it is reasonably certain to obtain the ownership of the leased asset at the end of the lease or to exercise a purchase option, the rights of use are amortised over the useful life of the asset. Rights of use are subject to impairment testing.

The Group's lease contracts do not include any significant restoration or dismantling obligations.

Rights of use are included under a separate balance-sheet heading.

<u>Lease liabilities</u>

On the start date of the lease, a liability is recognised for the lease payments to be made, including extension options when it is considered reasonably certain at the initial moment that these will be exercised, together with an asset representing the right to use the underlying asset during the term of the lease.

The lease liability is recognised under Lease Obligations, corresponding to the agreed fixed payments (including payments that could be classified as variable under the contract but that are in essence fixed) and initial or future disbursements when it is highly likely that they will occur (direct costs associated with start-up or penalties, etc.), less any lease incentives and excluding variable income flows dependent on future measurements of a parameter. This liability is measured at amortised cost, using the rate of interest implicit in the lease contract or, when this cannot be easily determined, the incremental interest rate that the Group has for that contract. The liability is updated according to the effective interest method and decreased for the payments made.

The liability is re-measured, normally as an adjustment to the asset for the right of use, whenever there are any post-contract amendments, such as in the following cases: changes in lease terms,

changes in future lease payments due to updating of the rates in the contract, changes in future payments, etc. When modifications alter the term of the lease or entail substantial modifications to its scope, the contract liability is re-measured using an updated discount rate.

Judgements applied in determining the lease period

The Group determines the lease period as the non-cancellable period of a lease, to which it adds any optional extensions when it is reasonably certain that these options will be exercised. Periods subject to options to rescind the lease are also included when it reasonably certain that these options will not be exercised.

Under some contracts, the Group has the option to lease the assets for additional periods under standard market clauses. The Group assesses whether it is reasonably certain to exercise such renewal options. In other words. it considers all factors relevant to the business case for renewing the lease. After the start date, the Group reassesses the lease period whenever there is a significant event or a change in circumstances that is under its control that affects its capacity to exercise the renewal option. The Group includes the renewal period in the term of leases for its commercial and other premises because of their importance for its operations. For less critical assets, or when there is no clear business case, renewal options are not included in the term of the lease under the Group's policy, and it therefore does not expect to exercise such options.

Leases of low value assets and short-term leases

There are two exceptions to the recognition of lease assets and liabilities for which the expense is recorded in the income statement as it accrues:

- Low value leases: These entail insignificant leases, i.e. lease contracts where the new value of the underlying asset is insignificant. The Group has set an upper limit of €5,000 for this.

- Short-term leases: Leases with an estimated terms of less than 12 months.

Lease assets and liabilities are not recognised for leases that include variable payments or involve replaceable assets.

The Group as the lessor

The accounting for lease agreements where the Group is the lessor was not affected by the application of IFRS 16. The following criteria were therefore applied:

Finance leases

For lease agreements in which the Group retains ownership of the asset and substantially assigns the risks and benefits of the leased property, the fixed assets subject to the lease are derecognised and a receivable is recognised on the start date for an amount equal to the net investment in the lease, considering the implicit interest rate of the contract.

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

Operating leases

A lease is classed as operating if the contract transfers substantially all of the risks and benefits inherent to ownership of the asset. The income generated by the contract is recognised on a straight-line basis during the contract and included as income in the income statement to the extent that it is of an operating nature. The direct costs involved in signing the lease are recognised by increasing the value of the leased asset. These are amortised over the term of the lease on the same basis as income. Contingent payments are recognised in the period in which they accrue.

4.2.7 Inventories

For the Group's main activity, retail sales, inventories are valued using the "retail" method, given that the result of applying it does not produce significant differences compared to their real costs.

The retail method determines the cost of inventories starting from the sale price minus an estimated gross margin percentage, in which the sale price, possible discounts to be made on those sale prices and the age of the merchandise are considered, as well as the changes in seasons and trends, mainly in fashion items. This method is applied consistently for all the Group's product families.

With this method, inventories are valued at all times at the cost or the net production value, whichever is lower.

4.2.8 Financial instruments

a) Financial assets:

Valuation and classification

The financial assets held by the companies of the Group are classified into two major categories based on their subsequent valuation method:

- Financial assets at amortised cost: Assets that are expected to be maintained to obtain contractual cash flows and consist of the collection of principal and interest (if applicable). They are recorded at amortised cost, corresponding to the initial market value, less the refunds of the principal made, plus accrued uncollected interest calculated by the effective interest rate method. This classification includes the following asset types:

  - Trade and other receivables and credits granted to third parties: corresponding to credits deriving from the sale of products or the provision of services for trade operations of the Group, or those which do not have a commercial origin and are not equity instruments or derivatives and whose amounts receivable are fixed or can be determined and are not traded in an active market.

    Trade and other receivables with due dates in the short term are recorded at their nominal values, which are considered equivalent to their fair values. The section of trade receivables of the cited Group for 2018 includes the amounts of the activity of Informática El Corte Inglés incurred in the projects under execution measured at their cost price according to the degree of progress criterion. These costs include services rendered by third parties and internal costs.

    The El Corte Inglés store card is accepted by most of the Group companies listed in Note 1 as a payment method for their customers and Financiera El Corte Inglés E.F.C., S.A. is the owner of nearly all of these cards. Likewise, Financiera El Corte Inglés E.F.C., S.A. is responsible for managing and processing the invoices and payments for the purchases made with this card.

  - Financial assets: assets with a fixed maturity, receivable amounts which are fixed or can be determined, and for which the Group has declared its intention and ability to hold to the date of maturity. These instruments are recorded at their amortised cost.

    With regard to guarantees and deposits, assets classified under this heading which essentially refer to the amounts paid out by Group companies to the owners of the leased units are valued at the amounts paid out, which do not significantly differ from their fair value.

  - Other financial assets of the insurance business: financial assets deriving from insurance, co-insurance and re-insurance operations are valued at their amortised cost. The interest accrued is recorded in the consolidated profit and loss statement, applying the effective interest rate method.

  - Treasury and other cash equivalents: treasury includes both cash and bank demand

deposits. Cash equivalents are short-term investments with maturities of three months or less, which are not subject to significant risk of changes in their value.

- Assets designated at fair value with changes in the equity:

  - Debt instruments: The Group values the debt instruments, mainly from the insurance business, at fair value with changes in 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 them.

    b) The contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the outstanding principal amount.

    For debt instruments at fair value with changes in other comprehensive income, interest income, the revaluation of the exchange rate and losses or reversions due to impairment of value are recognised in the income statement and calculated in the same manner as for financial assets valued at amortised cost. The remaining changes in fair value are recognised in other comprehensive income. In the event of disposal, the change in accumulated fair value recognised in other comprehensive income is recycled to income. The Group's debt instruments at fair value with changes in other comprehensive income correspond to investments in quoted debt instruments included in other non-current financial assets.

  - Equity instruments: After initial recognition, the Group may choose to classify its capital investments as equity instruments designated at fair value with changes in other comprehensive income when they satisfy the definition of net worth of IAS 32 Financial Instruments: Presentation and not kept for trading. The classification is determined instrument by instrument. The losses and gains of these financial assets are never recycled to income. Dividends are recognised as other income in the income statement when the right to receive them has been established, except when the Group benefits from said income as a recovery of part of the cost of the financial asset, in which case the earnings are recorded in other comprehensive income. Equity instruments designated at fair value with changes in other comprehensive income are not subject to impairment evaluation. The Group classified its unlisted equity instruments in this category.

- Assets designated at fair value with changes in the income statement: these include debt securities and financial stake in other companies not classified in any of the previous categories.

They are valued at their fair value whenever it can be reliably determined, whether from the listed value or, failing that, the value established in recent transactions, or at the current value after discounting the future cash flows. The profits and losses deriving from variations in the fair value are recognised directly in equity. If the fair value is lower than the amortised cost, and if there is objective evidence that the asset has suffered an impairment which cannot be considered temporary, the difference is registered directly in the consolidated profit and loss statement.

If the fair value cannot be reliably determined, these assets are valued at their acquisition cost, corrected by any evidence of impairment which may exist.

At 29 February 2020, the valuations at fair value made on available-for-sale financial assets were calculated by reference to prices listed in the market (unadjusted).

As established by IFRS 7, the Group classifies financial instruments (see Note 11.6) in accordance with the following hierarchy:

- Level 1: The fair value of financial instruments traded on active markets (such as derivatives listed on a stock exchange and securities available for sale and negotiation) is based on market listing prices at the end of the reporting year. The market listing price used for financial assets held by the Group is the current buyer price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments which are not traded on an active market (for example, OTC derivatives) is determined using valuation techniques which maximise the use of observable market variables and are based on the smallest possible measurement in specific estimations of the entity. If all the significant variables required to calculate the fair value of an instrument are not observable, the instrument is included in level 2.

- Level 3: If one or more of the significant variables are not based on observable market data, the instrument is included in level 3. This is the case of equity securities without official listings.

Derecognition of financial assets

The Group has derecognised financial assets when they expire or has yielded the rights over the cash flows of the corresponding financial asset and substantially transferred the risks and benefits inherent to its ownership.

Moreover, the Group does not derecognise financial assets, and it recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which the risks and benefits inherent in its ownership are substantially retained.

Losses due to value impairment of financial assets

The Group recognises a value correction for expected credit losses for all debt instruments that are not measured at fair value with changes in the income statement. This expected credit loss is based on the difference between the contractual cash flows to be received in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an effective interest rate close to the original. The expected cash flows will include flows arising from the sale of collateral received or other credit enhancements that are an integral part of the contractual conditions. The expected credit losses are recognised in two stages. For credit exposures for which there was no significant increase in credit risk since the initial recognition, the value correction is provisioned for expected credit losses in the following twelve months. For credit exposures having a significant increase in credit risk since the initial recognition, the value correction is made for the credit losses expected during the remaining life of the asset, regardless of the time of default. For commercial accounts receivable and assets for contracts, the Group applies a simplified approach in the calculation of expected credit losses. Therefore, the Group does not monitor credit risk changes but does recognise a correction of value for the expected credit losses during the life of the asset at each closing date. The Group established a provision matrix based on its credit loss record, adjusted for specific prospective factors for debtors and the economic environment.

With respect to debt instruments, the Group recognises a value correction for expected credit losses for debt instruments valued at amortised cost and valued at fair value with changes in equity. The expected credit losses are recognised in two stages. Firstly, for credit exposures for which there was no significant increase in credit risk since the initial recognition, the value correction is provisioned for expected credit losses in the following twelve months. Secondly, for credit exposures having a significant increase in credit risk since the initial recognition, the value correction is made for the credit losses expected during the remaining life of the asset. The Group uses the ratings of credit rating agencies to determine whether the credit risk of the debt instrument has significantly increased and also estimate expected credit losses.

For the debt instruments at fair value with changes in the profit and loss account, a correction for expected credit losses is not made, since the valuation price already includes the market expectation on the expected credit losses and this is transferred to the losses and gains in each subsequent valuation of the debt instruments.

b) Financial liabilities:

Valuation and classification

The financial liabilities held by Group companies are classified as:

- Debt with financial institutions: loans obtained from banking entities are recorded at the amount received, after deducting the costs and commissions deriving from their formalisation. Those formalisation costs and the finance costs generated by the loans are recorded in the profit and loss statement using the effective interest rate method and they are incorporated at the book amount of the liability, to the extent to which they are not settled, in the period in which they are accrued. In subsequent periods, these liabilities are valued at their amortised cost, using the effective interest rate method.

- Debentures and other marketable securities, commercial creditors and other financial liabilities: these are entered initially at their fair value and subsequently at their amortised cost.

  Trade payables which do not explicitly accrue interest are recorded at their nominal values, which do not significantly differ from their fair values.

Derecognition of financial liabilities

The Group derecognises financial liabilities when the debentures that generated them expire.

c) Equity instruments:

An equity instrument represents a residual stake in the Parent's equity, once all its liabilities have been deducted.

The capital instruments issued by the Parent are entered in net equity for the amount received, net of issuing expenses.

Likewise, the interest accrued on that loan is payable in shares. Therefore, the variations in that instrument, as well as the associated issue costs and accrued interest are recorded directly in the net equity.

Treasury shares

Treasury shares are recorded at the value of the consideration given in exchange, directly as lower value of the equity. The results deriving from the purchase, sale, issue or amortisation of own equity instruments are recorded directly in equity, and in no case is any result whatsoever recorded in the consolidated profit and loss statement.

d) Derivative financial instruments

The Group uses derivative financial instruments to cover the risks to which its activities, operations and future cash flows are exposed. These risks are primarily variations in currency exchanges and interest rates.

The Group designates a derivative financial instrument when it meets the following conditions:

1. Its value changes in response to changes in variables such as interest rates, exchange rates, credit ratings, etc.

2. It does not require an initial investment or requires a lower investment than other types of contracts that could be expected to respond similarly to changes in market conditions.

3. Its settlement takes place on a future date.

Derivative financial instruments are initially valued at their fair value, which will be, unless there is evidence to the contrary, the price of the transaction, equivalent to the consideration given. Directly attributable transaction costs will be recognised in the income statement for that financial year.

Subsequently, these financial instruments will be measured at fair value, without deducting any transaction costs that may result from their disposal. Any changes in the fair value will be taken to income for the year.

So that these financial instruments may be classified as accounting hedges, they must be initially designated as such, documenting the hedging relationship, which must be highly effective. In this regard, the Group verifies, initially and periodically throughout its lifetime (at least at each accounting close) if the hedging relation is effective, i.e. that it can be prospectively expected that the changes in the fair value or in the cash flows of the hedged item (attributable to the hedged risk) are offset by the changes in the fair value or in the cashflow of the hedge instrument and that, retrospectively, the results of the hedge have oscillated within a variation range of 80% - 125% on the result of the hedged item.

The profit or loss of the hedging instrument that has been established as effective hedging is temporarily recognised in net equity and attributed to the profit and loss account in the year or years during which the foreseeable hedging operation affects income.

Hedging instruments will be valued and recorded in accordance with their nature, insofar as they are not, or cease to be, effective hedges. In this way, if the Group designates its derivative financial instruments as accounting hedges, they will be interrupted when the hedging instrument expires or is sold or exercised or no longer fulfils the criteria for accounting as a hedge. At that moment, any accumulated profit or loss corresponding to the hedge instrument which has been recorded in the net

equity would be maintained in the net equity until the envisaged operation took place. When the hedged transaction is not expected to take place, the net accumulated profit or loss recognised in equity is transferred to net income for the period.

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

The adjustment for bilateral credit risk, which amounts to €0.91 million at 29 February 2020 (€1.65 million at 28 February 2019) has been calculated by applying a technique based on expected total exposure (which includes both current and potential exposure), adjusted by default probability over time and severity (or potential losses) assigned to the Group and each of the counterparts.

Expected total exposure of derivatives is obtained by using observable market inputs such as interest rate curves, exchange rates and volatilities in market conditions at the valuation date.

The inputs applied to obtain own and counterparty credit risk (to determine the probability of default) are mainly based on applying own credit spreads or those of comparable companies currently traded on the market (CDS curves, IRR debt issues). In the absence of own or comparable company credit spreads and for the purpose of maximising use of relevant observable variables, the listed references considered most suitable in each case have been used (global CDS curve). The credit spreads used for counterparties with available credit information are obtained from credit default swaps (CDS) listed on the market.

In addition, fair value adjustment to credit risk has considered credit improvements for guarantees or collateral to determine the severity rate to apply to each position.

As of 29 February 2020, the fair value assessments made on different derivative financial instruments, including the data used for calculating the adjustments by own and counterparty credit risk, are included in level 2 of the fair value hierarchy framework established by IFRS 7, since the entries are based on the prices quoted for similar instruments in active markets (not included in level 1), prices quoted for identical or similar instruments in markets that are not active, and techniques based on valuation models for which all significant inputs are observable in the market or can be corroborated by observable market data. Although the Group has determined that most of the entries used to assess the derivatives fall within level 2 of the fair value hierarchy, adjustments for credit risk use level 3 entries, such as credit estimates according to credit rating or from comparable companies to assess the probability of the company or of the counterpart defaulting. The Group has evaluated the importance of the credit risk adjustments in the total valuation of derivative financial instruments and concludes that they are not significant.

4.2.9 Balances and transactions in currencies other than the euro

Transactions in currencies other than each company's functional currency are recorded in the company's functional currency at the rate of exchange prevailing at the time of the transaction. During the financial year, the differences between the accounting exchange rate and the one in force at the date of receipt or payment are recorded as financial results in the consolidated profit and loss statement.

The conversion of balances receivable or payable every year at 28 February (or 29 February on leap years) in a currency other than the functional currency in which the financial statements of the companies forming part of the scope of consolidation are set out, is carried out at the closing exchange rate. Any differences in valuation are recorded as financial results in the consolidated profit and loss statement.

Argentina has had a hyperinflationary economy since 2018, though the impacts of inflation adjustments are insignificant because of the Group's low activity there (only delegations from Viajes El Corte Inglés).

4.2.10 Corporate Income Tax

The corporate income tax expense represents the sum of the tax burden to be paid during the financial year plus the changes in deferred tax assets and liabilities.

The expense arising from corporate income tax in the financial year is calculated using the sum of the current tax resulting from the application of the tax rate on the tax base for the year, after applying any fiscally permissible deductions, plus the variation in deferred tax assets and liabilities.

Deferred tax assets and liabilities include temporary differences which are identified as the amounts expected to become payable or recoverable deriving from the differences between the book values of assets and liabilities and their taxable values, as well as the negative tax bases pending offsetting and credits for tax deductions which have not been applied. These amounts are recorded by applying the tax rate at which it is expected they will be recovered or settled to the corresponding temporary difference or credit.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the temporary difference arises from the initial recognition of the goodwill, whose depreciation is not deductible for tax purposes, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction affecting neither tax result nor accounting profit.

Deferred tax assets, identified with temporary differences, are only recognised when it is considered

probable that the consolidated entities will have sufficient taxable profits in the future against which they can be made effective and where they do not arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction affecting neither tax result nor accounting profit. The remaining deferred tax assets (negative taxable amounts and deductions pending offsetting) are only recognised if it is deemed likely that the consolidated entities will in future have sufficient taxable profits against which to make them effective.

Income tax and variations in deferred tax assets and liabilities not arising from business combinations are recognised fully in the consolidated profit and loss statement or in the equity accounts of the consolidated balance sheet, depending on where the profit or loss which gave rise to them was recorded.

Deferred tax assets and liabilities are not updated and they are classified as non-current assets/liabilities in the consolidated balance sheet.

At each accountancy close, any recorded deferred tax (both assets and liabilities) is reviewed, in order to ensure that it is up-to-date, and the appropriate corrections are made in accordance with the results of the analyses carried out.

El Corte Inglés, S.A. is taxed in accordance with the tax consolidation system, together with the Spanish subsidiaries in which it owns at least 75% of the capital, excluding those which have a different financial year to that of the Parent for reasons of their sector-specific regulation, in accordance with the legal regulations currently in force in this matter.

Since 1 January 2008, El Corte Inglés, S.A., as the parent company, has applied the Special Group of Entities System regulated in Chapter IX of Section IX of Law 37/1992 on Value Added Tax, together with certain Spanish subsidiaries.

4.2.11 Revenue recognition

Revenue from contracts with customers is recognised when the control of the goods or services is transferred to the customer for an amount that reflects the consideration to which the Group expects to have the right to exchange such goods or services. The Group has concluded that it acts as principal in its revenue contracts.

Revenue from contracts with customers is recognised at the fair value of the consideration received or to be received deriving from those goods or services. Discounts for prompt payment, volume or other types of discounts are registered as a decrease therein.

Discounts granted to customers are recognised as a reduction in revenue from sales when it is likely that the conditions which determined their granting will be met.

The Group has customer loyalty programmes which do not generate credits because they consist of the granting of discounts which are materialised at the time of sale and which are recorded as a lower amount of the transaction in which they are applied.

4.2.11.1 Retail sales of consumer goods

Income from retail sales correspond to the sale of goods, products through the commercial formats of department stores, hypermarkets, supermarkets, Sfera, Bricor and other lines of business.

Income from the sale of goods or services is recognised at the fair value of the consideration received or to be received deriving from those goods or services. These sales are recognised at the time of delivery to the customer, which generally takes place at the stores and warehouses owned by the Group.

4.2.11.2 Provisions of services

Income from "provision of services" corresponds mainly to the services of Travel Agencies, Information and Communication Technologies and Insurance.

- Information technologies:

  The Group records the income from its sales once it has received the formal conformity of its clients in relation to the goods delivered or the services rendered and once all the conditions stipulated in the contracts and agreements with clients have been fulfilled.

  The goods delivered and the services rendered which are pending billing to clients or are still under preparation at close of the financial year are recorded at their cost in the "Trade and other receivables" section of the balance sheet at 28 February 2019 (classified as held for sale in the balance sheet for the year ended 29 February 2020. Refer to Note 4.2.15).

  In the case of services rendered, the income deriving from projects in progress is recognised by means of the application of the percentage of completion method from the start of the project, the completion percentage being determined on the date of close of the financial statements in accordance with the technical estimation of the degree of progress. The estimations of ordinary income from provisions of services, costs or degree of completion are reviewed if the circumstances change. Any resulting increase or decrease in the ordinary income or estimated costs is reflected in the result of the financial year in which the circumstances which give rise to the revision are known by Management.

- Travel Agency:

  Revenue is allocated in accordance with the accrual criterion, i.e. when the effective provision of the services which it represents takes place, which generally coincides with the delivery of transport or travel documents corresponding to the customers, regardless of when the monetary or financial flow deriving from them takes place. Specifically, the income represents the amounts receivable for the services rendered in the ordinary framework of the activity, less discounts, VAT and other taxes related to sales.

  In particular, the Company's directors consider that, as the Company assumes - partially at least - the risks and benefits of the provision of services, it acts as the principal agent in the provision of those services. For this reason, the income and expenses deriving from the provision of services as part of the Company's activity are recognised at their gross amounts in the profit and loss statement.

- Insurance and insurance brokerage services

  The El Corte Inglés Group is present in the Spanish and Portuguese insurance markets through two companies: Centro de Seguros y Servicios, Correduría de Seguros, S.A., dedicated to brokerage; and Seguros El Corte Inglés, the insurance entity which operates in the life and accidents branches and which is a pension fund manager.

  With regard to the brokerage activity, the income corresponds basically to the commissions accrued for the premium receipts issued by the intermediate insurance operations.

  With regard to the life insurance and pensions activity, it focuses on the issue of risk and savings insurance policies in which the majority of the income corresponds to premiums accrued for risk insurance policies. Those premiums are allocated to results as and when they are accrued over the course of the coverage period of the insurance.

  The savings premiums are corrected by the mathematical provision recorded in the liabilities of the consolidated balance sheet (See Note 16). Their allocation to the profit and loss statement takes place over the course of the life of the operation in accordance with the variables considered in order to determine the premium (expectation of survival, interest rate, etc.).

  Income from rentals:

  Income from rentals is classified as operating income because the assets are not transferred, and it is recognised linearly in accordance with the duration of the contracts.

4.2.12 Provisions and contingencies

a) General criteria:

The Group follows the practice of providing projected income to meet liabilities arising from ongoing litigation, compensation or any obligations, as well as for any guarantees and warranties granted which entail a probable payment obligation for the Group, provided the amount can be reliably estimated.

Provisions are quantified on the basis of the best available information about the situation and the evolution of the events which gave rise to them, and they are re-estimated at each accountancy close, leading to their total or partial reversion when the aforementioned obligations cease to exist or decrease.

Contingent liabilities, except in business combinations, are not recognised in the consolidated financial statements, rather they are reported in the report notes, in accordance with the requirements of IAS 37.

Contracts in which the inevitable costs of complying with the obligations they impose exceed the economic benefits expected to be derived from them are considered by the Group to be onerous.

The Group follows the criterion of recording a provision for the current value of the aforementioned difference between the costs and the benefits of the contract.

The discount rates used reflect current valuation of money in the market and the specific risks of these contracts.

b) Technical provisions:

Technical provisions cover the amounts of any obligations undertaken arising from currently valid insurance and reinsurance contracts to ensure fulfilment of the obligations contemplated in these contracts in accordance with reasonable and prudent criteria.

Provisions for unearned premiums and ongoing risks

The unearned premiums provision aims to reflect the accretion of premiums accrued at year end and it comprises the fraction of the premiums accrued during the financial year that should be attributed to the period between the closing date and the end of the coverage period. The provision for unearned premiums were calculated on a policy-by-policy basis based on the premium rate in accordance with the technical bases and as contemplated in the Private Insurance Regulation and Supervision Act.

Commissions and other acquisition costs corresponding to issued premiums are recognised as an expense using the same criteria, which recognises as income any premiums for currently valid insurance contracts. The part of commissions and other acquisition costs corresponding to the unused coverage period from insurance policies currently in force is recorded under the "Other current assets" heading of the assets in the balance sheet. As of 29 February 2020, commissions amounted to €14.56 million (€10.56 million at 28 February 2019).

The ongoing risks provision supplements the unearned premiums provision insofar as that amount is insufficient to reflect the valuation of all the risks and expenses to be covered, corresponding to the unelapsed coverage period at the close of the financial year. Its calculation is carried out in accordance with the Private Insurance Regulation and Supervision Act in force. As of 29 February 2020 and 28 February 2019, it has not been necessary to set aside this provision.

Life insurance provisions

They represent the value of the Group's obligations, net of the policyholder's obligations, arising from life insurance policies at the end of the financial year. The life insurance provision comprises:

- For insurance policies whose coverage period is equal to or less than the year, the "unearned premiums provision" and, where appropriate, the "ongoing risks provision", whose aim and calculation method are the same as set out in the preceding paragraph.

- There is a mathematical provision for all other insurance policies. This provision represents the difference between the present actuarial value of the Group's future obligations and those of the policyholder. The basis for calculating this provision is the inventory premium accrued throughout the financial year, which is construed as the pure premium increased by extra administration cost charges as contemplated in the Technical Bases. Calculation is done on a policy-by-policy basis through a system of individual capitalisation and the implementation of a prospective approach according to the Technical Bases and as established in the Private Insurance Regulation and Supervision Act.

  The technical interest rates used in 2019 and 2018 essentially fall between 0.28% and 5.43% (0.10% and 5.51% in 2018). However, for the main insurance policies which have a guaranteed high technical interest rate, the Group assigned portfolios of specific financial investments whose profitability can cover the aforesaid guaranteed interest rates.

  The corresponding life insurance technical provisions for insurance policies for which the policyholder assumes the investment risk are determined based on the specific assets covered or the indices or assets set as a reference to calculate the economic value of their rights.

Correction of accounting asymmetries

In insurance operations that are financially immunized, which refer their redemption value to the value of specifically assigned assets, which provide for a profit sharing of a linked asset portfolio, or in the case of insurance operations in those that the policyholder assumes the risk of the investment or assimilated, the Company has recognized, through its equity, symmetrically, the variations experienced in the fair value of the assets classified in the categories of "Available-for-sale financial assets" or of "Other financial assets at fair value with changes in profit and loss" and those that have occurred in the life insurance provisions: either with payment to said technical provisions, when required by the Regulation and other applicable regulations, or by crediting a liability account (with a positive or negative balance) for the part not recorded as a life insurance provision.

Technical provisions for compensation

They cover the projections made by the Group to meet its commitments originating from claims occurring prior to the end of the financial year and pending declaration, settlement or payment on that date. Likewise, any maturities and redemptions requested, pending settlement or payment to year end are included. This provision will be comprised by providing compensation pending settlement or payment, the provision of claims pending declaration and the provision of internal expenses for the payment of claims. It will be calculated in accordance with the corresponding regulations.

Provisions for share in benefits and returns

These provisions cover accrued, but not yet assigned, benefits in favour of policyholders, insured parties or beneficiaries, as well as the projected amount of the premiums that it is appropriate to return to policyholders or insured parties, if necessary, in accordance with the performance of the insured risks. Such provisions are calculated on the basis of the corresponding clauses of the contracts in force at year end.

Technical provisions of accepted and assigned reinsurance

The corresponding provisions are reflected in the balance sheet in accordance with the terms in the relevant contracts and regulations.

4.2.13 Severance pay and other payments to staff

In accordance with current labour regulations, the Group is obliged to pay compensation to employees with whom it severs its labour relations under certain conditions.

The Company's directors estimate that the provisions recorded at 29 February 2020 to cover situations of this nature are sufficient (see Note 16.1).

4.2.14 Official subsidies

Official subsidies are recognised as income once all their terms have been met and during the periods for which they cover the related costs. They are deducted upon presentation of the corresponding expense.

Official subsidies relating to property, plant and equipment and intangible assets are considered deferred income and are classified under the heading "Other non-current liabilities" and any profits are distributed over the expected useful lives of the relevant assets.

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

The Group classifies as "non-current assets held for sale" property, plant and equipment, intangible assets, other non-current assets or those included under the heading "Investments accounted for using the equity method" and disposal groups (group of assets to be disposed of along with their directly associated liabilities), for which, at the date of closure of the consolidated balance sheet, active business negotiations have begun and at a fair sale price and it is projected that the sale will take place within the twelve months following the aforesaid date.

Likewise, the Group considers discontinued operations to be those business lines that have been sold or which have been disposed of by other means or which meet the conditions to be classified as being held for sale, including, where appropriate, those other assets that, together with the business line, are part of the same sale plan or as a result of assumed commitments. Likewise, any entities acquired solely for resale are considered discontinued operations.

These assets or disposal groups are valued at the lesser of either the amount of their book value or fair value less the sale costs, and cease to be amortised from the moment they are classified as non-current assets held for sale.

Non-current assets held for sale and the components of the groups classified as held for sale are presented in the attached consolidated balance sheet in the following manner: the assets on a single line called "non-current assets held for sale and from discontinued activities"; and the liabilities also on a single line called "liabilities associated with non-current assets held for sale and from discontinued activities".

The profit after tax from discontinued operations is presented in a single line of the consolidated profit and loss statement named "profit after tax from discontinued activities".

Informática El Corte Inglés

On 10 December 2019, the Parent Company, holding 100% ownership of the Informática El Corte Inglés Group [Informática El Corte Inglés, S.A., Informática El Corte Inglés México, S.A. de C.V., Informática El Corte Inglés República Dominicana, S.A., Informática El Corte Inglés Perú, S.A., Informática El Corte Inglés Brasil, L.T.D.A., Informática El Corte Inglés FZ SAS Colombia, S.A.S., Informática El Corte Inglés Costa Rica, S.A.S., Informática El Corte Inglés (USA) Corporation, Investrónica, S.A.] entered a purchase agreement for the companies in the Informática El Corte Inglés business with the GFI Group. As mentioned in note 26.3, the final performance of the agreement after the end of the year after securing the necessary pertinent authorisation from the different competition regulatory entities.

In accordance with the foregoing, and applying IFRS 5, the income and expenses of the business of the Informática El Corte Inglés Group for 2019 and 2018 were reclassified and presented in the consolidated income statement for both years under "profit after tax from discontinued operations". The main impacts are summarised below:

ITEM	29 February 2020	28 February 2019
Net turnover	660,373	693,181
Supplies	(444,185)	(488,972)
Personnel expenses, Other operating income and expenses	(182,561)	(169,895)
Amortisation and depreciation	(9,349)	(5,656)
Excess provisions, impairment and gains or losses on disposals of assets and other income	1	(14)
PROFIT/(LOSS) FROM OPERATIONS	24,279	28,644
FINANCIAL PROFIT/(LOSS)	(3,707)	(3,398)
PROFIT/(LOSS) BEFORE TAXES	20,572	25,246
Corporate income tax	(9,185)	(9,156)
NET INCOME	11,387	16,090

Amounts in thousands of euros

Likewise, the balance statement and statement of cash flows when applying IFRS 5 are:

ITEM	29 February 2020
Non-current assets	30,907
Non-current assets	25,822
Financial investments	763
Deferred tax assets	4,322
Current assets	332,794
Inventories	17,729
Trade receivables	276,002
Other current assets	39,063
TOTAL ASSETS	363,701
Non-current liabilities	19,199
Provisions	4,987
Non-current debts	6,931
Other liabilities	7. 281
Current liabilities	246,626
Current debts	21,134
Other current liabilities	225,492
TOTAL LIABILITIES	265,825

Amounts in thousands of euros

ITEM	29 February 2020	28 February 2019
Cash flows from operating activities	36,358	4,077
Cash flows from investing activities	(9,333)	(6,163)
Cash flows from financing activities	(36,645)	8,678
Effect of exchange rate changes	262	684
Net increase/decrease in cash and cash equivalents	(9,358)	7,276
Cash or cash equivalents at the start of the financial year	25,244	17,968
Cash or cash equivalents at the end of the financial year	15,886	25,244

Amounts in thousands of euros

Óptica 2000

In financial year 2018, and on 19 February 2019, the Parent Company, owner of 100% of the optics business (Óptica 2000, S.L. and Gallery Da Visao – Servicios de Óptica Unipessoal, L.D.A) entered into a purchase agreement with the Grand Vision Group regarding companies integrating the optics business. The purchase amount stood at €89.1 million.

In accordance with the foregoing, and applying IFRS 5, the income and expenses of the optics business for 2018 and 2017 were reclassified and presented in the consolidated income statement for both years under "profit after tax from discontinued operations". The main impacts are summarised below:

ITEM	28 February 2019
Net turnover	83,360
Supplies	(24,140)
Personnel expenses, Other operating income and expenses	(48,926)
Amortisation and depreciation	(1,169)
Excess provisions, impairment and gains or losses on disposals of assets and other income	(615)
PROFIT/(LOSS) FROM OPERATIONS	8,510
FINANCIAL PROFIT/(LOSS)	(48)
PROFIT/(LOSS) BEFORE TAXES	8,462
Corporate income tax	(2,008)
NET INCOME	6,454
Result of disposal	65,610
PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS	72,064

Amounts in thousands of euros

Likewise, the balance statement and statement of cash flows at the time of loss of control were:

ITEM	28 February 2019
Non-current assets	4,423
Non-current assets	3,592
Financial investments	585
Deferred tax assets	246
Current assets	22,805
Inventories	6,126
Trade receivables	10,238
Other current assets	6,441
TOTAL ASSETS	27,228
Equity	18,313
Capital	4,985
Reserves	6,874
Profit	6,454
Current liabilities	8,915
TOTAL LIABILITIES	27,228

Amounts in thousands of euros

ITEM	28 February 2019
Cash flows from operating activities	22,542
Cash flows from investing activities	(1,101)
Cash flows from financing activities	(15,743)
Net increase/decrease in cash and cash equivalents	5,698
Cash or cash equivalents at the start of the financial year	997
Cash or cash equivalents at the end of the financial year	6,695

Amounts in thousands of euros

4.2.16 Environmental equity items

Assets of an environmental nature are assets used in a lasting manner in the Group's activity whose main purpose is the minimisation of the environmental impact and the protection and improvement of the environment, including the reduction or elimination of future contamination.

The Group's activity, due to its nature, does not have a significant environmental impact, though the details of the assets and expenses of an environmental nature are given in Note 25.

4.2.17 Current and non-current items

The Group presents the consolidated balance sheet classifying assets and liabilities as current and non-current. Current items include balances that the Group expects to sell, consume, turn into cash over the course of the normal operation cycle, or which are expected to be cashed in within the period of the twelve months following the closing date, otherwise they will be classified as non-current.

Assets are not offset by liabilities unless offsetting is required or permitted by any standard or interpretation.

4.2.18 Consolidated statement of cash flows

In the consolidated statement of cash flows, which is drawn up according to the indirect method, the following expressions are used as follows:

- Cash flows: entries and outlays of money in cash and equivalents, comprising short-term, highly liquid investments with a low risk of alterations in their value.

- Operating activities: typical activities of the entity, and other activities that cannot be classified either as investment or financing.

- Investment activities: acquisition, transfer or disposal by other means of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: activities which produce changes in the size and composition of the equity and liabilities that are not part of operating activities.

4.2.19 Going concern principle

As indicated in Note 26.3, as a result of the possible impact of COVID-19 and the current uncertainty, the Group has adopted measures to control and bolster its liquidity for operational purposes. These include obtaining a new credit facility of €1,341 million, which supplements the capacity to obtain additional liquidity from funding sources available at 29 February 2020 (Note 17).

As is usual in the sector in which the Group operates, due to the lag between the payment and receipt dates of commercial transactions, and as a result of applying the cash flows from operating activities to the acquisition of assets of a non-current nature (see the statement of cash flows), the current liabilities in the accompanying consolidated balance sheets at 29 February 2020 and 28 February 2019 exceed current assets.

The Group's management and directors consider that the bolstering of liquidity described in note 26.3 and measures put into place, including yet not restricted to cost control and implemented investments, will enable the Group to address the impacts and uncertainty caused by COVID-19 with greater confidence. These factors, together with the sale of the Informática El Corte Inglés Group, the Group's solid financial position after the management in recent years, and the Group's equity (fixed and financial assets) enables it to meet short-term payment commitments as normal and cover the gaps in current income that the health crisis could cause; and, therefore, draw up these consolidated financial statements on a going-concern basis.

4.2.20 Information by Segments

The information by segments is presented in accordance with the provisions contained in IFRS 8 "Operating Segments". Note 23.1 outlines the reporting requirements in detail.

5. PROPERTY, PLANT AND EQUIPMENT

The movements in the different accounts of the property, plant and equipment section of the consolidated balance sheet in the years ending on 29 February 2020 and 28 February 2019 were as follows:

2019

DESCRIPTION	OPENING BALANCE	Non-current assets held for sale	Additions/ Provisions	Disposals/ Reversions	Transfers	CLOSING BALANCE
Cost						
Land and Constructions	10,463,234	(3,262)	13,388	(123,391)	(232,534)	10,117,435
Machinery, installations and tooling	6,131,182	(20,963)	37,525	(128,895)	40,431	6,059,280
Furniture and Fixtures	2,144,825	(14,850)	11,170	(51,296)	42,109	2,131,958
Information processing equipment	416,067	(23,386)	13,681	(14,378)	(34,887)	357,097
Transport Elements	6,715	(149)	335	(117)	(9)	6,775
Property, plant and equipment in progress	336,489	-	150,162	-	(133,657)	352,994
TOTAL COST	19,498,512	(62,610)	226,261	(318,077)	(318,547)	19,025,539
Depreciation						
Constructions	(1,164,257)	-	(63,549)	585	18,960	(1,208,261)
Machinery, installations and tooling	(4,574,106)	12,602	(215,723)	88,697	8,314	(4,680,216)
Furniture and Fixtures	(1,488,731)	9,589	(94,293)	39,097	(480)	(1,534,818)
Information processing equipment	(350,719)	19,751	(17,691)	14,683	15,207	(318,769)
Transport Elements	(5,622)	67	(182)	78	19	(5,640)
TOTAL DEPRECIATION	(7,583,435)	42,009	(391,438)	143,140	42,020	(7,747,704)
Impairment						
Land and Constructions	(80,586)	4,526	(103,454)	26,044	51,230	(102,240)
Machinery, installations and tooling	(3,109)	3,856	(8,501)	9,685	(10,884)	(8,953)
Furniture and Fixtures	(4,237)	3,463	(2,419)	1,895	1,030	(268)
Information processing equipment	(1,140)	61	-	114	(56)	(1,021)
Transport Elements	-	45	-	45	(39)	51
TOTAL IMPAIRMENT	(89,072)	11,951	(114,374)	37,783	41,281	(112,431)
CARRYING AMOUNT	11,826,005	(8,650)	(279,551)	(137,154)	(235,246)	11,165,404

Amounts in thousands of euros

2018

DESCRIPTION	OPENING BALANCE	Changes to the scope	Additions/ Provisions	Disposals/ Reversions	Transfers	CLOSING BALANCE
Cost						
Land and Constructions	10,536,337	102,905	5,277	(188,708)	7,423	10,463,234
Machinery, installations and tooling	6,173,459	(23,211)	51,981	(205,728)	134,681	6,131,182
Furniture and Fixtures	2,131,168	(1,497)	13,977	(75,194)	76,371	2,144,825
Information Processing Equipment	435,067	(2,021)	20,653	(38,625)	993	416,067
Transport Elements	6,568	9	212	(79)	5	6,715
Property, plant and equipment in progress	370,686	(231)	188,049	(1,608)	(220,407)	336,489
TOTAL COST	19,653,285	75,954	280,149	(509,942)	(934)	19,498,512
Depreciation						
Constructions	(1,112,016)	(9,477)	(62,096)	18,250	1,082	(1,164,257)
Machinery, installations and tooling	(4,541,786)	21,282	(225,660)	171,184	874	(4,574,106)
Furniture and Fixtures	(1,456,752)	1,259	(90,424)	55,318	1,868	(1,488,731)
Information Processing Equipment	(370,574)	1,145	(18,247)	35,142	1,815	(350,719)
Transport Elements	(11,433)	(9)	(208)	74	5,954	(5,622)
TOTAL DEPRECIATION	(7,492,561)	14,200	(396,635)	279,968	11,593	(7,583,435)
Impairment						
Land and Constructions	(75,229)	(7,076)	(55,827)	62,815	(5,269)	(80,586)
Machinery, installations and tooling	(11,299)	-	(20,500)	25,966	2,724	(3,109)
Furniture and Fixtures	5,136	-	(1,341)	6,464	(14,496)	(4,237)
Information processing equipment	(1,651)	-	-	498	13	(1,140)
Transport Elements	5,964	-	-	-	(5,964)	-
TOTAL IMPAIRMENT	(77,079)	(7,076)	(77,668)	95,743	(22,992)	(89,072)
CARRYING AMOUNT	12,083,645	83,078	(194,154)	(134,231)	(12,333)	11,826,005

Amounts in thousands of euros

Non-current assets held for sale in 2019 are determined by discontinued operations (Note 4.2.15).

The changes to the scope in 2018 are primarily due to the acquisition of the Inivasa Group and sale of the optics business (see Note 2.7.9)

Fixed asset added in 2019 and 2018 essentially correspond to the costs for expanding and modernising several department stores and other formats.

Withdrawals of property, plant and equipment in 2019 and 2018 are mainly due to write-offs of completely depreciated items and the sale of certain buildings. These sales in 2019 and 2018 were made using the sale and lease back method with mandatory compliance periods of between one and six years.

Transfers in 2019 correspond to certain properties classified as real estate investments (see Note 6) and the transfer of assets under finance leasing (under IAS 17) classified as rights of use (see Note 9).

At the close of 2019, the Group had an entry of €188.31 million (€116.53 million in 2018) for the impairment of several material assets, intangible assets and property investments.

At the end of 2019 and 2018, the Group owned buildings with the following net accounting value, with construction separated from land:

ITEM	2019	2018
Land	5,220,597	5,367,291
Constructions	3,586,337	3,851,100
TOTAL	8,806,934	9,218,391

Amounts in thousands of euros

During financial year 2019, the Group has capitalised material fixed assets in the buildings heading in the amount of €4.54 million (€9.64 million at the close of 2018).

At the end of 2019 and 2018, the Group also had the following investments in material fixed assets located outside Spain:

ITEM	2019		2018	
	Cost	Depreciation and impairment	Cost	Depreciation and impairment
Land and constructions	361,623	(53,904)	368,885	(60,262)
Machinery and installations	227,298	(132,499)	219,680	(124,238)
Other PP&E and under construction	100,376	(72,748)	107,830	(72,628)
TOTAL	689,297	(259,151)	696,395	(257,128)

Amounts in thousands of euros

Likewise, the assets constructed on lands obtained as concessions are the following:

ITEM	2019	2018
Constructions	145,306	147,135
Machinery and installations	115,803	116,737
Other fixed assets	57,583	29,614
Accumulated amortisation	(194,283)	(185,630)
Accumulated impairment	(33,218)	(35,984)
TOTAL	91,191	71,872

Amounts in thousands of euros

At the close of 2019 and 2018, the Group had fully depreciated items of property, plant and equipment that continued in use according to the following table:

ITEM	2019	2018
Constructions	49,256	41,328
Machinery, installations and tooling	1,478,256	1,250,066
Furniture and fixtures	268,079	280,586
Information processing equipment	86,599	118,953
Transport elements	4,554	4,263
TOTAL	1,886,744	1,695,196

Amounts in thousands of euros

At the close of 2019 and 2018, the Group held a firm investment commitment for a total of €58,452 and €51,978 thousand, respectively.

The Group's criteria is to insure the value of its fixed asset items via insurance policies underwritten with third parties. The Parent's directors consider that the insurance coverage for 2019 and 2018 is appropriate.

6. INVESTMENT PROPERTY

The Group's investment property mainly includes properties which are earmarked for leasing. The movement of this heading in the consolidated balance sheet during 2019 and 2018 was as follows:

2019

ITEM	Balance at 1 March 2019	Additions or Provisions	Disposals	Transfers	Balance at 29 February 2020
Land and constructions	216,051	105	(9,196)	205,253	412,213
Total cost	216,051	105	(9,196)	205,253	412,213
Accumulated amortisation	(19,048)	(4,512)	414	(8,020)	(31,166)
Impairment	(12,784)	-	4,340	(54,499)	(62,943)
NET BALANCE	184,219	(4,407)	(4,442)	142,734	318,104

Amounts in thousands of euros

2018

ITEM	Balance at 1 March 2018	Additions or Provisions	Disposals	Transfers	Balance at 28 February 2019
Land and constructions	204,236	47	(3,748)	15,516	216,051
Total cost	204,236	47	(3,748)	15,516	216,051
Accumulated amortisation	(16,853)	(3,926)	220	1,511	(19,048)
Impairment	(9,103)	-	1,014	(4,695)	(12,784)
NET BALANCE	178,280	(3,879)	(2,514)	12,332	184,219

Amounts in thousands of euros

Transfers in 2019 correspond to certain properties classified as real estate investments (see Note 5).

Regarding the use of such investments, at the end of 2019 and 2018 they were distributed as follows:

ITEM	2019	2018
Offices	149,485	118,219
Premises	108,215	44,029
Other	60,404	21,971
TOTAL	318,104	184,219

Amounts in thousands of euros

The Group's criteria is to insure the value of its property investment items via insurance policies underwritten with third parties. The Parent's directors consider that the insurance coverage for 2019 and 2018 is appropriate.

7. GOODWILL

The breakdown of goodwill during 2019 and 2018 was as follows:

ITEM	Balance at 29 February 2020	Balance at 28 February 2019
Merger goodwill	10,688	10,688
TOTAL	10,688	10,688

Amounts in thousands of euros

The impairment tests performed on 29 February 2020 for each of the cash generating units have not shown the need to provide any impairment.

8. OTHER INTANGIBLE ASSETS

The movements in this chapter of the consolidated balance sheet in the years ending on 29 February 2020 and 28 February 2019 were as follows:

2019

DESCRIPTION	OPENING BALANCE	Non-current assets held for sale	Additions/ Provisions	Disposals/ Reversions	Transfers	CLOSING BALANCE
Cost						
Development costs	35,415	(35,415)	-	-	-	-
Transfer rights	27,639	-	313	(9,766)	846	19,032
Computer software	1,093,533	(53,016)	115,429	(44,001)	778	1,112,723
Concessions	153,448	-	-	(8,690)	-	144,758
Industrial property	43,442	(22)	651	-	-	44,071
Other fixed assets	23,556	-	738	(254)	631	24,671
TOTAL COST	1,377,033	(88,453)	117,131	(62,711)	2,255	1,345,255
Amortisation/Depreciation						
Depreciation of development costs	(35,415)	35,415	(1)	-	1	-
Leaseholds amortisation	(20,733)	-	(21)	8,643	(553)	(12,664)
Computer software amortisation	(677,758)	42,721	(104,730)	49,219	(1,708)	(692,256)
Depreciation of concessions	(47,724)	-	(2,137)	5,503	-	(44,358)
Depreciation of industrial property	(6,290)	22	(6,860)	-	3	(13,125)
Depreciation of other fixed assets	(1,168)	-	(73)	-	2	(1,239)
TOTAL DEPRECIATION	(789,088)	78,158	(113,822)	63,365	(2,255)	(763,642)
Impairment						
Impairment of leaseholds	(1,905)	-	-	-	-	(1,905)
Computer software impairment	(226)	-	-	66	-	(160)
Impairment of concessions	(3,171)	-	-	1,681	-	(1,490)
Impairment of industrial property	(9,379)	-	-	-	-	(9,379)
TOTAL IMPAIRMENT	(14,681)	-	-	1,747	-	(12,934)
CARRYING AMOUNT	573,264	(10,295)	3,309	2,401	-	568,679

Amounts in thousands of euros

2018

DESCRIPTION	OPENING BALANCE	Changes to the scope	Additions/ Provisions	Disposals/ Reversions	Transfers	CLOSING BALANCE
Cost						
Development costs	35,415	-	-	-	-	35,415
Transfer rights	27,763	(210)	55	(636)	667	27,639
Computer software	1,012,803	(814)	115,933	(36,759)	2,370	1,093,533
Concessions	153,448	-	-	-	-	153,448
Industrial property	42,761	(79)	760	(1)	1	43,442
Other fixed assets	22,305	36	1,392	(610)	433	23,556
TOTAL COST	1,294,495	(1,067)	118,140	(38,006)	3,471	1,377,033
Amortisation/Depreciation						
Depreciation of development costs	(35,415)	-	-	-	-	(35,415)
Leaseholds amortisation	(19,940)	123	(23)	523	(1,416)	(20,733)
Computer software amortisation	(610,396)	606	(100,983)	27,107	5,908	(677,758)
Depreciation of concessions	(45,210)	-	(2,514)	-	-	(47,724)
Depreciation of industrial property	(6,194)	18	(122)	6	2	(6,290)
Depreciation of other fixed assets	(1,074)	(21)	(72)	-	(1)	(1,168)
TOTAL DEPRECIATION	(718,229)	726	(103,714)	27,636	4,493	(789,088)
Impairment						
Impairment of leaseholds	(1,960)	-	-	55	-	(1,905)
Computer software impairment	(227)	-	(1)	2	-	(226)
Impairment of concessions	(3,171)	-	-	-	-	(3,171)
Impairment of industrial property	(4,322)	-	(5,057)	-	-	(9,379)
TOTAL IMPAIRMENT	(9,680)	-	(5,058)	57	-	(14,681)
CARRYING AMOUNT	566,586	(341)	9,368	(10,313)	7,964	573,264

Amounts in thousands of euros

Non-current assets held for sale in 2019 are determined by discontinued operations (Note 4.2.15).

The changes to the scope in FY 2018 are primarily due to the acquisition of the Inivasa Group and sale of the optics business (see Note 2.7.9)

The additions recorded under "Computer Software" for years 2019 and 2018 correspond mainly to developments of applications and software necessary for the Group's activity.

During financial year 2019, the Group capitalised financial expenses within the intangible fixed assets section for the sum of €2.33 million (€2.11 million in 2018).

As of 29 February 2020, assets with indefinite useful lifetimes other than those presented as commercial funds, mainly corresponding to various brands acquired in the preceding years by El Corte Inglés, S.A., amounted to €22.86 million (€22.86 million for 2018). These brands are not systematically depreciated, but their possible impairment is verified annually.

At close of financial years 2019 and 2018, the Group had the following fully amortised intangible fixed assets still in use, as set out in this table:

ITEM	2019	2018
Development costs	-	35,415
Administrative concessions	3,281	2,984
Transfer rights	10,738	10,750
Computer software	401,606	431,142
Patents, licenses and others	9,468	19,378
TOTAL	425,093	499,669

Amounts in thousands of euros

9. LEASES

9.1 Position as lessee

The Group has signed lease contracts mainly for its commercial, IT, insurance and travel agency premises, offices, car parking facilities and vehicles. The amortisation criteria for the rights of use for these assets are described in note 4.2.6. The Group's obligations as the lessee establish the terms under which it can exercise the rights of use for the underlying assets. Some lease contracts include extension and early termination clauses, and variable payments.

The Group has lease contracts for low value equipment and machinery, and leases with a term of less than 12 months. As already explained, the Group applies the exemption provided for in IFRS 16 Leases for recognition and registration of these assets, using the criteria in that standard.

The amounts of the recognised rights of use and changes during the year are shown below:

Item	Commercial premises	Offices (travel and insurance)	IT equipment	Other (offices, car parking, vehicles, etc.).	Total
Opening balance	545,839	18,866	26,486	80,997	672,188
Recognitions and derecognitions	(13,593)	6,085	8,811	6,966	8,269
Amortisation	(107,832)	(6,405)	(7,404)	(5,859)	(127,500)
Impairments	1,030	-	-	-	1,030
Closing balance	425,444	18,546	27,893	82,104	553,987

Amounts in thousands of euros

Changes in lease liabilities are shown below:

Item	
Total lease liabilities at 1 March 2019 under IFRS 16	623,917
Recognition	146,657
Interest	16,135
Payments	(189,897)
Operating lease liability at 29 February 2020	596,812

Amounts in thousands of euros

The breakdown of current and non-current lease liabilities is shown below:

Item	
Current	124,419
Non-current	472,393
Operating lease liability at 29 February 2020	596,812

Amounts in thousands of euros

Details of maturities of lease liabilities are as follows:

Year	
2020	124,419
2021	108,718
2022	85,506
2023	60,342
2024	36,106
Rest	181,721
Operating lease liability at 29 February 2020	596,812

Amounts in thousands of euros

The impact of the new standard on the consolidated income statement as at February 2020 is:

	2019 Without IFRS 16	Impact IFRS 16	2019
Turnover	15,260,778	-	15,260,778
Supplies	(10,756,368)	-	(10,756,368)
Personnel expenses	(2,390,931)	-	(2,390,931)
Other operating income and expenses	(1,016,392)	127,629	(888,763)
Amortisation and depreciation	(513,208)	(117,005)	(630,213)
Excess provisions, impairment and gains or losses on disposals of assets and other income	(49,932)	(14,040)	(63,972)
Employee benefit obligations	(34,351)	-	(34,351)
PROFIT/(LOSS) FROM OPERATIONS	499,596	(3,416)	496,180
Finance income	2,187	-	2,187
Finance expenses	(112,894)	-	(112,894)
Finance lease expenses	-	(15,106)	(15,106)
Change in fair value of financial instruments	(10,689)	-	(10,689)
Result of companies accounted for using the equity method	50,307	-	50,307
Exchange gains/(losses)	455	-	455
Impairment and gains/(losses) on sale of financial instruments	(21,568)	-	(21,568)
FINANCIAL PROFIT/(LOSS)	(92,202)	(15,106)	(107,308)
PROFIT/(LOSS) BEFORE TAXES	407,394	(18,522)	388,872

Amounts in thousands of euros

In the profit and loss account for the year, the Group also recorded an expense of €36,485 thousand associated with lease contracts and fees considered to be low value contracts, short-term contracts and amounts corresponding to variable income and replaceable assets.

Finally, the Group has a number of lease contracts that include extension and early termination clauses. These clauses are negotiated by management to provide a degree of flexibility in the management of the assets of which the Group is the lessee. Management makes some material value judgements when determining whether it is reasonably certain that these extension and early termination clauses will be applied.

9.2 Position as lessor

The main contracts with the El Corte Inglés Group as lessor relate to operating leases, mainly for buildings, stores and premises. These leases are usually reviewed annually or as stipulated in the contract to update them to reflect market conditions.

At the close of 2019, the Group had the following minimum lease payments contracted with its lessees under currently valid contracts, without taking into account the impact of shared costs, future increases due to the consumer price index or future updates of contractually agreed lease payments:

ITEM	2019
Received in the financial year	28,741
Less than one year	28,594
Between one and five years	73,133
More than five years	70,255
TOTAL	200,723

Amounts in thousands of euros

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

At 29 February 2020 and 28 February 2019, the most significant stakes in Group-associated entities were as follows:

2019

ITEM	Balance at 1 March 2019	Other changes	Stake in results of companies by the equity method	Balance at 29 February 2020
Financiera El Corte Inglés E.F.C., S.A.	174,796	(64,455)	39,229	149,570
Gestión de Puntos de Venta, Gespevesa, S.A.	27,406	(1,859)	1,476	27,023
Sephora Cosméticos España, S.L.	8,376	-	1,351	9,727
Citorel, S.L.	1,776	(644)	662	1,794
FST Hotels, S.L.	52,928	(3,679)	3,589	52,838
Only You Hotels, S.L.	41,280	1,844	2,909	46,033
Tagus Books, S.L.	(252)	-	(79)	(331)
Kio Networks España, S.L.	6,526	49	1,069	7,644
Lecius, S.L.	680	(94)	101	687
TOTAL	313,516	(68,838)	50,307	294,985

Amounts in thousands of euros

2018

ITEM	Balance at 1 March 2018	Other changes	Stake in results of companies by the equity method	Balance at 28 February 2019
Financiera El Corte Inglés E.F.C., S.A.	173,333	(34,205)	35,668	174,796
Gestión de Puntos de Venta, Gespevesa, S.A.	27,067	(1,726)	2,065	27,406
Sephora Cosméticos España, S.L.	6,783	-	1,593	8,376
Citorel, S.L.	1,448	(205)	533	1,776
FST Hotels, S.L.	87,245	(37,053)	2,736	52,928
Only You Hotels, S.L.	-	37,113	4,167	41,280
Tagus Book, S.L.	(196)	-	(56)	(252)
Kio Networks Espa	5,504	122	900	6,526
Lecius, S.L.	576	1	103	680
TOTAL	301,760	(35,953)	47,709	313,516

Amounts in thousands of euros

The investment of Financiera El Corte Inglés E.F.C., S.A. accounted for using the equity method since 2013 includes implicit goodwill of €31.1 million.

The amounts reflected within "Other changes" mainly correspond to the dividends given from each one of the part-owned companies to the Group during the year.

On 13 December 2018, the company FST Hoteles, S.L. was extinguished, splitting into two newly created companies, namely FST Hotels, S.L. and Only You Hotels, S.L. This operation had no significant economic impact on the El Corte Inglés Group.

The main figures of the Group's joint ventures and associates are as follows:

2019

ITEM	Assets	Liabilities	Profit/(loss) from operations	Financial Year Profit/(Loss)	Percentage stake
Financiera El Corte Inglés E.F.C., S.A.	1,891,995	1,597,155	(276)	77,192	49.00
Gestión de Puntos de Venta, Gespevesa, S.A.	64,863	10,816	3,552	2,952	50.00
Sephora Cosméticos España, S.L.	83,413	64,466	5,857	2,703	50.00
Citorel, S.L.	4,850	1,262	1,765	1,324	50.00
FST Hotels, S.L.	74,782	4,011	6,609	7,178	50.00
Only You Hotels, S.L.	139,700	47,634	6,437	5,818	50.00
Tagus Books, S.L.	648	2,031	(217)	(331)	24.00
Kio Networks España, S.A.	19,952	4,560	2,897	2,139	50.00
Lecius, S.L.	3,741	2,366	223	202	50.00
TOTAL	2,283,944	1,734,301	26,847	99,177	

Amounts in thousands of euros

2018

ITEM	Assets	Liabilities	Profit/(loss) from operations	Financial Year Profit/(Loss)	Percentage stake
Financiera El Corte Inglés E.F.C., S.A.	1,678,538	1,395,698	5,022	72,793	49.00
Gestión de Puntos de Venta, Gespevesa, S.A.	63,761	8,950	5,507	4,130	50.00
Sephora Cosméticos España, S.L.	76,218	59,974	4,244	3,186	50.00
Citorel, S.L.	4,871	1,319	1,420	1,065	50.00
FST Hotels, S.L.	75,183	4,231	5,151	5,473	50.00
Only You Hotels, S.L.	139,071	56,511	9,024	8,333	50.00
Tagus Books, S.L.	1,032	2,084	(284)	(234)	24.00
Kio Networks España, S.A.	17,895	4,690	2,474	1,800	50.00
Lecius, S.L.	3,653	2,293	264	207	50.00
TOTAL	2,060,222	1,535,750	32,822	96,753	

Amounts in thousands of euros

10.1 Investments in joint ventures

The tables below contain further details on 100% of the financial information of the Group's most significant joint ventures:

ITEM	GESPEVESA		FST HOTELS		ONLY YOU HOTELS	
	2019	2018	2019	2018	2019	2018
Fixed assets	35,102	34,258	56,805	60,228	126,481	124,753
Financial investments	23	22	2,430	1,933	8	8
Deferred tax assets	300	363	-	-	-	-
Inventories	479	513	165	165	181	153
Trade and other receivables	21,944	21,036	3,231	3,864	9,571	5,226
Short-term financial investments	-	1,000	11	11	(9)	26
Investments in group companies and associates	-	-	-	5,931	-	-
Short-term accruals	-	-	18	32	1,061	336
Cash and other cash equivalents	7,015	6,571	12,123	3,019	2,408	8,569
TOTAL ASSETS	64,863	63,763	74,783	75,183	139,701	139,071
Shareholders' equity	54,046	54,811	70,741	70,919	92,066	82,560
Subsidies and donations	-	-	30	34	-	-
Long-term payables	38	38	8	8	31,965	41,974
Deferred tax liabilities	-	-	13	16	17	43
Short-term payables	-	-	-	-	6,345	2,617
Debts with group companies	-	-	-	-	-	5,931
Trade payables, accruals, provisions and accounts payable	10,779	8,914	3,991	4,206	9,308	5,946
TOTAL LIABILITIES AND EQUITY	64,863	63,763	74,783	75,183	139,701	139,071

Amounts in thousands of euros

ITEM	SEPHORA	
	2019	2018
Fixed assets	27,034	27,308
Financial investments	2,245	2,022
Deferred tax assets	677	1,895
Inventories	32,976	28,963
Trade and other receivables	13,303	8,500
Short-term accruals	123	97
Cash and other cash equivalents	7,054	7,433
TOTAL ASSETS	83,412	76,218
Shareholders' equity	18,946	16,244
Long-term provisions	539	164
Long-term payables	6,554	11,762
Long-term debts with Group companies	10,000	10,000
Short-term provisions	667	692
Short-term payables	9,159	7,889
Trade payables, accruals, provisions and accounts payable	37,547	29,467
TOTAL LIABILITIES AND EQUITY	83,412	76,218

Amounts in thousands of euros

ITEM	GESPEVESA		FST HOTELES		ONLY YOU HOTELS	
	2019	2018	2019	2018	2019	2018
Turnover	41,895	39,590	30,089	29,645	33,639	39,823
Supplies	(28,087)	(25,553)	(2,070)	(2,026)	(2,712)	(3,183)
Other income and expenses	(8,565)	(6,773)	(18,207)	(19,129)	(20,434)	(23,336)
Depreciation, impairment and result from disposal	(1,691)	(1,757)	(3,204)	(3,339)	(4,057)	(4,280)
Profit/(loss) from operations	3,552	5,507	6,608	5,151	6,436	9,024
Financial profit/(loss)	-	-	569	322	(619)	(691)
Profit/(loss) before taxes	3,552	5,507	7,177	5,473	5,817	8,333
Income tax	(600)	(1,377)	-	-	-	-
FINANCIAL YEAR PROFIT/(LOSS)	2,952	4,130	7,177	5,473	5,817	8,333

Amounts in thousands of euros

	SEPHORA	
ITEM	2019	2018
Turnover	168,522	153,391
Supplies	(92,894)	(85,198)
Other income and expenses	(66,465)	(60,389)
Depreciation, impairment and result from disposal	(3,306)	(3,560)
Profit/(loss) from operations	5,857	4,244
Financial profit/(loss)	(1,728)	(531)
Profit/(loss) before taxes	4,129	3,713
Income tax	(1,427)	(527)
FINANCIAL YEAR PROFIT/(LOSS)	2,702	3,186

Amounts in thousands of euros

10.2 Investments in associates

The following financial information is for associates considered by the Group to be the most significant:

ITEM	FINANCIAL EL CORTE INGLÉS	
	2019	2018
Fixed assets	7,955	7,516
Financial investments	7,503	7,503
Deferred tax assets	13,513	12,555
Trade and other receivables	1,842,182	1,624,971
Short-term financial investments	9,144	9,063
Short-term accruals	(92)	(4)
Cash and other cash equivalents	11,790	16,934
TOTAL ASSETS	1,891,995	1,678,538
Shareholders' equity	294,840	282,839
Long-term provisions	1,512	1,492
Long-term payables	850,000	600,139
Short-term provisions	426	447
Short-term payables	621,872	678,752
Debts with group companies	38,584	35,959
Trade payables, accruals, provisions and accounts payable	84,761	78,910
TOTAL LIABILITIES AND EQUITY	1,891,995	1,678,538

Amounts in thousands of euros

ITEM	FINANCIAL EL CORTE INGLÉS	
	2019	2018
Supplies	(245)	(480)
Other income and expenses	3,835	14,143
Depreciation, impairment and result from disposal	(3,866)	(3,225)
Profit/(loss) from operations	(276)	10,438
Financial profit/(loss)	109,202	90,166
Profit/(loss) before taxes	108,926	100,604
Income tax	(31,734)	(27,811)
FINANCIAL YEAR PROFIT/(LOSS)	77,192	72,793

Amounts in thousands of euros

11. CURRENT AND NON-CURRENT FINANCIAL ASSETS

The breakdown of the balance of this section of the consolidated balance sheet is as follows:

ITEM	2019		2018	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Loans and receivables	2,304	155,848	3,025	202,805
Assets at amortised cost	8,907	-	5,432	-
Assets at fair value with changes in profit and loss	-	135,776	-	84,358
Assets at fair value with changes in equity	12,102	697,868	12,066	714,555
Derivatives (Note 19)	13,640	281	13,492	77
TOTAL	36,953	989,773	34,015	1,001,795

Amounts in thousands of euros

With regard to the financial assets detailed in the table above, the majority of the investments are related to the business of Seguros El Corte Inglés, Vida, Pensiones y Reaseguros, S.A., as indicated below:

ITEM	2019		2018	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Loans and receivables	102	102,453	407	119,433
Assets at fair value with changes in profit and loss	-	135,776	-	84,358
Assets at fair value with changes in equity	12,102	630,619	12,066	648,952
TOTAL	12,204	868,848	12,473	852,743

Amounts in thousands of euros

Most of the insurance business investments are to cover technical provisions (see Note 16).

11.1 Loans and receivables

The breakdown of the balance of this section of the consolidated balance sheet is as follows:

ITEM	2019		2018	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Debt securities:				
Fixed-interest securities (Note 18)	-	100,649	-	117,592
Deposits in credit entities	-	1,552	-	1,552
Credits, derivatives and other:				
Loans	2,026	17,067	1,359	44,405
Guarantees and deposits	278	36,580	1,666	39,256
TOTAL	2,304	155,848	3,025	202,805

Amounts in thousands of euros

Fixed-interest securities correspond mainly to long-term deposits which are not traded on active markets. These investments are associated with the activity of Seguros El Corte Inglés, S.A. The maturities of those deposits extend from 2018 to 2043.

The "Loans" section includes mainly credits granted to employees to purchase El Corte Inglés, S.A. shares, with maturities of between 1 and 5 years and other long-term credits granted to third parties. An impairment was recognised in 2019 for a long-term credit with a third party for € 22.7 million.

The maturity of the heading "Loans and receivables - loans" is as follows:

2019

ITEM	2021	2022	2023	2024	From 2025	TOTAL
Loans	5,325	4,488	3,381	2,497	1,376	17,067

Amounts in thousands of euros

2018

ITEM	2020	2021	2022	2023	From 2024	TOTAL
Loans	3,879	3,271	2,003	778	34,474	44,405

Amounts in thousands of euros

11.2 Assets at amortised cost

The breakdown of the balance of this section of the consolidated balance sheet is as follows:

ITEM	2019		2018	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Equity instruments	171	-	177	-
Debt securities	8,736	-	5,255	-
TOTAL	8,907	-	5,432	-

Amounts in thousands of euros

The debt securities correspond mainly to short-term deposits in certain entities which accrue interest at market rates.

11.3 Assets at fair value with changes in profit and loss

The breakdown of the balance of this section of the consolidated balance sheet is as follows:

ITEM	2019		2018	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Equity instruments	-	133,776	-	82,421
Debt securities	-	2,000	-	1,937
TOTAL	-	135,776	-	84,358

Amounts in thousands of euros

The "Equity instruments" section corresponds entirely to investments in undertakings for collective investment (UCI) deriving from the activity of Seguros El Corte Inglés, S.A.

11.4 Assets at fair value with changes in equity

The breakdown of the balance of this section of the consolidated balance sheet is as follows:

ITEM	2019		2018	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Equity instruments:				
Valued at fair value	-	35,226	-	37,153
Other	-	61,555	-	59,363
Debt securities:				
Measured at fair value (Note 18)	12,102	601,087	12,066	618,039
TOTAL	12,102	697,868	12,066	714,555

Amounts in thousands of euros

The equity instruments valued at fair value include €8,013 thousand (€6,442 thousand in 2018), corresponding to variable-interest securities, almost all of which are listed on regulated markets of the OECD, and stake in undertakings for collective investment (UCI) for €21,519 thousand (€24,471 thousand in 2018), in both cases deriving from the activity of Seguros El Corte Inglés.

The "Equity instruments valued at cost" section includes €39 million corresponding to the 11.1% stake that Parinver S.A. holds in Grupo Real Turismo, S.A.B. de Capital Variable, a Mexican company dedicated to hotel and catering activities, and the 9.9% stake that Parinver, S.A. holds in Grupo Financiero Multiva for €18 million.

The debt securities correspond to fixed-interest securities of the activity of Seguros El Corte Inglés, namely securities listed on active markets, and are therefore valued at fair value. The maturities of these securities range from 2020 to 2048. With regard to the fixed-interest securities classified as Loans and receivable (see Note 11.1), the total amount of fixed-interest securities is €776.3 million, of which €522.5 million are public fixed-interest securities and €253.8 million are private fixed-interest securities (same as year-end 2018).

11.5 Derivatives

The breakdown of the balance of this section of the consolidated balance sheet is as follows:

ITEM	2019		2018	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Credits, derivatives and other (Note 19)	13,640	281	13,492	77
TOTAL	13,640	281	13,492	77

Amounts in thousands of euros

11.6 Hierarchy of recognised fair values

The judgements and estimations made to determine the fair values of the financial instruments which are recognised in the consolidated financial statements are listed below. The Group classifies its financial instruments in the three levels contemplated in IFRS 7 as described in Note 4.2.8:

RECURRENT VALUATIONS AT FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
29 February 2020				
Financial Assets at Fair Value with Changes in Results (Note 11.3):				
Equity instruments	-	133,776	-	133,776
Financial assets at fair value with changes in equity (Note 11.4):				
Equity instruments	35,226	-	61,555	96,781
Debt securities	601,087	-	-	601,087
Loans and receivables (Note 11.1):				
Debt securities (Note 18)	100,649	-	-	100,649
TOTAL FINANCIAL ASSETS	736.962	133,776	61,555	932,293

Amounts in thousands of euros

RECURRENT VALUATIONS AT FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
28 February 2019				
Financial Assets at Fair Value with Changes in Results (Note 11.3):				
Equity instruments	-	82,421	-	82,421
Financial Assets at Fair Value with Changes in Equity (Note 11.4):				
Equity instruments	37,153	-	59,364	96,517
Debt securities	618,039	-	-	618,039
Loans and receivables (Note 11.1):				
Debt securities (Note 18)	117,592	-	-	117,592
TOTAL FINANCIAL ASSETS	772,784	82,421	59,364	914,569

Amounts in thousands of euros

12. INVENTORIES

The details of the "Inventories" heading of the attached consolidated balance sheet are as follows:

ITEM	2019	2018
Commercial inventories	2,045,602	2,081,810
Consumables	43,505	46,484
TOTAL	2,089,107	2,128,294

Amounts in thousands of euros

As is common practice in the distribution sector, El Corte Inglés, S.A. prepares its purchase orders for various suppliers several months in advance of the date of delivery of the goods. Therefore, firm purchase agreements were in place for an approximate amount of €668.45 and €739.14 million at 29 February 2020 and 28 February 2019, respectively.

In addition, at the close of 2019 and 2018, the Group held sales commitments with its customers for a total of €135.99 and €129.43 million, respectively.

Group policy is to underwrite insurance policies to cover the risks that affect its inventories. At 29 February 2020 and 28 February 2019, the Parent's Directors consider that the coverage provided by the insurance policies for its inventory is appropriate.

13. TRADE AND OTHER RECEIVABLES

The composition of the balance at 29 February 2020 and 28 February 2019 is as follows:

ITEM	2019	2018
Trade receivables	209,221	433,559
Doubtful trade receivables	23,136	28,776
Invoices pending issue	2,928	1,746
Value impairment in commercial credits and provisions	(37,396)	(46,073)
Sub-total, trade receivables for sales and services	197,889	418,008
Sub-total, sundry receivables	201,668	226,242
TOTAL	399,557	644,250

Amounts in thousands of euros

The changes in the trade receivables are mainly due to the classification of the Informática El Corte Inglés Group as non-current assets held for sale (note 4.2.15).

At 29 February 2020 and 28 February 2019, there were no balances of "Trade and other receivables" that were in arrears or on which the group had set a risk of expected loss, and there were also no significant impairments.

In 2019, a net reversal of the provision of trade and other receivable was €2.78 million (provision of €3.69 million in 2018).

14. CASH AND OTHER CASH EQUIVALENTS

The breakdown of this heading of the consolidated balance sheet at 29 February 2020 and 28 February 2019 is as follows:

ITEM	2019	2018
Cash balances	58,432	51,820
Bank balances	151,076	181,732
TOTAL	209,508	233,552

Amounts in thousands of euros

The cash and bank balances include cash and sight accounts in credit entities that are compensated at market rates.

15. EQUITY

15.1 Subscribed capital

The share capital of El Corte Inglés, S.A. is represented by 81,144,000 shares with a nominal value of 6 euros at 29 February 2020 and 28 February 2019, all of which are nominative and completely subscribed and paid-up. Company shares are not listed on the stock exchange.

The sole legal entities holding over 10% in the Parent Company's share capital are Fundación Ramón Areces (37.39%), Cartera de Valores IASA, S.A. (22.18%) and PrimeFin (10.33%).

15.2 Legal reserve

Pursuant to the Corporate Enterprises Act, 10% of the profit for the year must be allocated to the legal reserve until this reaches at least 20% of the share capital.

The part of the legal reserve exceeding 10% of the already-increased capital may be used to increase the capital.

With the exception of the aforementioned, and so long as it does not exceed 20% of the share capital, the legal reserve may only be used to compensate for losses, provided that there are no other sufficient available reserves for that purpose.

The Group’s Parent has a total legal reserve of €97,373 thousand at 29 February 2020 (same amount as 28 February 2019).

15.3 Other reserves

The other reserves include €2,188 million in non-disposable reserves for the legal reserves of the consolidated companies and other restricted reserves (reappraisal, essentially due to the application of IFRS 1, goodwill, etc.).

15.4 Treasury shares

At the close of 2019 and 2018, the Group held treasury shares of a transitory nature for forthcoming sale as detailed below:

ITEM	No. of Shares	Nominal Value
Type A treasury shares at the end of 2019	5,435,882	6
Type A treasury shares at the end of 2018	4,859,368	6

Amounts in thousands of euros

Treasury shares of the Parent were purchased throughout 2019 and 2018, effectively valued at €50.64 million and €49.98 million respectively, and disposed of shares amounting to €5.32 and €1,160.69 million, respectively. Disposals in 2018 include the cancellation of the convertible loan with Prime Fin for €1,000 million with treasury shares of the Parent Company.

Additionally, "Treasury shares" on the balance sheet includes €144 million, entailing the resolution of the Board of Directors of the Parent Company on 26 February 2020 for the acquisition of the shares by a majority of the Group employee shareholders.

As a consequence of the impacts and uncertainty generated by COVID-19 and the management levers activated by the Group (see Note 26.3), the aforementioned agreement has been temporarily suspended but expected to be executed in 2021.

The Group has agreed to grant PrimeFin, S.A. an exit put option on the total amount of shares held by El Corte Inglés, S.A. This exit put option can be exercised ten years after signing the agreement (2025) and its execution depends on certain conditions, compliance of which is optional for the Parent Company.

15.5 Valuation adjustments

Assets at fair value with changes in equity

This heading of the consolidated balance sheet includes the net amount of the fiscal impact of changes in fair value of assets classed as available for sale. These differences are recorded in the consolidated profit and loss statement when the asset that gives rise to them is sold, or if there is an impairment.

Cash flow hedging

This section of the consolidated balance sheet includes the net amount of the fiscal impact of changes in the value of financial derivatives designated as cash flow hedging instruments (Note 19).

15.6 Non-controlling interests

This heading of the consolidated balance sheet shows the stakes of the minority shareholders of the companies listed below at the end of 2019 and 2018:

2019

COMPANY	% Stake	Capital and reserves	Stake in: Financial Year Profit/(Loss)	TOTAL
Canal Club de Distribución de Ocio y Cultura, S.A.	25.00	18	14	32
Moda Sfera Joven México, S.A. de C.V.	49.00	19,175	1,698	20,873
Viajes El Corte Inglés, S.A. Colombia	3.43	116	2	118
Viajes El Corte Inglés, S.A. de CV México	4.00	278	168	446
Viajes El Corte Inglés, S.A. Argentina	3.80	139	(23)	116
Promociones Conosur, S.A.	10.00	515	(25)	490
Viajes Prowold S.A. de C.V.	2.00	8	1	9
Operadora Turismo, S.A	0.01	-	-	-
TOTAL		20,249	1,835	22,084

Amounts in thousands of euros

2018

COMPANY	% Stake	Capital and reserves	Stake in: Financial Year Profit/(Loss)	TOTAL
Canal Club de Distribución de Ocio y Cultura, S.A.	25.00	18	20	38
Moda Sfera Joven México, S.A. de C.V.	49.00	17,169	2,000	19,169
Viajes El Corte Inglés, S.A. Colombia	3.43	35	3	38
Operadora Turismo, S.A	0.01	-	-	-
TOTAL		17,222	2,023	19,245

Amounts in thousands of euros

The movements of Group non-controlling interests in 2019 and 2018 were as follows:

2019

COMPANY	Balance at 1 March 2019	Valuation adjustments and others	Financial Year Profit/(Loss)	Balance at 29 February 2020
Canal Club de Distribución de Ocio y Cultura, S.A.	38	(20)	14	32
Moda Sfera Joven México, S.A. de C.V.	19,169	6	1,698	20,873
Viajes El Corte Inglés, S.A. Colombia	38	78	2	118
Viajes El Corte Inglés, S.A. de CV México	-	278	168	446
Viajes El Corte Inglés, S.A. Argentina	-	139	(23)	116
Promociones Conosur, S.A.	-	515	(25)	490
Viajes Prowold S.A. de C.V.	-	8	1	9
Operadora Turismo, S.A.	-	-	-	-
TOTAL	19,245	1,004	1,835	22,084

Amounts in thousands of euros

2018

COMPANY	Balance at 1 March 2018	Valuation adjustments and others	Financial Year Profit/(Loss)	Balance at 28 February 2019
Canal Club de Distribución de Ocio y Cultura, S.A.	45	(27)	20	38
Moda Sfera Joven México, S.A. de C.V.	17,167	2	2,000	19,169
Viajes El Corte Inglés, S.A. de C.V.	208	(208)	-	-
Viajes El Corte Inglés, S.A. Colombia	27	8	3	38
Operadora Turismo, S.A.	-	-	-	-
TOTAL	17,447	(225)	2,023	19,245

Amounts in thousands of euros

The following financial information is for Moda Joven Sfera México, S.A. de C.V.:

BALANCE	MODA SFERA JOVEN MÉXICO	
	2019	Year 2018
Fixed assets	32,228	28,773
Deferred tax assets	8,380	6,348
Inventories	22,251	16,819
Trade and other receivables	1,380	2,013
Cash and other cash equivalents	4,704	2,492
TOTAL ASSETS	68,943	56,445
Shareholders' equity	44,242	39,122
Valuation adjustments	4,702	2,157
DEBTS, TRADE AND OTHER PAYABLES	19,999	15,166
TOTAL LIABILITIES AND EQUITY	68,943	56,445

Amounts in thousands of euros

INCOME STATEMENT	MODA SFERA JOVEN MEXICO	
	2019	2018
Turnover	81,302	73,364
Supplies	(48,325)	(40,211)
Other income and expenses	(21,271)	(22,796)
Depreciation, impairment and result from disposal	(4,556)	(4,346)
Profit/(loss) from operations	7,150	6,011
Financial profit/(loss)	(716)	(419)
Profit/(loss) before taxes	6,434	5,592
Income tax	(1,324)	(1,508)
FINANCIAL YEAR PROFIT/(LOSS)	5,110	4,084

Amounts in thousands of euros

15.7 Capital management

With respect to capital management, the Group's objectives are to ensure the capacity to continue as a going concern, so that the Group continues to provide a return for shareholders and benefit other stakeholders, as well as maintaining an optimum financial structure to reduce the cost of capital.

With a view to maintaining and adjusting the capital structure, the Group may adjust the amount of the dividends to be paid out to shareholders, it may reimburse capital, issue shares or sell assets to reduce its debt.

The Parent's directors consider the leverage ratio as an indicator of fulfilment of the capital management objectives set. This ratio is calculated as the coefficient of dividing net debt by equity. Net debt is calculated as the sum of the short-term and long-term bank borrowings, excluding the corresponding held-for-sale assets, minus current financial investments and cash and cash equivalents.

The level of leverage at 29 February 2020 and 28 February 2019 is shown below:

ITEM	2019	2018
Net financial debt:		
Long-term debentures and other marketable securities	1,240,400	1,389,400
Short-term debentures and other marketable securities	580,709	529,541
Long-term financial debt	1,033,625	1,381,628
Short-term financial debt	27,943	306,520
Current financial assets, cash and cash equivalents (excluding derivatives)	(232,821)	(254,074)
TOTAL	2,649,856	3,353,015
Equity:		
Parent	8,495,375	8,512,413
Non-controlling interests	22,084	19,245
TOTAL	8,517,459	8,531,658
LEVERAGE	31.1%	39.3%

Amounts in thousands of euros

16. PROVISIONS AND CONTINGENT LIABILITIES

16.1 Current and non-current provisions

The details of the provisions corresponding to this section of the accompanying consolidated balance sheet and changes registered during the financial year were as follows:

LONG-TERM PROVISIONS	Opening Balance	Non-current liabilities held for sale	Provisions	Reversion, application and others	Closing Balance
2019:					
Long-term employee benefit obligations	23,784	-	6,286	(14,971)	15,099
Technical provisions	708,235	-	66,384	-	774,619
Share provision (Note 15.4)	-	-	144,007	-	144,007
Other	175,355	(4,987)	653	(16,868)	154,153
LONG-TERM TOTAL	907,374	(4,987)	217,330	(31,839)	1,087,878
2018:					
Long-term employee benefit obligations	19,708	-	10,684	(6,608)	23,784
Technical provisions	602,513	-	105,722	-	708,235
Other	179,241	-	68,106	(31,194)	216,153
LONG-TERM TOTAL	801,462	-	184,512	(37,802)	948,172

Amounts in thousands of euros

SHORT-TERM PROVISIONS	Opening Balance	Provisions	Reversion, application and others	Closing Balance
2019:				
Long-term employee benefit obligations	6,827	-	2,027	8,854
Provisions for return of purchases	-	47,260	(23,567)	23,693
Other	27,640	28,128	(39,200)	16,568
SHORT-TERM TOTAL	34,467	75,388	(60,740)	49,115
2018:				
Long-term employee benefit obligations	13,499	582	(7,254)	6,827
Other	442	27,285	(87)	27,640
SHORT-TERM TOTAL	13,941	27,867	(7,341)	34,467

Amounts in thousands of euros

Technical provisions

The "Non-current provisions" heading essentially includes the technical provisions of the Insurance business. By category, this is as follows:

ITEM	2019	2018
Provisions for unearned premiums - Non-life insurance	19,371	17,833
Provisions for unearned premiums - Life insurance	22,671	21,716
Life insurance provisions	444,462	455,564
Technical provisions related to life insurance, whose investment risk is carried by policyholders	131,268	80,672
Technical provisions for compensation	29,424	28,372
Provisions for share in profits and returns	85,149	85,592
Technical provisions for reinsurance	(14,839)	(30,855)
Accounting asymmetry	57,113	49,341
TOTAL	774,619	708,235

Amounts in thousands of euros

The composition, by types, of the balance of the "Provisions for unearned premiums - Life Insurance - Provisions for life insurance - Technical provisions related to life insurance – Investment risk is carried by policy holders" section of the above table is shown below:

ITEM	2019	2018
Individuals, savings	210,393	208,463
Individuals, risk	36,927	28,639
Groups, savings	26,986	27,360
Groups, risk	23	20
Groups, annuities	192,804	212,798
Policyholder carries the investment risk	131,268	80,672
TOTAL	598,401	557,952

Amounts in thousands of euros

The composition, by branches and types, of the balance of the "Technical provisions for compensation" and "Provisions for share in profits and returns" sections is as follows:

2019

ITEM	Direct insurance and reinsurance accepted	Reinsurance granted
Provisions for benefits, non-life:		
Accident	4,114	(861)
TOTAL	4,114	(861)
Provisions for benefits, life:		
Individuals, savings	415	-
Individuals, mixed	251	-
Individuals, risk	13,041	(772)
Groups, savings	840	-
Groups, risks	7,766	-
GBP	19	-
Individuals, annuities	3	-
Groups, annuities	2,968	-
Accepted reinsurance	7	-
TOTAL	25,310	(772)
Provisions for share in benefits and returns:		
Accident	61,587	-
Individuals, savings	4,935	-
Individuals, risk	17,823	-
Groups, savings	783	-
Groups, risk	21	-
TOTAL	85,149	-

Amounts in thousands of euros

2018

ITEM	Direct insurance and reinsurance accepted	Reinsurance granted
Provisions for benefits, non-life:		
Accident	5,946	(2,260)
TOTAL	5,946	(2,260)
Provisions for benefits, life:		
Individuals, savings	323	-
Individuals, mixed	197	-
Individuals, risk	11,490	(557)
Groups, savings	1,308	-
Groups, risks	8,215	-
GBP	28	-
Individuals, annuities	2	-
Groups, annuities	852	(1)
Accepted reinsurance	11	-
TOTAL	22,426	(558)
Provisions for share in benefits and returns:		
Accident	62,146	-
Individuals, savings	4,833	-
Individuals, risk	17,809	-
Groups, savings	760	-
Groups, risk	44	-
TOTAL	85,592	-

Amounts in thousands of euros

Obligations for provisions to personnel

At 29 February 2020, under the "Obligations for provisions to personnel" heading, the Group entered the provisions for the termination of labour relationships contemplated under the partial retirement plan communicated at the close of this financial year to employees 61 years of age. Total provisions at 29 February 2020 were €23.9 million (€30.6 million at 28 February 2019) of which €8.9 million (€6.8 million at 28 February 2019) are classified in the short term.

Other provisions

For the most part, the provisions included in "Other" mainly refer to tax quotas for department stores in the Autonomous Communities of Catalonia, Asturias and Aragon. The aforementioned tax quotas are in their entirety appealed before the corresponding judicial bodies, currently awaiting resolution. At the close of 2019 and 2018, provisions for this item amounted to €122.25 million and €119.73 million, respectively, of which €1.76 million (€1.87 million in 2018) are classified as short term, specifically under "Trade and other payables".

As a consequence of the first application of IFRS 16, the provisions of onerous contracts were reclassified as a lesser value of rights of use.

Lastly, the Group has made a provision for retail sales on the basis of the terms and conditions, and their historical experience, of transactions

16.2 Third-party guarantees and contingent liabilities

The guarantees provided by the Group stood at €365,37 and €470,19 million at 29 February 2020 and 28 February 2019, respectively. Of these amounts, €126.39 million and €126.73 million at 29 February 2020 and 28 February 2019, respectively, related to legal and tax matters (mainly related to the Department Store Tax). The rest was deposited in various entities to guarantee trade operations.

The Parent Company's Directors consider that liabilities not provided for at 29 February 2020 that could occur in relation to the guarantees presented or other contingent liabilities, should there be any, would nevertheless be insignificant.

17. DEBTS WITH CREDIT ENTITIES AND NON-CURRENT AND CURRENT DEBENTURES AND OTHER MARKETABLE SECURITIES

The composition of the balance of these headings in the consolidated balance sheet is as follows:

ITEM	LONG TERM		SHORT TERM	
	2019	2018	2019	2018
Syndicated financing	900,000	1,214,000	-	236,000
Other bank borrowings	99,429	116,000	16,571	-
Rest of financial liabilities	34,196	1,800	11,372	47,174
Debt with financial institutions	1,033,625	1,331,800	27,943	283,174
Finance lease payables (IAS 17)	-	49,828	-	23,346
Lease liabilities IFRS 16 (Notes 4.1.1 and 9.1)	472,393	-	124,419	-
Lease liabilities	472,393	49,828	124,419	23,346
Bonds	1,217,400	1,210,000	-	-
Employee promissory notes	23,000	179,400	205,871	208,042
MARF promissory notes	-	-	374,824	321,426
All other debts with credit entities	-	-	14	73
Debentures and other marketable securities	1,240,400	1,389,400	580,709	529,541
Derivatives (Note 19)	55,284	77,806	-	-
Rest of financial liabilities	5,116	11,828	-	6,732
TOTAL	2,806,818	2,860,662	733,071	842,793

Amounts in thousands of euros

Debt with financial institutions

Syndicated financing

On 26 February 2020, a refinancing agreement was signed for €2,000 million, split into the following facilities:

- Facility A1 (€900 million): the maturity of this facility is five years from the date the agreement is signed, which the Company has the option of extending by up to two years.

- Facility B (€1,100 million): this facility corresponds to a revolving line of credit and matures at five years from the date the agreement is signed, which the Company has the option of extending by up to two years.

At 29 February 2020, the average interest rate on debt with financial institutions is within the market range.

The current syndicated financing contract involves no additional guarantees other than the Group's personal guarantees.

The new syndicated financing contract does not require the Group to meet certain financial ratio targets based on its consolidated financial statements, so long as it achieves an investment grade credit rating. If the Company fails to do so, it must not exceed a particular financial debt/EBITDA ratio after 31 July 2021.

Likewise, and whenever an investment grade credit rating is not obtained, compliance with these ratios and amounts, along with the other contract conditions, will be considered for the distribution of dividends.

Other bank borrowings

The Group was also granted a loan of €116 million by the European Investment Bank in December 2016, which matures in February 2027. This loan was drawn down in its entirety at 28 February 2018 and 2019 and has a market interest rate.

This syndicated loan also requires the Company to achieve certain financial ratios that must be calculated on the basis of the consolidated financial statements of El Corte Inglés Group. At 29 February 2020, the Group met these financial ratio targets.

In November 2019, the Group formalised two new loans with the Official Credit Institute (ICO) and European Investment Bank (EIB), amounting to €100 million and €115 million, respectively. Both loans are due in 10 years and as of 29 February 2020 they were unavailable.

The breakdown of maturities of the items comprising the "Debt with financial institutions and finance leases" heading is as follows:

2019

ITEM	2021	2022	2023	2024	Rest	TOTAL
Debt with financial institutions	16,571	16,571	16,571	950,768	33,144	1,033,625
Lease liabilities (Notes 4.1.1 and 9.1)	108,718	85,506	60,342	36,106	181,721	472,393
TOTAL	125,289	102,077	76,913	986,874	214,865	1,506,018

Amounts in thousands of euros

2018

ITEM	2020	2021	2022	2023	Rest	TOTAL
Debt with financial institutions	252,571	252,571	760,371	16,571	49,716	1,331,800
Finance lease payables (IAS 17)	17,901	16,676	11,765	3,486	-	49,828
TOTAL	270,472	269,247	772,136	20,057	49,716	1,381,628

Amounts in thousands of euros*

The interest rates on the debt are linked to the Euribor plus a market spread.

The Company has been granted discount lines and credit facilities that accrue interest at the market rate, with the following limits:

ITEM	2019		2018	
	Limit	Undrawn balance	Limit	Undrawn balance
Discount facilities	8,730	8,166	23,730	22,244
Credit facilities (a)	1,100,000	1,065,803	1,150,000	1,148,200
TOTAL	1,108,730	1,073,969	1,173,730	1,170,444

Amounts in thousands of euros
(a) Part of the syndicated financing contract.

There are also credit facilities in dollars for a maximum amount of $2.5 million and $1.8 million for 2019 and 2018, respectively.

Debentures and other marketable securities

Employee promissory notes

The employee promissory note programme began cancellation in 2018. The Company sent a letter to all promissory note holders stating that none will be renewed after 22 April 2018. Promissory notes with a two-year maturity were issued in 2018 for €179.4 million, thus reclassified as short term at the end of the present year for a nominal amount of €100,000, accruing a market interest rate. These promissory notes continued maturing in 2019, amounting to a pending balance of €228.8 million.

Bonds

Under "Debentures and other marketable securities", the Company recognises bonds issued on the Irish Stock Exchange in January 2015 by Hipercor, S.A.U. (company absorbed by El Corte Ingles, S.A. in 2017) for a maximum amount of €600,000 thousand and a nominal value of €100 thousand. At 29 February 2020, these bonds amount to €600 million, with a maturity at 7 years from the date of issue and an interest rate of 3.875%.

As a result of the issue of these bonds, which was initially carried out by Hipercor, S.A.U., the Group to which that Company belongs is required to meet certain target ratios At 29 February 2020, the Directors of the Group's parent company estimates that all the targets for these ratios have been met.

Additionally, the Company issued a new bond issue in October and December 2018 for a total amount of €690,000 thousand, of which €72,600 thousand were subscribed by Seguros El Corte Inglés, Vida, Pensiones y Reaseguros, S.A. These are therefore eliminated for consolidation purposes. These bonds have a nominal value of €100 thousand, a maturity of 5.5 years and accrue an interest rate of 3.0%. At 29 February 2020 and 28 February 2019, the balance of these bonds was €690 million from the date of issue. The credit ratings that the leading credit rating agencies gave to this bond issue were BBB-, BB+ and Ba1 (depending on the agency).

MARF promissory notes

Under "Debentures and other marketable securities", the Company includes the balance of promissory notes issued in the Alternative Fixed-Income Market (MARF) amounting to €374,824 thousand at 29 February 2020 (€321,426 thousand in 2018). These promissory notes have short-term maturity and accrue interest at the market rate.

Changes in current liabilities originating from financing activities

In compliance with the requirements of the amendments to IAS 7, below we provide a breakdown of the changes in financial liabilities as a result of financing activities. The Group only provided information corresponding to the financial year ending on 29 February 2020 in accordance with the options established in the cited standard.

Item	1 March 2019	Cash flows	Reclassification to short term	Leases IFRS 16	Other	29 February 2020
Non-current, long-term debentures and other marketable securities	1,389,400	30,400	(179,400)	-	-	1,240,400
Non-current, long-term debts with credit entities	1,381,628	(281,602)	(144,750)	550,743	-	1,506,019
Other non-current financial liabilities	89,634	(29,235)	-	-	-	60,399
Non-current, short-term debentures and other marketable securities	529,541	(128,231)	179,400	-	-	580,710
Non-current, short-term debts with credit entities	306,520	(390,835)	236,677	-	-	152,362
Other current financial liabilities	6,732	(6,732)	-	-	-	-
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	3,703,455	(806,235)	91,927	550,743	-	3,539,890

Amounts in thousands of euros

Item	1 March 2018	Cash flows	Reclassification to short term	New finance leases	Other	28 February 2019
Non-current, long-term debentures and other marketable securities	595,804	789,400	-	-	4,196	1,389,400
Non-current, long-term debts with credit entities	1,652,302	1,800	(259,346)	26,297	(39,425)	1,381,628
Other non-current financial liabilities	104,930	(39,090)	-	-	23,794	89,634
Non-current, short-term debentures and other marketable securities	1,631,212	(1,101,671)	-	-	-	529,541
Non-current, short-term debts with credit entities	114,408	(67,234)	259,346	-	-	306,520
Other current financial liabilities	115,625	(196,572)	-	-	87,679	6,732
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	4,214,281	(613,367)	-	26,297	76,244	3,703,455

Amounts in thousands of euros

18. RISK MANAGEMENT POLICIES

The Group's activities are exposed to various types of financial risks: market (including exchange rate, interest rate and price risks), credit and liquidity risks. The Group's risk management is performed by the Parent Company's management, which has the necessary mechanisms in place and

focuses on the uncertainty of financial markets, attempting to minimise potentially adverse effects on the profitability of the Group. To this end, it uses certain financial instruments described in Note 19.

This Note presents information on the Group's exposure to each one of the risks mentioned above, the objectives, policies and processes defined by the Group for risk management, and the methods used to measure those risks and the changes that have occurred compared to last year.

Credit risk

Credit risk consists of the probability of a counterparty to a contract failing to meet its payment obligations, thereby causing a financial loss for the Group.

The Group's investments policy, which mainly aims to mitigate the credit risk of investment products, primarily in the activity of Seguros El Corte Inglés, is governed by prudence. In this regard, the credit quality of the financial assets of the activity of Seguros El Corte Inglés can be evaluated by reference to external credit ratings, as indicated below:

ITEM	2019	2018
Loans and receivables - Fixed Interest (Note 11.1):		
AAA	2,417	2,438
AA	3,350	7,013
A	40,054	55,366
BBB	45,597	43,186
BB	9,231	9,589
TOTAL	100,649	117,592
Available-for-sale assets - Fixed Interest (Note 11.4):		
AAA	43,757	46,240
AA	14,483	16,463
A	263,887	314,050
BBB	241,935	209,905
BB	22,218	19,535
NR	14,807	11,846
TOTAL	601.087	618,039

Amounts in thousands of euros

In general terms, the Group maintains its treasury and equivalent liquid assets at financial entities with a high credit rating.

The Group has no significant concentrations of credit risks with third parties, as retail sales constitute the largest share of its revenue. Essentially, everything is paid for in cash or by credit card.

With regard to the credit risk of other commercial operations (mainly deriving from corporate retail operations and travel agency services to the corporate network), a provision is established for expected losses where a provision matrix is established based on the past experience of credit loss and current macroeconomic conditions.

The amount of the provision is the difference between the book value of the asset and the present value of the estimated effective cash flows. The amount of the provision is recorded in the consolidated profit and loss statement (see Note 13). In 2019, the Group's insolvency provision was €37.4 million (€46.1 million in 2018) for accounts receivable of €399.6 million (€644.3 million in 2018).

At 29 February 2020 and 28 February 2019, there are no significant amounts that were not subject to adjustment for expected loss based on the Group's analysis and determination of such adjustment policies. The fair value of the accounts receivable does not differ significantly from their book value.

Liquidity risk

The El Corte Inglés Group maintains a prudent liquidity risk management policy, thus maintaining the appropriate level of cash and marketable securities and contracting committed credit facilities for a sufficient amount to meet any anticipated needs (see Note 17).

Final responsibility for liquidity risk management lies with the Parent Company's Management, which prepares an appropriate framework for controlling the Group's liquidity needs in the short, medium and long terms. The Group manages liquidity by maintaining adequate reserves, appropriate banking services and the availability of credit and loans through ongoing monitoring of the forecasts and the current amounts of cash flows, and matching them with the maturity profile of financial assets and liabilities. The Group's liquidity was recently reinforced in light of the uncertainty of the current COVID-19 situation (Refer to Note 26.3).

Interest rate risk

Variations in the interest rates modify future flows of assets and liabilities with reference to a variable interest rate. The financial instruments exposed to interest rates are essentially financing at variable rates and derivative financial instruments.

According to the estimates of the El Corte Inglés Group regarding interest rate performance and the performance of the objectives of the long-term debt structure, derivatives are contracted to mitigate these risks (see Note 19).

Price risk

The Group's exposure to price risk is reflected through its investments in equity instruments listed on markets, which are classified as assets at fair value with changes in the profit and loss statement at the sum of €133,776 thousand (€82,421 thousand in 2018) (Note 11.3) and financial assets available for sale at fair value in the sum of €35,226 thousand (€37,153 thousand in 2018) (Note 11.4).

To manage the price risk arising from those investments, the Group, in relation to the insurance activity of Seguros El Corte Inglés, applies an investment policy based on a diversification strategy with the aim of minimising the impacts of price variations. Most of these investments are listed on stock exchanges or are invested in undertakings for collective investment (UCI).

In the case of price variations in the aforementioned financial assets, there would be no significant impacts on the income statement or the equity on the consolidated financial statements.

Exchange rate risk

The Group operates internationally and it is therefore exposed to exchange-rate risk from currency transactions denominated in US dollars.

This exchange rate risk is managed in accordance with the Group Management guidelines, which primarily contemplate the establishment of financial or natural hedges, the ongoing monitoring of fluctuations in the exchange rate and other measures to mitigate this risk. The Group's policy is to contract financial instruments (exchange-rate insurance) in order to reduce the translation differences arising from transactions in foreign currency (see Note 19).

Details of the most significant balances and transactions in foreign currency of domestic companies in the Group, mainly denominated in US dollars, valued at the closing exchange rate and the average exchange rate, respectively, are as follows:

ITEM	2019	2018 (*)
Accounts payable	128,270	163,606
Purchases	720,468	787,915

Amounts in thousands of euros
(*) Figures modified for comparative purposes. See Note 2.4

Moreover, the details of the most significant balances and transactions in foreign currency of companies operating in a currency other than the euro (mainly the subsidiaries located in Latin America), valued at the closing exchange rate and the average exchange rate, respectively, are as follows:

ITEM	MEXICAN PESOS		OTHER CURRENCIES		TOTAL	
	2019	2018(*)	2019	2018(*)	2019	2018(*)
Accounts payable	18,530	20,918	10,167	22,122	28,697	43,040
Other liabilities	-	-	188	188	188	188
Sales	80,471	72,504	-	-	80,471	72,504
Services rendered	142,067	122,930	114,676	111,829	256,743	234,759
Purchases	171,924	147,026	106,530	98,477	278,454	245,503
Services received	17,480	25,157	6,437	7,150	23,917	32,307

Amounts in thousands of euros
(*) Figures modified for comparative purposes. See Note 2.4

In this case, the impacts deriving from exchange-rate fluctuations would affect the "Translation Differences" section within Equity, as reflected in valuation standard 2.7.8.3.

19. DERIVATIVE FINANCIAL INSTRUMENTS

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

The methods followed by the Group in order to calculate the fair value of its derivative financial instruments, including credit risk introduced by IFRS 13 and the level of hierarchy determined by IFRS 7, are described in Note 4.2.8.

The derivative financial instruments held by the Group at 29 February 2020 and 28 February 2019 are as follows:

2019

ITEM	Classification	Type	AMOUNT Contracted	Maturity	FAIR VALUE (A) Assets	Liabilities
Interest rate hedge	Interest rate hedge	Variable to fixed	500,000 (a)	2023	-	7,005
Currency exchange insurance	Exchange rate hedge	Purchase of currency	533,788 (b)	2020	10,994	12

(a) Amounts in thousands of euros.
(b) Amounts in thousands of dollars.

2018

ITEM	Classification	Type	AMOUNT Contracted	Maturity	FAIR VALUE (A) Assets	Liabilities
Interest rate hedge	Interest rate hedge	Variable to fixed	500,000 (a)	2023	-	6,403
Currency exchange insurance	Exchange rate hedge	Purchase of currency	498,217 (b)	2021	9,303	-

(a) Amounts in thousands of euros.
(b) Amounts in thousands of dollars.

At the close of 2019 and 2018, the Group had contracted several derivative financial instruments for purposes of speculative accounting, entered with the following characteristics.

ITEM	CURRENCY EXCHANGE INSURANCE		INTEREST RATE DERIVATIVE	
	2019	2018	2019	2018
Amount contracted	71,157 (b)	88,691 (b)	1,374,894 (a)	1,617,264 (a)
Maturity	2020	2021	-	-
Fair value (a):				
Assets	2,927	4,266	-	-
Liabilities	-	-	(48,279)	(71,403)
Impact entered in the profit and loss account (a)	-	-	23,124	19,262

(a) Amounts in thousands of euros.
(b) Amounts in thousands of dollars.

Since January 2015, the contracting of the exchange-rate insurance for the subsidiaries has been carried out by the Parent with the financial entities. In turn, the Parent enters into contracts with the subsidiaries to cover their exchange-rate risk.

The impact recognised in the profit and loss statement includes settlement of the interest paid on non-hedging interest rate derivatives, which amounts to €33,813 thousand in 2019 and €36,903 thousand in 2018.

20. TRADE PAYABLES

Trade and other payables include mainly the amounts pending payment for trade purchases and related costs. Group Management is of the opinion that the book amount of the trade payables is close to their fair value.

20.1 Information regarding supplier payment periods

The information required by third additional provision regarding Duty of information of Act 15/2010 of 5 July, is detailed below.

ITEM	DAYS	
	2019	2018
Average supplier payment period	43 days	44 days
Ratio of payments made	44 days	45 days
Ratio of operations pending payment	22 days	23 days

ITEM	2019	2018
Total payments made	11,551,089	11,816,088
Total payments pending	599,103	636,333

Amounts in thousands of euros

The information shown in the table above on payments to suppliers refers to trade payables for debts to suppliers of goods and services and therefore includes information concerning items under the "Trade and other accounts payable" heading of current liabilities in the attached consolidated balance sheet.

"Average period of payment to suppliers" is understood as the period elapsed from the delivery of goods or services rendered by the supplier until payment of the operation.

This "Average supplier payment period" is calculated by the formula formed by the numerator representing the ratio of operations paid multiplied by total payments made plus the ratio of operations pending payment multiplied by the total amount of payments pending and the denominator representing the total amount of payments made and pending payments.

The ratio of operations paid is calculated by the formula formed by the numerator representing the products for which payments have been made multiplied by the number of payment days (difference between calendar days elapsed from delivery of the goods or services rendered by the provider until the operation is paid) and the denominator representing the total amount of payments made.

The ratio of operations pending payment is calculated by the formula formed by the numerator representing the products for which payments are pending multiplied by the number of days pending payment (difference between calendar days elapsed from delivery of the goods or services rendered by the provider until the closing date of the consolidated financial statements or annual accounts, whichever corresponds) and the denominator representing the total amount of payments pending.

The Parent Company is subject to the Organic Law on the Regulation of Retail Trade (LORCOMIN). The maximum legal period of payment applicable to the Company is 60 days, since practically all its acquired goods correspond to food and consumer products, unless an explicit agreement is in place providing for economic compensations equivalent to the extended period benefiting the supplier, which cannot exceed ninety days under any circumstances.

21. TRADE AND OTHER PAYABLES

At the close of 2019 and 2018, these headings comprised the following:

ITEM	2019	2018
Suppliers and creditors	2,588,360	2,772,302
Payable to tax authorities	227,436	246,226
Accounts with personnel	489,688	484,740
TOTAL	3,305,484	3,503,268

Amounts in thousands of euros

21.1 Accounts with personnel

The composition of this section was as follows at the close of 2019 and 2018:

ITEM	2019	2018
Accrued remuneration and other payments to personnel	226,999	231,663
Group personnel, administration accounts and others	262,689	253,077
TOTAL	489,688	484,740

Amounts in thousands of euros

"Group personnel, administration accounts" corresponds to the net amount of current accounts held by employees of Group Companies and Parent Company directors with El Corte Inglés, S.A.

22. PUBLIC ADMINISTRATIONS AND TAXATION

El Corte Inglés, S.A. pays tax under the tax consolidation system with the Spanish subsidiaries in which it holds over 75% of the capital and voting rights, excluding subsidiaries that close their financial reporting periods at a different time from the Parent due to sector regulatory reasons in accordance with the applicable legislation in force.

22.1 Reconciliation of accounting profit and tax base

The Corporate Income tax is calculated on the basis of the individual financial or accounting profit obtained by applying generally accepted accounting principles, which need not necessarily match the taxable profit, which is construed as the tax base for that tax.

The reconciliation of accounting profit and aggregate Corporate Tax base of the economic group is as follows:

2019

ITEM	INCREASE	DECREASE	AMOUNT
Continuing operations			388,872
Discontinued operations			20,572
Accounting profit/(loss) (before taxes):			409,444
Consolidation adjustments	97,396	-	97,396
Permanent differences	23,321	(131,894)	(108,573)
Temporary differences:			
Current year	150,922	(5,658)	145,264
Previous years	2,759	(344,277)	(341,518)
Other	-	-	-
AGGREGATED TAX BASE			202,013

Amounts in thousands of euros

2018

ITEM	INCREASE	DECREASE	AMOUNT
Continuing operations			227,846
Discontinued operations			25,246
Accounting profit/(loss) (before taxes):			253,092
Consolidation adjustments	122,464	-	122,464
Permanent differences	26,035	(249,366)	(223,331)
Temporary differences:			
Current year	195,351	(5,615)	189,736
Previous years	9,061	(179,061)	(170,000)
Other	-	(44,814)	(44,814)
AGGREGATED TAX BASE			127,147

Amounts in thousands of euros

Negative permanent differences in 2019 mainly corresponds to the exemption due to dividends received from companies that comply with Article 21 of the Corporate Tax Act. Permanent differences mostly correspond to the elimination of losses due to impairment in holdings in companies constituting the consolidated tax group.

Negative temporary differences mainly correspond to the reversion of the adjustment in previous financial years due to limitation of tax deductions applicable to financial expenses, reversion of provisions for non-deductible expenses and the limitation of the tax deductibility of depreciation.

Positive temporary differences for 2019 mainly correspond to the provision for impairment of property, plant and equipment.

Entering into force in the reporting period beginning on 1 January 2017, Royal Decree 3/2016 of 2 December (by which tax measures are adopted to consolidate public finances and other urgent social measures) establishes the non-deductibility of impairment losses of stakes even in the case of transfer thereof (if the deductibility is contemplated in the case of winding-up of the part-owned entity). As a result of this tax modification, the Accountancy and Auditing Regulator (ICAC) published a formal consultation setting out its accountancy implications. Thus, as these impairment losses become non-deductible expenses, the ICAC imposes the reclassification of the difference from temporary to permanent at close of financial year 2017, removing all the deferred tax assets which were previously recorded in accounts for this item. Thus, in the figure for positive permanent differences, the sum of €4.67 million was included for the impairment of part-owned companies in the financial year.

El Corte Inglés, S.A. and Hipercor, S.A.U. (absorbed company) accepted the tax benefits granted by Royal Decree-Act 3/1993 of 26 February regarding the depreciation of new fixed assets.

In 2001, El Corte Inglés, S.A. and Hipercor, S.A.U. opted to apply the framework established in Article 21 of the Corporate Tax Act on the profit obtained from the transfer of assets, as set forth in the third transitory provision of Act 24/2001, by not including €34.6 million in than financial year and reinvesting the total amount of the disposal that gave rise to that profit in the shopping mall building in Cadiz. The method for the inclusion in the tax base is set forth in Article 21.3 of the aforementioned Act and in Article 34.1.b) of Corporate Tax regulations.

ITEM	Thousands of euros
Deferred income 2001	34,643
Income included from 2002 to 2018	(6,976)
Income included in 2019	(382)
PENDING INCOME	27,285

Pending income will be included in the taxable income for income tax purposes in the tax periods in which the shopping mall building in Cadiz is depreciated, for the proportional amounts of the depreciation value of the building and in relation to its acquisition cost.

Additionally, during 2012, the revaluation of specific plots of land associated with certain property took place for an amount of €37.4 million.

22.2 Taxes recognised in net equity

Independently of the income tax recognised in the consolidated profit and loss statement, the Group registered an expense of €3.5 million in 2019 and €1.0 million in 2018 directly in its equity. These amounts correspond mainly to the tax impacts due to the valuation adjustments of the available-for-sale assets and hedge derivatives.

22.3 Reconciliation of the accounting profit and Corporate Tax expense

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

ITEM	2019	2018
Profit/(loss) after tax from continuing operations	388,872	227,846
Profit/(loss) after tax from discontinued operations	20,572	33,708
Accounting profit/(loss) before taxes	409,444	261,554
Permanent differences and consolidation adjustments	(11,358)	(101,095)
Base to determine the tax as expense	398,086	160,459
RATE	87,779	25,588
Deductions:		
For double taxation	(594)	(19)
Other	(59)	(20)
Other	3,099	32,240
TOTAL EXPENSE/(INCOME) FROM TAX RECOGNISED IN THE PROFIT AND LOSS STATEMENT	90,225	57,789
Income tax attributable to discontinued operations (Note 4.2.15)	9,185	11,164
TOTAL	99,410	68,953

Amounts in thousands of euros

Certain deductions which have not been capitalised were generated during the year (Refer to Note 22.4).

In compliance with the provisions set forth in Section 10 of Article 42 of Legislative Royal Decree 4/2004 of 5 March, which approves the consolidated text of the Corporate Income Tax Act, the income subject to deduction due to reinvestment of windfall gains were as follows:

Year	Qualified Income	Reinvestment Date	Deduction
2014	65,726	2014	7,887

Amounts in thousands of euros

22.4 Breakdown of Income Tax expense

The breakdown of Income Tax expense is as follows:

ITEM	2019	2018
Current tax	44,493	48,896
Deferred tax	43,832	7,464
Other	1,900	1,429
Total expense/(income)	90,225	57,789

Amounts in thousands of euros

22.5 Deferred taxes

The detailed balance of deferred tax assets and liabilities at the close of 2019 and 2018 is as follows:

DEFERRED TAX ASSETS	2019	2018
Temporary differences (tax prepayments)	308,859	328,737
Negative tax bases	271,407	276,269
Deductions pending and others	281,602	293,411
TOTAL DEFERRED TAX ASSETS	861,868	898,417

Amounts in thousands of euros

DEFERRED TAX LIABILITIES	2019	2018
Differences associated with revaluation of assets due to application of IFRS 1	786,220	789,082
Temporary differences (deferred taxes)	86,522	83,513
TOTAL DEFERRED TAX LIABILITIES	872,742	872,595

Amounts in thousands of euros

The temporary differences correspond mainly to the allocation of value impairment of property, plant and equipment, and differences due to accelerated depreciation, financial leases and the reversion of the adjustment made in previous financial years due to the limitation of the tax deductibility of depreciation.

The deferred tax assets indicated above were recorded in the consolidated balance sheet because the Parent's directors consider that, in accordance with the best estimation of the future results of the Group, those assets are likely to be recouped.

The movements of temporary differences of assets and liabilities in 2019 and 2018 are as follows:

2019

ITEM	Deferred Tax Assets	Deferred Tax Liabilities
Balance at 29 February 2020	328,737	872,595
Temporary differences:		
Current year	74,123	52,131
Previous years	(93,716)	(51,984)
Other	(285)	
TOTAL	308,859	872,742

Amounts in thousands of euros

2018

ITEM	Deferred Tax Assets	Deferred Tax Liabilities
Balance at 28 February 2018	297,566	929,558
Temporary differences:		
Current year	85,373	5,916
Previous years	(54,717)	(52,879)
Other	515	(10,000)
TOTAL	328,737	872,595

Amounts in thousands of euros

Deductions entered and pending application are as follows:

TYPE OF DEDUCTION	2019	Year of expiry	2018	Year of expiry
Deductions for internal double taxation	166,920	Unlimited term	172,919	Unlimited term
Deductions for international double taxation	3,040	Unlimited term	3,040	Unlimited term
Deductions for investments	72,544	2025-2033	78,880	2019-2036
Deductions for donations to non-profit entities	4,638	2021-2026	5,599	2019-2028
Deductions for reinvestment	27,918	2022-2029	27,918	2022-2029
Deduction for reversal of temporary measures	6,542	Unlimited term	5,055	Unlimited term
BALANCE AT 28 FEBRUARY	281,602		293,411	

Deductions not activated in accounting and pending application are as follows:

TYPE OF DEDUCTION	2019	Year of expiry	2018	Year of expiry
Deductions for internal double taxation	-	Unlimited term	-	Unlimited term
Deductions for international double taxation	-	Unlimited term	-	Unlimited term
Deductions for investments	10,217	2020-2037	5,047	2019-2036
Deductions for donations to non-profit entities	528	2020-2029	529	2019-2028
Deductions for reinvestment	-	2022-2029	-	2022-2029
Deduction for reversal of temporary measures	-	Unlimited term	-	Unlimited term
BALANCE AT 28 FEBRUARY	10,745		5,576	

Amounts in thousands of euros

The Parent Company also recognised tax credits amounting to €352.30 million generated by the tax group for previous year losses pending offset, of which €271.4 million are recognised in the Company's assets (€276.28 million at the close of the previous year).

Pursuant to the Corporate Tax Act (Law 27/2014), tax loss carryforwards can be offset without any time limitation.

22.6 Financial years pending verification and inspections

The Company has all the taxes applicable to them open to inspection for those financial years which are not statutorily limited. In the opinion of the Directors, there are no significant tax-related contingencies that could derive from the review of years open to inspection.

23. INCOME AND EXPENSES

23.1 Segmentation by items

The main activity of the Group consists in the retail sale of consumer goods, provision of a wide range of services; travel agencies, insurance brokerage, insurance, etc., for which the Group has a network of department stores, hypermarkets, supermarkets, convenience stores and local offices.

The following tables contain segment-specific information corresponding to the Group by activity type:

2019

ITEM	Retail	Travel Agency Services	Insurance Brokerage Services and Life Insurance	Other Business Lines	Consolidation Adjustments	TOTAL
Turnover	13,127,883	2,731,651	215,580	38,918	(853,254)	15,260,778
Gross margin	4,047,780	332,967	144,988	36,131	(57,456)	4,504,410
Profit/(loss) from operations	379,757	48,073	85,741	7,399	(24,790)	496,180
Financial Year Profit/(Loss)	354,518	32,600	65,695	9,530	(152,309)	310,034
Inv. in non-current assets	319,373	38,268	10,595	138	(24,821)	343,553

Amounts in thousands of euros

2018 (*)

ITEM	Retail	Travel Agency Services	Insurance Brokerage Services and Life Insurance	Other Business Lines	Consolidation Adjustments	TOTAL
Turnover	13,004,378	2,721,983	199,464	39,548	(878,872)	15,086,501
Gross margin	4,065,003	321,994	134,708	36,502	(66,059)	4,492,148
Profit/(loss) from operations	229,592	48,087	77,802	7,696	29,208	392,385
Financial Year Profit/(Loss)	278,242	33,948	60,540	6,662	(121,180)	258,212
Inv. in non-current assets	372,456	25,906	22,385	300	(31,462)	389,585

Amounts in thousands of euros

(*) Figures modified for comparative purposes. See Note 2.4

2019

BALANCE	Retail	Travel Agency Services	Insurance Brokerage Services and Life Insurance	Other Business Lines	Consolidation Adjustments	TOTAL
Fixed assets	8,484,567	117,927	38,338	219,262	3,202,781	12,062,875
Rights of use	534,725	17,756	1,506	-	-	553,987
Financial assets	1,740,672	152,286	1,027,926	274,395	(1,898,878)	1,296,401
Deferred tax assets	822,530	2,696	2,868	5,752	28,022	861,868
Available-for-sale assets	-	-	-	-	363,701	363,701
Inventories	2,087,352	609	-	1,206	(60)	2,089,107
Trade and other receivables	787,595	229,599	88,549	37,908	(650,620)	493,031
Cash and others	159,735	9,858	84,326	3,589	(48,000)	209,508
TOTAL ASSETS	14,617,176	530,731	1,243,513	542,112	996,946	17,930,478
Equity	6,585,980	218,882	361,970	387,817	962,810	8,517,459
LT provisions and others	364,806	11	776,241	-	(37,855)	1,103,203
LT debt	2,670,775	4,236	269	1,383	(293,589)	2,383,074
Long term debt for operating leases	453,249	17,602	1,542	-	-	472,393
Deferred tax liabilities	73,372	-	12,698	452	786,220	872,742
Liabilities held for sale	-	-	-	-	265,825	265,825
ST Debts	1,164,146	1,009	27	149,075	(665,084)	649,173
Debt for financial operating leases	124,426	-	(7)	-	-	124,419
Other current liabilities	3,180,422	288,991	90,773	3,385	(21,381)	3,542,190
TOTAL LIABILITIES	14,617,176	530,731	1,243,513	542,112	996,946	17,930,478

Amounts in thousands of euros

2018

BALANCE	Retail	Sale of Computer Products and Services	Travel Agency Services	Insurance Brokerage Services and Life Insurance	Other Business Lines	Consolidation Adjustments	TOTAL
Fixed assets	8,958,423	16,548	107,804	36,323	221,735	3,253,344	12,594,177
Financial assets	1,838,260	12,055	150,328	1,020,426	258,793	(1,952,787)	1,327,075
Deferred tax assets	873,485	3,646	1,355	3,894	5,817	10,220	898,417
Inventories	2,044,168	106,404	228	-	2,955	(25,461)	2,128,294
Trade and other receivables	803,454	259,184	235,909	79,130	40,451	(655,605)	762,523
Cash and others	173,816	25,244	9,136	17,641	7,715	-	233,552
TOTAL ASSETS	14,691,606	423,081	504,760	1,157,414	537,466	629,711	17,944,038
Equity	6,715,650	110,363	208,698	346,782	386,663	763,502	8,531,658
LT provisions and others	250,280	6,183	12	711,379	-	6,915	974,769
LT debt	3,197,783	6,090	3,104	344	1,348	(302,164)	2,906,505
Deferred tax liabilities	72,408	518	-	10,097	490	789,082	872,595
ST Debts	1,320,007	80,829	749	20	141,468	(591,214)	951,859
Other current liabilities	3,135,478	219,098	292,197	88,792	7,497	(36,410)	3,706,652
TOTAL LIABILITIES	14,691,606	423,081	504,760	1,157,414	537,466	629,711	17,944,038

Amounts in thousands of euros

Consolidation adjustments affecting the net result mainly correspond to the dividends received from subsidiaries.

The consolidated net turnover corresponding to 2019 and 2018 is distributed by geographical areas as follows:

ACTIVITY	2019	2018(*)
Spain	14,326,905	14,285,139
European Union	587,367	494,699
Rest of World (RoW)	346,506	306,663
TOTAL	15,260,778	15,086,501

Amounts in thousands of euros
(*) Figures modified for comparative purposes. See Note 2.4

The consolidated net turnover corresponding to 2019 and 2018 is distributed by product type as follows:

ACTIVITY	2019	2018(*)
Retail	13,127,883	13,004,378
Food	2,819,759	2,778,800
Fashion	5,037,014	4,958,390
Home	1,464,451	1,502,690
Culture & Leisure	2,205,578	2,234,350
Various	380,806	398,140
Sales to Group companies and other revenue	1,220,275	1,132,008
Travel Agency Services	2,731,651	2,721,983
Corporate	1,232,349	1,286,725
Vacations	1,471,681	1,410,723
Other	27,621	24,535
Insurance Brokerage Services and Life Insurance	215,580	199,464
Life Risk	76,695	70,035
Individual Accident	47,438	44,942
Commissions	91,447	84,487
Other Business Lines	38,918	39,548
Consolidation Adjustments	(853,254)	(878,872)
TOTAL	15,260,778	15,086,501

Amounts in thousands of euros
(*) Figures modified for comparative purposes. See Note 2.4

Additionally, the assets and liabilities derived from contracts with customers are related to the activity of Travel Agency Services and Sale of Computer Products and Services.

23.2 Supplies

The breakdown of the "Supplies" section of the consolidated profit and loss statements for the years ending on 29 February 2020 and 28 February 2019 is as follows:

ITEM	2019	2018(*)
Consumption of goods	10,670,718	10,522,892
Consumption of raw materials and other consumables	63,134	45,695
Work performed by other companies	22,516	25,766
TOTAL	10,756,368	10,594,353

Amounts in thousands of euros
(*) Figures modified for comparative purposes. See Note 2.4

The "Supplies" heading of the attached consolidated profit and loss account includes costs of conditioning goods for their sale. This item amounted to €14.52 million in 2019 and €15.79 million in 2018.

This heading also includes €31.17 million and €29.52 million for costs and expenses, both internal and external, incurred during 2019 and 2018, respectively, for the preparation and conditioning for sale of food products marketed by El Corte Inglés, S.A.

23.3 Personnel expenses

The breakdown of the "Personnel expenses" section for 2019 and 2018 is as follows:

ITEM	2019	2018 (*)
Wages and salaries	1,761,058	1,804,579
Compensation	52,659	50,105
Social charges:	577,214	572,428
Social Security	544,639	550,689
Uniforms	7,706	6,363
Life insurance	7,308	6,221
Other social charges	17,561	9,155
TOTAL	2,390,931	2,427,112

Amounts in thousands of euros
(*) Figures modified for comparative purposes. See Note 2.4

The average number of full time employees distributed by activity groups during 2019 and 2018 is as follows:

GROUPINGS	AVERAGE NO. OF EMPLOYEES	
	2019	2018
Executives and senior managers	118	124
Middle managers and coordinators	12,139	11,399
Technicians	5,550	5,535
Professionals	51,785	53,304
Core staff	9,147	9,614
TOTAL	78,739	79,976

The workforce at close of financial years 2019 and 2018, distributed by gender and category, was as follows:

GROUPINGS	2019		2018	
	Women	Men	Women	Men
Executives and senior managers	5	113	6	123
Middle managers and coordinators	4,449	7,690	4,054	7,905
Technicians	3,146	3,166	2,928	2,819
Professionals	42,089	17,089	42,919	17,342
Core staff	6,761	3,760	7,584	4,324
TOTAL	56,450	31,818	57,491	32,513

The number of employees in the Group with a degree of disability of 33% or more employed at the close of 2019 and 2018 is as follows, broken down by professional categories:

GROUPINGS	2019	2018
Middle managers and coordinators	104	101
Technicians	61	42
Professionals	861	795
Core staff	383	233
TOTAL	1,409	1,171

23.4 Other operating income and expenses

The breakdown of the "Other operating income and expenses" section for 2019 and 2018 is as follows:

ITEM	2019	2018(*)
Changes in inventories of finished goods	(50)	12
In-house work on non-current assets	135,876	137,276
Other operating income	268,967	217,304
Other operating expenses	(1,293,556)	(1,378,739)
TOTAL	(888,763)	(1,024,147)

Amounts in thousands of euros
(*) Figures modified for comparative purposes. See Note 2.4

The breakdown of the "Other operating expenses" section for 2019 and 2018 is as follows:

ITEM	2019	2018(*)
Leases	36,485	168,487
Repairs and maintenance	61,458	64,109
Services contracted	465,523	419,094
Transport	53,925	50,463
Insurance premiums	18,459	20,375
Banking services	62,673	63,024
Advertising	212,269	224,532
Supplies	163,219	168,214
Taxes	111,785	111,359
Rest	107,760	89,082
TOTAL	1,293,556	1,378,739

Amounts in thousands of euros
(*) Figures modified for comparative purposes. See Note 2.4

23.5 Financial income and expenses

The details of the Group's financial income and costs are as follows:

ITEM	2019	2018(*)
Finance income:		
Revenues from shares in capital	42	4
Revenues from other securities	2,145	1,576
TOTAL INCOME	2,187	1,580
Finance expenses:		
Debts with group companies and associates	1,744	2,020
Lease expenses	15,106	-
Debts with third parties	111,150	193,229
TOTAL EXPENSES	128,000	195,249

Amounts in thousands of euros
(*) Figures modified for comparative purposes. See Note 2.4

24. RELATED-PARTY TRANSACTIONS AND BALANCES

Transactions between the Company and its subsidiaries, which are related parties and form part of the regular business traffic insofar as their object and conditions, have been eliminated in the consolidation process, as indicated in these notes to the financial statements, and are not itemised in this note. Transactions between the Group and its associates and other related parties are broken down below.

24.1 Balances and transactions with associates and related parties

The breakdown of related party transactions during 2019 and 2018 are as follows:

2019

ITEM	Associated companies	Other related parties	TOTAL
Sales	29,875	1,084	30,959
Purchases	42,706	20,193	62,899
Disposals of fixed assets	-	-	-
Acquisition of fixed assets	-	-	-
Services rendered	13,580	1,021	14,601
Services received	48,900	1,969	50,869
Interest paid	-	-	-
Interest charged	-	-	-
Other financial services	-	-	-

Amounts in thousands of euros

2018(*)

ITEM	Associated companies	Other related parties	TOTAL
Sales	25,625	1,188	26,813
Purchases	33,732	33,900	67,632
Disposals of fixed assets	-	-	-
Acquisition of fixed assets	-	-	-
Services rendered	12,798	1,188	13,986
Services received	45,836	(462)	45,374
Interest paid	176	-	176
Interest charged	-	919	919
Other financial services	16,187	-	16,187

Amounts in thousands of euros

(*) Figures modified for comparative purposes. See Note 2.4

The amount of the balances on the balance sheet with related parties is as follows:

2019

ITEM	Associated companies	Other related parties	TOTAL
Trade and other receivables	6,945	203	7,148
Short-term financial investments	1,700	440	2,140
Long-term payables	5	(48,654)	(48,649)
Short-term payables	(18,288)	(22,233)	(40,521)
Payables to suppliers and trade payables	(6,714)	(6,249)	(12,963)
Current accounts with administrations	-	(62,581)	(62,581)

Amounts in thousands of euros

2018

ITEM	Associated companies	Other related parties	TOTAL
Trade and other receivables	31,242	1,877	33,119
Short-term financial investments	1,737	282	2,019
Long-term payables	(3)	(48,562)	(48,565)
Short-term payables	(89,747)	(19,319)	(109,066)
Payables to suppliers and trade payables	(4,092)	(2,207)	(6,299)
Current accounts with administrations	-	(63,229)	(63,229)

Amounts in thousands of euros

The main transactions carried out by the Group with related parties are due to commercial transactions. These transactions were carried out at market prices.

24.2 Remuneration of the Board of Directors

Remuneration of the Board of Directors (including Senior Management) of the Parent in 2019 and 2018 is as follows, classified by items:

ITEM	2019	2018
Board of Directors:		
Salaries	5,194	5,261
Compensation	9,927	11,700
Other items(1)	8,847	8,931

Amounts in thousands of euros
(1) Other items: Other remuneration associated with Board membership.

At the close of 2019 and 2018, the Group had no remuneration prepayments or loans to the members of the Board of Directors as a whole and in addition to those detailed above, nor had it acquired commitments with the same as regards pensions or retirement bonuses, life insurance or special compensations.

During 2019, termination benefits totalling €9.9 million have been paid. In 2018, termination benefits totalling €11.7 million were paid, while remuneration was also agreed to for other items associated with the departure of certain directors for €3.2 million to be paid over several financial years. In addition, after these consolidated financial statements were drawn up for financial year 2018, the variable remuneration of €1.4 million was approved for financial year 2018.

With the exception explained in the paragraph above, the members of the Board of Directors have not received any remuneration, either in 2019 or 2018 for expenses, pension plans, termination benefits or payments in equity instruments.

The civil liability of Company Directors and Management is insured by several insurance policies underwritten with insurance companies to cover all the companies in the Group. The premiums paid in 2019 for this item amount to €233,427 (€185,762 in 2018).

At 29 February 2020, the Board of Directors comprised 10 individuals, namely 4 women and 6 men, and at 28 February 2019 it comprised 11 individuals, namely 4 women and 7 men.

On 27 January 2020, Jesús Jorge Nuño de la Rosa Coloma resigned as director.

25. ENVIRONMENTAL REPORTING

The Group has continued developing its environmental management policy according to the legal provisions regarding the environment currently in place in our country.

The main lines of action have been as follows:

25.1 Environmental assets

As regards current systems implemented by the Group to reduce the environmental impact of its facilities, it has continued to reduce atmospheric emissions, increase water treatment and recirculation, reduce noises and vibrations, etc. and has included the corresponding costs in those of the facilities where they take place. At the close of 2019 and 2018, the cost of the identified environmental assets and their corresponding accumulated amortisation and impairment are listed by their composition according to their environmental nature:

2019

ITEM	Cost	Accumulated amortisation	Impairment in the FY	Impairment in previous FY	Net value
Water protection	4,813	(1,433)	(5)	-	3,375
Air protection	62,311	(39,397)	(5)	-	22,909
Noise protection	2,558	(1,121)	(38)	-	1,399
Other	150	(41)	-	-	109
TOTAL	69,832	(41,992)	(48)	-	27,792

Amounts in thousands of euros

2018

ITEM	Cost	Accumulated amortisation	Impairment in the FY	Impairment in previous FY	Net value
Water protection	4,810	(1,360)	(5)	-	3,445
Air protection	62,098	(36,654)	(8)	-	25,436
Noise protection	2,485	(1,056)	(39)	-	1,390
Other	50	(36)	-	-	14
TOTAL	69,443	(39,106)	(52)	-	30,285

Amounts in thousands of euros

25.2 Environmental expenses

The 2019 and 2018 environmental expenses amounted to €21.30 million and €17.93 million, respectively, and are entered in the following headings of the consolidated income statement:

ITEM	2019	2018
Supplies	188	170
External services	17,545	15,294
Taxes	3,564	2,464
TOTAL	21,297	17,928

Amounts in thousands of euros

Supplies refer to acquisitions of consumable materials not included in external services but intended for environmental improvement, such as air pollution filters, water treatment products and products for maintenance of boiler and water-treatment equipment.

External services include all regular maintenance and general service contracts to protect and improve the environment. Some of the main actions include cleaning of air-conditioning conduits, water treatment in our facilities (cleaning, disinfection, etc.), management of packaging and associated waste, waste transport and management (fluorescent tubes, machine oil, paper, vegetable oils, organic waste, health product waste, etc.) and civil liability insurance.

The taxes heading includes environmental fees, primarily from the use of landfills.

26. OTHER INFORMATION

26.1 Information regarding conflicts of interest of the Directors.

At the close of 2019, neither the members of the Parent's Board of Directors nor the associated individuals thereof, as defined in the Consolidated Text of the Corporate Enterprises Act, have informed other members of the Board of Directors of any conflict of interest, whether direct or indirect, that could affect the interests of Group companies.

26.2 Auditing fees

During 2019 and 2018, the fees for auditing accounts and other services rendered by the consolidated financial statements auditor Ernst & Young, S.L. or a company associated with the auditor through control, ownership, shared ownership or management of audit services and other services rendered by the auditor, were as follows:

ITEM	2019		2018	
	Main auditor	Other firms	Main auditor	Other firms
Financial statement auditing services	1,485	19	1,636	22
Other verification services	460	-	894	-
TOTAL AUDITING SERVICES	1,945	19	2,530	22
Tax advisory services	-	-	-	-
Other services	249	-	65	-
TOTAL OTHER SERVICES	249	-	65	-
TOTAL	2,194	19	2,595	22

Amounts in thousands of euros

26.3 Subsequent events

On 11 March 2020, the World Health Organization (WHO) announced a public health emergency when the coronavirus (COVID-19) outbreak became an international pandemic. The rapid escalation of events, at both national and international levels, is an unprecedented health crisis that will impact both the macroeconomic environment and business performance. As part of its response to this situation, the Spanish Government declared a state of alarm through Royal Decree 463/2020 of 14 March, and approved a series of special emergency measures to address the economic and social effects of COVID-19. The most relevant measures include isolation, confinement and restriction of free movement, the closing of public and private places, except for premises providing essential and healthcare services, border restrictions and a drastic reduction in transport.

These measures entailed the temporary closure of all retail establishments (except grocery/food shops) and travel ("Viajes") and insurance ("Seguros") establishments.

The Company believes that these events do not necessitate adjustment to the financial statements for the year ending 29 February 2020, though they could have a major impact on operations and, therefore, on future earnings and cash flow. Given the complexity of the situation and its rapid development, it is not possible at the moment, given the high level of uncertainty, to make any reliable quantitative forecast of its potential impact on the Group's activities. In any case, the effects that there could be on certain assets, such as PP&E, tax credits, inventories, etc., along with the need to recognise provisions or other liabilities would take place prospectively in the 2020 consolidated financial statements.

In addition, the Parent Company's Directors and Management have taken the following measures:

- The signing of a new revolving line of credit for €1,341 million with a total of 15 Spanish and international financial institutions, which matures on 1 April 2020. This is in

addition to the financing arranged on 26 February 2020 for €2,000 million. This agreement, signed on 1 April 2020, and the pre-existing financing sources, ensures that El Corte Inglés will have a stable current funding without requiring additional guarantees or collateral, and Group liquidity over the coming months to address the major economic impact caused by the extraordinary measures taken by the Spanish government for the state of alarm in Spain.

- Appropriate control and health measures which guarantee the safety of its operating cycle (customers, suppliers, employees, etc.).
- Bolstering online commerce and the sale of basic commodities that can be physically sold.
- Optimisation of the purchasing of goods, operating expenses and investments. In addition to other measures, El Corte Inglés Group introduced employment furlough schemes (ERTE) due to force majeure, availing of measures made available by the Spanish Government and outlined in Royal Decree 463/2020 of 14 March, declaring a state of alarm due to the COVID-19 health crisis.

The Parent Company's directors consider the COVID-19 situation to be temporary and that, according to the most recent estimates of its future development, the current cash position and the Group's ability to generate new sources of funding, if required, results that its capacity to continue as a going concern is not compromised (see Note 4.2.19).

Also after the end of the financial year, the sale of Informática El Corte Inglés to the French group GFI was finalised, after approval by the competition authorities. The valuation of the business has increased to €300 million, with the Group having received €261.5 million (the difference mainly corresponds to the financial debt which Informática El Corte Inglés had at the time the agreement was reached).

EL CORTE INGLÉS CONSOLIDATED GROUP

CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR ENDING 29 FEBRUARY 2020

BUSINESS ACTIVITY AND PERFORMANCE

The main business of El Corte Inglés, S.A. and its subsidiaries is the retail sale of consumer goods and the provision of a wide range of services (travel agency, IT, telephony, insurance brokerage, optical services, etc.), for which it has a network of department stores, hypermarkets, supermarkets, convenience stores and offices.

The Group's activities are described in more detail below:

- El Corte Inglés department stores: extensive range of products and services such as leisure, cultural, furniture, fashion, accessory, toy, jewellery and consumer electronic items. At the close of financial year 2019, El Corte Inglés had 88 department stores in Spain and 2 in Portugal.

- Hipercor hypermarkets: offering a large variety and range of domestic, international, regional and local products with an excellent price-quality ratio for both food and personal care, textile and household items. At the close of 2019, 39 hypermarkets were open.

- Supercor convenience stores: designed as a chain of neighbourhood supermarkets, near the customer and capable of meeting all basic shopping needs. At 29 February 2020, Supercor had 181 establishments in Spain and 6 in Portugal.

- Sfera: chain of stores specialising in fashion and accessories. At the close of financial year 2019, Sfera had 167 stores in several countries.

- Bricor: chain of home improvement, decoration and home and garden services integrated into El Corte Inglés. At 29 February 2020, it has 4 large establishments and 56 departments in its department stores.

- Viajes El Corte Inglés Group: travel agency for business and holiday travel. At the close of 2019, it had 494 branches in Spain, 22 in Portugal and 121 in other countries.

- Insurance Group: providing life and accident, savings, temporary and life annuities insurance as well as pension plans. At 29 February 2020, the insurance broker had 124 branches in Spain and 2 in Portugal, and the insurance company had 26 branches in Spain.

In 2019, the net turnover of El Corte Inglés Group stood at €15,261 million, 1.2% higher than the previous year. The breakdown by business line is as follows:

TURNOVER	% Contribution	Thousands of euros 2019	2018(*)	% change 19/18
Retail	86.0	13,127,883	13,004,378	0.9
Travel agency services	17.9	2,731,651	2,721,983	0.4
Insurance brokerage services	1.4	215,580	199,464	8.1
Other business lines	0.3	38,918	39,548	(1.6)
Consolidation adjustments	(5.6)	(853,254)	(878,872)	2.9
TOTAL	100	15,260,778	15,086,501	1.2

(*) Figures modified for comparative purposes. See Note 4.2.15

The two lines with the largest business volumes are retail and travel agencies.

Operating costs, expenses and income totalled €14,440.86 million (€14,400.20 million in 2018), of which €10,756.37 million corresponded to procurement, €2,390.93 million to employee expenses and €1,149.56 million to external services.

The value of inventories at 29 February 2020 was €2,089.11 million (€2,128.30 million in 2018).

Cash flows on operating activities were €1,048.88 million, as shown in the cash flow statement, mainly in fixed asset investments and the amortisation of financial debt.

Investments by the Group during 2019 totalled €344 million (€396 million in 2018) with the following breakdown:

ITEM	Millions of euros
Property, plant and equipment	226
Intangible fixed assets	117
Investment property	1

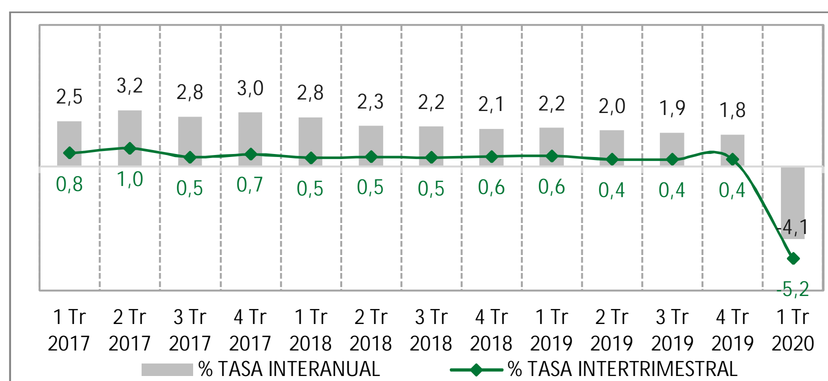
Investments in property, plant and equipment were as follows:

ITEM	Millions of euros
Land and constructions	13
Machinery, installations, tooling and other	38
Furniture	11
Information processing equipment	14
Property, plant and equipment in progress	150
TOTAL	226

OUTLOOK

Spain's economy contracted by 5.2% quarter-on-quarter in the first quarter of 2020, according to the initial quarterly figures published by the INE national statistical institute. This includes the first effects of the pandemic on the economy. The year-on-year decline was 4.1%. We can expect to see even larger falls in activity in the second quarter, as more weeks will be affected by the state of emergency in place during most of the second quarter.

GDP TREND



Source: Spanish National Statistics Institute (INE)

The leading economic institutions and organisations are reviewing their forecasts for the Spanish economy in light of the effects of the health crisis on the economy. The government forecasts that GDP will shrink by 9.2%, while the average for the bodies and organisations analysed is 9.1%. However, these estimates should be treated with caution, given the exceptional nature of the situation and the high degree of uncertainty. All of the bodies and organisations analysed expect a rebound in GDP in 2021, although this will be insufficient to offset the fall in 2020.

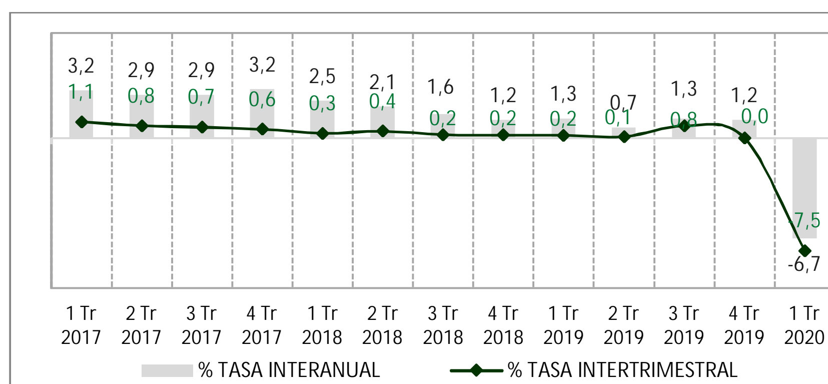
The following table details these GDP growth forecasts:

GDP FORECASTS.
YEAR-ON-YEAR CHANGE (%)

		2020	2021
GOBIERNO PGE	*may-20*	-9,2	6,8
FUNCAS	*may-20*	-8,4	6,0
BBVA	*may-20*	-8,0	5,7
LA CAIXA	*may-20*	-7,2	6,9
BANKIA	*may-20*	-12,7	n.d.
FMI	*abr-20*	-8,0	4,3
CEOE	*may-20*	-10,2	5,9
BANCO ESPAÑA	*may-20*	[-9,5; -12,4]	[6,1 ; 8,5]
COMISION EUROPEA	*may-20*	-9,4	7,0
CEPREDE	*may-20*	-6,6	6,3
PROMEDIO SIN GOBIERNO		**-9,1**	**6,2**

Household consumption contracted sharply in the first quarter of 2020, falling by 7.5% compared to the previous quarter. The year-on-year contraction was similarly sharp, at 6.7%. The performance in the second quarter of 2020 is expected to be even worse than the first quarter.

HOUSEHOLD CONSUMPTION TREND



Source: Spanish National Statistics Institute (INE)

As with the economy as a whole, the contraction in household consumption is expected to be unprecedented. The government expects private consumption to decline by 8.8%, which is slightly less negative than the expectations of the other bodies analysed, which average 10.5%. As with the

economy as a whole, a recovery is expected in 2021, although this will be insufficient to offset the fall in 2020.

HOUSEHOLD CONSUMPTION FORECASTS.
YEAR-ON-YEAR CHANGE (%)

		2020	2021
GOBIERNO	*may-20*	-8,8	6,8
FUNCAS	*may-20*	-10,6	9,9
BBVA	*may-20*	-8,7	3,4
LA CAIXA	*may-20*	-9,9	6,9
BANKIA	*may-20*	-14,7	n.d.
FMI		n.d.	n.d.
CEOE	*may-20*	-10,7	5,9
BANCO ESPAÑA	*abr-20*	[-6,8; -11,9]	[3,9 ; 5,2]
COMISIÓN EUROPEA	*may-20*	-10,7	8,9
CEPREDE	*may-20*	-8,3	8,3
PROMEDIO SIN GOBIERNO		**-10,5**	**7,2**

The El Corte Inglés Group's approach for the next year will focus on bolstering the Group's liquidity to deal with the negative effects of COVID-19 (Note 26.3), optimising investment and spending policies, and adjusting the stock-purchasing cycle to the current situation. The Group will continue investing in and improving its online and offline services as part of its omnichannel strategy.

RISK MANAGEMENT

As explained in the consolidated financial statements, the Group’s activities are exposed to a range of financial risks, including market (including exchange rate, interest rate and price risks), credit and liquidity risks. Risk management is handled by the management of the parent company, as it has put the necessary mechanisms in place and focuses on the uncertainty of the financial markets with a view to minimising potential adverse effects on the Group’s profitability.

The main risks are described below:

- Credit risk: The Group has no significant concentrations of credit risks with third parties, as retail sales constitute the largest share of its revenue. Essentially, everything is paid for in cash or by credit card.

The Group's investments policy, which mainly aims to mitigate the credit risk of investment products, is governed by prudence. In general terms, the Group maintains its treasury and equivalent liquid assets at financial entities with a high credit rating.

The credit quality of financial assets that are not matured or impaired can be assessed by reference to external credit scores, which generally give most of the Group's investments a rating of BBB.

With regard to the credit risk stemming from business operations (mainly from corporate retail transactions and IT consultancy), a provision is established for losses through impairment of trade receivables when there is objective evidence that the Group might not be able to collect all the amounts owed to it in accordance with the original terms of the accounts receivable.

At 29 February 2020 and 28 February 2019, there were no expired balances in a significant amount. Based on available historical experience, the Group considers it unnecessary to make valuation adjustments for unexpired accounts receivable. The fair value of the accounts receivable does not differ significantly from their book value.

- Liquidity risk: The Group maintains a prudent liquidity risk management policy, thus maintaining the appropriate level of cash and marketable securities and contracting committed credit facilities for a sufficient amount to meet any anticipated needs.

  The Group manages liquidity by maintaining adequate reserves, appropriate banking services and the availability of credit and loans through ongoing monitoring of the forecasts and the current amounts of cash flows, and matching them with the maturity profile of financial assets and liabilities.

- Interest rate risk: variations in the interest rates modify future flows of assets and liabilities with reference to a variable interest rate. The financial instruments exposed to interest rates are essentially financing at variable rates and derivative financial instruments.

  Derivative financial instruments are contracted to mitigate these risks, based on the El Corte Inglés Group's estimates of interest rate movements and its objectives for its long-term debt structure.

- Price risk: Group exposure to price risk is reflected through its investments in equity instruments listed on stock markets, classified either as assets at fair value with changes through profit and loss or as assets available for sale held at fair value. The Group diversifies its portfolio to manage the price risk from these investments. Most of these investments are listed on stock exchanges or are invested in undertakings for collective investment (UCI).

The consequence of decreases or increases in the stock market indices for these listed securities does not imply significant impacts on the income statement or in equity.

- Exchange rate risk: The Group operates internationally and it is therefore exposed to exchange-rate risk from currency transactions, particularly for purchases of merchandise denominated in US dollars.

  This exchange rate risk is managed in accordance with the Group Management guidelines, which primarily contemplate the establishment of financial or natural hedges, the ongoing monitoring of fluctuations in the exchange rate and other measures to mitigate this risk. The Group's policy is to contract financial instruments (exchange-rate insurance) to reduce the conversion differences arising from transactions in foreign currency.

USE OF FINANCIAL INSTRUMENTS

With the purpose of containing and decreasing the potential negative impact of changes in interest and exchange rates on the Group's results, the Parent implements a management programme for those risks in the medium term through the use of specific financial instruments to mitigate interest-rate and exchange-rate risks. The nominal amounts covered by the interest rate and exchange rate risk management programmes are described in Note 19 of the consolidated report.

HUMAN RESOURCES

At the close of the year, our team comprises a total of 88,268 people, distributed among all the Group companies, a decrease of 1,736 compared to the previous year, i.e. a reduction of 1.93%.

The average number of employees in the Group, calculated as full-time equivalent employees is 78,739:

GROUPINGS	AVERAGE NUMBER OF EMPLOYEES	
	2019	2018
Executives and senior managers	118	124
Middle managers and coordinators	12,139	11,399
Technicians	5,550	5,535
Professionals	51,785	53,304
Core staff	9,147	9,614
TOTAL	78,739	79,976

90% of employees have an open-ended contract.

The workforce at close of financial years 2019 and 2018, distributed by gender and category, was as follows:

	2019		2018	
GROUPINGS	Women	Men	Women	Men
Executives and senior managers	5	113	6	123
Middle managers and coordinators	4,449	7,690	4,054	7,905
Technicians	3,146	3,166	2,928	2,819
Professionals	42,089	17,089	42,919	17,342
Core staff	6,761	3,760	7,584	4,324
TOTAL	56,450	31,818	57,491	32,513

In addition, the Board of Directors comprises 10 directors, 4 of whom are women.

OCCUPATIONAL HEALTH AND SAFETY

Refer to the detailed information in the 2019 non-financial information report.

TRAINING

Refer to the detailed information in the 2019 non-financial information report.

ENVIRONMENT

The main efforts with respect to the environment relate to the consumption of materials, energy and water, and aspects relating to the monitoring of greenhouse gas emissions and waste management.

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

- Reducing the impact of materials used, reuse and minimisation of packaging.
- Efficiency plan for different aspects of energy consumption at our department stores (lighting, commercial cooling, air conditioning and temperature control systems) and the search for more efficient technologies.

The main initiatives include:

- Selection of lighting systems, assessing such aspects as their colour rendering index, useful life, design, auxiliary equipment or regulatory, control and maintenance systems, all aspects with significant influence on their energy consumption.

- Technological modernisation of existing refrigeration units, adapting their performance and improving their energy efficiency in all cases.

- Measures to reduce water consumption and improve the quality of discharges. For this purpose, a large number of our facilities have included new waste water treatment techniques, consisting of environmentally-friendly microbial fermentation systems.

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

- Energy efficiency measures to reduce emissions.

- Specific treatment programmes for the various types of waste generated by the Group.

In 2019 and 2018, environmental expenses amounted to €21.30 million and €17.93 million, respectively, as follows:

ITEM	2019	2018
Supplies	188	170
External services	17,545	15,294
Taxes	3,564	2,464
TOTAL	21,297	17,928

Amounts in thousands of euros

Supplies refer to acquisitions of consumable materials not included in external services but intended for environmental improvement, such as air pollution filters, water treatment products and products for maintenance of boiler and water-treatment equipment.

External services include all regular maintenance and general service contracts to protect and improve the environment. Some of the main actions include cleaning of air-conditioning conduits, water treatment in our facilities (cleaning, disinfection, etc.), management of packaging and associated waste, waste transport and management (fluorescent tubes, machine oil, paper, vegetable oils, organic waste, health product waste, etc.) and civil liability insurance.

The taxes heading includes environmental fees, primarily from the use of landfills.

RESEARCH AND DEVELOPMENT

In 2019, the consolidated Group undertook a number of research, development and innovation projects for various strategic lines of action. The most important projects, due to their content and scope, include:

- Implementation of an ERP platform as a global management model for administration of the travel area. This standardises processes, streamlines resizing and simplifies adaptations based on business needs and regulatory changes.

- Development of a new financial platform for digital self-management by customers. A new web portal simplifies publication of financial products, enabling secure contracting and payment. This supports user-authentication services and manages all the documentation generated in the processes.

- Creation of a logical system for modelling the digital client. This is an advanced platform using big data and Artificial Intelligence algorithms for smart customer segmentation.

- New platform for comprehensive management of the digital business in the insurance area. This integrated environment entails various tools for selecting and processing risk, pricing, facilitating the issue of policies, generating bills, collection management and handling claims.

- Instrumentation of a software toolbox that simplifies development of complementary applications for the comprehensive insurance platform. This applies to the development of CRM applications and integration with back-office platforms.

As in previous financial years, the companies in the El Corte Inglés Group have continued developing innovation processes for their systems and operating procedures. This has meant the inclusion and use of the latest technology and the development of conceptual models that formalise the findings accumulated through years of experience, enabling continuous improvement of productive and management systems.

The appropriate implementation of the ongoing quality assurance system is another basic factor in enabling us to continue to provide customers with excellent and personalised service.

TREASURY SHARES

During the year, the parent purchased treasury shares valued at €50.64 million and disposed of shares amounting to €5.32 million.

At 29 February 2020, the Group held 5,315,318 shares of the parent with a nominal value of 6 euros on a temporary basis for subsequent disposal.

Additionally, “Treasury shares and equity holdings” on the balance sheet includes €144 million, entailing the resolution of the Board of Directors of the Parent Company on 26 February 2020 for the acquisition of the shares by a majority of the Group employee shareholders.

As a consequence of the impacts and uncertainty generated by COVID-19 and the management levers activated by the Group (see Note 26.3), the aforementioned agreement has been temporarily suspended but expected to be executed in 2021.

SUPPLIER PAYMENTS

The information required by third additional provision regarding Duty of information of Act 15/2010 of 5 July, is detailed below:

ITEM	2019	2018
Average supplier payment period	43 days	44 days
Ratio of payments made	44 days	45 days
Ratio of operations pending payment	22 days	23 days

ITEM	2019	2018
Total payments made	11,551,089	11,816,008
Total payments pending	599,103	636,333

Amounts in thousands of euros

OTHER ASPECTS

In addition, the Group has subscribed the Code of Good Taxation Practices and adequately fulfilled the contents of the code. The Group correctly files its tax returns in a timely fashion.

SEPARATE NON-FINANCIAL INFORMATION STATEMENT

In compliance with prevailing legislation, the directors of the parent company have decided to prepare a separate non-financial information statement to comply with the provisions of Royal Decree-Law 11/2018 of 28 December, which amends the Commercial Code, the consolidated text of the Corporate Enterprises Act approved by Legislative Royal Decree 1/2010, of 2 July, and Act 22/2015 of 20 July, on Account Auditing, regarding non-financial reporting and diversity.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No significant events have taken place, other than those described in Note 26.3 of the attached report.