

reduced size of the investment, there is no exposure to currency exchange risk. Angolan branch loan in the amount of 2,500,000 USD does not provide great exposure to currency exchange rate due to its reduced amount and to the strong correlation between American dollar and local currency.

#### ii) Price risk

The group is not greatly exposed to the merchandise price risk.

#### iii) Interest rate risk (cash flow and fair value)

Since the group does not have remunerated assets earning significant interest, the profit and cash flow from financing activities are substantially independent from interest rate fluctuations.

The group's interest rate risk stems from its liabilities, in particular from long-term loans. Loans issued with variable rates expose the group to the cash flow risk associated to interest rates. Loans with fixed rates expose the group to the risk of the fair value associated to interest rates. At the current interest rates, in financing of longer maturity periods the group has a policy of totally or partially fixing the interest rates.

In recent years the group has taken into account the possibility of hedging the risk of interest rate variations only in a small part of their funding. The Group has a Swap operation over 1,9 millions of euros in Spain.

Therefore, the remaining remunerated debt bears interest at a variable rate. Moreover, the Group has cash to cover about half of its loans whose remuneration dampens changes in debt interest rate.

Based on simulations performed on 31 December 2011, an increase of 100 basis points in the interest rate, maintaining other factors constant, would have a negative impact in the net profit of 250,000 euros.

#### b) Credit risk

The group's main activity covers sales paid in cash or by debit/credit cards. As such, the group does not have relevant credit risk concentrations. It has policies ensuring that sales on credit are performed to customers with a suitable credit history. The group has policies that limit the amount of credit to which these customers have access.

#### c) Liquidity risk

Liquidity risk management implies maintaining a sufficient amount of cash and bank deposits, the feasibility of consolidating the floating debt through a suitable amount of credit facilities and the capacity to liquidate market positions. Treasury needs are managed based on the annual plan that is reviewed every quarter and adjusted daily. Related with the dynamics of the underlying business operations, the group's treasury strives to maintain the floating debt flexible by maintaining credit lines available.