Distribuidora Internacional de Alimentación, S.A.

Annual Accounts and Directors' Report

31 December 2014

(With Auditors' Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Distribuidora Internacional de Alimentación, S.A.

Report on the annual accounts

We have audited the accompanying annual accounts of Distribuidora Internacional de Alimentación, S.A. (the "Company"), which comprise the balance sheet at 31 December 2014, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

Directors' responsibility for the annual accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they present fairly the equity, financial position and financial performance of Distribuidora Internacional de Alimentación, S.A. in accordance with the financial reporting framework applicable to the entity in Spain, specified in note 2 to the accompanying annual accounts, and for such internal control that they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the annual accounts 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts taken as a whole.

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

KPMG Auditores S.L., sociedad española de responsabilidad limitada y firma miembro de la red KPMG de firmas independientes afiliadas a KPMG International Cooperative ("KPMG International"), sociedad suiza.

Inscrita en el Registro Oficial de Auditores de Cuentas con el nº.S0702, y en el Registro de Sociedades del Instituto de Censores Jurados de Cuentas con el nº.10.
Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

Opinion

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of Distribuidora Internacional de Alimentación, S.A. at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework and, in particular, with the accounting principles and criteria set forth therein.

Report on other legal and regulatory requirements

The accompanying directors' report for 2014 contains such explanations as the Directors consider relevant to the situation of the Company, its business performance and other matters, and is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2014. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of the Company.

KPMG Auditores, S.L.

(Signed on the original in Spanish)

Carlos Peregrina García

22 February 2015

BALANCE SHEETS

(Free translation from the original version in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

BALANCE

for the years ended 31 December 2014 and 2013
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

ASSETS	Notes	December 2014	December 2013
Intangible assets	**5**	**49,867**	**49,493**
Development		4,864	1,119
Concessions		298	330
Patents, licences, trademarks and similar rights		2,194	2,489
Goodwill		35,417	35,930
Computer software		4,447	6,765
Other intangible assets		2,647	2,860
Property, plant and equipment	**6**	**516,707**	**504,439**
Land and buildings		291,136	288,295
Technical installations, machinery, equipment, furniture and other items		219,613	213,228
Under construction and advances		5,958	2,916
Non-current investments in group companies and associates		**574,380**	**1,673,625**
Equity instruments	**11**	537,266	1,513,625
Loans to companies	**12 (a)**	37,114	160,000
Non-curent investments	**12 (b)**	**21,405**	**21,353**
Equity instruments		36	36
Loans to third parties		667	1,180
Other financial assets		20,702	20,137
Trade and other receivables		**32,910**	**28,787**
Trade receivables (exceeding operating cycle)	**12 (c)**	27,125	22,787
Non-current prepayments	**14**	5,785	6,000
Deferred tax assets	**21**	**129,561**	**24,850**
Total non-current assets		**1,324,830**	**2,302,547**
Non current held for sale assets		**-**	**110**
Inventories	**13**	**203,954**	**182,852**
Goods for resale		196,573	180,780
Raw materials and other supplies		6,309	1,321
Advances to suppliers		1,072	751
Trade and other receivables	**12 (c)**	**353,084**	**227,143**
Trade receivables - current		40,974	30,764
Trade receivables from group companies and associates		194,250	126,757
Other receivables		74,575	52,932
Personnel		791	790
Current tax assets		41,859	7,912
Public entities, other		635	7,988
Current investments in group companies and associates	**12 (a)**	**178,856**	**40,576**
Other financial assets		178,856	40,576
Current investments	**12 (b)**	**3,176**	**681**
Loans		192	295
Debt securities		2,913	-
Derivatives		71	386
Prepayments for current assets	**14**	**1,027**	**1,329**
Cash and cash equivalents		**11,239**	**29,203**
Cash		11,206	29,168
Cash equivalents		33	35
Total current assets		**751,336**	**481,894**
TOTAL ASSETS		**2,076,166**	**2,784,441**

The accompanying notes form an integral part of the annual accounts for 2014.

BALANCE

for the years ended 31 December 2014 and 2013
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

EQUITY AND LIABILITIES	Notes	December 2014	December 2013
Capital and reserves without valuation adjustments	**16**	**317,712**	**837,855**
Capital		**65,107**	**65,107**
Registered capital		65,107	65,107
Share premium		**618,157**	**618,157**
Reserves		**62,431**	**59,846**
Legal and statutory reserves		13,021	13,587
Other reserves		49,410	46,259
(Own shares)		**(58,864)**	**(23,319)**
Profit for the year		**(391,946)**	**105,255**
Other equity instruments		**22,827**	**12,809**
Valuation adjustments		**55**	**(820)**
Hedging transactions		55	(820)
Grants, donations and bequests received	**17**	**1,786**	**2,413**
Total equity		**319,553**	**839,448**
Non-current provisions	**18**	**63,969**	**40,461**
Long-term employee benefits		861	554
Other provisions		63,108	39,907
Non-current payables	**20 (b)**	**516,251**	**668,778**
Bonds and other securities		494,701	-
Debt with financial institutions		43	650,620
Finance lease payables		10,770	8,823
Other financial liabilities		10,737	9,335
Deferred tax liabilities	**21**	**34,045**	**59,561**
Total non-current liabilities		**614,265**	**768,800**
Current provisions	**18**	**2,581**	**26,788**
Current payables	**20 (b)**	**145,187**	**190,583**
Bonds and other securities		3,396	-
Debt with financial institutions		88,079	169,809
Finance lease payables		5,253	4,794
Derivatives		-	1,373
Other financial liabilities		48,459	14,607
Group companies and associates, current	**20 (a)**	**75,186**	**45,125**
Trade and other payables	**20 (c)**	**919,372**	**913,672**
Current suppliers		773,163	756,468
Suppliers, group companies and associates, current		19,103	19,015
Other payables		65,372	70,647
Personnel (salaries payable)		26,025	24,147
Current tax liabilities		-	13,908
Public entities, other		35,709	29,487
Current accruals		**22**	**25**
Total current liabilities		**1,142,348**	**1,176,193**
TOTAL EQUITY AND LIABILITIES		**2,076,166**	**2,784,441**

The accompanying notes form an integral part of the annual accounts for 2014.

INCOME STATEMENTS

(Free translation from the original version in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

INCOME STATEMENT

	Notes	December 2014	December 2013
Revenues	24 (a)	**4,146,438**	**4,199,037**
Sales		4,146,438	4,199,037
Work carried out by the company for assets		**5,000**	**7,259**
Supplies	24 (b)	**(3,166,218)**	**(3,201,517)**
Merchandise used		(3,088,469)	(3,140,378)
Raw materials and consumables used		(10,269)	(12,080)
Subcontracted work		(67,460)	(49,347)
Impairment of merchandise, raw materials and other supplies		(20)	288
Other operationg income		**158,985**	**133,071**
Non-trading and other operating income		158,242	132,591
Operating grants taken to income	17	743	480
Personnel expenses		**(433,635)**	**(428,916)**
Salaries and wages		(347,047)	(341,292)
Employee benefits expense	24 (c)	(86,281)	(87,620)
Provisions		(307)	(4)
Other operating expenses		**(346,356)**	**(346,129)**
External services		(331,016)	(330,175)
Taxes		(8,952)	(8,747)
Losses, impariment and changes in trade provisions		(2,921)	(3,184)
Other operating expenses		(3,467)	(4,023)
Amortisation and depreciation	5 and 6	**(100,566)**	**(110,608)**
Non-financial and other capital grants	17	**775**	**3,514**
Impairment and gains/(losses) on disposal of fixed assets	5, 6, and 24 (d)	**(7,402)**	**(3,306)**
Impairment and losses		(3,442)	(466)
Gains/(losses) on disposal and other		(3,960)	(2,840)
Results form operating activities		**257,021**	**252,405**
Finance income		**13,149**	**53,102**
Dividends	11	**97**	**30,000**
Group companies and associates		97	30,000
Other investment income		**13,052**	**23,102**
Group companies and associates		7,415	20,229
Other		5,637	2,873
Finance expenses		**(35,506)**	**(31,419)**
Group companies and associates		(57)	(288)
Other		(33,439)	(30,588)
Provision adjustments		(2,010)	(543)
Variation on fair value of financial instruments		**-**	**3,940**
Trading portfolio and others		-	3,940
Exchange gains	24 (e)	**(1,076)**	**124**
Impairment and gains/(losses) on disposal of financial instruments		**(762,603)**	**(124,346)**
Impairment and losses	11 and 18 (b)	(41,882)	(104,076)
Gains/(losses) on disposal and other	11 and 24 (f)	(720,721)	(20,270)
Net finance income		**(786,036)**	**(98,599)**
Losses before income tax		**(529,015)**	**153,806**
Income tax	21	**137,069**	**(48,551)**
LOSSES FOR THE YEAR		**(391,946)**	**105,255**

The accompanying notes form an integral part of the annual accounts for 2014.

STATEMENTS OF CHANGES IN EQUITY

(Free translation from the original version in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

Statements of Changes in Equity
for the years ended 31 December 2014 and 2013
A) Statements of Recognised Income and Expense
(expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	December 2014	December 2013
Profit for the year	(391,946)	105,255
Income and expense recognised directly in equity		
Cash flow hedges	899	(246)
Grants, donations and bequets	52	6,183
Tax effect	(161)	(1,781)
Total income and expense recognised directly in equity	790	4,156
Amounts transferred to the income statement		
Grants, donations and bequests	(775)	(3,514)
Tax effect	233	1,054
Total amounts transferred to the income statement	(542)	(2,460)
Total recognised income and expense	(391,698)	106,951

The accompanying notes form an integral part of the annual accounts for 2014.

Statements of Changes in Equity

for the years ended 31 December 2014 and 2013

B) Total Statements of Changes in Equity

(expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Registered capital	Share premium	Reserves	(Own shares)	Retained earnings	Profit for the year	Other equity instruments	Valutation adjustments	Grants, donations and bequests received	Total
Balance at 1 January 2013	67,934	618,157	66,926	(62,769)	-	184,850	9,680	(648)	545	884,675
Recognised income and expense	-	-	-	-	-	105,255	-	(172)	1,868	106,951
Transactions with equity holders or owners										
Capital decrease	(2,827)	-	(108,850)	111,677	-	-	-	-	-	-
Issuance of share-based payments	-	-	-	-	-	-	5,381	-	-	5,381
Transactions with own shares and equity holdings	-	-	785	(72,227)	-	-	(2,252)	-	-	(73,694)
Distribution of profit for the year					184,850	(184,850)				-
Reserves	-	-	184,850	-	(184,850)	-	-	-	-	-
Dividends	-	-	(83,865)	-	-	-	-	-	-	(83,865)
Balance at 31 December 2013	65,107	618,157	59,846	(23,319)	-	105,255	12,809	(820)	2,413	839,448
Recognised income and expense	-	-	-	-	-	(391,946)	-	875	(627)	(391,698)
Transactions with equity holders or owners										
Issuance of share-based payments	-	-	-	-	-	-	12,028	-	-	12,028
Transactions with own shares and equity holdings	-	-	611	(35,545)	-	-	(2,010)	-	-	(36,944)
Distributions of profit for the year					105,255	(105,255)				-
Reserves	-	-	105,255	-	(105,255)	-	-	-	-	-
Dividends	-	-	(103,281)	-	-	-	-	-	-	(103,281)
Balance at 31 December 2014	65,107	618,157	62,431	(58,864)	-	(391,946)	22,827	55	1,786	319,553

The accompanying notes form an integral part of the annual accounts for 2014.

STATEMENTS OF CASH FLOWS

(Free translation from the original version in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

Statements of Cash Flows

for the years ended 31 December 2014 and 2013
(expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Notes	December 2014	December 2013
Cash flows from operating activities			
Profit for the year before tax		**(529,015)**	**153,806**
Adjustmens for:		**914,744**	**198,159**
Amortisation and depreciation	5 and 6	100,566	110,608
Impairment		48,265	107,438
Changes in provisions		5,678	(21,855)
Grants recognised in the income statement	17	(1,000)	(3,514)
Gains/(losses) on disposal of fixed assets	24 (d)	3,960	2,840
Gains/(losses) on disposal of financial instruments	24 (f)	720,721	20,270
Finance income		(13,149)	(53,102)
Finance expenses		35,506	31,419
Exchange losses	24 (e)	1,076	(124)
Changes in fair value of financial instruments		875	(172)
Other income and expenses		12,246	4,351
Changes in operating assets and liabilities		**(110,183)**	**32,771**
Inventories		(21,122)	894
Trade and other receivables		(86,536)	(21,848)
Other current assets	14	305	17,889
Trade and other payables		1,394	37,735
Provisions		(98)	(36)
Other current liabilities		(3)	(2)
Other non-current assets and liabilities	12 (c) and 14	(4,123)	(1,861)
Other cash flows from operating activities		**(65,808)**	**(58,320)**
Interest paid		(33,258)	(29,500)
Dividends received	11	97	30,000
Interest received		10,863	21,090
Income tax paid (received)		(43,510)	(79,910)
Cash flows from operating activities		**209,738**	**326,416**
Cash flows from investing activities			
Payments for investments		**(174,475)**	**(214,568)**
Group companies and associates	11	(25,927)	(78,279)
Intangible assets	5	(6,564)	(9,606)
Property, plant and equipment	6	(114,693)	(126,571)
Other financial assets	12 (b)	(2,007)	(29)
Non current held for sale assets	11	(25,284)	(83)
Proceeds from sale of investments		**454,811**	**27,437**
Group companies and associates	11	454,054	27,319
Property, plant and equipment	6	647	118
Other financial assets		110	-
Cash flows from/(used in) investing activities		**280,336**	**(187,131)**
Cash flows from financing activities			
Proceeds from and payments for equity instruments		**(37,114)**	**(45,575)**
Acquisition of own equity instruments		(37,166)	(45,749)
Grants, donations and bequests received	17	52	174
Proceeds form and payments for financial liability intstruments		**(367,643)**	**(69,545)**
Issue		**550,258**	**233,747**
Bonds and other securities	20 (b)	498,097	-
Debt with financial institutions		37,166	230,000
Other payables		14,995	3,747
Redemption and repayment of		**(917,901)**	**(303,292)**
Debt with financial institutions		(767,305)	(263,836)
Group companies and associates		(150,596)	(39,456)
Dividends and interest on other equity instruments paid		**(103,281)**	**(83,865)**
Dividends	16 (e)	(103,281)	(83,865)
Cash flows from/(used in) financing activities		**(508,038)**	**(198,985)**
Net increase/decrease in cash and cash equivalents		**(17,964)**	**(59,700)**
Cash and cash equivalents at beginning of year		**29,203**	**88,903**
Cash and cash equivalents at year end		**11,239**	**29,203**

The accompanying notes form an integral part of the annual accounts for 2014.

NOTES TO THE ANNUAL ACCOUNTS FOR 2014

(1) Nature and Activities of the Company and Composition of the Group

Distribuidora Internacional de Alimentación, S.A. (hereinafter the Company or DIA) was incorporated as a public limited liability company (*sociedad anónima*) for an unlimited period under Spanish law on 24 July 1966, and its registered office is located in Las Rozas (Madrid).

The Company's statutory activity comprises the following activities in Spain and abroad:

a) The wholesale or retail sale of food products and any other consumer goods in both domestic and foreign markets.

b) Corporate services aimed at the sale of telecommunication products and services, particularly telephony services, through collaboration agreements with suppliers of telephony products and services. These co-operative services shall include the sale of telecommunication products and services, as permitted by applicable legislation.

c) Activities related to internet-based marketing and sales, and sales through any other electronic medium of all types of legally tradable products and services, especially food and household products, small electrical appliances, multimedia and IT products, photography equipment and telephony products, sound and image products and all types of services through internet or any other electronic medium.

d) Wholesale and retail travel agency activities including, inter alia, the organisation and sale of package tours.

e) Retail distribution of petrol, operation of service stations and retail sale of fuel to the public.

f) The acquisition, ownership, use, management, administration and disposal of equity instruments of resident and non-resident companies in Spain through the concomitant management of human and material resources.

g) The management, coordination, advisory and support of investees and companies with which the Parent works under franchise and similar contracts.

h) The deposit and storage of goods and products of all types, both for the Company and for other companies.

Its principal activity is the retail sale of food products through owned or franchised self-service stores under the DIA brand name. The Company opened its first establishment in Madrid in 1979.

The Company holds interests in subsidiaries. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. Details of investments in Group companies are provided in note 11.

In accordance with generally accepted accounting principles in Spain, consolidated annual accounts must be prepared to present fairly the financial position of the Group, the results of operations and changes in its equity and cash flows.

On 20 February 2015 the directors of the Company prepared the consolidated annual accounts of Distribuidora Internacional de Alimentación, S.A. and subsidiaries for 2014 in accordance with the International Financial Reporting Standards endorsed by the European Union ("IFRS-EU") and other applicable financial reporting regulations. These consolidated accounts present consolidated profit attributable to the Parent of Euros 329,229 thousand and consolidated equity attributable to the Parent of Euros 377,616 thousand.

(2) Basis of Presentation

(a) Fair presentation

The accompanying annual accounts have been prepared on the basis of the accounting records of Distribuidora Internacional de Alimentación, S.A. The annual accounts for 2014 have been prepared in accordance with prevailing legislation and the Spanish General Chart of Accounts to present fairly the equity and financial position at 31 December 2014 and results of operations, changes in equity, and cash flows for the year then ended.

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Tel.: +34 91 398 54 00 – Fax: +34 91 555 77 41 – www.diacorporate.com
Tax identification number A-28164754 – company filed with the Madrid Mercantile Registry on 9 December 1966, volume 2,063 of companies, page 91, sheet 11,719

The directors consider that the annual accounts for 2014, authorised for issue on 20 February 2015, will be approved with no changes by the shareholders at their ordinary general meeting.

(b) Comparative information

The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto for 2014 include comparative figures for 2013, which formed part of the annual accounts approved by shareholders at the ordinary general meeting held on 25 April 2014.

(c) Functional and presentation currency

The figures disclosed in the annual accounts are expressed in thousands of Euros, the Company's functional and presentation currency, rounded off to the nearest thousand.

(d) Critical issues regarding the valuation and estimation of relevant uncertainties and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Company's accounting principles to prepare the annual accounts. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the annual accounts, is as follows:

(i) Relevant accounting estimates and assumptions

The Company evaluates whether there are indications of possible impairment losses on investments in Group companies and non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount. Impairment is calculated individually for each cash generating unit (CGU), as explained in notes 4 (d) and (f) (viii), with each store representing a CGU. The Company tests goodwill for impairment on an annual basis. The calculation of the recoverable amount requires the use of estimates by management. The recoverable amount is the higher of fair value less costs to sell and value in use. The Company generally uses cash flow discounting methods to calculate these values. Discounted cash flow calculations are based on five-year projections in the budgets approved by management. The cash flows take into consideration past experience and represent management's best estimate of future market performance. From the fifth year cash flows are extrapolated using individual growth rates. The key assumptions employed when determining fair value less costs to sell and value in use include growth rates, the weighted average cost of capital and tax rates. The estimates, including the methodology used, could have a significant impact on values and impairment.

In 2011, the 2011-2014 Long-term Incentives Plan and 2011-2014 Multi-year Variable Remuneration Plan, both settled in shares, were approved by the Company's shareholders at their general meeting. Beneficiaries were informed of the plan regulations on 11 June 2012. The Company has estimated the total obligation derived from these plans and the part of this obligation accrued at 31 December 2014 based on the extent to which the conditions for receipt have been met.

In 2014 a new non-current employee benefit plan for 2014-2016 to be settled in own shares was approved by the Company's shareholders at their general meeting. Beneficiaries were informed of the plan regulations during December 2014 and January 2015. The Company has estimated the total obligation derived from these plans and the part of this obligation accrued at 31 December 2014 based on the extent to which the conditions for receipt have been met.

The Company is undergoing tax inspections, some of which have been completed by the taxation authorities and additional tax assessments have been appealed by the Company at 31 December 2014. The Company recognises a provision if it is probable that an obligation will exist at year end which will give rise to an outflow of resources embodying economic benefits and the outflow can be reliably measured. As a result, the directors use significant judgement when determining whether it is probable that the process will result in an outflow of resources embodying economic benefits and estimating the amount.

(3) Application of Losses

The proposed application of losses for 2014 to be submitted to the shareholders for approval at their ordinary general meeting is as follows:

Basis of distribution	Euros
Share premium	473,313,487.24
Voluntary reserves (Note 16 c)	35,524,762.75
Total	**508,838,249.99**

Distribution	Euros
Compensation of the losses of year 2014	391,946,286.18
Dividends (*)	115,121,123.28
Goodwill reserve	1,770,840.53
Total	**508,838,249.99**

(*) The directors have proposed that an ordinary dividend of Euros 0.18 (gross) be distributed for each of the shares with the corresponding economic rights. This figure is an estimate based on there being 639,561,796 shares that confer the right to receive this dividend, following any necessary corrections. This estimate may vary depending on several factors, including the volume of shares held by the Company.

The distribution of profit for 2013, approved by the shareholders at the ordinary general meeting held on 25 April 2014, was as follows:

Basis of distribution	Euros
Balance of the Profit and Loss account	**105,255,198.88**

Distribution	Euros
Dividends	103,280,617.60
Goodwill reserve	1,796,494.33
Voluntary reserves	178,086.95
Total	**105,255,198.88**

- **Appropriation of other reserves**

After the reduction in the Company's share capital carried out in 2013, the legal reserve exceeded the minimum amount required by law. Consequently, at the ordinary general meeting held on 25 April 2014, the shareholders approved the transfer of the Euros 565,308.84 reserve surplus to voluntary reserves.

At 31 December non-distributable reserves (see note 16 (c)) are as follows:

	Thousands of Euros	
	2014	2013
Legal reserve	13,021	13,587
Goodwill reserve	11,058	9,262
Capital redemption reserve	2,827	2,827
Total	**26,906**	**25,676**

(4) Significant Accounting Policies

The significant accounting policies used by the Company in the preparation of the annual accounts are as follows:

(a) Foreign currency transactions, balances and cash flows

Foreign currency transactions have been translated into Euros using the exchange rate prevailing at the transaction date.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(b) Intangible assets

Intangible assets are measured at cost or cost of production. Capitalised production costs are recognised under self-constructed assets in the income statement. Intangible assets are carried at cost, less any accumulated amortisation and impairment.

Expenditure on activities that contribute to increasing the value of the Company's business as a whole, such as goodwill, trademarks and other similar items generated internally, as well as establishment costs, are recognised as expenses when incurred.

(i) Development

The Company capitalises development expenses incurred by specific projects for each activity – primarily computer software development – that meets the following conditions:

- Costs are clearly allocated, assigned and timed for each project.

- There is evidence of the project's technical success and economic-commercial feasibility.

Development expenditure is reclassified to computer software when the project is completed.

(ii) Goodwill

Goodwill has been generated on the acquisitions of commercial establishments and is calculated as the difference between the price paid for the assets acquired and their fair value. Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) which are expected to benefit and the criteria described in section (d) (impairment) are applied. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(iii) Computer software

Computer software acquired and produced by the Company, which comprises all the programs relating to point of sales, warehouses, offices and microcomputing, is recognised at cost of acquisition or production. Computer software maintenance costs are charged as expenses when incurred.

(iv) Leaseholds

Leaseholds are rights to lease commercial premises which have been acquired through an onerous contract assumed by the Company. Leaseholds are measured at cost of acquisition. Leaseholds are amortised on a straight-line basis over the shorter of ten years or the term of the lease contract.

(v) *Subsequent costs*

Subsequent costs incurred on intangible assets are recognised in profit and loss, unless they increase the expected future economic benefits attributable to the intangible asset.

(vi) *Useful life and amortisation rates*

Intangible assets with finite useful lives are amortised on a straight-line basis using the following estimated useful lives:

Computer software	3
Leaseholds	10
Trademarks	10
Other intangible assets	Term of the agreement

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

(vii) *Impairment losses*

The Company measures and determines impairment to be recognised or reversed based on the criteria in section (d) of this note.

(c) Property, plant and equipment

(i) *Initial recognition*

Property, plant and equipment are measured at cost of acquisition or production. Capitalised production costs are recognised under self-constructed assets in the income statement. Property, plant and equipment are carried at cost less any accumulated depreciation and impairment.

Since the average period to carry out works on warehouses and stores does not exceed twelve months, interest and other finance charges are not significant and are recognised as an increase in property, plant and equipment.

Non-current investments in property held by the Company under operating leases are classified as property, plant and equipment. Assets are depreciated over the shorter of the lease term and their useful life.

Items of property, plant and equipment recognised prior to 31 December 1996 are carried at a revalued amount as permitted by pertinent legislation.

(ii) *Depreciation*

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life. The depreciable amount is the cost of an asset, less its residual value. The Company determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

Property, plant and equipment are depreciated on a straight-line basis using the following estimated useful lives:

Buildings	40
Installations in leased stores	10 - 20
Technical installations and machinery	3 – 7
Other installations, equipment and furniture	4 -10
Other property, plant and equipment	3 – 5

The Company reviews estimated residual values and depreciation methods and terms at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(iii) Subsequent costs

Subsequent to initial recognition of the asset, only the costs incurred which increase capacity or productivity or which lengthen the useful life of the asset are capitalised. The carrying amount of parts that are replaced is derecognised. Costs of day-to-day servicing are recognised in profit and loss as incurred.

(iv) Impairment

The Company measures and determines impairment to be recognised or reversed based on the criteria in section (d) of this note.

(d) Impairment of non-financial assets subject to amortisation or depreciation

The Company evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Based on past experience, the Company considers that there are signs of impairment when adjusted EBITDA of a store which is classified as mature is negative for two years (for which purpose EBITDA is understood to be results from operating activities before impairment, depreciation and amortisation, results of transactions with assets and other income and expense related to restructuring included in operating expenses and a store is considered mature when it is more than two years old). In addition, the Company tests stores for impairment when they have recognised impairment which is to be reversed.

The Company tests goodwill for impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

Impairment losses are recognised in the income statement.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses for cash-generating units are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other non-current assets of the unit pro rata with their carrying amounts. The carrying amount of each asset may not be reduced below the highest of its fair value less costs to sell, its value in use and zero.

At the end of each reporting period the Company assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in the income statement. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

A reversal of an impairment loss for a CGU is allocated to the non-current assets of each unit, except goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortisation or depreciation, had no impairment loss been recognised.

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After an impairment loss or reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods based on its new carrying amount.

However, if the specific circumstances of the assets indicate an irreversible loss, this is recognised directly in losses on the disposal of fixed assets in the income statement.

(e) Leases

(i) *Lessor accounting records*

The Company has granted the right to use certain spaces within the DIA commercial establishments to concessionaires and leased establishments to franchisees through lease contracts. The risks and rewards incidental to ownership are not substantially transferred to third parties under these contracts.

- ***Operating leases***

Assets leased to concessionaires under operating lease contracts are presented according to their nature, applying the accounting policies set out in section (c) of this note.

Operating lease income, net of incentives granted, is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits deriving from the leased asset are diminished.

(ii) *Lessee accounting records*

The Company has rights to use certain assets through lease contracts.

Leases in which the Company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases.

- ***Finance leases***

At the commencement of the lease term, the Company recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

The accounting policies applied to the assets used by the Company by virtue of finance lease contracts are the same as those set out in section (c) of this note. However, if there is no reasonable certainty at the commencement of the lease that the Company will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and their useful lives.

- ***Operating leases***

Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

(iii) *Sale and leaseback transactions*

Asset sale and leaseback transactions that meet the conditions for classification as a finance lease are considered as financing operations and, therefore, the type of asset is not changed and no profit or loss is recognised.

(f) Financial instruments

(i) Classification and separation of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

The Company classifies financial instruments into different categories based on the nature of the instruments and the Company's intentions on initial recognition.

(ii) Offsetting principles

A financial asset and a financial liability are offset only when the Company currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred.

After initial recognition, they are recognised at fair value through profit or loss. Fair value is not reduced by transaction costs incurred on sale or disposal. Accrual interest and dividends are recognised separately.

(iv) Loans and receivables

Loans and receivables comprise trade and non-trade receivables with fixed or determinable payments that are not quoted in an active market other than those classified in other financial asset categories. These assets are initially recognised at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Nevertheless, financial assets which have no established interest rate, which mature or are expected to be received in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

(v) Investments in Group companies

Group companies are those over which the Company, either directly, or indirectly through subsidiaries, exercises control as defined in article 42 of the Spanish Code of Commerce, or when the companies are controlled by one or more individuals or entities acting jointly or under the same management through agreements or statutory clauses.

Control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. In assessing control, potential voting rights held by the Company or other entities that are exercisable or convertible at the end of each reporting period are considered.

Investments in Group companies, associates and jointly controlled entities are initially recognised at cost, which is equivalent to the fair value of the consideration given. The cost of investments in Group companies acquired before 1 January 2010 includes any transaction costs incurred.

If an investment no longer qualifies for classification under this category, it is reclassified as available-for-sale and is measured as such from the reclassification date.

(vi) Interest and dividends

Interest is recognised using the effective interest method.

Dividends from investments in equity instruments are recognised when the Company is entitled to receive them. If the dividends are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investment since acquisition have been distributed, the carrying amount of the investment is reduced.

(viii) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any cumulative gain or loss deferred in recognised income and expense, is recorded in profit or loss.

(viii) Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company recognises impairment of loans and receivables when a reduction or delay is incurred in the estimated future cash flows, due to debtor insolvency.

- ***Impairment of financial assets carried at amortised cost***

The amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For variable income financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used. For held-to-maturity debt instruments the Company uses the market value, providing this is sufficiently reliable to be considered representative of the recoverable amount.

The impairment loss is recognised in profit and loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed to the limit of the amortised cost of the assets had the impairment loss not been recognised.

- ***Impairment of investments in Group companies and equity instruments carried at cost***

An asset is impaired when its carrying amount exceeds its recoverable amount, the latter of which is understood as the higher of the asset's value in use and fair value less costs to sell.

Value in use is calculated based on the Company's share of the present value of future cash flows expected to be derived from ordinary activities and from the disposal of the asset, or the estimated cash flows expected to be received from the distribution of dividends and the final disposal of the investment.

The recognition or reversal of an impairment loss is disclosed in the income statement unless it should be recognised in equity in accordance with sub-section (v) Investments in Group companies.

Nonetheless, and in certain cases, unless better evidence of the recoverable amount of the investment is available, when estimating impairment of these types of assets, the investee's equity is taken into consideration, adjusted, where appropriate, to generally accepted accounting principles and standards in Spain, corrected for any net unrealised gains existing at the measurement date.

In subsequent years, reversals of impairment losses in the form of increases in the recoverable amount are recognised, up to the limit of the carrying amount that would have been determined for the investment if no impairment loss had been recognised.

Impairment of an investment is limited to the amount of the investment, except when contractual, legal or constructive obligations have been assumed by the Company or payments have been made on behalf of the companies. In the latter case, provision is made according to the criteria described in section (o) Provisions.

- ***Recognition of finance income related to impaired financial assets***

Finance income from impaired financial assets is recognised based on the discount rate used to discount estimated future cash flows.

(ix) Financial liabilities

Financial liabilities, including trade and other payables, that are not classified as held for trading or as financial liabilities at fair value through profit or loss are initially recognised at fair value less any transaction costs directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

The Company derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

(x) Reverse factoring

The Company has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised under trade payables advanced by financial institutions under trade and other payables in the balance sheet until they are settled, repaid or have expired.

The consideration given by the financial institutions in exchange for the right to finance the customers of the Company is recorded in other operating income when accrued.

(xi) Security deposits

Security deposits extended in sublease contracts are measured at nominal amount, since the effect of discounting is immaterial.

Security deposits paid in relation to rental contracts are measured using the same criteria as for financial assets. The difference between the amount paid and the fair value is classified as a prepayment and recognised in profit or loss over the lease term.

(g) Hedge accounting

At the inception of the hedge the Company formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis), and the actual effectiveness is within a range of 80%-125% (retrospective analysis) and can be reliably measured.

For cash flow hedges of forecast transactions, the Company assesses whether these transactions are highly probable and if they present an exposure to variations in cash flows that could ultimately affect profit or loss.

(i) Fair value hedges

Fair value hedges are accounted for as follows:

- The gain or loss from measuring the hedging instrument at fair value, for a derivative hedging instrument, or the foreign currency component of a monetary item for a non-derivative hedging instrument is recognised in the same profit or loss caption as the gain or loss on the hedged operation.

- The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss. This applies irrespective of whether the hedged item is measured at cost or if it is an available-for-sale financial asset.

If the hedged item is a financial instrument measured at amortised cost, the Company amortises the adjustment to profit and loss as soon as the item ceases to be hedged, and recalculates the effective interest rate at the date amortisation begins.

The Company prospectively discontinues the accounting of fair value hedges when the hedging instrument expires, is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation.

(ii) Cash flow hedges

The Company recognises the portion of the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in recognised income and expense. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised under change in fair value of financial instruments.

The separate component of equity associated with the hedged item is adjusted to the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in fair value or present value of the expected future cash flows on the hedged item from inception of the hedge. However, if the Company expects that all or a portion of a loss recognised in equity will not be recovered in one or more future periods, it reclassifies into change in fair value of financial instruments the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in equity are reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss and under the same caption of the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the Company reclassifies the associated gains and losses that were recognised in equity and includes them in the initial cost or carrying amount of the non-financial asset or liability.

The Company prospectively discontinues hedge accounting if the foreseen circumstances affecting fair value hedges arise. In these cases, the cumulative gain or loss on the hedging instrument that has been recognised in equity is not recorded in profit or loss until the forecast transaction occurs. If the transaction is no longer expected to occur, the cumulative gain or loss that had been recognised in equity is reclassified from equity to profit or loss as change in fair value of financial instruments.

(h) Own equity instruments held by the Company

Equity instruments acquired by the Company are shown separately at cost of acquisition as a reduction in capital and reserves in the balance sheet. Any gains or losses on transactions with own equity instruments are not recognised in profit or loss.

The subsequent redemption of the instruments entails a capital reduction equivalent to the par value of the shares. Any positive or negative difference between the purchase price and the par value of the shares is debited or credited to reserves.

Transaction costs related to own equity instruments, including issue costs related to a business combination, are accounted for as a deduction from reserves, net of any tax effect.

Dividends relating to equity instruments are recognised as a reduction in equity when approved by the shareholders.

Contracts that oblige the Company to acquire own equity instruments in cash or through the delivery of a financial asset, are recognised as a financial liability at the fair value of the amount redeemable against reserves. Transaction costs are likewise recognised as a reduction in reserves. Subsequently, the financial liability is measured at amortised cost or at fair value through profit or loss in line with the redemption conditions. If the Company does not ultimately exercise the contract, the carrying amount of the financial liability is reclassified to reserves.

(i) Inventories

Inventories are initially measured at cost of purchase.

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates, non-trading income or other similar items, plus any additional costs incurred to bring the goods to a saleable condition and other costs directly attributable to the acquisition and indirect taxes not recoverable from the Spanish taxation authorities.

Trade discounts are recognised as a reduction in the cost of inventories when it is probable that the conditions for discounts to be received will be met. Unallocated discounts are recognised as a decrease on the purchase.

Purchase returns are recognised as a reduction in the carrying amount of inventories returned, except where it is not feasible to identify these items, in which case they are accounted for as a reduction in inventories on a weighted average price basis.

When cost exceeds net realisable value, inventories are written down to net realisable value, which is understood to be estimated selling price less costs to sell in the case of merchandise.

The previously recognised write-down is reversed against profit and loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances. The reversal of the valuation adjustment is limited to the lower of the cost and the revised net realisable value of the inventories.

Write-downs to net realisable value recognised or reversed on inventories are classified under supplies.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The Company recognises cash payments and receipts for financial assets and financial liabilities in which turnover is quick on a net basis in the statement of cash flows. Turnover is considered to be quick when the period between the date of acquisition and maturity does not exceed six months.

In the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognised in the balance sheet as financial liabilities arising from loans and borrowings.

(k) Grants, donations and bequests

Grants, donations and bequests are recorded in recognised income and expense when, where applicable, they have been officially awarded and the conditions attached to them have been met or there is reasonable assurance that they will be received.

Monetary grants, donations and bequests are measured at the fair value of the sum received, whilst non-monetary grants, donations and bequests received are accounted for at fair value.

In subsequent years, grants, donations and bequests are recognised as income as they are applied.

Capital grants are recognised as income over the same period and in the proportions in which depreciation on those assets is charged or when the assets are disposed of, derecognised or impaired.

Grants related to non-depreciable assets are recognised as income when the assets acquired using the grant are disposed of, derecognised or impaired.

An amount equivalent to the impairment of the subsidised part of the asset is recognised as an irrecoverable loss of the asset directly against its carrying amount.

(l) Defined benefit plans

The Company includes plans financed through the payment of insurance premiums under defined benefit plans where a legal or constructive obligation exists to directly pay employees the committed benefits when they become payable or to pay further amounts in the event that the insurance company does not pay the employee benefits relating to employee service in the current and prior periods.

Defined benefit liabilities recognised in the balance sheet reflect the present value of obligations at the reporting date, minus the fair value at that date of plan assets, minus any past service cost not yet recognised. The Company records actuarial gains and losses in recognised income and expense for the year in which they arise.

In the event that the result of the operations described in the section above is negative, i.e. it results in an asset, the Company measures the resulting asset at the total of unrecognised past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Company therefore immediately recognises any past service cost of the current year to the extent that it exceeds any reduction in the present value of the economic benefits specified above. If there is no change or an increase in the present value of the economic benefits, the entire past service cost of the current year is recognised immediately. The present value of defined benefit obligations and the related current service cost and past service cost are calculated annually by independent actuaries using the Projected Unit Credit Method.

The discount rate is calculated based on the yield on high quality corporate bonds of a currency and term consistent with the currency and term of the post-employment benefit obligations.

Assets and liabilities arising from defined benefit plans are recognised as current or non-current based on the period of realisation of related assets or settlement of related liabilities.

(m) Termination benefits

Termination benefits are recognised as a liability when the Company has a detailed formal plan for the termination and there is a valid expectation among the affected employees that termination will arise either because the plan has already started to be implemented or because its main characteristics have been published.

(n) Employee benefits

The Company recognises the expected cost of employee benefits in the form of accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. In the case of non-accumulating compensated absences, the expense is recognised when the absences occur.

The Company recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(o) Provisions

(i) General criteria

Provisions are recognised when the Company has a present obligation (legal, contractual, constructive or tacit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

The financial effect of provisions is recognised as a finance cost in the income statement.

The tax effect and gains on the expected disposal of assets are not taken into account in measuring a provision.

Rights to reimbursement from third parties of the expenditure required to settle a provision are recognised as a separate asset provided that there is no doubt that the reimbursement will be received. The reimbursement is recognised as income in the income statement based on the nature of the expenditure up to the amount of the provision.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed.

(ii) Provisions for taxes

Provisions for taxes are measured at the estimated amount of tax debt calculated in accordance with the aforementioned criteria.

Provision is made with a charge to income tax for the tax expense for the year, to finance costs for the late payment interest, and to other income for the penalty. The effects of changes in estimates of prior years' provisions are recognised according to their nature, unless they involve the correction of an error.

(p) Revenue from the sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Volume rebates, prompt payment and any other discounts, as well as the interest added to the nominal amount of the consideration, are recognised as a reduction in the consideration.

However, the Company includes interest incorporated in trade balances maturing in less than one year that do not have a contractual rate of interest, when the effect of not discounting future receipts is not material.

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Discounts granted to customers are recognised as a reduction in sales revenue when it is probable that the discount conditions will be met.

Advances on account of future sales are measured at the value received.

- *Revenue from sales*

The Company recognises revenue from the sale of goods when:

- It has transferred to the buyer the significant risks and rewards of ownership of the goods;

- It retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- The amount of revenue and the costs incurred or to be incurred can be measured reliably;

- It is probable that the economic benefits associated with the transaction will flow to the Company; and

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company has customer loyalty programmes which do not entail credits, as they comprise discounts which are applied when a sale is made and are recognised as a reduction in the corresponding transaction.

(q) Income tax

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

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

Government assistance provided in the form of deductions and other tax relief applicable to income tax payable and considered as government grants is recognised applying the criteria described in section (k) Grants, donations and bequests.

The Company has filed consolidated tax returns with its subsidiaries Twins Alimentación, S.A., Pe-Tra Servicios a la Distribución, S.L. and Finandia E.F.C., S.A. since 1 January 2013. The subsidiary Schlecker, S.A. has also formed part of this consolidated tax group since 1 January 2014 (see note 21).

(i) Taxable temporary differences

Taxable temporary differences are recognised in all cases except where they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

(ii) Deductible temporary differences

Deductible temporary differences are recognised provided that it is probable that sufficient taxable income will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

Tax planning opportunities are only considered when assessing the recoverability of deferred tax assets and if the Company intends to use these opportunities or it is probable that they will be utilised.

(iii) Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted. The tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

(iv) Offset and classification

The Company only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognised in the balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

(r) Share-based payment transactions

The Company recognises the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. It recognises an increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability with a balancing entry in the income statement or assets if the goods or services were acquired in a cash-settled share-based payment transaction.

The Company recognises equity-settled share-based payment transactions, including capital increases through non-monetary contributions, and the corresponding increase in equity at the fair value of the goods or services received, unless that fair value cannot be reliably estimated, in which case the value is determined by reference to the fair value of the equity instruments granted.

Equity instruments granted as consideration for services rendered by Company employees or third parties that supply similar services are measured by reference to the fair value of the equity instruments granted.

(i) *Equity-settled share-based payment transactions*

Share-based payment transactions are recognised as follows:

- If the equity instruments granted vest immediately on the grant date, the services received are recognised in full, with a corresponding increase in equity;
- If the equity instruments granted do not vest until the employees complete a specified period of service, those services are accounted for during the vesting period, with a corresponding increase in equity.

The Company determines the fair value of the instruments granted to employees at the grant date.

If the service period is prior to the plan award date, the Company estimates the fair value of the consideration payable, to be reviewed on the plan award date itself.

Market vesting conditions and non-vesting conditions are taken into account when estimating the fair value of the instrument. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for services received is based on the number of equity instruments that eventually vest. Consequently, the Company recognises the amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and revises that estimate if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates.

Once the services received and the corresponding increase in equity have been recognised, no additional adjustments are made to equity after the vesting date, though this does not affect the corresponding reclassifications in equity.

(ii) *Tax effect*

In accordance with prevailing tax legislation, costs settled through the delivery of share-based instruments are deductible in the tax period in which delivery takes place, in which case a temporary difference arises as a result of the time difference between the accounting recognition of the expense and its tax-deductibility.

(s) Classification of assets and liabilities as current and non-current

The Company classifies assets and liabilities in the balance sheet as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.

- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting date or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

- Financial liabilities are classified as current when they are due to be settled within twelve months after the reporting date, even if the original term was for a period longer than twelve months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the annual accounts are authorised for issue.

(t) Non-current assets held for sale

The Company recognises non-current assets or disposal groups as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. Non-current assets or disposal groups are classified as held for sale, provided that they are available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets and that the disposal is highly probable.

Impairment losses on initial classification and subsequent remeasurement of assets classified as held-for-sale are recognised under profit or loss from continuing operations in the income statement, except in the case of discontinued operations. Impairment losses on a cash-generating unit (CGU) are allocated first to reduce the carrying amount of goodwill and then to reduce pro rata the carrying amounts of other assets in the unit. Impairment of goodwill recognised may not be reversed.

A gain on increases in the fair value less costs to sell (either due to remeasurement of fair value or to impairment losses that occurred before classification of the asset as held for sale) is recognised in the income statement to the extent that it reverses any impairment of the asset.

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(u) Environmental issues

The Company takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred. The Company recognises environmental provisions if necessary.

(v) Transactions between Group companies

Transactions between Group companies, except those related to business combinations, mergers, spin-offs and non-monetary contributions mentioned in the previous sections, are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

(5) Intangible Assets

Details of intangible assets, excluding goodwill, and movement are as follows:

	Thousands of Euros			
	Development	Computer software	Leaseholds, land rights and other intangible assets	Total
Cost				
At 1 January 2014	**1,119**	**24,756**	**13,370**	**39,245**
Additions	5,433	1,011	120	6,564
Disposals	(1,034)	(5,883)	(12)	(6,929)
Transfers	(654)	654	7	7
At 31 December 2014	**4,864**	**20,538**	**13,485**	**38,887**
Amortisation				
At 1 January 2014	**-**	**(17,991)**	**(7,531)**	**(25,522)**
Amortisation	-	(3,983)	(736)	(4,719)
Disposals	-	5,883	12	5,895
At 31 December 2014	**-**	**(16,091)**	**(8,255)**	**(24,346)**
Impairment				
At 1 January 2014	**-**	**-**	**(160)**	**(160)**
Charge	-	-	(40)	(40)
Reversal	-	-	109	109
At 31 December 2014	**-**	**-**	**(91)**	**(91)**
Carrying amount at 31 December 2014	**4,864**	**4,447**	**5,139**	**14,450**

	Thousands of Euros			
	Development	Computer software	Leaseholds, land rights and other intangible assets	Total
Cost				
At 1 January 2013	**424**	**19,061**	**10,313**	**29,798**
Additions	4,493	2,042	3,071	9,606
Disposals	-	(147)	(17)	(164)
Transfers	(3,798)	3,800	3	5
At 31 December 2013	**1,119**	**24,756**	**13,370**	**39,245**
Amortisation				
At 1 January 2013		**(14,505)**	**(6,420)**	**(20,925)**
Amortisation	-	(3,632)	(1,112)	(4,744)
Disposals	-	147	12	159
Transfers	-	(1)	(11)	(12)
At 31 December 2013	**-**	**(17,991)**	**(7,531)**	**(25,522)**
Impairment				
At 1 January 2013	**-**	**-**	**(338)**	**(338)**
Disposals	-	-	5	5
Reversal	-	-	162	162
Transfers	-	-	11	11
At 31 December 2013	**-**	**-**	**(160)**	**(160)**
Carrying amount at 31 December 2013	**1,119**	**6,765**	**5,679**	**13,563**

Additions to development in 2014 and 2013 are internal IT projects. The Company has also acquired computer software amounting to Euros 1,011 thousand and Euros 2,042 thousand, respectively, in 2014 and 2013. Additions of Euros 3,004 thousand were recognised in other intangible assets in 2013 due to the acquisition of the different brands of product sold by the subsidiary Schlecker, S.A., which formed part of the purchase price paid for this company on 1 February 2013 (see note 11).

The Company has recognised disposals from development in 2014 due to the IT projects developed internally for DIA France and disposed of following the sale of that company, resulting in losses of Euros 1,034 thousand. The computer software disposed of by the Company in 2014 was no longer in use and had a carrying amount of zero.

Transfers from development to computer software in both years have included all internally developed computer software that has entered into use in the Company.

(a) Goodwill and impairment

Details of and movement in goodwill are as follows:

	Thousands of Euros	
	2014	2013
Cost		
At 1 January	**36,434**	**36,434**
Disposals	(28)	-
At 31 December	**36,406**	**36,434**
Impairment		
At 1 January	**(504)**	**(478)**
Charge	(512)	(26)
Disposals	27	-
At 31 December	**(989)**	**(504)**
Carrying amount at 31 December	**35,417**	**35,930**

As detailed in notes 2 (d) (i) and 4 (d), the Company tests goodwill for impairment on an annual basis. Goodwill is allocated to the cash-generating units (CGUs).

The assumptions employed are detailed in note 11. Impairment of Euros 512 thousand has been recognised in 2014, while impairment of Euros 26 thousand was recognised in 2013.

(b) Fully amortised assets

The cost of fully amortised intangible assets in use at 31 December is as follows:

	Thousands of Euros	
	2014	2013
Computer software	11,766	11,195
Other intengible assets	4,119	3,412
Total	**15,885**	**14,607**

(6) Property, Plant and Equipment

Details of property, plant and equipment and movement are as follows:

Thousands of Euros	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	Total
Cost							
At 1 January 2014	**67,511**	**567,519**	**698,981**	**32,034**	**2,916**	**58,145**	**1,427,106**
Additions	2	29,173	68,805	3,995	9,274	3,444	114,693
Disposals	-	(6,815)	(16,880)	(5,410)	(141)	(1,817)	(31,063)
Transfers	(2)	1,535	4,470	(7)	(6,091)	88	(7)
At 31 December 2014	**67,511**	**591,412**	**755,376**	**30,612**	**5,958**	**59,860**	**1,510,729**
Depreciation							
At 1 January 2014	**-**	**(344,135)**	**(503,708)**	**(20,584)**	**-**	**(50,782)**	**(919,209)**
Depreciation	-	(25,503)	(61,035)	(5,598)	-	(3,711)	(95,847)
Disposals	-	5,780	13,773	5,234	-	1,807	26,594
Transfers	-	(74)	(70)	7	-	4	(133)
At 31 December 2014	**-**	**(363,932)**	**(551,040)**	**(20,941)**	**-**	**(52,682)**	**(988,595)**
Impairment							
At 1 January 2014	**-**	**(2,600)**	**(858)**	**-**	**-**	**-**	**(3,458)**
Charge	-	(2,817)	(1,135)	-	-	-	(3,952)
Disposals	-	621	276	-	-	-	897
Reversal	-	762	191	-	-	-	953
Transfers	-	179	(46)	-	-	-	133
At 31 December 2014	**-**	**(3,855)**	**(1,572)**	**-**	**-**	**-**	**(5,427)**
Carrying amount at 31 December 2014	**67,511**	**223,625**	**202,764**	**9,671**	**5,958**	**7,178**	**516,707**

Thousands of Euros	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	Total
Cost							
At 1 January 2013	**67,474**	**223,302**	**944,781**	**29,109**	**2,442**	**54,618**	**1,321,726**
Additions	39	23,163	85,825	4,917	8,019	4,608	126,571
Disposals	-	(1,866)	(15,939)	(1,993)	(46)	(1,342)	(21,186)
Transfers	(2)	322,920	(315,686)	1	(7,499)	261	(5)
At 31 December 2013	**67,511**	**567,519**	**698,981**	**32,034**	**2,916**	**58,145**	**1,427,106**
Depreciation							
At 1 January 2013	**-**	**(85,857)**	**(678,964)**	**(16,573)**	**-**	**(48,480)**	**(829,874)**
Depreciation	-	(24,537)	(71,873)	(5,918)	-	(3,536)	(105,864)
Disposals	-	1,182	12,817	1,907	-	1,234	17,140
Transfers	-	(234,923)	234,312	-	-	-	(611)
At 31 December 2013	**-**	**(344,135)**	**(503,708)**	**(20,584)**	**-**	**(50,782)**	**(919,209)**
Impairment							
At 1 January 2013	**-**	**(1,415)**	**(3,141)**	**-**	**-**	**-**	**(4,556)**
Charge	-	(1,572)	(578)	-	-	-	(2,150)
Disposals	-	471	617	-	-	-	1,088
Reversal	-	1,185	363	-	-	-	1,548
Transfers	-	(1,269)	1,881	-	-	-	612
At 31 December 2013	**-**	**(2,600)**	**(858)**	**-**	**-**	**-**	**(3,458)**
Carrying amount at 31 December 2013	**67,511**	**220,784**	**194,415**	**11,450**	**2,916**	**7,363**	**504,439**

(a) General

Additions in 2014 and 2013 mainly reflect the opening of commercial establishments, as well as extensions, improvements and refurbishments. Technical installations and machinery subject to finance leases at 31 December 2014 and 2013 are detailed in note 7.

Disposals include the items replaced in the aforementioned improvement processes and those resulting from closures of stores, giving rise to losses of Euros 2,924 thousand in 2014 and Euros 2,840 thousand in 2013 (see note 24 (d)).

The Company has recognised impairment when CGUs show signs of impairment, in accordance with the accounting policies. Therefore, the Company recognised losses of Euros 2,999 thousand in 2014 and Euros 602 thousand in 2013 on assets of certain CGUs measured at value in use (see note 24 (d)). The assumptions employed are detailed in note 11.

Details of residual useful life, depreciation for the year, accumulated depreciation and the carrying amount of individually significant items of property, plant and equipment at 31 December 2014 and 2013 are as follows:

	Thousands of Euros 2014			
Description	Residual useful life	Depreciation for the year	Accumulated depreciation	Carrying amount
Warehouse land	-	-	-	22,579
Warehouse buildings	29-34 years	(1,488)	(16,714)	33,508
Total		**(1,488)**	**(16,714)**	**56,087**

	Thousands of Euros 2013				
Description	Residual useful life	Depreciation for the year	Transfer other buidings	Accumulated depreciation	Carrying amount
Warehouse land	-	-	-	-	22,579
Warehouse buildings	30-35 years	(1,489)	(7,972)	(15,226)	33,763
Total		**(1,489)**	**(7,972)**	**(15,226)**	**56,342**

(b) Fully depreciated assets

Details of the cost of fully depreciated property, plant and equipment in use at 31 December are as follows:

	Thousands of Euros 2014	Thousands of Euros 2013
Buildings	177,388	158,882
Technical installations and machinery	337,814	283,910
Other installations, equipment and furniture	8,483	7,291
Other property, plant and equipment	45,507	44,318
Total	**569,192**	**494,401**

(c) Insurance

The Company has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

(7) Finance Leases – Lessee

In 2013 the Company amended the terms of certain operating leases for warehouse and store machinery and anti-theft gates installed at checkouts, extending the minimal rental period. Following these amendments, the classification of these leases was reassessed and, based on the criteria set out in note 4 (e) (ii), these contracts were reclassified as finance leases. Thus, at 31 December 2014 and 2013 the Company leased the following types of property, plant and equipment under finance leases:

	Thousands of Euros		
	2014		
	Technical installations and machinery	Other installations, equipment and furniture	Total
Initially recognised at:			
Fair value	24,409	7	24,416
Accumulated depreciation	(7,559)	(1)	(7,560)
Carrying amount at 31 December	**16,850**	**6**	**16,856**

	Thousands of Euros		
	2013		
	Technical installations and machinery	Other installations, equipment and furniture	Total
Initially recognised at:			
Fair value	18,872	2	18,874
Accumulated depreciation	(4,445)	-	(4,445)
Carrying amount at 31 December	**14,427**	**2**	**14,429**

Future minimum lease payments are reconciled with their present value as follows:

	Thousands of Euros	
	2014	2013
Future minimum payments	19,194	15,810
Unaccrued finance expenses	(3,171)	(2,193)
Present value	**16,023**	**13,617**

Details of minimum payments and the present value of finance lease liabilities, by maturity date, are as follows:

	Thousands of Euros			
	2014		2013	
	Minimum payments	Present value (note 20(b))	Minimum payments	Present value (note 20(b))
Less than one year	6,198	5,253	5,457	4,794
Two to five years	12,799	10,614	10,244	8,733
Over five years	197	156	109	90
Total minimum payments and present values	**19,194**	**16,023**	**15,810**	**13,617**
Less current portion	(6,198)	(5,253)	(5,457)	(4,794)
Total non-current	**12,996**	**10,770**	**10,353**	**8,823**

Finance lease liabilities are effectively secured. The rights to the leased assets revert to the lessor in the event of default.

(8) Operating Leases –- Lessee

The Company has leased certain assets under operating leases from third parties.

The main operating lease contracts comprise the rental of business premises at which the Company carries out its principal activity, and certain warehouses.

Details of the main operating lease contracts in force at 31 December 2014 are as follows:

Warehouse	Minimum term
Miranda de Ebro (Burgos)	Until 2016
Manises (Valencia)	Until 2018
Getafe (Madrid)	Until 2017
Mejorada del Campo (Madrid)	Until 2018
Tarragona	Until 2018
Villanubla (Valladolid)	Until 2019
Sabadell (Barcelona)	Until 2022
San Antonio (Barcelona)	Until 2023
Mallén (Zaragoza)	Until 2023
Orihuela (Alicante)	Until 2023

The amounts of purchase options are determined by when the Company decides to exercise them.

Operating lease payments have been recognised as income and expenses for 2014 and 2013 as follows:

	Thousands of Euros	
	2014	2013
Minimum property lease payments	140,907	138,651
Minimum movable goods lease payments	2,713	2,567
Sublease payments	(1,852)	(2,078)
Total	**141,768**	**139,140**

Future minimum payments under non-cancellable operating leases for property are as follows:

	Thousands of Euros	
	2014	2013
Less than one year	48,396	49,328
Two to five years	41,994	54,985
Over five years	19,967	29,215
Total	**110,357**	**133,528**

Future minimum payments under non-cancellable operating leases for furniture and equipment are as follows:

	Thousands of Euros	
	2014	2013
Less than one year	3,334	2,752
Two to five years	2,277	1,370
Total	**5,611**	**4,122**

(9) Operating Leases – Lessor

Operating lease contracts have been arranged to sub-let premises to concessionaires to carry out activities and in turn improve the Company's commercial offerings to its customers, as well as to lease Company-owned premises and transfer the rights to use certain assets to franchise holders. None of these contracts are significant.

(10) Risk Management Policy

The Company's activities are exposed to market risk, credit risk and liquidity risk.

The Company's senior executives manage these risks and ensure that its financial risk activities are in line with the appropriate corporate procedures and policies and that the risks are identified, measured and managed in accordance with DIA Group policies.

A summary of the management policies established by the board of directors for each risk type is as follows:

a) Financial risk factors

The Company's activities are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Company's profits. The Company uses derivatives to mitigate certain risks.

Risks are managed by the Company's Finance Department. This department identifies, evaluates and mitigates financial risks in close collaboration with the Company's operational units.

b) Currency risk

The Company operates internationally and is therefore exposed to currency risk when operating with foreign currencies, especially with regard to the US Dollar. Currency risk is associated with future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

In order to control currency risk associated with future commercial transactions and recognised assets and liabilities, the Company uses forward currency contracts negotiated by the Finance Department.

In 2014 and 2013 the Company only made non-recurrent transactions in US Dollars, for which it took out exchange rate insurance.

Hedging transactions carried out in US Dollars during 2014 and 2013, which mainly comprised purchases, amounted to US Dollars 5,862 thousand and US Dollars 6,164 thousand, respectively, representing 99.99% of transactions in this currency in both years. At the 2014 reporting date, outstanding hedges in this currency total US Dollars 1,549 thousand (US Dollars 1,676 thousand in 2013) and expire in the following 11 months. These transactions are not significant with respect to the Company's total volume of purchases. No transactions were carried out in any other currency in 2014 or 2013.

The Company holds several investments in foreign operations, the net assets of which are exposed to currency risk. Currency risk affecting net assets of the Company's foreign operations in Argentinian Pesos, Chinese Yuan and Brazilian Reals is mitigated primarily through borrowings in the corresponding foreign currencies.

c) Price risk

The Company is not significantly exposed to risk derived from the price of equity instruments or listed raw material prices.

d) Credit risk

The Company is not significantly exposed to credit risk. The Company has policies to ensure that wholesale sales are only made to customers with adequate credit records. Retail customers pay in cash or by credit card. Derivative and cash transactions are only performed with financial institutions that have high credit ratings. The Company has policies to limit the amount of risk with any one financial institution.

Details of the Company's exposure to credit risk at 31 December 2014 and 2013 and financial assets by remaining contracted maturity are as follows:

Thousands of Euros	Maturity	2014
Loans to group companies	2016	37,114
Loans to third parties	2016-2019	259
Loans to personnel	2016-2018	408
Trade receivables > 1 year	2016-2030	27,125
Deposits and guarantees	per contract	20,702
Non-current financial assets		**85,608**
Personnel	2015	791
Trade receivables	2015	40,974
Trade receivables from group companies and associates	2015	194,250
Other receivables	2015	74,575
Current account with group companies	2015	178,856
Loans	2015	192
Derivatives	2015	2,913
Current financial assets		**492,551**

Thousands of Euros	Maturity	2013
Loans to group companies	2017	160,000
Loans to third parties	2015-2022	777
Loans to personnel	2015-2017	403
Trade receivables > 1 year	2015-2023	22,787
Deposits and guarantees	per contract	20,137
Non-current financial assets		**204,104**
Personnel	2014	790
Trade receivables	2014	30,764
Trade receivables from group companies and associates	2014	126,757
Other receivables	2014	52,932
Current account with group companies	2014	40,576
Loans	2014	295
Current financial assets		**252,114**

The returns on these financial assets totalled Euros 9,589 thousand in 2014 and Euros 22,225 thousand in 2013.

Details of non-current and current trade and other receivables by maturity in 2014 and 2013 are as follows:

	Thousands of Euros			
Non-current	**Total**	**1 - 2 years**	**3 - 5 years**	**> 5 years**
31 December 2014	**27,125**	9,192	14,645	3,288
31 December 2013	**22,787**	8,456	12,014	2,317

Current	Thousands of Euros					
	Total	Not expired	Less than 1 month	2-3 months	4-6 months	7-12 months
31 December 2014	353,084	324,303	2,377	26,109	295	-
31 December 2013	227,143	216,368	2,972	7,223	573	7

As a general policy and on the basis of past experience, the Company recognises an impairment loss for the entire amount of any outstanding receivable past due by over six months.

e) Liquidity risk

The Company applies a prudent policy to cover its liquidity risks based on having sufficient cash and marketable securities, as well as sufficient financing through credit facilities, to settle market positions. Given the dynamic nature of its underlying business, the Company's Finance Department aims to be flexible with regard to financing through drawdowns on contracted credit facilities.

Details of the Company's exposure to liquidity risk at 31 December 2014 and 2013 and financial liabilities by remaining contracted maturity are as follows:

Thousands of Euros	Maturity	2014
Bonds and other securities	2019	494,701
Debt with financial institutions	2016-2017	43
Finance lease payables	2016-2020	10,770
Guarantees and deposits received	per contract	5,237
Other non current liabilities	2018	5,500
Total non-current financial liabilities		**516,251**
Bonds and other securities	2015	3,396
Debt with financial institutions		88,079
Interests	*2015*	*238*
Other debts with credit entities	*2015*	*22,625*
Other current liabilities	*2015*	*65,216*
Finance lease payables	2015	5,253
Suppliers of fixed assets	2015	17,848
Bills payable	2015	10,989
Other debts	2015	19,270
Current interest on payables	2015	181
Guarantees and deposits received	2015	171
Payables to group companies	2015	75,186
Suppliers, group companies	2015	19,103
Suppliers	2015	773,163
Other payables	2015	65,372
Personnel	2015	26,025
Total current financial liabilities		**1,104,036**

Thousands of Euros	Maturity	2013
Debt with financial institutions		650,620
Syndicated loan	*2015-2017*	*650,568*
Other loans	*2015-2017*	*52*
Finance lease payables	2015-2019	8,823
Guarantees and deposits received	per contract	3,835
Other non current liabilities	2018	5,500
Total non-current financial liabilities		**668,778**
Debt with financial institutions		169,809
Interest	*2014*	*1,374*
Syndicated loan	*2014*	*140,244*
Other debts with credit entities	*2014*	*141*
Other current liabilities	*2014*	*28,050*
Finance lease payables	2014	4,794
Derivatives	2014	1,373
Suppliers of fixed assets	2014	9,490
Bills payable	2014	4,254
Other debts	2014	325
Current interest on payables	2014	360
Guarantees and deposits received	2014	178
Payables to group companies	2014	45,125
Suppliers, group companies	2014	19,015
Suppliers	2014	756,468
Other payables	2014	70,647
Personnel	2014	24,147
Total current financial liabilities		**1,105,985**

Details of non-current financial debt by maturity in 2014 and 2013 are as follows:

Thousands of Euros	2014	1 to 2 years	3 to 5 years	Over 5 years
Bonds and other securities	494,701	-	494,701	-
Debt with financial institutions	43	14	29	-
Guarantees and deposits received	5,237	-	-	5,237
Finance lease payables	10,770	4,225	6,389	156
Other non current liabilities	5,500	-	5,500	-
Total non-current financial debt	**516,251**	**4,239**	**506,619**	**5,393**

Thousands of Euros	2013	1 to 2 years	3 to 5 years	Over 5 years
Debt with financial institutions	650,620	95,296	555,324	-
Guarantees and deposits received	3,835	-	-	3,835
Finance lease payables	8,823	3,211	5,522	90
Other non current liabilities	5,500	-	5,500	-
Total non-current financial debt	**668,778**	**98,507**	**566,346**	**3,925**

The finance costs accrued on these outstanding financial liabilities totalled Euros 29,470 thousand in 2014 and Euros 30,876 thousand in 2013.

f) Cash flow and fair value interest rate risks

Interest rate risk arises from non-current borrowings. Borrowings at variable interest rates expose the Company to cash flow interest rate risks. In line with its risk management policy, the Company arranges interest rate hedges to mitigate the effect of interest rate fluctuations on its income statement. A 0.5 percentage point rise in interest rates would have reduced profit after tax by Euros 463 thousand (Euros 218 thousand at 31 December 2013).

(11) Investments in Equity Instruments of Group Companies

At 31 December 2014 and 2013, all DIA Group companies are audited. Details of investments in Group companies are as follows:

Information on Group companies
for the year ended 31 December 2014
(expressed in thousands of Euros)

Name	Registered Offices	Activity	Auditor	% of ownership: % direct interest	% of ownership: Total	Capital	Reserves	Results for the year from continuing operations	Total equity	Carrying amount of investment	Dividends received in 2014
Dia Portugal Supermercados, S.A. and Subsidiary	Lisbon	Wholesale and retail sale of food products and the subsidiary sale of toiletries and perfume products.	KPMG	100	100	51,803	40,108	17,171	109,082	50,547	-
Dia Argentina, S.A. and Subsidiary	Buenos Aires	Wholesale and retail distribution of food products	KPMG	95	100	120,140	(97,137)	7,732	30,735	115,784	-
Dia Brasil Sociedade Limitada	Sao Paulo	Wholesale and retail distribution of consumer products	KPMG	100	100	115,400	(157)	13,336	128,579	115,400	-
Finandia E.F.C., S.A.	Madrid	Loan and credit operations, including customer credit, mortgage loans and financing of commercial transactions, as well as the issue and management of credit and debit cards.	KPMG	100	100	7,000	1,229	217	8,446	7,000	-
Dia Tian Tian Management Consulting Service & Co.Ltd.	Shanghai	Service consultancy	KPMG	100	100	19,300	(21,776)	1,035	(1,441)	-	-
Shanghai Dia Retail Co., Ltd.	Shanghai	Retail distribution of consumer products	KPMG	100	100	95,138	(93,907)	(14,028)	(12,797)	35,572	-
Beijing Dia Commercial CO., LTD. (1)	Beijing	Retail distribution of consumer products	KPMG	100	100	90,138	(83,295)	(6,804)	39	-	-
Twins Alimentación, S.A. and Subsidiary	Madrid	Distribution of food products and toiletries though supermarkets and the subsidiary, sub-lease of premises primarily to its sole shareholder.	KPMG	100	100	36,169	35,998	6,664	78,831	160,748	-
Dia World Trade, S.A.	Geneva	Supply services to the companies of the DIA Group.	KPMG	100	100	84	782	75	941	843	97
Schlecker, S.A.	Madrid	Sale of toiletries and perfume products.	KPMG	100	100	9,616	550	(2,236)	7,930	51,372	-
Grupo El Árbol, Distribución y Supermercados, S.A. and Subsidiary (2)	Valladolid	Wholesale and retail sale of food products and others.	KPMG	100	100	11,670	(60,988)	(78,239)	(127,557)	-	-
										537,266	97

(1) This company is in process of liquiditing a 31 December 2014.
(2) The investment in Grupo El Árbol is 1 euro.

Information on Group companies for the year ended 31 December 2013 (expressed in thousands of Euros)

Name	Registered Offices	Activity	Auditor	% of ownership: % direct interest	% of ownership: Total	Capital	Reserves	Results for the year from continuing operations	Total equity	Carrying amount of investment	Dividends received in 2013
Dia Portugal Supermercados, S.A. and Subsidiary	Lisbon	Wholesale and retail sale of food products and the subsidiary sale of toiletries and perfume products.	KPMG	100	100	51,803	10,522	29,586	91,911	50,547	30,000
Dia Argentina, S.A.	Buenos Aires	Wholesale and retail distribution of food products	KPMG	95	100	120,140	(98,511)	4,702	26,331	115,046	-
Dia Brasil Sociedade Limitada	Sao Paulo	Wholesale and retail distribution of consumer products	KPMG	100	100	115,400	(7,534)	10,060	117,926	115,400	-
Finandia E.F.C., S.A.	Madrid	Loan and credit operations, including customer credit, mortgage loans and financing of commercial transactions, as well as the issue and management of credit and debit cards.	KPMG	100	100	7,000	1,068	160	8,228	7,000	-
Dia Tian Tian Management Consulting Service & Co.Ltd.	Shanghai	Service consultancy	KPMG	100	100	19,300	(25,382)	3,847	(2,235)	-	-
Shanghai Dia Retail Co., Ltd.	Shanghai	Retail distribution of consumer products	KPMG	100	100	69,949	(78,401)	(14,392)	(22,844)	53,063	-
Beijing Dia Commercial CO., LTD.	Beijing	Retail distribution of consumer products	KPMG	100	100	64,854	(72,269)	(11,926)	(19,341)	-	-
Dia France	Vitry sur Seine	Wholesale and retail distribution of consumer products.	KPMG	100	100	216,600	153,939	(39,509)	331,030	959,606	-
Twins Alimentación, S.A. and Subsidiary	Madrid	Distribution of food products and toiletries though supermarkets and the subsidiary, sub-lease of premises primarily to its sole shareholder.	KPMG	100	100	36,169	28,026	7,972	72,167	160,748	-
Dia World Trade, S.A.	Geneva	Supply services to the companies of the DIA Group.	KPMG	100	100	84	793	86	963	843	-
Schlecker, S.A.	Madrid	Sale of toiletries and perfume products.	KPMG	100	100	9,616	(9,083)	9,633	10,166	51,372	-
										1,513,625	30,000

Details of investments in Group companies and changes in 2014 and 2013 are as follows:

	Thousands of Euros			
Company	Balances at 1 January 2014	Additions	Disposals	Balances at 31 December 2014
Dia Portugal Supermercados, S.A.	50,547	-	-	50,547
Dia Argentina, S.A.	115,046	738	-	115,784
Dia Brasil Sociedade Limitada	115,400	-	-	115,400
Finandia E.F.C.,S.A.	7,000	-	-	7,000
Dia Tian Tian Management Consulting Service & Co.Ltd.	19,300	-	-	19,300
Shanghai Dia Retail CO., LTD.	69,949	25,189	-	95,138
Dia France	1,243,868	-	(1,243,868)	-
Twins Alimentación, S.A.	160,748	-	-	160,748
Dia World Trade	843	-	-	843
Schlecker, S.A.	51,372	-	-	51,372
Total cost	**1,834,073**	**25,927**	**(1,243,868)**	**616,132**
Impairment	(320,448)	(42,680)	284,262	(78,866)
Carrying amount	**1,513,625**	**(16,753)**	**(959,606)**	**537,266**

	Thousands of Euros			
Company	Balances at 1 January 2013	Additions	Disposals	Balances at 31 December 2013
Dia Portugal Supermercados, S.A.	50,547	-	-	50,547
Dia Argentina, S.A.	114,859	187	-	115,046
Dia Sabanci Supermarketleri Ticaret Anonim Sirketi	75,977	-	(75,977)	-
Dia Brasil Sociedade Limitada	88,680	26,720	-	115,400
Finandia E.F.C.,S.A.	7,000	-	-	7,000
Dia Tian Tian Management Consulting Service & Co.Ltd.	19,300	-	-	19,300
Shanghai Dia Retail CO., LTD.	69,949	-	-	69,949
Dia France	1,243,868	-	-	1,243,868
Twins Alimentación, S.A.	160,748	-	-	160,748
Dia World Trade	843	-	-	843
Schlecker, S.A.	-	51,372	-	51,372
Total cost	**1,831,771**	**78,279**	**(75,977)**	**1,834,073**
Impairment	(284,635)	(74,556)	38,743	(320,448)
Carrying amount	**1,547,136**	**3,723**	**(37,234)**	**1,513,625**

On 31 October 2014 the Company acquired 100% of the share capital of Grupo El Árbol Distribución y Supermercados, S.A., including its 94.24% interest in Compañía Gallega de Supermercados, S.A., for the price of one euro. The Company also acquired the participating loan held by most of its shareholders, which had a nominal value of Euros 52,458 thousand. This loan matures in 2016 and is subject to fixed interest of Euribor plus a spread of 1% and variable interest dependant on certain financial variables of El Árbol. The Company paid a fixed price for 100% of the share capital of El Árbol and the participating loan of Euros 21,000 thousand and a variable price linked to the revenues of El Árbol for the 2015-2018 period, both inclusive. This variable price has been valued by an independent expert at Euros 15,989 thousand and recognised in other provisions under non-current provisions at the reporting date of these consolidated annual accounts (see notes 12 (a) and 18 (b)).

On 20 June 2014 the Company contracted a sale option with an exclusivity agreement (the Option and the Right of Exclusivity) with Carrefour France SAS, subject to which Carrefour will be obliged to acquire the total share capital of DIA France SAS (DIA France), a company encompassing the activities of DIA in France (the Transaction), if the option is exercised by DIA. This Option and Right of Exclusivity attributed to DIA France a company value of Euros 600 million, subject to certain adjustments to the net financial debt (see note 12) and working capital of DIA France at 30 November 2014. The Transaction is subject to the parties reaching a definitive agreement following the corresponding consultations with the workers' committee of DIA France, and the closure of the Transaction is subject to the approval of the competition authorities. This transaction was completed on 30 November 2014 and the Company has therefore derecognised its investment. The carrying amount of this investment was Euros 959,606 thousand and the final selling price net of transaction costs was Euros 238,885 thousand. Once adjusted for the obligations assumed by DIA (see notes 18 (b) and 24 (f)), the loss on this transaction amounted to Euros 720,721 thousand.

During 2014 a disbursement of Euros 25,189 thousand was made in Shanghai Dia Retail Co., LTD. and intra-Group debt of Euros 738 thousand with Dia Argentina, S.A. was capitalised. In addition, a disbursement of Euros 25,284 thousand was made in Beijing Dia Commercial Co., LTD., company in a settlement process at 31 December 2014.

The Company paid Euros 51,372 thousand to acquire 100% of Schlecker, S.A. and its subsidiary Schlecker Portugal, Ldta. on 1 February 2013. On making this investment, the Company also acquired brands for Euros 3,004 thousand, recognised as additions to intangible assets (see note 5), and assumed the Euros 12,611 thousand participating loan held by the acquiree with its former shareholder, which was due to mature on 31 December 2013. Furthermore, DIA Brasil Sociedade Limitada's capital was increased by Euros 26,720 thousand and intra-Group debt of Euros 187 thousand with DIA Argentina was capitalised.

On 19 April 2013 DIA and its Turkish partner, Haci Ömer Sabanci Holding A.S. signed a contract with Yildiz Holding A.S. and SOK Marketler Ticaret A.S. whereby the latter two agreed to purchase 100% of the share capital of DIA Sabanci Süpermarketleri Ticaret A.S (DIA Turkey), including DIA's 59.96% interest in this company. This transaction was completed on 1 July 2013, when the investment was derecognised. The carrying amount of this investment was Euros 37,234 thousand and the final selling price net of transaction costs was Euros 26,103 thousand. Once adjusted for the obligations assumed by DIA (see notes 18 (b) and 24 (f)), the loss on this transaction amounted to Euros 20,270 thousand.

DIA's subsidiaries perform essentially the same activities as the Company, with the exception of Finandia (loan and credit operations), DIA Tian Tian Management Consulting Service & Co. Ltd (service consulting), PeTra Servicios a la Distribución, S.L. (the acquisition, sale, lease, management and operation of properties and related installations), DIA World Trade, S.A. (services to the Group's suppliers) and Schlecker, S.A. (the sale of toiletries and household products).

- Impairment

Impairment losses and reversals associated with the different investments are as follows:

	Thousands of Euros			
Company	Balances at 1 January 2014	Charge	Reversals	Balances at 31 December 2014
Dia Tian Tian Management Consulting Service & Co.Ltd.	(19,300)	-	-	(19,300)
Dia France	(284,262)	-	284,262	-
Shanghai Dia Retail CO., LTD.	(16,886)	(42,680)	-	(59,566)
Total non-current	**(320,448)**	**(42,680)**	**284,262**	**(78,866)**

Company	Balances at 1 January 2013	Charge	Disposals	Balances at 31 December 2013
	Thousands of Euros			
Dia Sabanci Supermarketleri Ticaret Anonim Sirketi	(38,743)	-	38,743	-
Dia Tian Tian Management Consulting Service & Co.Ltd.	(19,300)	-	-	(19,300)
Dia France	(226,592)	(57,670)	-	(284,262)
Shanghai Dia Retail CO., LTD.	-	(16,886)	-	(16,886)
Total non-current	**(284,635)**	**(74,556)**	**38,743**	**(320,448)**

As mentioned in notes 2 (d) (i) and 4 (d), the recoverable amount of an investment in a Group company is determined based on the higher of value in use and fair value less costs to sell. These calculations are based on cash flow projections from the financial budgets approved by management over a period of five years. Cash flows beyond this five-year period are extrapolated using the estimated growth rates indicated below. The growth rate does not exceed the long-term average growth rate for the retail business in which the Company operates.

In 2014 the Company has recognised a Euros 42,680 thousand impairment loss on its interest in Shanghai Dia Retail CO., LTD. (impairment losses of Euros 57,670 thousand and Euros 16,886 thousand on investments in DIA France and Shanghai Dia Retail CO., LTD., respectively, in 2013). Additionally, due to the sale of the Company's interest in DIA France in 2014 and of its interest in Dia Sabanci Süpermarketleri Ticaret Anonim Sirketi in 2013, the Company has derecognised impairment losses recognised in prior years. In 2013 DIA also recognised a Euros 26,256 thousand provision for liabilities and charges to cover constructive legal obligations it expected to materialise for DIA Beijing and DIA Tian Tian. Of the aforementioned amount, Euros 24,359 thousand was released as a result of the capital increase carried out in Dia Beijing in 2014 and Euros 1,897 thousand, corresponding to Dia Tian Tian, has been reversed in 2014 (see note 18 (b)).

The following main assumptions have been used to calculate value in use:

	Spain		Portugal	
	2014	2013	2014	2013
Sales growth rate (1)	6.50%	2.66%	3.40%	3.20%
Growth rate (2)	2.00%	2.00%	2.00%	2.00%
Discount rate (3)	7.41%	8.08%	8.24%	11.02%

	Argentina		Brazil	
	2014	2013	2014	2013
Sales growth rate (1)	24.20%	13.04%	17.60%	19.60%
Growth rate (2)	2.00%	2.00%	2.00%	2.00%
Discount rate (3)	12.60%	18.87%	8.09%	9.23%

	China	
	2014	2013
Sales growth rate (1)	16.60%	13.64%
Growth rate (2)	2.00%	2.00%
Discount rate (3)	7.20%	8.56%

(1) Weighted average annual growth rate of sales for the five-year projected period
(2) Weighted average growth rate used to extrapolate cash flows beyond the budgeted period
(3) Discount rate before tax applied to cash flow projections

The increase in the average growth rate for domestic sales compared with the prior year is primarily due to the acquisition of El Árbol in 2014, and to the foreseen purchase of 160 stores from the Eroski Group over the course of 2015.

The weighted average growth rates of income in perpetuity are consistent with the forecasts included in industry reports. The discount rates used are pre-tax values calculated by weighting the cost of equity against the cost of debt using the average industry weighting. The cost of equity in each country is calculated considering the following factors: the risk-free rate of the country, the industry Beta, the market risk differential and the size of the company.
The Company has applied the discount rate for Spain to calculate the value in use of property, plant and equipment and intangible assets.

(12) Investments and Trade Receivables

The carrying amount of financial assets recognised at cost or amortised cost does not differ significantly from their fair value.

(a) Investments in Group companies

Details of investments in Group companies are as follows:

	Thousands of Euros			
	2014		2013	
Group	Non-current	Current	Non-current	Current
Loans	37,114	-	160,000	-
Current account with the Group	-	178,856	-	40,576
Total	**37,114**	**178,856**	**160,000**	**40,576**

At 31 December 2013 non-current loans comprised those extended to the subsidiary DIA France, expiring on 2 January 2017, which accrued interest at an average annual rate of 2.21%. During 2014, and until the sale of this subsidiary, this loan increased to Euros 260,000 thousand. The Company received the outstanding balance on this loan upon the sale of the subsidiary.

Through the purchase on 31 October 2014 of Grupo El Árbol, the Company acquired the participating loan held by certain of its shareholders. At the acquisition date this loan was valued by DIA at Euros 36,989 thousand and it has generated interest income during the final months of the year amounting to Euros 125 thousand (see note 11).

At 31 December 2014 current balances with Group companies mainly comprise receivables from Grupo El Árbol, Schlecker, S.A. and Twins Alimentación, S.A. amounting to Euros 91,861 thousand, Euros 63,508 thousand and Euros 7,653 thousand, respectively. The nominal annual interest rates applied to current accounts with Group companies in 2014 were the one-month Euribor plus a spread of between -0.125% (with a 0% floor) for payables and 0.2% for receivables. The balance receivable from Schlecker, S.A. includes a VAT credit of Euros 7,322 thousand. The balances receivable from Twins Alimentación, S.A. include an income tax credit of Euros 5,848 thousand and Euros 1,805 thousand in respect of VAT paid. The Company also has a tax credit of Euros 101 thousand receivable from Finandia E.F.C., S.A.

At 31 December 2013 current balances with Group companies comprised receivables from DIA France, Schlecker, S.A. and DIA Argentina, S.A. The nominal annual interest rates applied to current accounts with Group companies in 2013 were the one-month Euribor plus a spread of between -0.125% for payables, with a minimum of 0%, and 0.2% for receivables. The existence of the consolidated tax group from 1 January 2013 led to the inclusion in this line item of a tax credit of Euros 14 thousand from the subsidiary Finandia E.F.C., S.A.

(b) Investments

Details of investments are as follows:

Unrelated parties	Thousands of Euros 2014 Non-current	Current	2013 Non-current	Current
Equity instruments	36	-	36	-
Loans	667	192	1,180	295
Debt securities	-	2,913	-	-
Hedging derivatives	-	71	-	386
Deposits and guarantees	20,702	-	20,137	-
Total	**21,405**	**3,176**	**21,353**	**681**

Equity instruments comprise the Company's interest in Ecoembalajes España, S.A. (Ecoembes).

Loans reflect amounts granted by the Company to its personnel, which earn interest at market rates.

Guarantees and deposits are the amounts pledged to lessors to secure lease contracts. These amounts are measured at present value and any difference with their nominal value is recognised under current or non-current prepayments (see note 14). This item also includes deposits of Euros 5,500 thousand, which were withheld from the acquisition price of Schlecker, S.A. to cover possible tax contingencies. These deposits expire on 1 February 2018 (see note 20 (b)).

(c) Trade and other receivables

Details of trade and other receivables are as follows:

	Thousands of Euros 2014 Non-current	Current	2013 Non-current	Current
Trade receivables	27,125	46,540	22,787	35,574
Trade receivables from group companies and associates	-	194,250	-	126,757
Other payables	-	81,672	-	58,216
Personnel	-	791	-	790
Current tax assets (note 21)	-	41,859	-	7,912
Public entities, other (note 21)	-	635	-	7,988
Impairment	-	(12,663)	-	(10,094)
Total	**27,125**	**353,084**	**22,787**	**227,143**

Trade receivables basically comprise those from franchisees and concessionaires for sales of goods. The non-current portion of this balance is recognised at its present value.

At 31 December 2014, trade receivables from Group companies basically comprise receivables from Twins Alimentación, S.A., amounting to Euros 99,865 thousand (Euros 108,825 thousand at 31 December 2013) and from Grupo el Árbol in an amount of Euros 70,041 thousand.

Other receivables essentially comprise receivables for services rendered to suppliers, rent receivable from concessionaires that lease premises from the Company and receivables from sales of assets.

Provisions are made for all such amounts when their recovery is considered doubtful.

Current tax assets comprise the receivable in relation to estimated income tax for 2014 and 2013.

(d) Impairment

An analysis of the changes in allowance accounts related to impairment of financial assets measured at amortised cost due to credit risk is as follows:

	Thousands of Euros	
	2014	2013
Current		
At 1 January	**(10,094)**	**(8,109)**
Charge	(5,316)	(5,459)
Reversals	2,747	3,474
At 31 December	**(12,663)**	**(10,094)**

In 2014 the Company has recognised direct losses due to unrecoverable receivables totalling Euros 101 thousand (Euros 775 thousand in 2013).

(13) Inventories

Details of inventories are as follows:

	Thousands of Euros	
	2014	2013
Goods for resale	196,715	180,915
Raw materials and other supplies	6,680	1,679
Advances to suppliers	1,072	751
Impairment	(513)	(493)
Total	**203,954**	**182,852**

Inventories essentially comprise goods for resale.

(a) Limitations to availability

At 31 December 2014 and 2013 there are no restrictions to the availability of any inventories.

(b) Insurance

The Company has taken out insurance policies to cover the risk of damage to its inventories. The coverage of these policies is considered sufficient.

(14) Accruals

Details of accruals are as follows:

	Thousands of Euros			
	2014		2013	
	Non-current	Current	Non-current	Current
Prepayments on operating leases	-	172	-	70
Prepayments on guarantees and loans (note 12 (b))	5,785	565	6,000	531
Other prepayments	-	290	-	728
Total	**5,785**	**1,027**	**6,000**	**1,329**

(15) Cash and cash equivalents

Cash includes cash on hand and current accounts with financial institutions.

(16) Equity

Details of equity and movement during the year are shown in the statement of changes in equity.

(a) Capital

At 31 December 2014 and 2013 the Company's share capital amounts to Euros 65,107,055.80, represented by 651,070,558 freely transferable shares of Euros 0.10 par value each, subscribed and fully paid.

At a general meeting held on 26 April 2013, the shareholders resolved to reduce the Company's share capital by redeeming 28,265,442 own shares, representing 4.16% of share capital. The shareholders conferred the power to execute this capital reduction on the board of directors, which accordingly reduced the Company's share capital by Euros 2,826,544.2, i.e. 28,265,442 shares of Euros 0.10 par value each, at a meeting held on 26 July 2013. As a result of this share capital reduction, the Company's share capital was Euros 65,107,055.80, represented by 651,070,558 shares.

The Euros 108,850 thousand difference between the cost incurred to acquire the own shares used in this capital redemption and their par value was charged to voluntary reserves. DIA also appropriated an amount equal to the par value of the redeemed shares to a redeemed capital reserve, which will only become available once it meets the conditions for reducing share capital set forth in Article 335.c) of the Spanish Companies Act (see note 16 (c)).

As the redeemed shares were held by the Company at the redemption date, no contributions were reimbursed as a result of this capital reduction.

The Company's shares are listed on the Spanish stock markets. According to public information filed with the Spanish National Securities Market Commission, the members of the board of directors control approximately 0.055% of the Company's share capital at the date of authorising these annual accounts for issue.

According to the same public information, the most significant interests in the Company's share capital at year end are as follows:

- Baillie Gifford & CO	8.056%
- Cervinia Europe.	5.013%
- Blue Partners, Sà.r.l.	3.986%
- Blackrock INC.	3.145%

(b) Share premium

The share premium is freely distributable provided that equity does not fall below share capital as a result of its distribution.

(c) Reserves

Reserves at 31 December 2014 and 2013 are as follows:

	Thousands of Euros	
	2014	2013
Legal reserve	13,021	13,587
Goodwill reserves	11,058	9,262
Capital redemption reserve	2,827	2,827
Voluntary reserves (note 3)	35,525	34,170
Total	**62,431**	**59,846**

(i) *Legal reserve*

The legal reserve has been provided for in compliance with article 274 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

At 31 December 2014 the Company has appropriated to this reserve the minimum amount required by law.

(ii) *Differences on redenomination of capital to Euros*

This non-distributable reserve of Euros 62.07 reflects the amount by which share capital was reduced in 2001 as a result of rounding off the value of each share to two decimals on the conversion to Euros.

(iii) *Voluntary reserves*

These reserves are freely distributable by the shareholders, subject to the same restrictions as the share premium.

(iv) *Goodwill reserve*

The goodwill reserve has been provided for in compliance with the Spanish Companies Act, which requires companies to transfer profits equivalent to 5% of goodwill to a non-distributable reserve until this reserve reaches an amount equal to recognised goodwill. In the absence of profit, or if profit is insufficient, freely distributable reserves should be used.

(v) *Redeemed capital reserve*

An amount equal to the par value of the own shares redeemed in 2013 has been appropriated to this reserve. It will only be available once the Company meets the conditions for reducing share capital set forth in Article 335.c) of the Spanish Companies Act (see note 16 (a)).

(vi) *Own shares*

On 27 July 2011, in accordance with article 146 and subsequent articles of the Spanish Companies Act, the board of directors of the Company approved an own share buy-back programme, the terms of which are as follows:

- The maximum number of own shares that can be acquired is equivalent to 2% of share capital.

- The maximum duration of the programme is 12 months, unless an amendment to the term is announced in accordance with article 4 of Commission Regulation (EC) No 2273/2003.

- The purpose of the programme is to meet obligations derived from the remuneration plan for board members and from the terms of any share distribution or share option plans approved by the board of directors.

- A financial intermediary will be appointed to manage the programme, in accordance with article 6.3 of Commission Regulation (EC) No 2273/2003.

By 13 October 2011 the Company had acquired 13,586,720 own shares, reaching the maximum number foreseen in the buy-back programme.

On 14 November 2011 the board of directors approved the derivative acquisition of Company shares and the arrangement of any kind of financial instrument or contract to acquire own shares (in addition to those already held by the Company at the date of approval) representing up to 2% of the Company's share capital.

As a result, on 21 December 2011 the Company signed an agreement to acquire 13,586,720 own shares at a reference price of Euros 3.5580 per share. This contract included an option to acquire the shares at the agreed price by settling either in cash or at the difference between this agreed price and the share price on the contract expiry date, 21 January 2013. On expiry of this contract, the Company agreed an extension, changing the contract settlement terms, leaving only the option of acquiring the shares for a price of Euros 5.1 per share on two expiry dates: 8,086,720 shares for Euros 41,242,272 on 21 July 2013, and the remaining 5,500,000 shares for Euros 28,050,000 on 21 January 2014. On the first of these expiry dates, 21 July 2013, the Company exercised the option for 8,086,720 shares at the agreed price. On the second expiry date, 21 January 2014, the Company signed an extension to the contract for the acquisition of 5,500,000 own shares, committing to acquiring the shares on 21 January 2015 (see note 28).

As authorised by the sole shareholder of the Company in a decision taken on 9 May 2011 and in accordance with the Company's Internal Regulations of Conduct on Stock Markets and the Own Share Policy approved by the board of directors, on 7 June 2012 the board of directors agreed to buy back additional own shares up to a maximum amount equivalent to 1% of the Company's share capital. This scheme to buy back 6,793,360 shares ended on 2 July 2012. A further 800,000 shares were acquired on 4 April 2013.

At a meeting held on 26 July 2013, the board of directors, in exercise of the powers conferred on it by the shareholders at their general meeting, agreed to reduce DIA's share capital by redeeming 28,265,442 own shares (see note 16 (a)).

On 1 August 2014 the Company signed an equity swap contract with Société Générale whereby the latter acquired 6,000,000 own shares of the Company at a price of Euros 6.1944 per share. The contract was settled on 1 September 2014, when the Company recognised the shares in its own shares for a total of Euros 37,166,400. The 6,000,000 shares were acquired as part of the new long-term Incentives Plan for 2014-2016 (see note 20(b)).

Other transactions during 2014 and 2013 include the transfer of 393,219 shares and 398,019 shares, respectively, to the Company's directors and management personnel as remuneration, with respective charges of Euros 611 thousand and Euros 785 thousand to voluntary reserves at 31 December 2014 and 2013, respectively. In 2012 and 2011, 115,622 shares and 85,736 shares were transferred, respectively, to the Group's directors as remuneration.

As a result, at the 2014 reporting date the Company holds 11,508,762 own shares with an average purchase price of Euros 5.1147 per share, a total amount of Euros 58,864,185.94. The shares will be used to cover the share-based payment obligations with managers in accordance with the Plans described in note 19.

(d) Other equity instruments

This reserve includes obligations derived from equity-settled share-based payment transactions following the approval by the board of directors and shareholders of the 2011-2014 long-term incentive plan and a multi-year incentive plan for executives. Beneficiaries were informed of the plan regulations on 11 June 2012. A new long-term incentives plan for 2014-2016 is also included (see note 19).

(e) Dividends

Details of dividends paid are as follows:

	2014	2013
Dividends on ordinary shares (Thousands of Euros):	103,281	83,865
Dividends per share (Euros):	0.16	0.13

Dividends per share (in Euros) are calculated based on the number of shares that entitle the holder to dividends at the distribution date; i.e. for 2014 the number of shares is 645,503,860 whereas in 2013 there were 645,113,209 shares.

(17) Grants, Donations and Bequests Received

Movement in non-refundable grants, donations and bequests received, net of the tax effect, is as follows:

	Thousands of Euros	
	2014	2013
At 1 January	**2,413**	**545**
Grants obtained during the year	36	4,328
Transfers to the income statement	(543)	(2,460)
Adjustment deferred taxes to the new tax rates	(120)	-
At 31 December	**1,786**	**2,413**

Details of the amounts recognised in the income statement by type of grant are as follows:

	Thousands of Euros	
	2014	2013
Capital grants	775	3,514
Operating grants	743	480
Total	**1,518**	**3,994**

Details of capital grants received in 2014 and 2013, net of fees, are as follows:

	Thousands of Euros		
Granting entity	2014	2013	Purpose
Ente Vasco de la Energía	40	20	Environmental
Agencia Andaluza de la Energía	12	179	Environmental
Instituto para la Diversificación y el Ahorro de Energía (IDAE)	-	5,984	Environmental
Total	**52**	**6,183**	

The main condition for the IDAE grant is that the recipient must carry out projects aimed at significantly reducing energy consumption and justifying investment in this area.

(18) Provisions

Details of provisions are as follows:

	Thousands of Euros			
	2014		2013	
	Non-current	Current	Non-current	Current
Provisions for long-term employee benefits under defined benefit plans	861	-	554	-
Decommissioning provisions	878	-	843	-
Other trade provisions	-	2,581	-	2,328
Provisions for onerous contracts	-	-	-	101
Provisions for other liabilities	62,230	-	39,064	24,359
Total	**63,969**	**2,581**	**40,461**	**26,788**

In 2013 a provision of Euros 24,359 thousand was recorded under provisions for other liabilities to cover risks relating to the investment in the subsidiary Beijing Dia Commercial CO. Ltd. This amount was released in 2014 (see note 11).

(a) Provisions for Employee Benefits under Defined Benefit Plans and Other Employee Benefits

Details of the provisions for employee benefits under defined benefit plans and other employee benefits, and movement during the year, are as follows:

	Thousands of Euros	
	2014	2013
At 1 January	**554**	**531**
Current service cost	142	115
Provision surpluses taken to the income statement	163	(111)
Interest cost	28	35
Expected rate of return on plan assets	(11)	(13)
Payments for pensions	1	-
Other movements	(16)	(3)
At 31 December	**861**	**554**

The Company has commitments with current employees for pensions and length-of-service bonuses amounting to Euros 1,238 thousand at 31 December 2014 and Euros 923 thousand in 2013. Of these amounts, Euros 377 thousand and Euros 369 thousand were externalised in 2014 and 2013, respectively, as required by Spanish legislation.

Movement in the fair value of plan assets is as follows:

	Thousands of Euros	
	2014	2013
At 1 January	**369**	**334**
Expected rate of return	11	13
Annual premium	30	31
Actuarial losses	(33)	(9)
At 31 December	**377**	**369**

The principal actuarial assumptions used are as follows:

- Annual discount rate: 3% in 2014 (4% in 2013).
- Mortality tables for men and women: GRM-95 and GRF-95, respectively.
- Turnover rates: as established in Order EHA/3433/2006 of 2 November 2006.
- Retirement age: 67 years.

The total expense recognised in the income statement, by item, is as follows:

	Thousands of Euros	
	2014	2013
Current service cost	(142)	(115)
Provision surpluses taken to the income statement	(163)	111
Interest cost	(28)	(35)
Expected rate of return on plan assets	11	13
Total	**(322)**	**(26)**

(b) Provisions for other non-current liabilities

Movement in other non-current provisions is as follows:

	Thousands of Euros		
	Legal, tax and labour provisions	Other provisions	Total
At 1 January 2014	**37,167**	**2,740**	**39,907**
Charge	25,339	16,024	41,363
Applications	(8,156)	-	(8,156)
Reversals	(8,109)	(1,897)	(10,006)
At 31 December 2014	**46,241**	**16,867**	**63,108**

	Thousands of Euros		
	Legal, tax and labour provisions	Other provisions	Total
At 1 January 2013	**36,823**	**807**	**37,630**
Charge	23,885	1,933	25,818
Applications	(22,803)	-	(22,803)
Reversals	(738)	-	(738)
At 31 December 2013	**37,167**	**2,740**	**39,907**

Legal, tax and labour provisions are mainly recognised to cover inspection-related risks (see note 21).

The non-current provisions made in 2014 primarily comprise Euros 20,800 thousand to cover risks arising from the sale of DIA France (see note 11), Euros 1,947 thousand related to updated tax risks and Euros 1,569 thousand to cover other tax risks.

In 2013, this provision mainly comprised Euros 9,218 thousand recognised in relation to risks arising from the sale of DIA Turkey and a further Euros 12,508 thousand to cover other risks.

Applications in 2014 mainly comprise the payment of income tax for 2008, amounting to Euros 3,864 thousand and the payment of income tax corresponding to the income tax assessments for 2008, 2009 and 2010, for an amount of Euros 2,858 thousand, including the associated finance cost. Applications in 2013 mainly reflected the payment of additional income tax assessments for 2003, amounting to Euros 21,436 thousand. This amount includes the associated finance cost.

Reversals in 2014 include release of the provision recognised to cover tax inspections of 2008, 2009, 2010 and 2011 in an amount of Euros 2,174 thousand. They also include Euros 3,544 thousand corresponding to reversal of the provision recognised in 2013 to cover risks arising from the sale of DIA Turkey and release of other provisions made to cover other tax risks in an amount of Euros 1,259 thousand.

Other provisions recognised in 2014, totalling Euros 15,989 thousand, correspond to measurement of the contingent consideration relating to the variable price of the acquisition of the participating loan held by certain Grupo El Árbol Distribución y Supermercados, S.A. shareholders (see note 11).

Finally, in 2014 the Company reversed the provision made in 2013 for Euros 1,897 thousand in relation to the subsidiary DIA Tian Tian Management Consulting Service & Co. Ltd. (see note 11).

(19) Share-based Payment Transactions

On 7 December 2011 the board of directors approved a long-term incentive plan for 2011-2014 and a multi-year variable remuneration plan proposed by the appointment and remuneration committee. Both of these plans are settled in Company shares. The shareholders approved these plans at their general meeting and beneficiaries were informed of the plan regulations on 11 June 2012 (see note 16 c) vi)).

Under the share-settled long-term incentive plan, executives (including the executive director) of the Company are entitled to variable remuneration settled though shares in the Company, receipt of which is dependent on whether the Company meets certain business targets over the 2011-2014 period, as well as certain indicators relating to the value of these shares. Beneficiaries are also required to remain as employees of or maintain their commercial relationship with the Company and/or its subsidiaries on the plan reference dates. Settlement will take place in different periods over the duration of the plan up to 2016.

At the general meeting held on 26 April 2013 the shareholders approved an amendment to one of the plan terms limiting the number of shares that can be conveyed. However, according to estimates, at the date on which this amendment was approved it had no impact on the valuation of this obligation and therefore did not affect the amount recognised at 31 December 2013.

In the multi-year variable remuneration plan, executives of the Company are awarded variable remuneration settled though shares in the Company. Amounts relating to 2011 and 2012 will be settled in 2013 and January 2014 and remuneration for 2013 and 2014 will be settled in 2015 and January 2016. Receipt is dependent on whether the Company and its subsidiaries meet certain business targets. Beneficiaries are also required to remain in the employment of or maintain their commercial relationship with the Company and/or its subsidiaries on the plan settlement dates.

At the general meeting on 25 April 2014, the shareholders approved a long-term Incentives Plan for 2014-2016, to be settled in a maximum of 6,981,906 Company shares, for the current and future executive directors, senior management and other key personnel of DIA and its subsidiaries, as determined by the board of directors. To receive the shares, the personnel who voluntarily join the Plan must meet the requirements in its general terms and conditions. The purpose of the Plan is to award and pay variable remuneration in DIA shares, according to compliance with business objectives for the Company and the Group and the total shareholder return. At 31 December 2014 the Parent estimates that the maximum number of shares to pay out under the plan is 5,810,449.

The expenses recognised in 2014 in relation to the long-term Incentives Plan for 2011-2014 and the Multi-year Variable Remuneration Plan for 2011-2014 and the new long-term Incentives Plan for 2014-2016 amounted to Euros 12,028 thousand, and Euros 5,381 thousand in 2013. In both cases the balancing entry was recognised under other own equity instruments. The distribution made in relation to these plans in 2014 and 2013 amounted to Euros 1,805 thousand and Euros 1,904 thousand respectively, with transfers of 328,272 and 329,094 shares, respectively.

(20) Payables and Trade Payables

The carrying amount of financial liabilities recognised at cost or amortised cost does not differ significantly from their fair value.

(a) Group companies and associates payables

Details of Group companies and associates are as follows:

Group	Thousands of Euros Current 2014	Thousands of Euros Current 2013
Payables	75,186	45,125
Total	**75,186**	**45,125**

The main components of payables at 31 December 2014 are the Company's current accounts with two subsidiaries: Twins Alimentación, S.A., with a balance of Euros 58,123 thousand – including tax payables of Euros 425 thousand – and DIA World Trade, S.A. for Euros 15,508 thousand, as well as a tax payable to Schlecker, S.A. for an amount of Euros 338 thousand. Lastly, payables include the balance of the current account with the Group subsidiary Grupo El Árbol Distribución y Supermercados, S.A., for an amount of Euros 1,217 thousand. The main components of payables at 31 December 2013 were the Company's current accounts with subsidiaries: Twins Alimentación, S.A., with a balance of Euros 42,125 thousand – including tax payables of Euros 255 thousand – and DIA World Trade, S.A. for Euros 3,000 thousand. The interest rates applied to current accounts with Group companies in 2014 and 2013 were the one-month Euribor plus a spread of between -0.125% (with a 0% floor) for payables and 0.2% for receivables.

(b) Payables

Details of payables are as follows:

	Thousands of Euros			
	2014		2013	
Unrelated parties	Non-current	Current	Non-current	Current
Bonds and other securities	494,701	3,396	-	-
Debt with financial institutions				
Syndicated loan	-	-	650,568	140,244
Interest	-	238	-	1,374
Other loans	43	22,625	52	141
Other financial liabilities	-	65,216	-	28,050
Finance lease payables (note 7)	10,770	5,253	8,823	4,794
Derivatives	-	-	-	1,373
Suppliers of fixed assets	-	17,848	-	9,490
Bills payable	-	10,989	-	4,254
Other debts	-	19,270	-	325
Current interest on payables	-	181	-	360
Guarantees and deposits received	5,237	171	3,835	178
Other financial liabilities	5,500	-	5,500	-
Total	**516,251**	**145,187**	**668,778**	**190,583**

On 10 July 2014, the Company successfully issued bonds amounting to Euros 500 million with a maturity of 5 years, a coupon of 1.50% and an issue price of 99.419%. These bonds were issued on the Irish Stock Exchange. The bonds were issued as part of the Euro Medium-Term Note Programme (EMTN), as approved by the Central Bank of Ireland on 3 July 2014.

The bonds are jointly and severally guaranteed by certain Group subsidiaries. At 31 December 2014 the bonds are being quoted at 101.858%.

Syndicated loans correspond to non-current financing extended to the Company by various national and foreign entities.

On 3 July 2014 DIA signed an agreement with a number of financial entities for a five-year syndicated loan of Euros 400 million. The syndicated loan and the proceeds from the aforementioned bonds were used to fully repay the syndicated loan from 8 February 2013 and the bilateral loan agreement signed on 11 March 2013, as well as to partially repay the loan from 13 May 2011 (tranches A and B, amortising and bullet), as well as financing ordinary operations and working capital. The revolving credit of Euros 350.000 thousand with a maturity at 13 May 2016, has been keeping on. At 31 December 2014 no amounts have been drawn down from these syndicated loans that accrued interest at market rates.

The obligations assumed by the Company in the loan agreement of 13 May 2011 are jointly and severally secured by its subsidiaries Twins Alimentación S.A., Pe-Tra Servicios a la Distribución, S.L., DIA Portugal Supermercados S.Lda. and DIA Brasil Sociedade Limitada. The obligations assumed by the Company in the loan agreement of 3 July 2014 are jointly and severally secured by Twins Alimentación S.A.

At the 2014 year end, all covenant ratios linked to this financing, as defined in the contract(*), calculated based on the DIA Group's consolidated annual accounts, have been met. Details are as follows:

Financial covenant	2011 Syndicated loan	2014 Syndicated loan
Total net debt (*) / EBITDA(*)	< 2.50x	< 3.50x
EBITDA(*)/net finance costs(*)	>6.50x	-

At 31 December 2014 the Company holds nine credit facilities with a credit limit of Euros 63,500 thousand. At 31 December 2013 it held seven credit facilities with a credit limit of Euros 53,000 thousand. No drawdowns have been made from these facilities at 31 December 2014, or at 31 December 2013. The Company has two additional uncommitted credit facilities, with a limit of Euros 100,000 thousand, from which Euros 25,000 thousand has been drawn down at 31 December 2014. The credit facilities that the Company held in 2014 and 2013 accrued interest at market rates.

Other current financial liabilities with financial institutions at 31 December 2014 include the Euros 37,166 thousand of the equity swap settled with Société Générale on 1 September 2014, in addition to the Euros 28,050 thousand at 31 December 2013 corresponding to the liability that arose when the equity swap settlement options were amended on 21 January 2013 (see note 16 c) vi)).

Other payables primarily comprise the excess amount received in the sale of DIA France following adjustments to the final price, which will be reimbursed to the buyers in the first few months of 2015.

Other non-current financial liabilities of Euros 5,500 thousand at 31 December 2014 and 2013 reflect amounts withheld from the seller of Schlecker, S.A., to cover possible tax contingencies. These amounts are to be released on 1 February 2018 (see note 12 (b)).

(c) Trade and other payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	Current	Current
Group	2014	2013
Suppliers, group companies	19,103	19,015
Suppliers	773,163	756,468
Other payables	65,372	70,647
Personnel	26,025	24,147
Current tax liabilities (note 21)	-	13,908
Public entities, other (note 21)	35,709	29,487
Total	**919,372**	**913,672**

Suppliers and trade payables essentially include current payables to suppliers of goods and services, including those represented by accepted giro bills and promissory notes.

The Company has reverse factoring facilities with limits of Euros 650,000 thousand and Euros 530,000 thousand at 31 December 2014 and 2013, respectively. Drawdowns total Euros 249,319 thousand at 31 December 2014 and Euros 260,151 thousand at the prior year end.

The information required by the reporting duty established in Law 15/2010 of 5 July 2010, which amended Law 3/2004 of 29 December 2004 and introduced measures to combat late payment in commercial transactions, is as follows:

	Payments made and outstanding at the balance sheet date			
	Thousands of Euros			
	2014		2013	
	Amount	%*	Amount	%*
**Within the maximum legal period	2,894,352	81.78%	2,878,379	80.30%
Other	644,816	18.22%	706,235	19.70%
Total payments for the year	3,539,168	100%	3,584,614	100%
Weighted average period by which payments are past due (in days)	23.65		22.65	
Late payments exceeding the maximum legal period	41,217		38,465	

* Percentage of total

** The maximum legal payment period is, in each case, determined by the nature of the goods or services received by the company in accordance with Law 3/2004 of 29 December, containing measures to combat late payments in commercial transactions.

*** Weighted average period exceeded.

(21) Taxation

- Balances with public entities

Details of balances with public entities are as follows:

	Thousands of Euros			
	2014		2013	
	Non-current	Current	Non-current	Current
Assets				
Deferred tax assets	129,561	-	24,850	-
Current tax assets	-	41,859	-	7,912
Other	-	635	-	7,988
	129,561	**42,494**	**24,850**	**15,900**
		(note 12 (c))		(note 12 (c))
Liabilities				
Deferred tax liabilities	34,045	-	59,561	-
Current tax liabilities (note 20 c)	-	-	-	13,908
Value added tax and similar taxes	-	20,639	-	14,169
Social Security	-	8,922	-	9,247
Withholdings	-	6,148	-	6,071
	34,045	**35,709**	**59,561**	**43,395**
		(note 20 (c))		(note 20 (c))

- **Years open to inspection and tax inspections**

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed.

An investigation into the following taxes and periods was completed in 2014:

Tax	Periods
Income tax	2008-2010
Value Added tax	2009-2011
Withholdings and payments on account	2009-2011

At 31 December 2014 the Company has the following main taxes and periods open to inspection:

Tax	Periods
Income tax	2011-2013
Value Added tax	2012-2014
Personal income tax	2012-2014
Business activities tax	2011-2014

Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any case, the Company's directors do not consider that any such liabilities that could arise would have a significant effect on the annual accounts.

- **Income tax**

For 2014 the Company files consolidated tax returns as Parent of tax group 487/12. Until 2013 the Groups subsidiaries were Twins Alimentación, S.A., Finandia EFC S.A and Pe-Tra Servicios a la Distribución, S.L. In 2014, Schlecker S.A. was included in the tax group.

All of the companies in the tax group determine corporate income tax due on a joint basis as a single taxable person, then distribute the tax burden among the individual companies.

A reconciliation of net income and expenses for 2014 and 2013 with DIA's taxable income (tax loss) is as follows:

	Thousands of Euros						
2014	Income statement			Income and expense taken to equity			
	Increases	Decreases	Net	Increases	Decreases	Net	Total
Income and expenses for the period	**-**	**(391,946)**	**(391,946)**	**790**	**(542)**	**248**	**(391,698)**
Income tax	-	(137,069)	(137,069)	161	(233)	(72)	(137,141)
Profit before tax	-	(529,015)	(529,015)	951	(775)	176	(528,839)
Permanent differences:							
individual company	40,634	(96)	40,538	-	-	-	40,538
Temporary differences:							
individual company							
originating during the year	54,813	(4,868)	49,945	-	-	-	49,945
originating in prior years	63,123	(199)	62,924	1,139	(1,315)	(176)	62,748
Taxable income	**158,570**	**(534,178)**	**(375,608)**	**2,090**	**(2,090)**	**-**	**(375,608)**

The permanent positive adjustment of Euros 40,634 thousand carried out in the Corporate settlement includes, mainly, the dividends paid by DIA France in years 2009 and 2010, whose amount Euros 40,000 thousand was negatively adjusted in the settlement of those years with the concept exemption from double taxation.

2013	Thousands of Euros						
	Income statement			Income and expense taken to equity			
	Increases	Decreases	Net	Increases	Decreases	Net	Total
Income and expenses for the period	**105,255**	**-**	**105,255**	**4,155**	**(2,459)**	**1,696**	**106,951**
Income tax	48,551	-	48,551	1,781	(1,054)	727	49,278
Profit before tax	153,806	-	153,806	5,936	(3,513)	2,423	156,229
Permanent differences:							
individual company	281	(30,016)	(29,735)	-	-	-	(29,735)
Temporary differences:							
individual company							
originating during the year	69,044	(207)	68,837	387	-	387	69,224
originating in prior years	122,976	(180)	122,796	-	(2,810)	(2,810)	119,986
Taxable income	**346,107**	**(30,403)**	**315,704**	**6,323**	**(6,323)**	**-**	**315,704**

The negative adjustment of Euros (30,016) thousand carried out in the Corporate Tax settlement for year 2013 is mainly due to the exemption from double taxation applicable to the dividends paid by DIA Portugal, for an amount of Euros 30,000 thousand.

A reconciliation of total income tax and tax payable/recoverable is as follows:

	Thousands of Euros	
	2014	2013
Taxable income	**(375,608)**	**315,704**
Tax at 30%	-	94,711
Deductions	-	(652)
Total tax payable	-	94,059
Withholdings and payments on account	(40,938)	(79,910)
Tax payable (+) recoverable (-) by the Company	**(40,938)**	**14,149**

Tax payable included in the income tax return filed for 2013 was not Euros 14,149 thousand but Euros 14,788 thousand, once the final adjustments to this tax became known.

The relationship between the tax expense and accounting profit for 2014 and 2013 is as follows:

	Thousands of Euros			Thousands of Euros		
	2014			2013		
	Profit and loss	Equity	Total	Profit and loss	Equity	Total
Income and expenses for the period before tax	**(529,015)**	**176**	**(528,839)**	**153,806**	**2,423**	**156,229**
Tax at 30%	(158,705)	53	**(158,652)**	46,142	727	**46,869**
Positive permanent differences	12,190	-	**12,190**	84	-	**84**
Negative permanent differences	(29)	-	**(29)**	(9,005)	-	**(9,005)**
Deductions and credits for the current year	(671)	-	**(671)**	(652)	-	**(652)**
Income tax expenses in prior years	(634)	-	**(634)**	(526)	-	**(526)**
Other adjustments	(3,072)	-	**(3,072)**	12,508	-	**12,508**
Adjustment of tax rates	13,852	19	**13,871**	-	-	**-**
Income tax expenses / (income) from continuing operations	**(137,069)**	**72**	**(136,997)**	**48,551**	**727**	**49,278**

Details of accumulated temporary differences at 31 December 2014 and the corresponding deferred tax asset or liability, in thousands of Euros, are as follows:

	TEMPORARY DIFFERENCE					TAX EFFECT					
	2013	Origin	Reversal	Other	2014	2013	Origin	Reversal	Other	Adj. tax rts.	2014
Onerous Contracts	111	-	(101)	(10)	-	33	-	(30)	(3)	-	-
Provision for textiles	134	7	-	-	141	40	2	-	-	(7)	35
Leaseholds	787	-	-	28	815	236	-	-	8	(41)	203
Provision for franchising operations	2,327	254	-	-	2,581	698	76	-	-	(129)	645
Accelerated depreciation 2013	27,996	26,036	-	181	54,213	8,399	7,811	-	54	-	16,264
Provision sale Turkey	9,217	-	(3,544)	-	5,673	2,765	-	(1,063)	-	(284)	1,418
Other provisions	569	-	(125)	-	444	171	-	(38)	-	(22)	111
Hedging Operations	1,315	-	-	(1,315)	-	395	-	-	(395)	-	-
Equity instruments	9,363	6,347	-	-	15,710	2,809	1,904	-	-	(786)	3,927
Beijing (provision for risks)	26,977	1,063	-	-	28,040	8,093	319	-	-	(560)	7,852
Holding Asia (provision for risks)	1,897	-	(1,098)	4,046	4,845	569	-	(329)	1,213	(242)	1,211
Pension commitments	556	306	-	-	862	167	92	-	-	(42)	217
Non-deductible goodwill on acq. of invest.	1,584	-	-	-	1,584	475	-	-	-	(79)	396
Provision sale France	-	20,800	-	-	20,800	-	6,240	-	-	(1,040)	5,200
TOTAL DEFERRED TAX ASSETS	**82,833**	**54,813**	**(4,868)**	**2,930**	**135,708**	**24,850**	**16,444**	**(1,460)**	**877**	**(3,232)**	**37,479**

	TEMPORARY DIFFERENCE					TAX EFFECT					
	2013	Origin	Reversal	Other	2014	2013	Origin	Reversal	Other	Adj. tax rts.	2014
Accelerated depreciation 1994-1995	2	-	-	(2)	-	1	-	-	(1)	-	-
Accelerated depreciation 2011	39,507	-	(9,953)	-	29,554	11,853	-	(2,986)	-	(1,178)	7,689
Accelerated depreciation 2012	20,472	-	(4,382)	-	16,090	6,142	-	(1,315)	-	(684)	4,143
Goodwill deductible purchases from third parties	4,559	199	-	-	4,758	1,367	60	-	-	(237)	1,190
DIA France	1,369	-	(1,369)	-	-	411	-	(411)	-	-	-
Argentina	75,977	-	(4,737)	-	71,240	22,791	-	(1,421)	-	(3,561)	17,809
Shanghai	53,063	-	(42,681)	-	10,382	15,919	-	(12,804)	-	(519)	2,596
Hedging operations	141	-	-	(53)	88	42	-	-	(13)	(5)	24
Grants	3,446	-	-	(1,066)	2,380	1,035	-	-	(322)	(119)	594
TOTAL DEFERRED TAX LIABILITIES	**198,536**	**199**	**(63,122)**	**(1,121)**	**134,492**	**59,561**	**60**	**(18,937)**	**(336)**	**(6,303)**	**34,045**

The reform approved via Law 27/2014 of 27 November 2014 reduced the rates of corporate income tax. The tax impact on deferred tax assets and liabilities is shown in the column "Adj. tax rts.".

In addition to the deferred tax assets shown in the above table, in 2014 the DIA tax group generated tax losses amounting to Euros 355,971 thousand, with an effect on deferred tax assets of Euros 89,992 thousand, calculated according to the projected offset of the losses.

In addition, the Company has recognised Euros 2,090 thousand of tax deductions in deferred tax assets, generated exclusively in 2014.

Details of accumulated temporary differences at 31 December 2013 and the corresponding deferred tax asset or liability, in thousands of Euros, are as follows:

	TEMPORARY DIFFERENCE					TAX EFFECT				
	2012	Origin	Reversal	Other	2013	2012	Origin	Reversal	Other	2013
Onerous Contracts	134	-	(23)	-	111	40	-	(7)	-	33
Provision for textiles	291	-	(157)	-	134	87	-	(47)	-	40
Leaseholds	730	-	-	57	787	219	-	-	17	236
Provision for franchising operations	1,906	421	-	-	2,327	572	126	-	-	698
Accelerated depreciation 2013	-	27,996	-	-	27,996	-	8,399	-	-	8,399
Provision sale Turkey	-	9,217	-	-	9,217	-	2,765	-	-	2,765
Other provisions	439	130	-	-	569	132	39	-	-	171
Hedging Operations	928	-	-	387	1,315	278	-	-	117	395
Equity instruments	6,980	2,383	-	-	9,363	2,094	715	-	-	2,809
Beijing (provision for risks)	-	26,977	-	-	26,977	-	8,093	-	-	8,093
Holding Asia (provision for risks)	-	1,897	-	-	1,897	-	569	-	-	569
Pension commitments	533	23	-	-	556	160	7	-	-	167
Non-deductible goodwill on acq. of invest.	1,584	-	-	-	1,584	475	-	-	-	475
TOTAL DEFERRED TAX ASSETS	13,525	69,044	(180)	444	82,833	4,057	20,713	(54)	134	24,850

	TEMPORARY DIFFERENCE					TAX EFFECT				
	2012	Origin	Reversal	Other	2013	2012	Origin	Reversal	Other	2013
Accelerated depreciation 1994-1995	83	-	(81)	-	2	25	-	(24)	-	1
Accelerated depreciation 2011	52,077	-	(12,570)	-	39,507	15,623	-	(3,770)	-	11,853
Accelerated depreciation 2012	25,166	-	(4,694)	-	20,472	7,550	-	(1,408)	-	6,142
Goodwill deductible purchases from third parties	5,211	207	-	(859)	4,559	1,563	62	-	(258)	1,367
DIA France	50,673	-	(50,863)	1,559	1,369	15,202	-	(15,259)	468	411
Argentina	76,302	-	-	(325)	75,977	22,889	-	-	(98)	22,791
Turkey	37,235	-	(37,235)	-	-	11,169	-	(11,169)	-	-
Shanghai	69,949	-	(16,886)	-	53,063	20,985	-	(5,066)	-	15,919
Beijing	647	-	(647)	-	-	194	-	(194)	-	-
Hedging operations	-	-	-	141	141	-	-	-	42	42
Grants	778	-	-	2,668	3,446	234	-	-	801	1,035
TOTAL DEFERRED TAX LIABILITIES	318,121	207	(122,976)	3,184	198,536	95,434	62	(36,890)	955	59,561

Law 16/2013, which introduced a number of tax measures, repealed Article 12.3 of the Revised Corporate Income Tax Law set forth in Royal Legislative Decree 4/2004, which allowed impairment losses on securities held in the capital of companies to be deducted from taxable income. At the same time it became compulsory to include impairment losses generated prior to this new rule in taxable income. In 2014, as a result of transferring its shareholding in DIA France, the Company reversed adjustments made to this investment in prior years.

	Thousands of Euros		
Company	Differrence in Equity	Integrated amount in tax base	Amount pending of Intregation
DIA France	-	1,370	-
Dia Argentina, S.A.	4,737	4,737	71,235
Shanghai Dia Retail Co.Ltd.	-	-	10,384
Beijing Dia Commercial Co.Ltd.	-	1,063	(28,040)
Dia Tian Tian Management Consulting Service & Co.Ltd	799	799	(4,846)

In 2011, pursuant to the eleventh additional provision of Spanish income tax law, applying the wording presented in Royal Decree-Law 6/2010 of 9 April 2010 and Royal Decree-Law 13/2010 of 3 December 2010, DIA applied accelerated depreciation to new property plant and equipment and investment property acquired during the year.

In 2012, pursuant to the eleventh additional provision of Spanish income tax law, applying the wording presented in Royal Decree-Law 6/2010 of 9 April 2010 and Royal Decree-Law 13/2010 of 3 December 2010, as well as the single repealing provision included in Royal Decree-Law 12/2012 of 30 March 2012, DIA applied accelerated depreciation to new property plant and equipment and investment property acquired before 31 March.

(22) Environmental Information

The Company takes steps to prevent and mitigate the environmental impact of its activities.

The expenses incurred during the year in managing this environment impact are not significant.

The Company's board of directors considers that there are no significant contingencies in connection with the protection and improvement of the environment and that it is not necessary to recognise any provisions for environmental risks and charges in the annual accounts at 31 December 2014 and 2013.

(23) Related Party Balances and Transactions

(a) Related party balances

Balances receivable from and payable to Group companies, and the main details of these balances, are provided in notes 12 (a) and (c) and 20 (a) and (c).

(b) Transactions with subsidiaries

The Company's transactions with subsidiaries are as follows:

	Thousands of euros	
Balances with subsidiaries	**2014**	**2013**
Revenues		
Net sales		
Sales	424,339	371,604
Other services rendered	74,704	63,524
Financial instruments		
Finance income	7,415	20,229
Dividends	97	30,000
TOTAL REVENUES	**506,555**	**485,357**
Expenses		
Net purchases		
Purchases	(21,007)	(10,793)
Work carried out by other companies	60,708	43,584
Operating lease expenses	1,936	1,927
Personnel expenses	9,352	9,761
Finance expenses	57	288
TOTAL EXPENSES	**51,046**	**44,767**
Investments		
Cost of assets acquired		
Buildings	(205)	24
Machinery, installations and furniture	(216)	8
Other fixed assets	(136)	(5)
TOTAL COST	**(557)**	**27**
Carrying amount and assets sold		
Buildings	43	24
Machinery, installations and furniture	12	(110)
Other fixed assets	135	(5)
TOTAL CARRYING AMOUNT	**190**	**(91)**

Distribuidora Internacional de Alimentación, S.A. Edificio TRIPARK – Parque Empresarial – C/ Jacinto Benavente 2A 28232 Las Rozas de Madrid – Madrid
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Tax identification number A-28164754 – company filed with the Madrid Mercantile Registry on 9 December 1966, volume 2,063 of companies, page 91, sheet 11,719

(c) Information on the directors and senior management personnel

Details of remuneration received by the directors and senior management of the Company in 2014 and 2013 are as follows:

Thousands of Euros			
2014		2013	
Directors	Senior mgt.	Directors	Senior mgt.
1,875	3,404	1,910	3,213

In 2014 and 2013 the directors of the Parent earned Euros 978 thousand and Euros 1,098 thousand, respectively, in their capacity as board members. In both years, their remuneration allocated through financial instruments and monetary remuneration has bees Euro 1,050 thousand. The difference in remuneration between 2014 and 2013 is due to the different value of share between the time of the allocation and the date of the mentioned financial instruments enforceability.

Article 39.5 of the Company's articles of association requires the disclosure of the remuneration earned by each of the present members of the board of directors in 2014 and 2013. Details are as follows:

2014	Thousands of Euros			
Members of the Board	Financial instruments	Fixed remuneration	Variable remuneration	Others
Ms. Ana María Llopis Rivas	40.0	109.0	-	-
Mr. Ricardo Currás de Don Pablos (*)	20.0	519.5	417.2	15.1
Mr. Julián Díaz González	37.3	69.8	-	-
Mr. Richard Golding	26.2	71.5	-	-
Mr. Mariano Martín Mampaso	34.1	63.7	-	-
Mr. Pierre Cuilleret	37.3	69.8	-	-
Ms. Rosalía Portela de Pablo	20.0	54.5	-	-
Mr. Antonio Urcelay Alonso	20.0	54.5	-	-
Mr. Nadra Moussalem	34.1	63.7	-	-
Mr. Nicolas Brunel	34.1	63.7	-	-
Total	**303**	**1,140**	**417**	**15**

(*) Remuneration as director, plus remuneration as Board member.

2013	Thousands of Euros			
Members of the Board	Financial instruments	Fixed remuneration	Variable remuneration	Others
Ms. Ana María Llopis Rivas	50.6	116.6	-	-
Mr. Ricardo Currás de Don Pablos (*)	25.3	514.3	350.3	6.3
Mr. Julián Díaz González	47.2	73.0	-	-
Mr. Richard Golding	33.2	76.5	-	-
Mr. Mariano Martín Mampaso	43.1	66.7	-	-
Mr. Pierre Cuilleret	47.2	73.0	-	-
Ms. Rosalía Portela de Pablo	25.3	58.3	-	-
Mr. Antonio Urcelay Alonso	25.3	58.3	-	-
Mr. Nadra Moussalem	43.1	66.7	-	-
Mr. Nicolas Brunel	43.1	66.7	-	-
Total	**383**	**1,170**	**350**	**6**

(*) Remuneration as director, plus remuneration as Board member.

In 2014 and 2013 neither directors of the Company nor members of senior management have carried out any transactions other than ordinary business or applied terms that differ from market conditions with the Company or any other Group company.

The directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

(24) Income and Expenses

(a) Revenues

Details of revenues by geographical market are as follows:

	Thousands of Euros	
	2014	2013
East Spain	1,786,532	1,844,640
West Spain	2,351,222	2,343,310
Abroad	8,684	11,087
Total	**4,146,438**	**4,199,037**

(b) Supplies

Details of merchandise, raw materials and other supplies used are as follows:

	Thousands of Euros	
	2014	2013
Merchandise used		
Purchases	3,881,822	3,854,432
Purchase discounts, non-trade income and returns	(777,555)	(714,878)
Change in inventories	(15,798)	824
Total	**3,088,469**	**3,140,378**
Raw materials and consumables used		
Purchases	10,387	11,579
Change in inventories	(118)	501
Total	**10,269**	**12,080**
Subcontracted work	67,460	49,347
Impairment of merchandise, raw materials and other suppliers	20	(288)
Total	**3,166,218**	**3,201,517**

(c) Employee benefits expense

Details of the employee benefits expense are as follows:

	Thousands of Euros	
	2014	2013
Social Security payable by the Company	83,898	85,040
Other employee benefits expenses	2,383	2,580
Total	**86,281**	**87,620**

(d) Impairment and gains/losses on the disposal of fixed assets

Details of impairment and gains/losses on the disposal of fixed assets are as follows:

	Thousands of Euros	
	2014	2013
Impairment of intangible assets (note 5)	(69)	(162)
Impairment of property, plant and equipment (note 6)	2,999	602
Impairment of goodwill (note 5 (a))	512	26
Intangible assets (note 5)	1,036	-
Property, plant and equipment (note 6)	2,924	2,840
Total	**7,402**	**3,306**

(e) Foreign currency transactions

Details of exchange gains and losses as a result of operations in foreign currencies are as follows:

	Thousands of Euros	
	2014	2013
Exchange losses	(1,177)	(26)
Exchange gains	101	150
Total	**(1,076)**	**124**

(f) Losses on disposal and other

In 2014 the Company generated a loss of Euros 720,721 thousand on the sale of 100% of its interest in DIA France (see note 11).

In 2013 the Company generated a loss of Euros 20,270 thousand on the sale of 100% of its interest in DIA Sabanci Supermarketleri Ticaret Anonim Sirketi (see note 11).

(25) Commitments and Contingencies

The off-balance-sheet commitments pledged and received by the Company comprise contractual obligations which have not yet been executed. The two types of commitments relate to cash and growth operations. Additionally, the Company has lease contracts which also represent future commitments made and received.

These off-balance-sheet cash commitments comprise:

- available credit facilities which were unused at year end and
- bank commitments received.

Commitments were acquired to carry out business expansion processes.

Finally, commitments relating to lease contracts for property and furniture and equipment are detailed in note 8 (Operating leases) and commitments relating to guarantees given in the financing contract are provided in note 20 (b).

Itemised details of commitments at 31 December 2014 and 2013 are as follows:

(a) Pledged

In thousands of Euros - 31 December 2014	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Guarantees	134	-	69	5,831	6,034
Cash	**134**	**-**	**69**	**5,831**	**6,034**
Purchase option on warehouses and stores	-	-	31,356	37,200	68,556
Commercial contract commitments	12,644	2,747	549	3	15,943
Other commitments	4,119	4,052	12,184	17	20,372
Operations / property / expansion	**16,763**	**6,799**	**44,089**	**37,220**	**104,871**
Total	**16,897**	**6,799**	**44,158**	**43,051**	**110,905**

In thousands of Euros - 31 December 2013	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Guarantees	1,567	134	-	7,723	9,424
Cash	**1,567**	**134**	**-**	**7,723**	**9,424**
Purchase option on warehouses and stores	-	-	24,273	39,534	63,807
Commercial contract commitments	10,213	2,870	463	7	13,553
Other commitments	4,330	4,069	11,974	4,609	24,982
Operations / property / expansion	**14,543**	**6,939**	**36,710**	**44,150**	**102,342**
Total	**16,110**	**7,073**	**36,710**	**51,873**	**111,766**

At 31 December 2014 and 2013, as the Parent of the DIA Group, the Company guarantees the financing granted to its subsidiaries in China, amounting to Euros 18,270 thousand and Euros 10,989 thousand, respectively. It was also the guarantor for Euros 25,400 thousand held by its subsidiary in France in 2013.

(b) Received

In thousands of Euros - 31 December 2014	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Unused credit facilities	63,500	-	-	-	63,500
Unused revolving lines of credit	750,000				750,000
Unused confirming lines	400,681				400,681
Cash	**1,214,181**	**-**	**-**	**-**	**1,214,181**
Commercial contract commitments	21,702	4,725	8,902	10,221	45,550
Operations / property / expansion	**21,702**	**4,725**	**8,902**	**10,221**	**45,550**
Total	**1,235,883**	**4,725**	**8,902**	**10,221**	**1,259,731**

In thousands of Euros - 31 December 2013	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Unused credit facilities	53,000	-	-	-	53,000
Unused revolving lines of credit	305,000	-	-	-	305,000
Unused confirming lines	269,849	-	-	-	269,849
Cash	**627,849**	**-**	**-**	**-**	**627,849**
Commercial contract commitments	16,812	6,350	12,296	11,794	47,252
Operations / property / expansion	**16,812**	**6,350**	**12,296**	**11,794**	**47,252**
Total	**644,661**	**6,350**	**12,296**	**11,794**	**675,101**

On 4 November 2014 the Company signed a framework agreement with Cecosa Supermercados, S.L., Supermercados Picabo, S.L. and Caprabo, S.A., all companies from the Eroski Group, to acquire assets relating to a maximum of 160 supermarkets operating under the Eroski Center, Eroski City and Caprabo hereinafter "the Transaction". At the end of 2014, completion of the Transaction is subject to authorisation being obtained from the Spanish competition authorities, as well as compliance with other terms and conditions usually applicable to this type of acquisition. The agreed maximum price is Euros 146,000,000 and is subject to potential adjustments, depending on the number of establishments finally acquired.

(26) Employee Information

The average headcount of full-time-equivalent personnel in 2014 and 2013, distributed by professional category, is as follows:

	2014	2013
Management	138	133
Middle management	568	554
Other employees	14,710	15,411
Total	**15,416**	**16,098**

At year end the distribution by gender of Company personnel and the members of the board of directors is as follows:

	2014		2013	
	Female	Male	Female	Male
Board members	2	8	2	8
Management	50	89	49	85
Middle management	291	284	278	285
Other employees	10,838	4,639	11,769	4,339
Total	**11,181**	**5,020**	**12,098**	**4,717**

In 2014 the Company employed one executive, one junior manager and 145 other employees with a disability rating of 33% or above (or an equivalent local classification). In 2013 the Company employed one executive, one junior managers and 143 other employees with this disability rating.

The Company has nine senior management personnel, one of whom also sits on the board of directors, at 31 December 2014 and 2013.

(27) Audit Fees

KPMG Auditores, S.L., the auditors of the Company's annual accounts, and other affiliates of KPMG International invoiced the following fees for professional services during the years ended 31 December 2014 and 2013:

	2014		
Thousands of Euros	KPMG Auditores, S.L.	Other companies associated with KPMG International	Total
Audit services	123	-	123
Other accounting review services	5	-	5
Other services	-	29	29
Total	**128**	**29**	**157**

	2013		
Thousands of Euros	KPMG Auditores, S.L.	Other companies associated with KPMG International	Total
Audit services	123	-	123
Other accounting review services	23	54	77
Other services	-	37	37
Total	**146**	**91**	**237**

The amounts detailed in the above tables include the total fees for services rendered in 2014 and 2013, irrespective of the date of invoice.

(28) Events after the Reporting Period

With effect from 21 January 2015, the Company has signed a renewal of the contract for the acquisition of 5,500,000 own shares signed on 21 December 2011, which was amended on 21 January 2014 (see note 16 (c) (vi)). The terms of the contract were again modified, establishing two tranches for the total acquisition of shares. Tranche 1 for the acquisition of 3,100,000 shares expires on 21 April 2015 and tranche 2 for the acquisition of the remaining 2,400,000 shares expires on 21 January 2016.

On 20 February 2015, the Board of Directors of the Company agreed to carry out an own share buy-back programme (hereinafter “Buy-back Programme”) in exercise of the authorization conferred on it by the shareholders at their General Meeting on 9 May 2011. This Buy-back Programme aims to reduce the share capital of the Company, with the previous agreement of the shareholders at their General Meeting, which is expected to be held on April 2015. For this purpose, the Board of Directors agreed to include a point in the Agenda in such General Meeting regarding the capital reduction necessary to redeem the shares acquired under the Buy-back Programme. In any case, the own shares Buy-back Programme will be unique and it will affect a maximum of 40,500,000 shares, representing approximately a 6.22% of the DIA registered capital at the date of the formulation of these annual accounts, and it will be limited to a maximum investment of Euros 200 million.

DIRECTORS' REPORT

(Free translation from the original version in Spanish. In the event of discrepancy, the original Spanish-language version prevails).

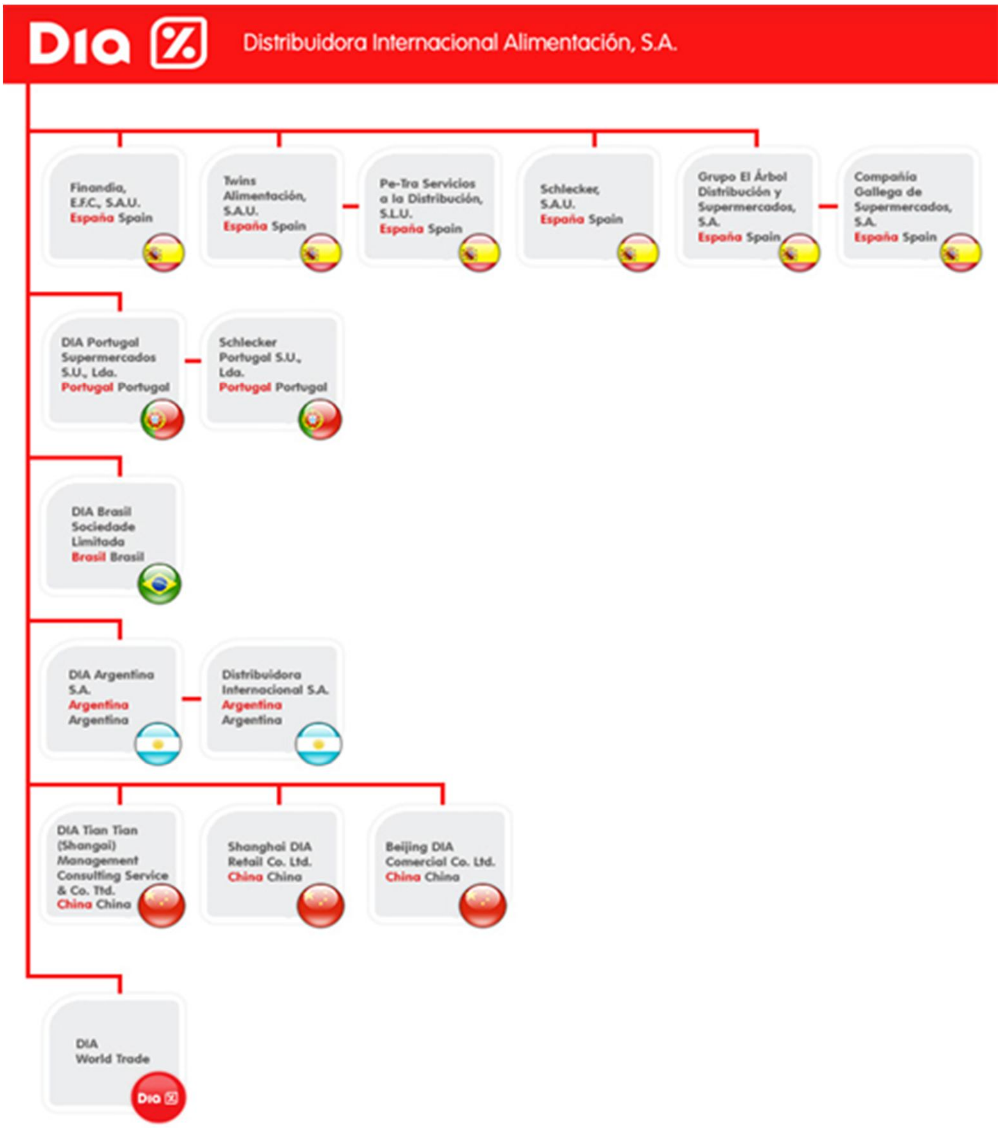
1. ENTITY'S SITUATION

1.1. Organizational Structure

Distribuidora Internacional de Alimentación, S.A. and subsidiaries form the DIA Group.

1.1.1. Corporate Structure

Distribuidora Internacional de Alimentación, S.A. owns 100% of all its subsidiaries except for Compañía Gallega de Supermercados, S.A., that is owned by 94.24%. The societies that compose the DIA Group can be seen in the following chart.



The principal activity of the Company and its subsidiaries is the retail sale of food products and any other consumer products, through owned or franchised self-service stores. DIA World Trade, S.A. is located in Geneva, Switzerland, and its principal activity is the provision of services to suppliers of DIA Group companies, while Finandia E.F.C., S.A.U., is a Spanish credit company that finances the commercial transactions of the customers in DIA stores in Spain through the "ClubDIA" card and Distribuidora Internacional, S.A., company located in Buenos Aires, Argentina, that provides consulting services.

1.1.2. Board of Directors

Distribuidora Internacional de Alimentación, S.A. is managed and governed by a Board of Directors which is made up of 10 members, of which six are independent, two are proprietary, one is executive and one is classified as "other external directors".

The composition of the Board of Directors is as follows:

- Ana María Llopis Rivas: Non-executive chairwoman qualified as "other external directors".
- Mariano Martín Mampaso: Vice-chairman qualified as independent.
- Ricardo Currás de Don Pablos: CEO qualified as executive.
- Julián Díaz González: Director qualified as independent.
- Richard Golding: Director qualified as independent.
- Pierre Cuilleret: Director qualified as independent.
- Rosalía Portela de Pablo: Director qualified as independent.
- Antonio Urcelay Alonso: Director qualified as independent.
- Nadra Moussalem: Director qualified as proprietary.
- Nicolas Brunel: Director qualified as proprietary.

The Board of Directors concentrates its actions on the general function of supervision and on consideration of those matters that are of particular importance to the Group. As a general rule it entrusts ordinary management of the Company to the CEO and to the Senior Management.

The main responsibilities of the Board of Directors include the followings:

(a) call of the general meeting of shareholders;

(b) appointment of directors by way of co-option and referring proposals to the general meeting regarding appointment, ratification, re-election and removal of directors, as well as acceptance of director resignations;

(c) appointment and renewal of those in the internal positions within the Board of Directors, and the members of and positions on committees;

(d) preparation of the financial statements, management report and proposal for application of profits of the Company, as well as the consolidated financial statements and management report;

(e) preparation of the annual corporate governance report to be presented to the general meeting and the other reports and documents that must be submitted to it;

(f) setting and implementing the treasury share policies, within the framework of the authorisations of the general meeting;

(g) delegation of authority to any of its members, on the terms established by law and the articles, and revocation thereof;

(h) approval and amendment of the Board of Directors regulation;

(i) approval of the general policies and strategies of the Company and the organisation necessary to implement them, monitoring and controlling that the CEOs and directors meet the objectives and respect the purpose and interests of the Society;

(j) approval of the compensation policy of directors.

The Board of Directors has appointed an audit and compliance Committee and a nominating and compensation Committee.

The main functions of the audit and compliance Committee are the followings:

(a) reporting to the general shareholders meeting in answer to questions raised by shareholders that fall within the scope of its responsibilities;

(b) supervising and reviewing the process of preparation and presentation of the regulated financial information;

(c) supervising the effectiveness of the Company's internal control procedures, internal audit and risk management systems, and discussing with the Company's auditors such significant weaknesses in the internal control system as may be discovered in the conduct of the audit;

(d) proposing to the Board of Directors, for submission to the general shareholders meeting, the appointment of the outside auditors, as well as the conditions for hiring them, the scope of their professional assignment and, if applicable, revocation or non-renewal of the appointment;

(e) establishing the appropriate relationships with auditors or audit companies to receive information regarding such questions as may compromise their independence, for examination by the committee, and those of anyone else involved in the process of auditing accounts, and such other communications as may be contemplated in the legislation regarding auditing and audit standards.

In any event, annually they must receive from the auditors or audit companies written confirmation of their independence as regards the entity or directly or indirectly related entities, and information on additional services of any kind provided to these entities by the aforesaid auditors or companies, or by the persons or entities related thereto, in accordance with the provisions of the Audit Law.

(f) annually, prior to the issue of the audit report, issuing a report stating an opinion regarding the independence of the auditors or audit companies. This report in any event must opine on the provision of additional services referred in paragraph (e) above.

(g) supervising compliance with the rules regarding related party transactions with directors or major shareholders or shareholders represented on the board; in particular, it will report to the board regarding such related party transactions and, in general, regarding transactions that imply or may imply conflicts of interest, for purposes of their approval, and will see to it that information in respect thereof is communicated to the market as required by law;

(h) supervising compliance with internal codes of conduct, in particular the code of conduct for the securities market;

(i) any such others as may be attributed to it by law and other regulations applicable to the Company.

The members of the audit and compliance Committee are Julián Díaz González, chairman, and Richard Golding and Nadra Moussalem as members.

The main functions of the nominating and compensation Committee are the followings:

(a) evaluating the competence, knowledge, experience and level of dedication required of members of the Board of Directors;

(b) making proposals to the Board of Directors of independent directors to be appointed by co-option or, if applicable, for submission to decision by the general meeting, and proposals for re-election and dismissal of those directors by the Company;

(c) reporting on proposals of the Board of Directors for appointment of other directors to be appointed by co-option or, if applicable, for submission to decision by the general shareholders meeting, and proposals for re-election and dismissal of those directors by the general meeting;

(d) reporting on the senior management appointments and removals that the chief executive of the Company proposes to the board;

(e) reporting to the board on matters of gender diversity and, in particular, seeing to it that procedures for selection of directors and senior managers do not suffer from implicit bias preventing selection of women;

(f) proposing to the Board of Directors (i) the system for and amount of annual compensation of directors, (ii) the individual compensation of inside directors and senior managers and the other terms of their contracts and (iii) the basic terms of contracts of senior managers;

(g) overseeing compliance with the compensation policy set by the Company;

(h) generally supervising compliance with the Company's applicable corporate governance rules.

The members of the nominating and compensation Committee are Pierre Cuilleret, chairman, and Mariano Martín Mampaso and Nicolas Brunel as members.

1.2. Operation

The DIA Group is the leading distributor of food worldwide specializing in the proximity discount segment, located in 5 countries: Spain, Portugal, Brazil, Argentina and China in which it operates in 2014 and having 7,306 stores across different formats as DIA Market, DIA Maxi, Schlecker, Clarel, El Árbol, DIA Fresh, Cada DIA, Minipreço or Mais Perto, being own stores or franchises.

1.2.1. Strategy

DIA wants to be the leading distributor in the 2P segment, namely Price and Proximity, that are, according to several surveys, the 2 most valuable factors for customers when choosing the store to make their feeding purchase.

Therefore, DIA's strategy is based on the following lines:

a) Leadership in the neighbourhood segment: DIA boasts a unique business model that has translated into unrivalled specialisation in the neighbourhood segment. This model implies the ability to cater to each shopper's everyday grocery requirements without having to travel far, saving money and time for our shoppers in the process. Underpinned by the tenets of sustainable mobility and integration in city-scaping, the sales model makes life easier and is more environmentally-friendly, while helping to preserve existing urban cohesion and the dynamism of the broader parallel retail trade.

Almost 86% of the stores where DIA Group is operating are located in urban and rural areas through formats DIA Market, DIA Fresh, Schlecker, Clarel, El Árbol, Cada DIA, Minipreço or Mais Perto offering the best prices of the area of influence.

To encourage the daily shopping, DIA Market, El Árbol and DIA Fresh stores offer more perishable products as produce quality is of increasing importance to consumers. The DIA Group responds swiftly to its customers' demands, which is why its stores are devoting more shelf space and prominence to produce. The use of light and colour in our stores facilitates selection of these products infused with energy and life. The goal, to be the player to beat in perishables: fruit, vegetables and hot spot, offering bread and pastries, are the strengths that the DIA Group is actively developing. Furthermore, El Árbol stores stand out in the assisted sale in butchery, charcuterie and fish market.

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(b) Leadership on price: Boosting shoppers' purchasing power by offering the best quality at the best price in the market make the DIA Group work with a goal of continuous improvement in efficiency in overall business management resulting in its undisputed leadership in prices. Quality food that everyone can afford is a priority for the company. The DIA Group has the best price image in its most important markets: Spain, Portugal, Brazil and Argentina.

(c) A quality own brand: The own brand is essential to achieve a good price image and represent a single link with consumers, stimulating their fidelity to our stores. The own brand in DIA constantly evolve in order to a better adaptation to the customers' needs, providing them more information and innovating, with the objective of achieving the same or even a better quality as the leader product of the market, with a unbeatable price.

On average, more than 50% of sales are own brand products, although in emerging countries this percentage is lower. Even so, in all our markets, the percentage of sales of own brand is well above the average of its own market.

(d) A single loyalty program: through the "ClubDIA" card, customers achieve immediate discounts in the cash desk in more than 300 products. Furthermore, monthly coupons are issued offering additional discounts in a product family, a brand of products or a new product that has recently gone to market. The use of these coupons represents an additional discount of 6% of the ticket purchase value.

This tool is critical for the price image and allows the jointly elaboration with the suppliers of more efficient and profitable for all sale plans.

This program was developed entirely by DIA and is one of the most developed and efficient programs in the sector, being implemented in all countries except Brazil.

(e) Low cost operator: The improvement of the processes, the continuous reviews, and the constant search of excellence, are part of the DNA of the DIA Group. This efficiency is the best warranty for the sustainability and what allows the offering of the best prices.

In order to achieve the efficiency and the reduction of costs, the DIA Group develops all its strategic software internally, as the cash desk software, the management of warehouses program or the fidelity program described above. These programs are designed in order to a better adaptation to the proximity trade characteristics.

Efficiency couldn't be achieved without an integrated and optimized logistic system. Thereby, all merchandise for the stores prepared in our warehouses, is delivered in one multi-temperature truck where all perishable, frozen, dry or +0 temperature products fit. Warehouses are managed using the last technology as the "voice-picking" (voice-transmitted orders) or the radio frequency, that have allowed removing all paper.

Furthermore, in the stores, everything is designed to optimize the tasks of employees, starting with the products allocation facilitated by the packaging and the conditioning. In the cash desk, price reading is faster and easier because of the bioptic scanner, as the bar-code is allocated in several places of the products and the keyboard is optimized by the removal of the unnecessary keys and the enlargement of the most used keys.

Definitely, the management is aimed to efficiency, what allows achieving a lower cost and offer the best prices for the customers.

(f) The franchise: DIA's track record in the design of an unrivalled business blueprint is transferable to a network of franchises giving the franchisee the opportunity to be part of a large commercial network belonging to the leader in proximity. The flexibility of the franchise model and the proximity of the franchisee to the end customer facilitate the provision of personal service and reinforce the supply of quality products at the lowest prices, nourishing the best neighbourhood model in the marketplace.

DIA transfers to its franchisees all its internally generated know how, covering all aspects of business, giving to its franchisees the possibility of the development of a profitable and competitive business.

This is way the franchise model is suitable for the proximity store management and it is the key to improve the company's profitability.

(g) Profitable growth: Since its beginning in 1979, DIA has grown steadily. Its international vocation, its capacity for innovation and its high versatility make it a distance runner who needs to take on new challenges after achieving the goal.

However, the DIA Group is not searching for the growth at any cost, but it assesses the profitable growth. This sometimes implies closing unprofitable and little prospect of improvement business as has happened in the sale of the business in Turkey in 2013 and France in 2014 and the cessation of the business in DIA Beijing. On the contrary, the purchase of the Plus stores in Spain at the end of 2007 or the latest acquisition of Schlecker in the early 2013 and El Árbol at the end of 2014 demonstrate the growth will of the DIA Group even with trading operations of companies as long as they are made in a reasonable price and fit in the company´s strategy.

Regarding to the organic growth, it is not searched an uncontrolled growth that could affect the profitability of the emerging countries as it has happened in Brazil, where a profitable growth is ensured by the opening of a new region each year and a half or searching alternatives with masterfranchise contracts.

1.2.2. Business Model

The DIA Group operates proximity stores. Management of stores is carried out by own way (COCO Stores – Company Owned Company Operated), or through franchises (FOFO stores – Franchised Owned Franchised Operated or COFO stores – Company Owned Franchised Operated).

(a) Proximity stores: The DIA Group wants to have the leadership on proximity stores and from its beginnings has developed store models adapted to proximity in urban and rural areas. These stores represent about the 86% (63% DIA, 17% Schlecker/Clarel and 6% El Árbol) of the total number of stores worldwide.

The main formats of proximity stores used by the DIA Group in their markets are the followings:

DIA Market: DIA Market stores have a floor area between 400 to 700 square meters and are readily adaptable to local requirements. Its attempt to get as close as possible to shoppers, bringing them a wide range of products and an unbeatable quality-price trade-off. These stores' attention to perishables is particularly noteworthy. They are the ideal stores for your everyday shopping.

These stores sell about 2,800 products.

Schlecker: The DIA Group acquired the Spanish and Portuguese business of German company Schlecker in 2013. With this acquisition, DIA acquired more than 1,080 stores in Spain and 40 in Portugal, adding to its product offering in the health and beauty segment, as Schlecker stores, with an average floor space of 200 square meters, are stores specialized on household, beauty and health products, located in urban and rural areas.

These stores sell about 5,500 products.

Clarel: Clarel is a new store concept. The goal is to become the benchmark neighbourhood store for shoppers looking to buy health, beauty, household and personal care items. Clarel stores retail around 6,000 products.

Clarel is the fruit of the acquisition of the Schlecker stores in Spain and Portugal. These stores are in the process of being refurbished and rebranded. The Clarel store image is more modern and more neighbourhood in feel.

DIA Fresh: This commercial model works as a store where the management of fresh products is developed. Falling under the umbrella of the neighbourhood shopping concept, DIA Fresh is a smaller format, with an average floor space of 150 square meters and a product offering based on fresh products such as fruit, vegetables and hot spot (bread and pastries). Another feature of the DIA Fresh store concept is its ample opening hours, which allows shoppers to stop by at any time from 9.30 am to 9.30 pm.

El Árbol: The DIA Group purchased El Árbol in Spain in late October 2014. El Árbol stores are included in neighbourhood and closeness to customer shopping concept . With a network with more than 400 stores, El Árbol has a strong presence in Castilla y León, Aragón, Asturias and Galicia regions. The stores are characterized by its specialization on fresh products standing out the assisted sale in butchery, charcuterie and fish market.

Cada DIA: is the franchise commercial format for little towns, mainly rural areas, in which the franchisee can offer his products without the need of transform the store into a DIA store. Is the "lifelong" store managed by the little trader.

Minipreço: Minipreço is the brand that DIA operates in Portugal. There are convenience stores that are located in urban centers and larger stores are in the suburbs of cities. In these stores the DIA brand products are offered.

Mais Perto: is the most rural concept of DIA store in Portugal, the same as Cada DIA stores in Spain. The stores are located in little towns and are managed by franchisees of the area. This allows a greater proximity to customers.

(b) Attraction Stores: in order to complement the retail offering of the neighbourhood segment, the DIA Group operates too with attraction stores located around urban centers and offering parking to customers. These stores represent about the 14% of the total number of stores worldwide.

DIA Maxi: DIA Maxi store allows a better adaptation of the supply and the level of service offered to customers characterized by making larger and less frequent purchases, even going to the store by car, compared to the neighbourhood segment. This is the DIA Group's largest store format, with a floor area of up to 1,000 square meters. At DIA Maxi stores consumers can shop for a huge variety around 3,500 SKUs with the best market prices.

(c) Management models: management of stores is carried out by own way (COCO Stores – Company Owned Company Operated), or through franchises (FOFO Stores – Franchised Owned Franchised Operated or COFO Stores – Company Owned Franchised Operated).

COCO Stores (Company Owned Company Operated): This is the historic management model for the DIA Group, although over recent years it has become less prevalent by comparison with the franchise scheme management model. The principal advantages of this management model are the greater ease of adapting the business model, making changes and managing the personnel that work in the retail stores. In particular, the "DIA Maxi" retail stores for the most part operate under this model, due to their greater size, high sales potential and greater management complexity. New business concepts are tested first in COCO stores before being replicated in franchise stores.

COCO stores represent at the year-end 2014, about 58% of the total DIA Group stores.

FOFO Stores (Franchised Owned Franchised Operated): For the DIA Group franchising is a management model and not a different retail model, for which reason this model is treated from the point of view of the end customer in the same manner as a COCO or company owned store. It is a model that has become much stronger over recent years, and is of special significance to the DIA Group. This change in the strategy is based, principally, on the proximity between franchisees and customers that provides a nearby service fitted to their needs. The franchisee makes an optimal and efficient management of the store, is an entrepreneur who manages his business with the support of DIA generating wealth in the environment in which it operates.

FOFO stores represent at the year-end 2014, about 21% of the total DIA Group stores.

COFO Stores (Company Owned Franchised Operated): Implementation of this management model began in Spain in 2006 by way of isolated tests. Since 2009 it has been implemented in a significant manner. The principal advantage of this system is that the DIA Group fits out premises meeting all investment requirements and having all necessary equipment and, thereafter, they are transferred to a third party for management and operation, which allows generation of profitability for both parties thanks to the franchisee's involvement in the operation of the point of sale.

COFO stores represent at the year-end 2014, more than 21% of the total DIA Group stores.

The current franchised banners are: DIA Market, DIA Maxi, Schlecker, Cada DIA, Minipreço and Mais Perto.

2. DEVELOPMENT AND BUSINESS RESULTS

2.1. Main financial and non-financial indicators

The company reached an amount of EUR4,146.4m of gross sales under banner in 2014. Also, and jointly with its subsidiaries abroad, the gross sales under banner are EUR8,011m in 2014 (7,945.6m in 2013).

The operating profit of the Company in year 2014 is EUR256.9m, which represents an increase of a 1.8% with regard to year 2013.

In 2014 DIA recognised impairment losses in the subsidiary in Shanghai amounting to EUR42.7m; this impact is due to the fact that the Company revaluated the subsidiaries' projections to show the economic evolution. In addition, in the current year, DIA has incurred losses of EUR720.7m from the sale of the stake held in France's subsidiary, reaching a loss before taxes of EUR391.9m in 2014.

DIA: FY 2014 RESULTS

(EURm)	2013	%	2014	%	INC
Sales	**4,199.0**	**100%**	**4,146.4**	**100.0%**	**-1.3%**
Works carried out by the company for assets	7.3	0.2%	5.0	0.1%	-31.5%
Supplies	(3,201.5)	-76.2%	(3,166.2)	-76.4%	-1.1%
Other operating income	133.0	3.2%	158.9	3.8%	19.5%
Personnel expenses	(428.9)	-10.2%	(433.6)	-10.5%	1.1%
Other operating expenses	(346.1)	-8.2%	(346.4)	-8.4%	0.1%
Amortisation and depreciation	(110.6)	-2.6%	(100.6)	-2.4%	-9.0%
Non-financial and other capital grants	3.5	0.1%	0.8	0.0%	-77.1%
Impairment and gains/(losses) on disposal of fixed assets	(3.3)	-0.1%	(7.4)	-0.2%	124.2%
Results from operating activities	**252.4**	**6.0%**	**257.0**	**6.2%**	**1.8%**
Net finance income (excluding financial instruments)	25.7	0.6%	(23.4)	-0.6%	-191.1%
Impairment and gains/(losses) on disposal of financ. instr.	(124.3)	-3.0%	(762.6)	-18.4%	513.5%
Net finance result	**(98.6)**	**-2.3%**	**(786.0)**	**-19.0%**	**697.2%**
Profit before income tax	**153.8**	**3.7%**	**(529.0)**	**-12.8%**	**-444.0%**
Income tax	(48.5)	-1.2%	137.1	3.3%	-382.7%
PROFIT FOR THE YEAR FROM RECURRING OPERATIONS	**105.3**	**2.5%**	**(391.9)**	**-9.5%**	**-472.2%**

In year 2014 the net sales per employee of the Company are EUR268,970 and EUR260,842 in 2013.

The evolution of sales with the loyalty card was slightly negative in the Company and its subsidiaries in Spain, from 70.2% in 2013 to 71.5% in 2014.

WORKING CAPITAL AND NET DEBT

The Company's negative working capital was EUR362.3m at 2014 year-end, which implies a decrease of 28.1% with regard to the same period in previous year. The growth in inventories is namely related to the store openings, the Clarel remodelling and the new integration of El Árbol. The increase observed in Trade receivables namely corresponds to the dynamic expansion of the franchised activity and some incremental charges to suppliers pending to be invoiced at the year-end.

WORKING CAPITAL

(EURm)	2013	2014	INC
Inventories	182.9	204.0	11.5%
Trade and other receivables	227.1	353.1	55.4%
Trade and other payables	(913.7)	(919.4)	0.6%
Trade working capital	**(503.7)**	**(362.3)**	**-28.1%**

In 2014, the Company's net debt decreased in EUR149.9m. During 2014, several factors had an impact on the company's net debt: lower negative working capital due to lower sales growth, EUR103m in dividends paid out in July 2014 (EUR19.4m more than in July 2013), and EUR37m cash equivalent of new equity-swap signed to hedge the new 2014-2016 Long-Term Incentive Plan approved in the last Annual General Meeting.

NET DEBT

(EURm)	2013	2014	INC
Long-term debt	*668.8*	*516.3*	*-22.8%*
Short-term debt	*235.7*	*220.4*	*-6.5%*
Total debt	904.5	736.6	*-18.6%*
Cash and cash equivalents	(29.2)	(11.2)	-61.5%
Net debt	**875.3**	**725.4**	**-17.1%**

STORE EXPANSION

At the end of December 2014, DIA operated 7,306 stores, with 406 net openings over the last twelve months, of which 352 correspond to DIA and 54 to Clarel. At the end of December 2014, a total of 741 Clarel stores were already operating, of which 606 were remodelled from Schlecker during the year. Additionally, at the end of 2014 DIA had 437 El Árbol stores in Spain acquired in November 2014.

The company maintained its focus on the franchise activity in 2014. Over the last twelve months, the total number of franchised DIA format stores (both COFO and FOFO) increased by 325 (+12%) from 2,734 to 3,059 stores. The contribution of franchised stores in the DIA format increased accordingly from 51.8% to 54.4%, 2.6 percentage points more than during same period last year.

It is worth highlighting that during 2014 the franchised activity continued its progress in both regions. The total number of franchised stores rose by 212 in Iberia and by 113 in Emerging Markets over the last twelve months. In Emerging Markets, franchised stores represented 60.9% of the network.

The reduction in the number of FOFO stores in Iberia is attributable to the company's decision to acquire some of these stores and convert them into COFO and also to close stores showing a low level of performance.

NUMBER OF STORES

	2013 (1)	%	2014 (2)	%	CHANGE
DIA Urban	239	8.3%	264	7.8%	25
DIA Market	1,486	51.5%	1,447	43.0%	-39
Schlecker/Clarel	1,162	40,2%	1.217	36.2%	55
El Árbol	-	-	437	13.0%	437
PROXIMITY	**2,887**	**78.0%**	**3,365**	**79.7%**	**478**
DIA Parking	12	1.5%	5	0.6%	-7
DIA Maxi	803	98.5%	851	99.4%	48
DIA Attraction Stores	**815**	**22.0%**	**856**	**20.3%**	**41**
Total DIA COCO stores	**3,702**	**57.3%**	**4,221**	**57.8%**	**519**
FOFO	1,452	52.6%	1,507	48.8%	55
COFO	1,282	46.4%	1,552	50.3%	270
COFO Schlecker/Clarel	27	1.0%	26	0.8%	-1
Total FRANCHISED stores	**2,761**	**42.7%**	**3,085**	**42.2%**	**324**
Total DIA stores	5,274	81.6%	5,626	77.0%	352
Total Schlecker/Clarel stores	1.189	18.4%	1,243	17.0%	54
Total El Árbol stores	-	-	437	6.0%	437
TOTAL NUMBER OF STORES	**6,463**	**100.0%**	**7,306**	**100.0%**	**843**

(1) Figures with France, Turkey and Beijing activities re-expressed as discontinued.

(2) Figures with France activities re-expressed as discontinued.

The Company's capital expenditure in 2014 decreased in -10.96% to EUR121.26m, excluding the investment in other DIA Group companies. These investments are focused mainly in store openings, as well as store extensions, improvements and remodelling made in stores.

During 2014 DIA obtained EUR454.1 of cash from the sale of DIA France and paid out EUR21m for the participating loan in the acquisition of the business combination of El Árbol.

2.2. Questions related to environment and personnel

2.2.1. Environment

The DIA Group is working hard to reduce its environmental impact by continually fine-tuning all of its processes. With the intention of improve quantitatively and qualitatively the environmental information that the company publish both internally and externally, during 2014 indicators have been revised, proposing modifications that expand the report information and improve the criteria, adapting them to the recognised general standards. In this revision project an internal verification of the reported information has been performed too, in order to ensure the quality of the information to work on plans to improve these indicators.

In 2014 the framework to build the environmental management system has been defined, and have been drafted, disseminated and implemented at international level the first procedures as a measure to ensure the homogenous application, for all the levels, of the defined standards for the Company. This Standardization System will continue in the future, as the defined procedures will be subject to revision and continuous updating.

During this year, the company has worked too in the development of an own tool that will allow the calculation of the carbon footprint of the facilities and activities of the company in all its geographical and operational scopes.

DIA Group comprehensively review its facilities and activities, applying an environmental diagnosis procedure whereby it can be assess its situation regarding the waste management, the emissions and discharges control, resource consumption (water, energy), and the existing measures to minimize de environmental impact.

In 2014 the diagnosis of logistics platforms of DIA in Spain has been completed, performing the environmental audit of the 9 non-evaluated warehouses in 2013 and implementing the improvement plans derived from the obtained results.

The application of the environmental assessment procedure that has been started in the Spanish warehouses, plans to increase its geographical and operational scope, gradually extending on a gradual way to the rest of facilities (stores and offices).

Finally, the integrated management of wastes that during 2012 was in the experimental stage in one warehouse, and that was generally implemented in 2013 for the Spanish warehouses, has been consolidated during 2014 at European level.

Once implemented widely, the separation of the recoverable fractions process has allowed the increase of the waste fractions whose final destination is the reuse, recycling or recovery and the decrease of the waste fraction destined for landfill.

2.2.2. Personnel

WORKFORCE

During 2014 the workforce in the DIA Group has grown in the extent that the business has grown.

The management teams in DIA continued to stand out because of the great stability and commitment, that have a significant influence in the operational efficiency. It is a collective that grows very moderately, according to the group's philosophy.

The teams for the selection and training for base and functional personnel have continued doing an excellent work in the recruitment and development of the workforce.

A key element of success, as the stability of the workforce, is the selection and training system for base and functional personnel, that allows attract and retain the best professionals. The selection and training of the store employees, is performed by qualified professionals in the stores-schools, that after a rigorous selection process it is imparted training formation for the store work in an extraordinarily practical way. Furthermore, the training process in the logistic centers is directed mainly to the efficient use of machinery and tools and to the occupational risk prevention.

COMPANY-EMPLOYEE RELATION

About the Internal Communication, aware of the importance of employee involvement in the company project, it continues to develop in DIA.

New channels of communication have been launched in all the countries and most of the existing have been updated. For this propose, it has been created for the staff at headquarters and the offices a Newsletter about the projects that are underway in the company. It has been launched the Employee website for the store and warehouse staff, with access from mobile devices. Moreover, it has been started a specific communication channel for hierarchical levels about the DIA's client, for further progress in positioning the client as the clear leader of our decisions.

HEALTH AND SAFETY AT WORK

Being aware of the importance of maintaining appropriate conditions to prevent risks, DIA scrupulously complies with the current legislation.

In warehouses and stores, exist specific training about occupational risk prevention, and all employees training about the use of the specific machinery that they use in their Workstation.

Furthermore, for personnel in office, information and sensitization about health and safety at Workstation are carried out, that in Spain has its largest representation in the Healthy Week.

This year DIA has taken actions to increase awareness of information security, a risk which is increasing given the high level of technological connectivity with which professionals works in nowadays' large companies.

EDUCATION AND TRAINING

In DIA an occupational and high quality training is provided for employees applying for jobs in stores to prepare them for the managing of a sale terminal (cash register), inside the DIA values and in basic concepts of product emplacement and collaboration, customer attention and teamwork.

About the training on business offices includes mainly two types. The largest is the training on languages, mainly English, the same as Spanish, Chinese and French, as this is important for the negotiation with suppliers around the world and for the internal communication in a global company. Technical training affects to most of the workforce, with the specific knowledge for the Workstation or for the managing of office tools and other software applications, which support and provide effective internal company processes.

The Company has an e-learning *in company* platform already used in almost the full scope of the Company as a solid alternative to classroom training. Also, the International Franchises area has developed a training that improves the training of franchisees in all countries and all languages of the DIA scope.

During 2014 the new DIA International Development Program (PIDD) was started and it's focused to high potential Managers throughout the Company. 20 people of the different areas of the company participated on its first edition. This executive training is taught in an *in company* format through a business school of international prestige. This initiative is seen as a key tool in developing our potential at management level.

DIVERSITY AND EQUAL OPPORTUNITIES

DIA is a company committed to equal employment opportunities, where the presence of women is balanced, reaching a 69% of the workforce, being the representation of women in management positions a 35%.

PERFORMANCE AND REMUNERATION

In the Company there are mechanisms for performance assessment for the 100% of the workforce. For store and warehouse personnel, objectives of performance of productivity in workplace and individual are assessed. For the business office, individual objectives are focused on the individual performance and in the same line as the Company objectives.

For this reason, different own assessment systems have been developed. Nowadays the company is working on a new application for the assessment of the key posts, valid for all the countries, which will be a support to move forward on the management alignment with business objectives.

For the directors level the company has started a system for the talent management with a global scope, which will increase the strength of succession plans of the company and the stability of business processes, as well as the commitment of our best professionals with the DIA business project.

The remuneration policy is established on general terms by the Management of the Company, according to the market, the inflation, agreements with unions and collective agreements.

DIA's remuneration policy is based on the following principles and foundations:

- Moderation and fitness to trends and references on remunerations followed in companies of similar size and activity locally, so as to be aligned with the best market practices.
- Reward quality, dedication, responsibility, business knowledge and commitment to the Company of people who occupy key posts and lead the organization.
- Close linkage between compensation and results of Company's operations, so that the weight of the variable remuneration is adequate to effectively reward the achievement of objectives and adding value to the Company and its shareholders.

- Internal equity and external competitiveness.

3. LIQUIDITY AND CAPITAL RESOURCES

3.1. Liquidity

The Company applies a prudent policy to cover its liquidity risks, ensuring the fulfillment of the payment commitments acquired, both commercial and financial, for a minimum period of 12 months; covering the financial needs by recurring cash flow generation from its business, as well as the engagement of long-term loans and credit facilities.

At 2014 closing, liquidity availabilities amount to EUR849.7m, including cash, cash equivalents and available credit facilities.

Liquidity Analysis (in millions of euro)			
Class	Total	Used	Available
Revolving lines of credit	750.0	-	750.0
Credit facilities	88.5	25.0	63.5
Cash and other cash equivalents	11.2	-	11.2
TOTAL	849.7	25.0	824.7

3.2. Capital Resources

The Company has invested in recent years an amount close to EUR100m, excluding the acquisitions of shares. The Company's strategy is focused on investing mainly in the store openings, as well as store extensions, improvements and remodelling in stores.

DIA prepares an annual investment plan that is submitted to the Group Management through an Investment Committee. At the same time, the senior management submits for approval to the Board of Directors. In financial terms, targets on return on investment are set.

3.3 Contractual obligations and off-balance operations analysis

In the current development of the activity, the Company has made certain operations not included in the balance sheet and that can suppose a cash inflow or outflow in the case of having to deal with the commitments arising from these operations. These are mainly operating leases for stores and warehouses.

The total commitments acquired by the Company at 2014 closing that can affect its liquidity amount to EUR220.8m (2013: EUR240.0m). The most significant item corresponds to lease contracts commitments signed for the premises where the Company develops its activity.

Lease contract commitments of premises amount to EUR110.4m at 31 December 2014 (31 December 2013: EUR133.5m).

On the other hand, the Company has obligations related to furniture and equipment rentals (vehicles, equipment, cleaning contracts…) for an amount of EUR5.6m at 31 December 2014 (EUR4.1m at 31 December 2013).

The rest of obligations are classified between Treasury and Expansion operations, for an amount of EUR104.9m at 31 December 2014 (EUR102.3m at 31 December 2013). These operations include primarily call and put options for properties, mainly warehouses, and obligations related to commercial operations and contracts, mainly with franchisees.

The Company has also received commitments that can involve a future cash inflow for an amount of EUR1,214.2m (EUR648.0m at 31 December 2013). These received commitments are related to Treasury and include the amounts of the credit facilities, revolving credit and confirming credit, granted and unused. The increase in these commitments between years 2014 and 2013 has been caused by the syndicated loan contract signed by the company with some financial entities for an amount of EUR400m, and also the increase of the factoring facilities.

With these credit facilities, the Company covers its financial needs for the daily operations and it doesn't consider that any circumstance can occur that will affect to the granting of these credit facilities by financial institutions.

4. MAIN RISKS AND UNCERTAINTIES

4.1. Operating risks

RISK OF LIABILITY FOR DEFECTIVE PRODUCTS

DIA's business is exposed to the risks of civil liability inherent in the marketing of food products. Despite the fact that DIA does not directly produce any of the products it distributes, it cannot be guaranteed that no liability complaints will be presented against DIA.

The safety and quality of the products are essential to the maintenance of consumer confidence. A material error in the procedures for control of the integrity of the products could translate to decrease confidence, resulting in a loss of customers and an adverse impact on the "DIA" brand and its reputation, which would affect the "sales" account.

In order to mitigate the possible materialization of this risk, DIA created and implemented an integrated quality management programme, which covers the following matters:

- Selection of ingredients/base products: after deciding to develop an own brand product, there is work for technically defining the product, precisely describing the quality specifications thereof. Thereafter, there is a comparative tasting using a representative sample of consumers, in order to evaluate consumer perception of the sensory characteristics and design of the product under development.
- Manufacturing: with the adoption by the selected suppliers of strict health and safety measures. Also, before being selected to work with the DIA own brand, suppliers must pass a strict initial approval audit.
- Finished product: after development of the product, at each warehouse, there is a department responsible for controlling the quality of the finished products and taking samples from each truck arriving there, with merchandise not meeting the defined quality standards not being accepted.

Also, in order to mitigate this risk, DIA has an insurance policy appropriate in its coverage concerning liability for defective products.

RISKS ASSOCIATED WITH PROVISIONING, PRODUCTION AND DISTRIBUTION

The products sold by DIA are manufactured or sourced principally in the country in which the business is conducted, or the bordering countries. This fact implies, on the one hand, greater dependence on those suppliers and the continuity of their businesses and, on the other hand, greater exposure to such political and economic conditions, labour disputes and disruptions and natural disasters that may occur in the geographical areas in which those suppliers conduct their businesses.

Many of the products distributed by DIA are perishables, for which an inaccurate assessment of demand or the impossibility of maintaining products in stock could complicate stock management and have an adverse impact on the operating results of DIA.

Regarding product distribution, DIA has a series of transport and distribution contracts (activities entirely entrusted to third parties). Any significant interruption in the operations of the transport network, insolvency of the suppliers and transporters, or termination of the aforesaid contracts could result in logistics problems and delays in distribution of products to the retail stores. In addition, non-compliance with tax and Social Security obligations by transporters could result in additional costs for the DIA Group in the form of subsidiary liability.

The fact that suppliers or transporters may not make deliveries, or do not perform their tasks, or that there may be a delay in their deliveries or performance of their tasks, and any additional costs associated with such delays or failures, could result in the generation of additional expenses and a material adverse impact on its business, financial situation and operating results.

DIA has the following management systems or tools to mitigate the above risks:

- DIA bases its competitive strategy in the operating efficiency throughout the value chain based on high technology logistics and information systems.
- Regarding the transport of merchandise from DIA logistics platforms to retail stores, DIA has a standard contract that is used to hire transport undertakings that are to load, transport and unload merchandise, in which states the obligation on transport undertakings and their workers to comply with certain internal and quality rules in the performance of the service and to coordinate regarding prevention of employment risks and control procedures to verify compliance by the transporters with their tax and employment obligations.
- The logistics platforms or warehouses have software which gives real-time information on the stock in the warehouse, and prepares a daily plan of production and transport within the warehouse.
- For the management of retail stores, DIA has developed automated ordering software called APT2, which places the retail store order for each article in accordance with its stock, its sales forecasts, and the expiration date and implementation characteristics of the retail store. This programme also optimises the loading of the truck, improving transport costs.

REGULATORY RISK

DIA's business is subject to a broad range of regulations (labour, environmental, tax, data protection, retail trade, franchising, food handling and safety, competition and other legislation) in the different jurisdictions in which it operates. The differences in the regulatory requirements applicable in each jurisdiction may present a significant challenge from an operational point of view, by requiring that DIA adjusts its business to varying regulatory schemes.

The operations of DIA also could be affected by changes in rules applicable to it, in particular by amendments of regulations of opening hours, construction and opening of new stores, establishment of prices and taxes. Any violation of the applicable rules could result in imposition of fines, penalties, administrative sanctions, and even potential sanctions of a criminal nature.

DIA has the responsibility to identify, measure and minimize legal risks continuously observing the regulatory framework applicable and reporting on compliance with legal obligations to internal responsible for operations.

In order to develop and properly fulfil this function, the Company has an organizational structure consisting of a Human Resource Management, a Financial and Fiscal Management and Legal Department in all jurisdictions in which it operates, which have the function of identifying the applicable regulations and monitor compliance.

To properly perform the functions of identification of the regulatory and supervisory framework of compliance, DIA has undertaken the following actions:

1.- Establishment of a process control and monitoring rules.

DIA has what has been termed a "map of regulation", which identifies and details all regulations applicable to DIA, with focus on key legislation in the main processes of the supply chain, and which has been classified into six paragraphs:

- legislation applicable to the negotiation process of the product, that is to say, to DIA's relationship with its suppliers of services and goods, competitors, regulatory boards, brands, etc.;
- legislation applicable to the logistics activity, that is to say, to the exercise of the activities of warehousing, distribution and transportation of goods;
- legislation applicable to the wholesale and retail trade;

- legislation applicable to business premises, urban lease, condominium, local taxes, business hours, etc.;

- legislation applicable to the relationship between DIA and its customers, protection of personal data, consumption, method of payment, advertising and sales promotion, etc.;

- legislation applicable to DIA, as a listed company, on matters of stock market, internal code of conduct, etc.

Those responsible for monitoring, at the same time, are responsible to inform the rest of the Company on the content and scope of the new and/or regulatory changes, designing and holding training sessions, well in classroom mode or in e-learning, when legislative developments had a significant impact on the activity of DIA.

The said persons have established a procedure for monitoring and updating of policy and communication to carry out this function, whereby are defined resources, responsibilities and internal and external tools needed to perform this function and achieve the dual objective of having a regulatory map updated and an organization informed about their legal obligations.

2.- Systems Implementation Compliance.

DIA has established policies and procedures to inform and train employees on certain principles of behaviour and to prevent and detect misconduct. This line included the existence of the DIA Code of Ethics and an Ethics Consultation and Information Channel, and the implementation of a plan or model of crime prevention in the Company.

(i) Code of Ethics and Ethics Consultation and Information Channel

On 9 May 2012 the DIA Board of Directors approved the first Code of Ethics (available in www.diacorporate.com), result of consensus and reflection of the diversity within DIA. The Company has considered that the Code of Ethics is the best instrument to implement an enforcement policy from the top down, leading by example employees with certain lines of conduct or behaviour. As with the other standards defined by the Company, all employees must comply with the principles of conduct contained in said Code.

DIA has also established an Ethics Consultation and Information Channel (via e-mail and postal address) at group level and at the level of each jurisdiction in which DIA operates in order to clarify questions of interpretation and analyse and resolve potential breaches of the Code, in accordance with internal and external regulations that are applicable. The Ethics Committee at the corporate level is responsible for managing the Ethics Consultation and Information Channel, spreading their existence and overseeing its proper functioning.

(ii) Crime Prevention Model in Spain

DIA has implemented a model of crime prevention in order to establish the most appropriate procedures and internal control policies to prevent the commission of acts contrary to the law and, where appropriate, to reduce or hold harmless the Company after reform of the Organic Law 10/1995 of 23 November, approving the Penal Code.

To this end, we have analysed the activities of the different business areas and DIA assessed the risk of each activity in relation to the commission of offenses in terms of probability and impact, given the controls already in place by DIA to mitigate risks.

Also, it has been designated within the organization, a person responsible for prevention, who will report to the Director of Compliance and Ethics Committee at the corporate level and is responsible for the maintenance and proper functioning of the prevention model.

(iii) Anti-fraud Program

DIA has implemented an Anti-fraud program in 2014.

Following the same methodology than for the Crime Prevention Model, we have analysed the activities of the different business areas and DIA assessed the risk of each activity in relation to possible behaviours of fraud and corruption, given the controls already in place by DIA to mitigate risks.

Similarly, it has been designated within the organization, a person responsible for anti-fraud prevention, who will report to the Director of Compliance and Ethics Committee at the corporate level and is responsible for the maintenance and proper functioning of the prevention model.

4.2. Financial risks factors

The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimize potential adverse effects on the Group and shareholders' profitability.

Risks are managed by the Group's Finance Department. This department identifies, evaluates and mitigates financial risks in close collaboration with the business units.

DIA's activities are exposed to various financial risks: market risk (exchange rate risk, interest rate risk), credit risk and liquidity risk.

4.2.1. Market risk

A- Interest rate risk

The Company's interest rate risk arises from the fluctuations in interest rates which affect to financial costs of non-current borrowings issued at variable interest rates.

In line with its risk management policy, DIA arranges various interest rate hedges to mitigate its risk exposure. At 31 December 2014, the nominal value of outstanding derivatives with external counterparties to hedge the interest rate of long-term financing amounted to EUR215m maturing in 2015.

At the end of year 2014 the hedge percentage on the gross debt volume stands at 80.32% versus a hedge of a 80.34% the previous year.

On the other hand, DIA's policy for financial assets is to keep ready cash to use. These balances are held in financial institutions with high credit ratings.

B- Currency risk.

- Operational: cash flows

Fluctuations in currencies, other than the local currency, may impact positively or negatively on the annual accounts. DIA seeks to minimize the risk through the negotiation of forward currency contracts managed by the Group Treasury Department. In year 2014, the amount of annual purchases in foreign currencies, is USD5.862 thousand (USD6,165 thousand at 31 December 2013). The hedged transactions reached 99.99% of the hedge in this currency, both in 2014 and 2013. At the year end, outstanding hedges total USD1,549 thousand (2013: USD1,676 thousand) and expire in the next twelve months.

- Subsidiaries

DIA holds investments in foreign operations, the net assets of which are exposed to currency risk. Currency risk affecting net assets of the Group's foreign operations in Argentinian Pesos, Chinese Yuan and Brazilian Reals is mitigated primarily through borrowings in the corresponding foreign currencies.

C- Risk on financial instruments

With effect from 21 January 2014, the Company has signed an extension to the Equity Swap contract with expiry date 21 January 2015 of 5,500,000 shares. With effect from 1 August 2014 the Company signed and Equity Swap contract of 6,000,000 shares with expiry date 1 September 2015. Both operations have been performed in order to meet payment obligations arising from the LTIP program (Long Term Incentive Plan) to the Group Executives. Details are included in note 16 of the Notes to the Annual Accounts for year 2014. The derivative financial instrument is registered in the Net Equity.

4.2.2. Credit risk

DIA is not significantly exposed to credit risk. The Company has active risk policies to ensure that its wholesale customers have adequate credit quality. Retail sales pose less risk in that they are settled in cash or by credit card.

Derivative and cash transactions are performed with financial institutions that have high credit ratings, with minimum ratings of BBB. In countries where the rating is below that rating, operating with local financial entities considered high credit quality by local standards.

Also, DIA places cash surplus in high credit quality assets and maximum liquidity. Policies established by the Executive Management of the Group are based on criteria of liquidity, solvency and diversification, establishing maximum amounts invested by counterparty, within a maximum term of 90 days of investments duration and definition of the instruments to which the surplus placement is authorized.

4.2.3. Liquidity risk

Recommendations regarding the information on this type of risk, its possible impact on the Company and the policies carried out by the same in order to mitigate it, are contained in note 3 “Liquidity and capital resources” in section 3.1. Liquidity. We refer to this section.

5. IMPORTANT EVENTS AFTER THE REPORTING DATE

With effect from 21 January 2015, the Company has signed a renewal of the contract for the acquisition of 5,500,000 own shares signed on 21 December 2011, which was amended on 21 January 2014. The terms of the contract were again modified, establishing two tranches for the total acquisition of shares. Tranche 1 for the acquisition of 3,100,000 shares expires on 21 April 2015 and tranche 2 for the acquisition of the remaining 2,400,000 shares expires on 21 January 2016.

On 20 February 2015, the Board of Directors of the Company agreed to carry out an own share buy-back programme (hereinafter “Buy-back Programme”) in exercise of the authorization conferred on it by the shareholders at their General Meeting on 9 May 2011. This Buy-back Programme aims to reduce the share capital of the Company, with the previous agreement of the shareholders at their General Meeting, which is expected to be held on April 2015. For this purpose, the Board of Directors agreed to include a point in the Agenda in such General Meeting regarding the capital reduction necessary to redeem the shares acquired under the Buy-back Programme. In any case, the own shares Buy-back Programme will be unique and it will affect a maximum of 40,500,000 shares, representing approximately a 6.22% of the DIA registered capital at the date of the formulation of these annual accounts, and it will be limited to a maximum investment of EUR200 million.

6. OUTLOOK ENTITY INFORMATION

In 2015 DIA expects to accelerate the growth of its sales through organic growth and new contribution from acquisition (El Árbol) and the integration of Eroski stores (transaction pending of approval by the competition authorities).

DIA expects to be able to increase the adjusted EBITDA 2015 through the combination of organic growth and significant contribution of the acquisitions, even though the new assets will have a dilutive effect on the current margins.

In 2015 DIA plans to invest between EUR330m and EUR340 in scope and without foreign exchange rate effect, with higher investment in Emerging in both relative and absolute terms (25% most investment than in 2014). The company also agreed the investment of until EUR146m in a Eroski group of stores in Spain. In addition, DIA will invest around EUR50m in 2015 for remodelling of the recent acquisitions.

DIA keeps on the objective of double-digit growth in the average annual growth (TACC) in the adjusted earnings per share in local currency that was marked for the period 2012-15.

7. R&D+i ACTIVITIES

DIA has developed from its origins a strong effort in the development of knowledge, management methods and business models that have allowed the Company to generate sustainable competitive advantages. Through franchising, DIA transfers its know-how to franchisees so that they can carry out a profitable and efficient business.

DIA includes the development costs generated internally in the Assets, once the Project has arrived to a development phase, whenever they were clearly identifiable and were linked to new commercial models projects and IT developments, to the extent that it could be justified that they will result on an increase in the future profit for the Company.

Associated costs to R&D+i incurred by DIA during 2014 are, on percentage, smaller respect to the rest of costs incurred for the development of own activities of the social objectives.

The activated amount during year 2014 is EUR5.43m (EUR4.49m in 2013), corresponding to the capitalization of IT developments.

8. ACQUISITION AND DISPOSAL OF OWN SHARES

At the year-end 2014, the Company has an amount of 11,508,762 own shares, which represent the 1.77% of the Capital, with an average purchase price of 5.1147 euros/share representing a total amount of EUR 58,864,185.94. This amount included in the Balance Sheet, covers a potential distribution related to the execution of the Long Term Incentive Plan for the management team, approved in the ordinary General meeting in 2012 and also the new Long Term Incentive Plan approved in the General meeting in 2014.

TREASURY STOCK

	2013	2014
Number of shares outstanding	651,070,558	651,070,558
End of period number of treasury shares	5,901,981	11,508,762
WEIGHTED AVERAGE NUMBER OF SHARES	**646,045,350**	**643,423,475**

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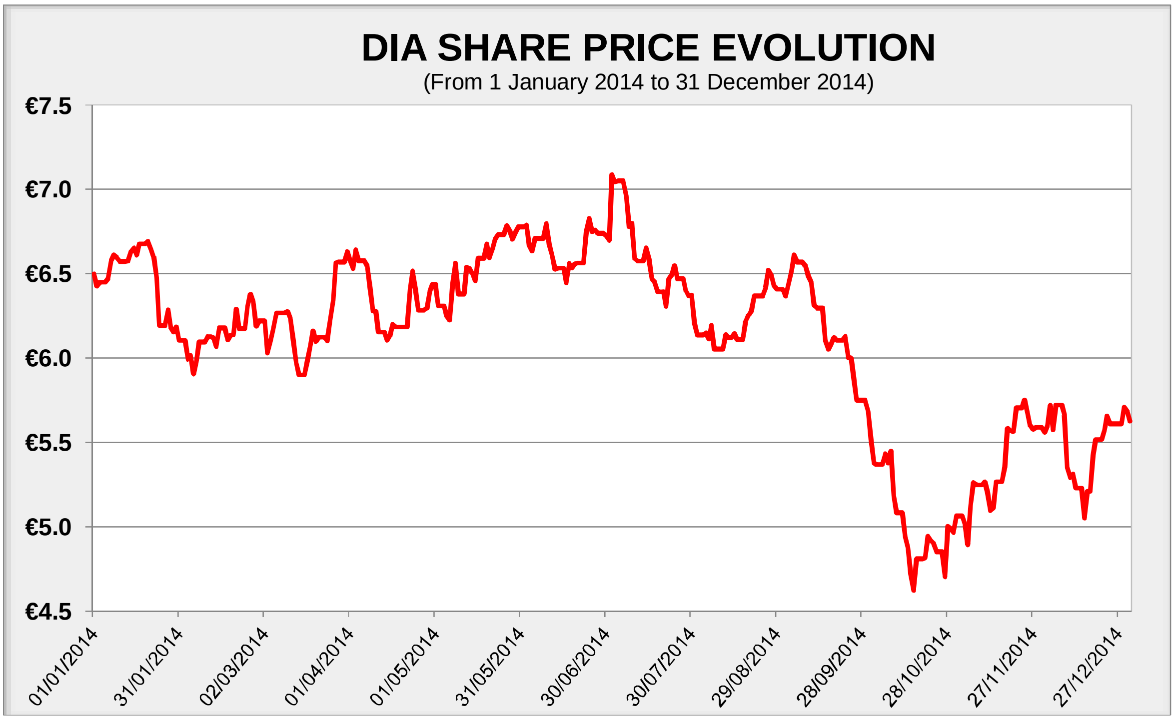
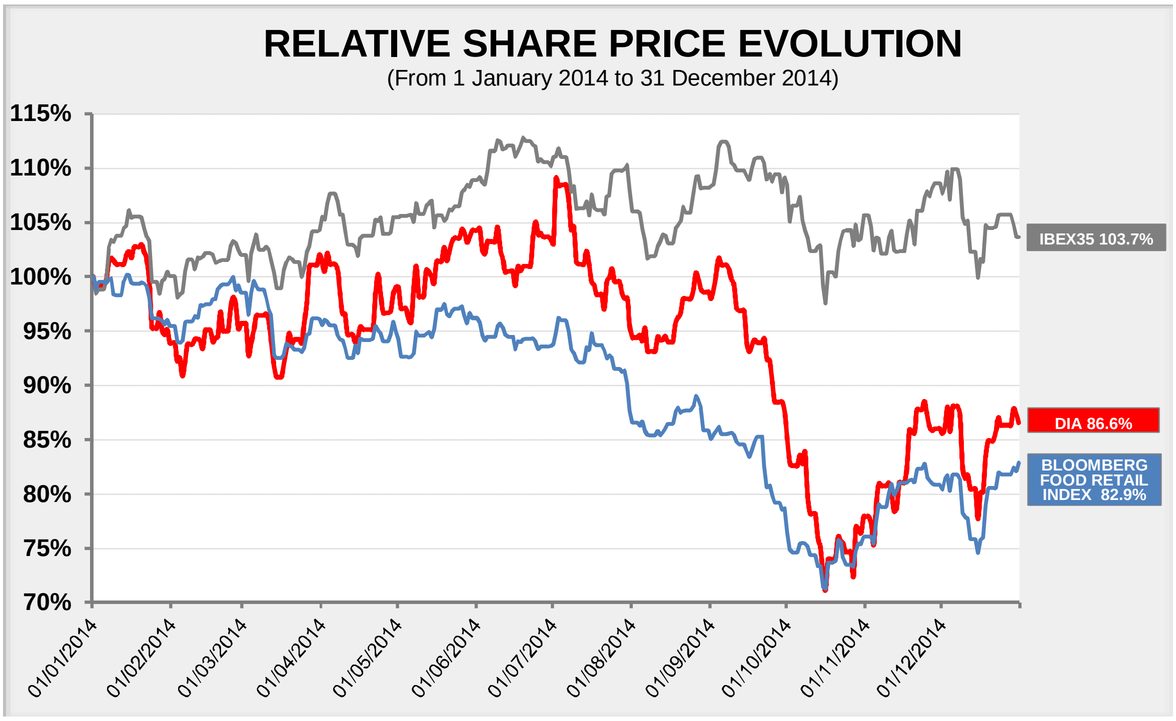
9. OTHER RELEVANT INFORMATION

9.1. Stock market information





During 2014 the DIA share had a fall of 13.4%, a very similar evolution to 17.1% registered by Bloomberg Food Retail Index and lower to 3.7% of revaluation reached by the IBEX35, Spanish main stock index reference. The deflation in the European food market was reflected in a poor market performance of all companies in the sector. The minimum price in that period was set on 16 October 2014, when the stock closed at EUR4.62 per share, while the maximum price was set on 2 July 2014, when the stock closed at EUR7.09 per share, closing the year with a price of EUR5.63 per share and a VWAP (Value weighted average price) of EUR5.9268 per share. During 2014 the liquidity of the shares remained high, with sustained upward trend since it started to be listed on the stock market, accumulating an amount of EUR1,409m shares traded in the year with total negotiated value of EUR8,354m.

9.2. Dividends Policy

DIA has defined a Dividends Distribution Policy which consists on the distribution to its shareholders between the 40% and 50% of the underlying net profit.

Since Distribuidora Internacional de Alimentación S.A., started to be listed on the stock market on 5 July 2011, has distributed three sole ordinary dividends under exercises 2011, 2012 and 2013. The gross amount of these dividends was of EUR0.11 per share (distributed on 1 July 2012), EUR0.13 (distributed on 16 July 2013) and EUR0.16 (distributed on 16 July 2014), representing a pay-out of the adjusted net income of 47.8%, 46.5% and 45.3% respectively.

The Board of Directors will propose to the General Meeting of Shareholders, the distribution of EUR0.18 per share, an amount 12.5% higher than the dividend of EUR0,16 per share paid the past 16 July 2014 by the 2014 free reserves. This dividend represents a pay-out of 43.9% over the Underlying net profit and will involve the payment of about EUR115m of dividends to shareholders.

9.3. Management of credit rating

Credit rating agencies Standard and Poor's (S&P) and Moody's attributed to DIA a rating in the long term of BBB- and Baa3 respectively, both with stable outlook. The purpose of the Company is to keep the corporate rating of the company within the range "investment grade" and not achieving financial leverage above 1.5x net debt on adjusted EBITDA.

9.4. Other information

DIA's Corporate Governance Report is part of the Director's Report and is available at www.diacorporate.com and published as price-sensitive information on the CNMV (Spanish National Securities Market Commission) website.