Distribuidora Internacional de Alimentación, S.A.

Annual Accounts

31 December 2012

Directors' report

2012

(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

Auditors' Report on the Annual Accounts

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

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

We have audited the annual accounts of Distribuidora Internacional de Alimentación, S.A. (the "Company"), which comprise the balance sheet at 31 December 2012, the income statement, the statement of changes in equity and the statement of cash flows for the year then ended and the notes thereto. The Company's Directors are responsible for the preparation of the annual accounts in accordance with the financial information reporting framework applicable to the entity (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying annual accounts for 2012 present fairly, in all material respects, the equity and financial position of Distribuidora Internacional de Alimentación, S.A. at 31 December 2012, and the results of its operations and its cash flows for the year then ended, in accordance with the applicable financial information reporting framework and, in particular, with the accounting principles and criteria set forth therein.

The accompanying directors' report for 2012 contains such explanations as the Directors consider relevant to the situation of Distribuidora Internacional de Alimentación, S.A., the evolution of its business 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 2012. 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

20 February 2013

Distribuidora Internacional de Alimentación, S.A.

Annual Accounts and Directors' Report

31 December 2012

(With Auditors' Report Thereon)

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

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 2012 and 2011
(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 2012	December 2011
Intangible assets	**5**	**44,491**	**46,659**
Development		424	-
Concessions		362	394
Patents, licences, trademarks and similar rights		72	72
Goodwill		35,956	35,956
Computer software		4,556	5,385
Other intangible assets		3,121	4,852
Property, plant and equipment	**6**	**487,296**	**507,913**
Land and buildings		203,504	204,684
Technical installations, machinery, equipment, furniture and other items		281,350	301,212
Under construction and advances		2,442	2,017
Non-current investments in group companies and associates		**1,707,136**	**1,294,438**
Equity instruments	**11**	1,547,136	1,242,438
Loans to companies	**12 (a)**	160,000	52,000
Non-curent investments	**12 (b)**	**15,292**	**14,339**
Equity instruments		36	36
Loans to third parties		1,491	1,410
Other financial assets		13,765	12,893
Trade and other receivables		**26,926**	**25,323**
Trade receivables (exceeding operating cycle)	**12 (c)**	20,758	19,269
Non-current prepayments	**14**	6,168	6,054
Deferred tax assets	**23**	**4,057**	**32,783**
Total non-current assets		**2,285,198**	**1,921,455**
Non current held for sale assets		**3,292**	**-**
Inventories	**13**	**183,458**	**188,872**
Goods for resale		181,447	185,221
Raw materials and other supplies		1,691	3,508
Advances to suppliers		320	143
Trade and other receivables	**12 (c)**	**198,525**	**163,539**
Trade receivables - current		27,578	29,535
Trade receivables from group companies and associates		113,485	88,635
Other receivables		37,152	33,357
Personnel		944	472
Current tax assets		18,881	11,405
Public entities, other		485	135
Current investments in froup companies and associates	**12 (a)**	**57,251**	**411,796**
Loans		55,000	3,000
Other financial assets		2,251	408,796
Current investments	**12 (b)**	**17,567**	**909**
Loans		311	670
Derivatives		17,256	239
Prepayments for current assets	**14**	**2,330**	**3,319**
Cash and cas equivalents		**88,903**	**42,720**
Cash		23,410	28,162
Cash equivalents		65,493	14,558
Total current assets		**551,326**	**811,155**
TOTAL ASSETS		**2,836,524**	**2,732,610**

The accompanying notes form an integral part of the annual accounts for 2012.

BALANCE

for the years ended 31 December 2012 and 2011
(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 2012	December 2011
Capital and reserves without valuation adjustments	16	**884,778**	**787,663**
Capital		**67,934**	**67,934**
Registered capital		67,934	67,934
Share premium		**618,157**	**618,157**
Reserves		**66,926**	**18,227**
Legal and statutory reserves		13,587	780
Other reserves		53,339	17,447
(Own shares)		**(62,769)**	**(39,151)**
Profit for the year		**184,850**	**121,049**
Other equity instruments		**9,680**	**1,447**
Valuation adjustments		**(648)**	**167**
Hedging transactions		(648)	167
Grants, donations and bequests received	17	**545**	**724**
Total equity		**884,675**	**788,554**
Non-current provisions	18	**38,161**	**107,057**
Long-term employee benefits	19	531	496
Other provisions	21	37,630	106,561
Non-current payables	22 (b)	**520,386**	**586,665**
Debt with financial institutions		517,893	585,035
Other financial liabilities		2,493	1,630
Deferred tax liabilities	23	**95,435**	**102,914**
Total non-current liabilities		**653,982**	**796,636**
Current provisions	18	**2,041**	**2,882**
Current payables	22 (b)	**334,139**	**256,412**
Debt with financial institutions		320,564	249,812
Finance lease payables		-	8
Derivatives		928	-
Other financial liabilities		12,647	6,592
Group companies and associates, current	22 (a)	**101,256**	**43,313**
Trade and other payables	22 (d)	**860,404**	**844,784**
Current suppliers		718,683	697,560
Suppliers, group companies and associates, current		12,326	11,971
Other payables		68,131	82,868
Personnel (salaries payable)		29,013	25,563
Public entities, other		32,251	26,822
Current accruals		**27**	**29**
Total current liabilities		**1,297,867**	**1,147,420**
TOTAL EQUITY AND LIABILITIES		**2,836,524**	**2,732,610**

The accompanying notes form an integral part of the annual accounts for 2012.

INCOME STATEMENTS

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

INCOME STATEMENTS
for the years ended 31 December 2012 and 2011
(Expressed in thousands of Euros)

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

INCOME STATEMENT	Notes	December 2012	December 2011
Revenues	**26 (a)**	**4,244,687**	**4,059,856**
Sales		4,244,687	4,059,856
Work carried out by the company for assets		**4,695**	**4,181**
Supplies	**26 (b)**	**(3,261,464)**	**(3,108,367)**
Merchandise used		(3,204,935)	(3,054,244)
Raw materials and consumables used		(12,053)	(11,106)
Subcontracted work		(44,507)	(43,522)
Impairment of merchandise, raw materials and other supplies		31	505
Other operating income		**123,184**	**98,638**
Non-trading and other operating income		122,753	98,225
Operating grants taken to income		431	413
Personnel expenses		**(423,233)**	**(417,947)**
Salaries and wages		(337,763)	(336,184)
Employee benefits expense	**25 (c)**	(85,418)	(81,763)
Provisions		(52)	-
Other operating expenses		**(342,809)**	**(360,081)**
External services		(328,656)	(344,781)
Taxes		(8,898)	(9,999)
Losses, impariment and changes in trade provisions		(1,763)	(1,282)
Other operating expenses		(3,492)	(4,019)
Amortisation and depreciation	**5 and 6**	**(115,774)**	**(115,910)**
Non-financial and other capital grants	**17**	**255**	**254**
Impairment and gains/(losses) on disposal of fixed assets	**5, 6, 26 (d)**	**(6,549)**	**(9,909)**
Impairment and losses		(301)	(2,183)
Gains/(losses) on disposal and other		(6,248)	(7,726)
Other losses		**-**	**(232)**
Results form operating activities		**222,992**	**150,483**
Finance income		**46,977**	**49,989**
Dividends	**11**	**34,500**	**40,000**
Group companies and associates		34,500	40,000
Other investment income		**12,477**	**9,989**
Group companies and associates		10,219	8,186
Other		2,258	1,803
Finance expenses		**(33,446)**	**(24,143)**
Group companies and associates		(150)	(2,632)
Other		(31,165)	(20,141)
Provision adjustments		(2,131)	(1,370)
Variation on fair value of financial instruments		**18,281**	**-**
Trading portfolio and others		18,281	-
Exchange gains	**26 (e)**	**119**	**61**
Impairment and gains/(losses) on disposal of financial instruments		**(2,478)**	**(19,999)**
Impairment and losses	**11**	(2,478)	(23,042)
Gains/(losses) on disposal and other	**11 and 26 (f)**	-	3,043
Net finance income		**29,453**	**5,908**
Profit before income tax		**252,445**	**156,391**
Income tax	**23**	**(67,595)**	**(35,342)**
PROFIT FOR THE YEAR		**184,850**	**121,049**

The accompanying notes form an integral part of the annual accounts for 2012.

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 2012 and 2011
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 2012	December 2011
Profit for the year	**184,850**	**121,049**
Income and expense recognised directly in equity		
Cash flow hedges	(1,164)	268
Grants, donations and bequets	-	28
Tax effect	349	(89)
Total income and expnese recognised directly in equity	**(815)**	**207**
Amounts transferred to the income statement		
Grants, donations and bequests	(256)	(254)
Tax effect	77	76
Total amounts transferred to the income statement	**(179)**	**(178)**
Total recognised income and expense	**183,856**	**121,078**

The accompanying notes form an integral part of the annual accounts for 2012.

Statements of Changes in Equity

for the years ended 31 December 2012 and 2011

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 shareholder contributions	Other equity instruments	Valutation adjustments	Grants, donations and bequests received	Total
Balance at 1 January 2011	**3,899**	**848,533**	**5,902**	**-**	**-**	**202,803**	**10,827**	**-**	**(20)**	**882**	**1,072,826**
Issuance of shares	64,035	(64,035)	-	-	-	-	-	-	-	-	-
Recognised income and expense	-	-	-	-	-	121,049	-	-	187	(158)	121,078
Transactions with equity holders or owners											
Issuance of share-based payments	-	-	-	-	-	-	1,670	1,447	-	-	3,117
Cancellation of share-based payments	-	-	11,759	-	-	-	(12,497)	-	-	-	(738)
Transactions with own shares and equity holdings	-	-	22	(39,151)	-	-	-	-	-	-	(39,129)
Distribution of profit for the year					202,803	(202,803)					-
Reserves	-	-	202,803	-	(202,803)	-	-	-	-	-	-
Extraordinary dividends	-	(166,341)	(202,259)	-	-	-	-	-	-	-	(368,600)
Balance at 31 December 2011	**67,934**	**618,157**	**18,227**	**(39,151)**	**-**	**121,049**	**-**	**1,447**	**167**	**724**	**788,554**
Recognised income and expense	-	-	-	-	-	184,850	-	-	(815)	(179)	183,856
Transactions with equity holders or owners											
Issuance of share-based payments	-	-	-	-	-	-	-	8,233	-	-	8,233
Transactions with own shares and equity holdings	-	-	148	(23,618)	-	-	-	-	-	-	(23,470)
Distributions of profit for the year					121,049	(121,049)					-
Reserves	-	-	121,049	-	(121,049)	-	-	-	-	-	-
Dividends	-	-	(72,498)	-	-	-	-	-	-	-	(72,498)
Balance at 31 December 2012	**67,934**	**618,157**	**66,926**	**(62,769)**	**-**	**184,850**	**-**	**9,680**	**(648)**	**545**	**884,675**

The accompanying notes form an integral part of the annual accounts for 2012.

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 2012 and 2011
(expressed in thousands of Euros)

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

	Notes	December 2,012	December 2011
Cash flows from operating activities			
Profit for the year before tax		**252,445**	**156,391**
Adjustments for:		**35,074**	**106,201**
Amortisation and depreciation	5 and 6	115,774	115,910
Impairment		8,334	27,767
Changes in provisions		(71,015)	(19,302)
Grants recognised in the income statement	17	(255)	(254)
Gains/(losses) on disposal of fixed assets	26 (d)	6,248	7,726
Gains/(losses) on disposal of financial instruments	26 (g)	-	(3,043)
Finance income		(46,977)	(49,989)
Finance expenses		33,446	24,143
Exchange losses	26 (f)	(119)	(61)
Changes in fair value of financial instruments		(19,096)	187
Other income and expenses		8,734	3,117
Changes in operating assets and liabilities		**(10,757)**	**34,606**
Inventories	13	5,445	16,041
Trade and other receivables	12 (c)	(32,114)	(427)
Other current assets	12 and 14	2,619	(1,552)
Trade and other payables	22	15,739	11,927
Provisions	21	(841)	481
Other current liabilities	22	(2)	14,221
Other non-current assets and liabilities	12 (c) and 14	(1,603)	(6,085)
Other cash flows from operating activities		**(37,715)**	**61**
Interest paid		(29,360)	(21,479)
Dividends received	11	34,500	40,000
Interest received		10,543	8,480
Income tax paid (received)		(53,398)	(26,940)
Cash flows from operating activities		**239,047**	**297,259**
Cash flows from investing activities			
Payments for investments		**(410,848)**	**(171,601)**
Group companies and associates	11	(310,441)	(72,092)
Intangible assets	5	(2,666)	(5,831)
Property, plant and equipment	6	(97,295)	(93,211)
Other financial assets	12 (b)	(446)	(467)
Proceeds from sale of investments		**423**	**39,414**
Group companies and associates	11	-	39,050
Intangible assets	5	82	-
Property, plant and equipment	6	341	364
Cash flows from/(used in) investing activities		**(410,425)**	**(132,187)**
Cash flows from financing activities			
Proceeds from and payments for equity instruments		**(23,895)**	**(39,304)**
Acquisition of own equity instruments		(23,971)	(39,400)
Grants, donations and bequests received	17	76	96
Proceeds form and payments for financial liability intstruments		**313,954**	**246,813**
Issue		**313,954**	**851,136**
Debt with financial institutions		1,647	850,642
Group companies and associates	22 (a)	304,461	-
Other payables	22	7,846	494
Redemption and repayment of		**-**	**(604,323)**
Debt with financial institutions		-	(20,776)
Group companies and associates		-	(583,547)
Dividends and interest on other equity instruments paid		**(72,498)**	**(368,600)**
Dividends	16 (e) and 3	(72,498)	(368,600)
Cash flows from/(used in) financing activities		**217,561**	**(161,091)**
Net increase/decrease in cash and cash equivalents		**46,183**	**3,981**
Cash and cash equivalents at beginning of year		**42,720**	**38,739**
Cash and cash equivalents at year end		**88,903**	**42,720**

The accompanying notes form an integral part of the annual accounts for 2012

NOTES TO THE ANNUAL ACCOUNTS FOR 2012

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

(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 has registered offices in Las Rozas (Madrid).

On 25 March 2011, the sole shareholder, exercising the powers of shareholders at an annual general meeting, approved an amendment to DIA's statutory activity. Details are as follows:

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

a) The whole 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.

As explained in note 11 the Company holds investments 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 2013 the directors of the Company prepared the consolidated annual accounts of Distribuidora Internacional de Alimentación, S.A. and subsidiaries for 2012 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 157,884 thousand and consolidated equity attributable to the Parent of Euros 152,099 thousand. As at 31 December 2010 the DIA Group formed part of the Carrefour Group and was not required to prepare consolidated annual accounts, consolidated annual accounts were issued for the first time in 2011.

At the annual general meeting held on 21 June 2011, the shareholders of Carrefour, S.A. approved the distribution of the total share capital of DIA as dividends to its shareholders and the floatation of the DIA shares on the Spanish stock exchanges. On 1 July 2011 Carrefour S.A. acquired the entire share capital of DIA from the Carrefour Group company Norfin Holder, S.L. As a result of this transaction, Carrefour, S.A., which until then had held an indirect interest in the share capital of DIA through its subsidiary Norfin Holder, S.L., became the direct shareholder of the Company. On 5 July 2011, Carrefour, S.A. distributed these shares to the holders of Carrefour, S.A. shares at the previous day's trading close and the DIA Group ceased to form part of the Carrefour Group. On that date, DIA shares began trading on the Spanish Stock Exchanges.

(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 2012 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 2012 and results of operations, changes in equity, and cash flows for the year then ended.

The directors consider that the annual accounts for 2012, authorised for issue on 20 February 2013, 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 2012 include comparative figures for 2011, which formed part of the annual accounts approved by shareholders at the ordinary general meeting held on 13 June 2012.

(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 as explained in notes 4 (d) and (f) vii. 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.

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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

In 2011 the shareholders ordinary general meeting approved non-current employee benefit plans settled in own shares. 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 2012 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 2012. 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.

(ii) Changes in accounting estimates

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2012, future events may require changes to these estimates in subsequent years. Any effect on the annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(3) Distribution of Profit

The proposed distribution of 2012 profit to be submitted to the shareholders for approval at their ordinary general meeting is as follows:

Basis of distribution	Euros
Profit for the year	**184,849,621.10**
Distribution	
Dividends (*)	85,690,446.14
Goodwill reserve	1,797,810.08
Other reserves	97,361,364.88
Total	**184,849,621.10**

(*) The ordinary dividend proposed to be distributed by the directors amounts to Euros 0.13 (gross) per each share with the right to perceive it. The figure given is an estimate under the assumption that the number of shares with the right to perceive it is 659,157,278 shares, after making the appropriate deductions. The estimate can vary depending on, among other factors, the amount of shares held by the Company.

The distribution of profit for the prior year is presented in the statement of changes in equity.

At 31 December non-distributable reserves are as follows:

	Thousands of Euros	
	2012	2011
Legal reserve	13,587	780
Goodwill reserve	7,464	5,666
Total	**21,051**	**6,446**

(4) Significant Accounting Policies

The significant accounting policies used by the Company in the preparation of the annual accounts for 2012 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, is recognised as expenses when incurred.

(i) Development

The Company capitalises development expenses incurred by specific projects for each activity 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.

(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) or groups of 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, which comprises all the programs relating to point of sales, warehouses, offices and micro-software, is recognised at cost of adquisition or production. Computer software maintenance costs are charged as expenses when incurred.

(iv) Leaseholds

Leaseholds are rights to lease 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 estimated term of the lease contract.

(iv) 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.

(v) Useful life and amortisation rates

As explained in section (b) (ii) of this note, intangible assets with indefinite useful lives (goodwill) are not amortised.

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

Computer software	3
Leaseholds	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.

(vi) 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
Technical installations and machinery	4-7
Other installations, equipment and furniture	4-10
Other property, plant and equipment	3-5

The Company reviews residual values, useful lives and depreciation methods 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.

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 increase in the 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.

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 its 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 are initially recognised at cost, which is equivalent to the fair value of the consideration given, including transaction costs as these investments were acquired prior to 1 January 2010. Investments are subsequently measured at cost net of any accumulated impairment.

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.

(vii) 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 estimated future cash flows are reduced or delayed 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 (vi) 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 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 in the income statement 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.

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(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.

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:

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

- The Company 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 taxes

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.

Since the Group was spun off from the Carrefour Group and, consequently, from the tax group headed by Norfin Holder, S.L., the Company has filed individual tax returns (see notes 1 and 23).

(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 assets and settle the liabilities 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 the prevailing tax legislation, expenses paid by delivering of share-based instruments will be deductible during the taxable period when the delivery of the instruments took place, arisen in those cases a temporary difference as a result of the different moment between the accounting booking of the expense and its taxable deduction.

(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

Non-current assets or disposal groups for which the carrying amount will be recovered principally through a sale transaction rather than through continuing use are classified in this caption, provided that these 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 of the asset 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.

(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 2012	**-**	**16,977**	**12,297**	**29,274**
Additions	668	1,965	33	2,666
Disposals	-	(125)	(2,017)	(2,142)
Transfers	(244)	244	-	-
At 31 December 2012	**424**	**19,061**	**10,313**	**29,798**
Amortisation				
At 1 January 2012	**-**	**(11,592)**	**(6,672)**	**(18,264)**
Amortisation	-	(2,956)	(619)	(3,575)
Disposals	-	43	888	931
Transfers	-	-	(17)	(17)
At 31 December 2012	**-**	**(14,505)**	**(6,420)**	**(20,925)**
Impairment				
At 1 January 2012	**-**	**-**	**(307)**	**(307)**
Charge	-	-	(217)	(217)
Disposals	-	-	162	162
Reversal	-	-	7	7
Transfers	-	-	17	17
At 31 December 2012	**-**	**-**	**(338)**	**(338)**
Carrying amount at 31 December 2012	**424**	**4,556**	**3,555**	**8,535**

	Thousands of Euros		
	Computer software	Leaseholds, land rights and other intangible assets	Total
Cost			
At 1 January 2011	**11,164**	**12,281**	**23,445**
Additions	5,709	122	5,831
Disposals	(1)	(1)	(2)
Transfers	105	(105)	-
At 31 December 2011	**16,977**	**12,297**	**29,274**
Amortisation			
At 1 January 2011	**(9,694)**	**(5,783)**	**(15,477)**
Amortisation	(1,899)	(876)	(2,775)
Disposals	1	1	2
Transfers	-	(14)	(14)
At 31 December 2011	**(11,592)**	**(6,672)**	**(18,264)**
Impairment			
At 1 January 2011	**-**	**(261)**	**(261)**
Charge	-	(111)	(111)
Reversal	-	51	51
Transfers	-	14	14
At 31 December 2011	**-**	**(307)**	**(307)**
Carrying amount at 31 December 2011	**5,385**	**5,318**	**10,703**

The main additions in 2012 comprise computer software acquired from third parties and internally developed assets.

The majority of disposals in 2012 were other intangible asset items. These disposals generated a loss of Euros 967 thousand.

In 2012 the Company has recognised impairment losses with a net impact of Euros 210 thousand (Euros 60 thousand in 2011) on assets of certain stores measured at value in use (see note 26 (d)). The assumptions employed are detailed in note 11.

(a) Goodwill and impairment

Details of and movement in goodwill are as follows:

	Thousands of Euros	
	2012	2011
Cost at 1 January	**36,434**	**36,803**
Disposals	-	(369)
Cost at 31 December	**36,434**	**36,434**
Impairment		
At 1 January	**(478)**	**-**
Transfers	-	(478)
At 31 December	**(478)**	**(478)**
Carrying amount at 31 December	**35,956**	**35,956**

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) or groups of CGUs formed by the Company's stores, using the methods described in the aforementioned notes.

The assumptions employed are detailed in note 11. No impairment has been recognised at 31 December 2012 or 2011.

(b) Fully amortised assets

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

	Thousands of Euros	
	2012	2011
Computer software	10,637	9,303
Other intengible assets	1,842	1,921
Total	**12,479**	**11,224**

(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 2012	**67,455**	**216,976**	**895,776**	**27,054**	**2,017**	**54,292**	**1,263,570**
Additions	30	4,714	79,598	6,376	3,951	2,626	97,295
Disposals	(11)	(2,478)	(29,547)	(4,319)	(15)	(2,769)	(39,139)
Transfers	-	4,090	(1,046)	(2)	(3,511)	469	-
At 31 December 2012	**67,474**	**223,302**	**944,781**	**29,109**	**2,442**	**54,618**	**1,321,726**
Depreciation							
At 1 January 2012	**-**	**(77,396)**	**(608,776)**	**(15,281)**	**-**	**(48,126)**	**(749,579)**
Depreciation	-	(8,280)	(95,508)	(5,326)	-	(3,085)	(112,199)
Disposals	-	1,132	24,769	4,019	-	2,732	32,652
Transfers	-	(1,313)	551	15	-	(1)	(748)
At 31 December 2012	**-**	**(85,857)**	**(678,964)**	**(16,573)**	**-**	**(48,480)**	**(829,874)**
Impairment							
At 1 January 2012	**-**	**(2,351)**	**(3,727)**	**-**	**-**	**-**	**(6,078)**
Charge	-	(320)	(1,647)	-	-	-	(1,967)
Disposals	-	547	318	-	-	-	865
Reversal	-	639	1,237	-	-	-	1,876
Transfers	-	70	678	-	-	-	748
At 31 December 2012	**-**	**(1,415)**	**(3,141)**	-	**-**	**-**	**(4,556)**
Carrying amount at 31 December 2012	**67,474**	**136,030**	**262,676**	**12,536**	**2,442**	**6,138**	**487,296**

Thousands of Euros	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under constructin and advances	Other property, plant and equipment	Total
Cost							
At 1 January 2011	**67,301**	**206,416**	**870,743**	**25,271**	**1,145**	**53,852**	**1,224,728**
Additiions	154	3,698	74,968	6,875	4,321	3,195	93,211
Disposals	-	(1,392)	(44,647)	(5,104)	(101)	(3,125)	(54,369)
Transfers	-	8,254	(5,288)	12	(3,348)	370	-
At 31 December 2011	**67,455**	**216,976**	**895,776**	**27,054**	**2,017**	**54,292**	**1,263,570**
Depreciation							
At 1 January 2011	**-**	**(65,976)**	**(552,363)**	**(15,757)**	**-**	**(47,796)**	**(681,892)**
Depreciation	-	(7,846)	(97,657)	(4,245)	-	(3,387)	(113,135)
Disposals	-	593	37,440	4,720	-	3,057	45,810
Transfers	-	(4,167)	3,804	1	-	-	(362)
At 31 December 2011	**-**	**(77,396)**	**(608,776)**	**(15,281)**	**-**	**(48,126)**	**(749,579)**
Impairment							
At 1 January 2011	**-**	**(2,491)**	**(3,143)**	**-**	**-**	**-**	**(5,634)**
Charge	-	(494)	(2,742)	-	-	-	(3,236)
Disposals	-	839	-	-	-	-	839
Reversal	-	579	534	-	-	-	1,113
Transfers	-	(784)	1,624	-	-	-	840
At 31 December 2012	**-**	**(2,351)**	**(3,727)**	**-**	**-**	**-**	**(6,078)**
Carrying amount at 31 December 2011	**67,455**	**137,229**	**283,273**	**11,773**	**2,017**	**6,166**	**507,913**

(a) General

Additions in 2012 and 2011 mainly reflect the opening of commercial establishments, as well as extensions, improvements and refurbishments.

Disposals include the items replaced in the aforementioned improvement processes and those resulting from closures of stores, giving rise to losses of Euros 5,281 thousand in 2012 and Euros 7,356 thousand in 2011.

The Company has recognised impairment losses of Euros 91 thousand in 2012 and Euros 2,123 thousand in 2011 on assets of certain CGUs measured at value in use (see note 26 (d)). The assumptions employed are detailed in note 11.

Details of residual depreciation, depreciation for the year, accumulated depreciation and the carrying amount of individually significant items of property, plant and equipment at 31 December 2012 and 2011 are as follows:

	Thousands of Euros 2012			
Description	Residual useful life	Depreciation for the year	Accumulated depreciation	Carrying amount
Warehouse land	-	-	-	22,579
Warehouse buildings	31-36 años	(1,083)	(5,765)	31,545
Total		**(1,083)**	**(5,765)**	**54,124**

Description	Residual useful life	Depreciation for the year	Accumulated depreciation	Carrying amount
	Thousands of Euros 2011			
Warehouse land	-	-	-	22,579
Warehouse buildings	32-37 years	(1,078)	(4,682)	32,469
Total		**(1,078)**	**(4,682)**	**55,048**

(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	
	2012	2011
Buildings	7,370	8,461
Technical installations and machinery	357,138	282,003
Other installations, equipment and furniture	5,586	5,738
Other property, plant and equipment	42,180	41,609
Total	**412,274**	**337,811**

(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

At 31 December 2011 the Company leased the following types of property, plant and equipment under finance leases:

	Thousands of Euros 2011		
	Land	Buildings	Total
Initially recognised at:			
Fair value	423	403	826
Accumulated depreciation	-	(187)	(187)
Carrying amount at 31 December	**423**	**216**	**639**

The assets held by the Company under finance leases were related to certain commercial premises from which it operated. None of these premises were individually significant.

The Company cancelled these lease contracts during 2012 and no longer has any assets contracted under finance leases at 31 December 2012.

(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 2012 and 2011 are as follows:

Warehouse	Minimum term
Miranda de Ebro (Burgos)	Until 2016
Manises (Valencia)	Until 2016
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 2012 and 2011 as follows:

	Thousands of Euros	
	2012	2011
Minimum property lease payments	138,373	131,485
Minimum movable goods lease payments	10,499	10,840
Sublease payments	(2,357)	(2,506)
Total	**146,515**	**139,819**

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

	Thousands of Euros	
	2012	2011
Less than one year	51,203	50,048
Two to five years	73,335	75,648
Over five years	41,089	53,055
Total	**165,627**	**178,751**

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

	Thousands of Euros	
	2012	2011
Less than one year	11,883	11,053
Two to five years	13,799	14,592
Over five years	377	211
Total	**26,059**	**25,856**

(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 sub-let Company-owned premises 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:

(iii) Financial risk factors

The Company's activities are exposed to various financial risks: market risk (including currency risk, interest rate risk in fair value and price risk), credit risk, liquidity risk and interest rate risk in cash flows. 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.

(iv) 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 with the Finance Department.

In 2012, the Company made non-recurrent transactions in US Dollars, for which it took out exchange rate insurance.

Hedging transactions carried out in US Dollars during 2012, mainly purchase transactions, amounted to US Dollars 7,813 thousand (US Dollars 8,171 thousand in 2011), amounting for 98.38% of transactions in this currency (99.92% in 2011). At the 2012 year end, outstanding hedges in this currency total US Dollars 2,490 thousand (US Dollars 3,284 thousand in 2011) and expire in the following seven 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 2012 or 2011.

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, Turkish Lira, Chinese Yuan and Brazilian Reals is mitigated primarily through borrowings in the corresponding foreign currencies.

At 31 December 2012 had the Euro strengthened/weakened by 10% against the US Dollar, with the other variables remaining constant, post-tax profit would have been Euros 373 thousand higher (Euros 343 thousand at 31 December 2011), mainly as a result of translating trade receivables and debt instruments classified as available-for-sale financial assets.

(v) Price risk

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

(vi) Credit risk

The Company is not significantly exposed to credit risk. It 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 2012 and 2011 and financial assets by remaining contracted maturity are as follows:

Thousands of Euros	Maturity	2012
Loans to group companies	2017	160,000
Loans to third parties	2014-2022	998
Loans to personnel	2014-2015	493
Trade receivables > 1 year	2014-2023	20,758
Deposits and guarantees	per contract	13,765
Non-current financial assets		**196,014**
Personnel	2013	944
Participating loans	2013	55,000
Trade receivables	2013	27,578
Trade receivables from group companies and associates	2013	113,485
Otehr receivables	2013	37,152
Current account with group companies	2013	2,251
Loans	2013	311
Current financial assets		**236,721**

Thousands of Euros	Maturity	2011
Participating loans	2013	52,000
Loans to third parties	2013-2021	853
Loans to personnel	2013-2014	557
Trade receivables > 1 year	2013-2022	19,269
Deposits and guarantees	per contract	12,893
Non-current financial assets		**85,572**
Personnel	2012	472
Participating loans	2012	3,000
Trade receivables	2012	29,535
Trade receivables from group companies and associates	2012	88,635
Other receivables	2012	33,357
Current account with group companies	2012	408,796
Loans	2012	670
Current financial assets		**564,465**

The returns on these financial assets totalled Euros 12,133 thousand in 2012 and Euros 9,685 thousand in 2011.

Details of non-current and current trade and other receivables by maturity in 2012 and 2011 are as follows:

	Thousands of Euros			
Non-current	**Total**	**1 - 2 years**	**3 - 5 years**	**> 5 years**
31 December 2012	**20,758**	8,199	11,008	1,551
31 December 2011	**19,269**	7,160	10,794	1,315

	Thousands of Euros					
Current	**Total**	**Not expired**	**Less than 1 month**	**2-3 months**	**4-6 months**	**7-12 months**
31 December 2012	**198,525**	188,312	4,603	4,636	639	335
31 December 2011	**163,539**	158,443	2,689	2,019	243	145

The Company's general policy is to recognise an impairment loss for the entire amount of any outstanding receivable past due by over six months.

(vii) 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 2012 and 2011 and financial liabilities by remaining contracted maturity are as follows:

Thousands of Euros	Maturity	2012
Debt with financial institutions		
Syndicated loan	2014-2016	517,821
Other loans	2014-2018	72
Guarantees and deposits received	per contract	2,493
Total non-current financial liabilities		**520,386**
Debt with financial institutions		320,564
Draw downs on credit facilities	2013	1,371
Interest	2013	1,955
Syndicated loan	2013	317,129
Other debts with credit entities	2013	109
Derivatives	2013	928
Suppliers of fixed assets	2013	2,921
Bills payable	2013	8,752
Other debts	2013	414
Current interest on payables	2013	340
Guarantees and deposits received	2013	220
Payables to group companies	2013	101,256
Suppliers, group companies	2013	12,326
Suppliers	2013	718,683
Other payables	2013	68,131
Personnel	2013	29,013
Total current financial liabilities		**1,263,548**

Thousands of Euros	Maturity	2011
Debt with financial institutions		
Syndicated loan	2013-2016	584,949
Other loans	2013-2018	86
Guarantees and deposits received	per contract	1,630
Total non-current financial liabilities		**586,665**
Debt with financial institutions		249,812
Draw downs on credit facilities	2012	1,390
Interest	2012	1,294
Syndicated loan	2012	247,128
Finance lease payables	2012	8
Suppliers of fixed assets	2012	2,761
Bills payable	2012	2,760
Other debts	2012	412
Current interest on payables	2012	297
Guarantees and deposits received	2012	362
Payables to group companies	2012	43,313
Suppliers, group companies	2012	11,971
Suppliers	2012	697,560
Other payables	2012	82,868
Personnel	2012	25,563
Total current financial liabilities		**1,117,687**

Details of non-current financial debt by maturity in 2012 and 2011 are as follows:

Thousands of Euros	2012	1 to 2 years	3 to 5 years	over 5 years
Debt with financial institutions				
Principal	517,893	67,143	450,736	14
Guarantees and deposits received	2,493	-	-	2,493
Total non-current financial debt	**520,386**	**67,143**	**450,736**	**2,507**

Thousands of Euros	2011	1 to 2 years	3 to 5 years	over 5 years
Debt with financial institutions				
Principal	585,035	67,143	517,864	28
Guarantees and deposits received	1,630	-	-	1,630
Total non-current financial debt	**586,665**	**67,143**	**517,864**	**1,658**

The finance costs accrued on these financial liabilities totalled Euros 31,315 thousand in 2012 and Euros 22,773 thousand in 2011.

(viii) Cash flow and fair value interest rate risks

On 21 December 2011 the Company signed an equity swap contract with Société Générale whereby the latter acquired 13,586,720 own shares of the Company. This contract, which expires on 21 January 2013, can be settled by the Company receiving the shares or receiving a cash amount equal to the difference between the price at the purchase date and at the date of sale. This year the Company has recognised income of Euros 17,011 thousand under changes in the fair value of financial instruments in relation to this contract.

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 140 thousand (Euros 941 thousand at 31 December 2011).

(11) Investments in Equity Instruments of Group Companies

At 31 December 2012 and 2011, 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 2012 (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 2012	Non current held for sale assets
Dia Portugal Supermercados, S.A.	Lisbon	Wholesale and retail sale of food products.	KPMG	100	100	51,803	44,716	30,303	126,822	50,547	34,500	-
Dia Argentina, S.A.	Buenos Aires	Wholesale and retail distribution of food products	KPMG	95	100	120,140	(83,414)	5,099	41,825	114,859	-	-
Dia Sabanci Supermarketleri Ticaret Anonim Sirketi	Istanbul	Wholesale and retail distribution of consumer products	KPMG	59.96	60.00	126,713	(120,156)	(27,749)	(21,192)	37,234	-	-
Dia Brasil Sociedade Limitada	Sao Paulo	Wholesale and retail distribution of consumer products	KPMG	100	100	88,680	7,492	10,337	106,509	88,680	-	-
Finandia E.F.C., S.A.	Madrid	Loan and cretid operations, including customer credit, mortgage loansa and financing of commercial transactions, as well as the issue and management of credit and debit cards.	KPMG	100	100	7,000	659	409	8,068	7,000	-	-
Dia Tian Tian Management Consulting Service & Co.Ltd.	Shanghai	Service consultancy	KPMG	100	100	19,300	(22,359)	(3,140)	(6,199)	-	-	-
Shanghai Dia Retail Co., Ltd.	Shanghai	Retail distribution of consumer products	KPMG	100	100	69,949	(70,117)	(7,244)	(7,412)	69,949	-	-
Beijing Dia Commercial CO., LTD.	Beijing	Retail distribution of consumer products	KPMG	100	100	64,854	(65,302)	(6,624)	(7,072)	-	-	3,264
Dia France	Vitry sur Seine	Wholesale and retail distribution of consumer products.	KPMG	100	100	216,600	179,628	(25,689)	370,539	1,017,276	-	-
Twins Alimentación, S.A. and Subsidiarie	Madrid	Distribution of food products and toiletries though supermarkets and the subsidiary, sub-lease of primarily to its sole shareholder.	KPMG	100	100	36,169	12,781	15,245	64,195	160,748	-	-
Dia World Trade, S.A.	Geneva	Supply services to the companies of the DIA Group.	KPMG	100	100	84	596	213	893	843	-	-
										1,547,136	34,500	3,264

Information on Group companies
for the year ended 31 December 2011
(expressed in thousands of Euros)

Name	Registered offices	Activity	Auditor	% of ownership: % direct interest	% of ownership: Total	Capital	Reserves	Restults for the year from continuing operations	Total equity	Carrying amount of investment	Dividends received in 2011
Dia Portugal Supermercados, S.A.	Lisbon	Wholesale and retail sale of food products.	KPMG	100	100	51,803	11,762	32,954	96,519	50,547	40,000
Dia Argentina, S.A.	Buenos Aires	Wholesale and retail distribution of food products.	KPMG	95	100	120,140	(92,497)	8,357	36,000	114,133	-
Dia Sabanci Supermarketleri Ticaret Anonim Sirketi	Istanbul	Wholesale and retail distribution of consumer products.	KPMG	59.96	60.00	126,713	(112,036)	(8,120)	6,557	75,977	-
Dia Brasil Sociedade Limitada	Sao Paulo	Wholesale and retail distribution of consumer products.	KPMG	100	100	88,680	(14,268)	21,760	96,172	88,680	-
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	161	498	7,659	7,000	-
Dia Tian Tian Management Consulting Service & Co.Ltd.	Shanghai	Service consultancy.	KPMG	100	100	19,300	(18,882)	(3,477)	(3,059)	-	-
Shanghai Dia Retail Co., Ltd.	Shanghai	Retail distribution of consumer products.	KPMG	100	100	65,729	(62,567)	(7,550)	(4,388)	65,729	-
Beijing Dia Commercial CO., LTD.	Beijing	Retail distribution of consumer products.	KPMG	100	100	59,359	(59,371)	(5,931)	(5,943)	59,359	-
Dia France (*)	Vitry sur Seine	Wholesale and retail distribution of consumer products.	KPMG	100	100	216,400	(58,541)	(61,591)	96,268	619,422	-
Twins Alimentación, S.A. y sociedad dependiente	Madrid	Distribution of food products and toiletries through supermarkets and the subsidiary, sub-lease of premises primarily to its sole shareholder.	KPMG	100	100	36,169	(12,951)	25,732	48,950	160,748	-
Dia World Trade, S.A.	Geneva	Supply services tot he companies of the DIA Group.	KPMG	100	100	84	759	(163)	680	843	-
										1,242,438	40,000

(*) Change of the denomination of the company during 2012, from ED SAS to Dia France

Details of investments in Group companies and changes in 2012 and 2011 are as follows:

	Thousands of Euros				
Company	Balances at 1 January 2012	Additions	Disposals	Transfers	Balances at 31 December 2012
Dia Portugal Supermercados, S.A.	50,547	-	-	-	50,547
Dia Argentina, S.A.	114,133	726	-	-	114,859
Dia Sabanci Supermarketleri Ticaret Anonim Sirketi	75,977	-	-	-	75,977
Dia Brasil Sociedade Limitada	88,680	-	-	-	88,680
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.	65,729	4,220	-	-	69,949
Beijing Dia Commercial CO., LTD.	59,359	5,495	-	(64,854)	-
Dia France	943,868	300,000	-	-	1,243,868
Twins Alimentación, S.A.	160,748	-	-	-	160,748
Dia World Trade	843	-	-	-	843
Total cost	**1,586,184**	**310,441**	**-**	**(64,854)**	**1,831,771**
Impairment	(343,746)	(100,333)	97,854	61,590	(284,635)
Carrying amount	**1,242,438**	**210,108**	**97,854**	**(3,264)**	**1,547,136**

	Thousands of Euros			
Company	Balances at 1 January 2011	Additions	Disposals	Balances at 31 December 2011
Dia Portugal Supermercados, S.A.	80,547	-	(30,000)	50,547
Dia Argentina, S.A.	120,140	-	(6,007)	114,133
Dia Sabanci Supermarketleri Ticaret Anonim Sirketi	51,837	24,140	-	75,977
Dia Brasil Sociedade Limitada	88,680	-	-	88,680
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.	47,001	18,728	-	65,729
Beijing Dia Commercial CO., LTD.	30,978	28,381	-	59,359
Dia France	943,868	-	-	943,868
Twins Alimentación, S.A.	160,748	-	-	160,748
Dia World Trade	-	843	-	843
Total cost	**1,550,099**	**72,092**	**(36,007)**	**1,586,184**
Impairment	(320,704)	(23,042)	-	(343,746)
Carrying amount	**1,229,395**	**49,050**	**(36,007)**	**1,242,438**

During 2012 the Company has paid capital into Shanghai DIA Retail Co., LTD. and Beijing DIA Commercial Co., LTD. It has also capitalised an intra-group receivable from DIA Argentina totalling Euros 726 thousand and Euros 300,000 thousand of the loan granted to DIA France. The “transfers” column reflects the carrying amount of the Company’s interest in Beijing DIA Commercial Co., LTD., which has an estimated net value of Euros 3,264 thousand. At 31 December 2012 the Company is in the active process of selling this investment, which it has therefore been classified as available for sale.

DIA World Trade, S.A., with registered offices in Geneva (Switzerland), was incorporated in 2011. DIA, S.A. paid up the full amount of the share capital and share premium of this new company, totalling Swiss Francs 1,000 thousand. Furthermore, the share capital of DIA Sabanci Supermarketleri Ticaret Anonim Sirketi, Shanghai DIA Retail Co., Ltd. and Beijing DIA Commercial Co., Ltd. was increased in 2011.

The share capital of DIA Portugal, S.A. was reduced by Euros 30,000 thousand and 5% of the share capital of DIA Argentina, S.A. was sold to the Group company Pe-tra, Servicios a la Distribución, S.L. in 2011, generating gains of Euros 3,043 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) and Pe-tra Servicios a la Distribución, S.L. (the acquisition, sale, lease, management and operation of properties and related installations). DIA World Trade, S.A. provides services to the Group's suppliers.

- Impairment

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

	Thousands of Euros				
Company	Balances at 1 January 2012	Charge	Reversals	Transfers	Balances at 31 December 2012
Dia Sabanci Supermarketleri Ticaret Anonim Sirketi	-	(38,743)	-	-	(38,743)
Beijing Dia Commercial CO., LTD.	-	(61,590)	-	61,590	-
Dia Tian Tian Management Consulting Service & Co.Ltd.	(19,300)	-	-	-	(19,300)
Dia France	(324,446)	-	97,854	-	(226,592)
Total non-current	**(343,746)**	**(100,333)**	**97,854**	**61,590**	**(284,635)**

	Thousands of Euros		
Company	Balances at 1 January 2011	Charge	Balances at 31 December 2011
Dia Tian Tian Management Consulting Service & Co.Ltd.	(19,300)	-	(19,300)
Dia France	(301,404)	(23,042)	(324,446)
Total non-current	**(320,704)**	**(23,042)**	**(343,746)**

As mentioned in notes 2 (d) (i) and 4 (d), value in use is calculated in order to determine whether an asset is impaired. The recoverable amount of an investment in a Group company is determined based on its value in use. 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 2012 the Company has recognised impairment of Euros 38,743 thousand on its investments in DIA Sabanci Supermarketleri Ticaret Anonim Sirketi (Euros 23,042 thousand on the investment in DIA France in 2011). Euros 97,854 thousand of the provision for the impairment of DIA France has been reversed during 2012. As the investment in Beijing DIA Commercial Co., LTD. qualifies for classification as an available-for-sale financial asset, it has been measured at fair value less costs to sell and transferred to current assets.

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

	Spain		France	
	2012	2011	2012	2011
Sales growth rate (1)	4.80%	2.16%	3.20%	1.45%
Growth rate (2)	1.00%	1.00%	1.00%	1.00%
Discount rate (3)	8.35%	8.37%	7.50%	6.58%

	Portugal		Turkey	
	2012	2011	2012	2011
Sales growth rate (1)	3.30%	2.93%	11.70%	22.52%
Growth rate (2)	1.00%	1.00%	2.00%	2.00%
Discount rate (3)	9.39%	13.27%	11.36%	10.77%

	Argentina		Brazil	
	2012	2011	2012	2011
Sales growth rate (1)	15.70%	16.18%	19.00%	20.11%
Growth rate (2)	2.00%	2.00%	2.00%	2.00%
Discount rate (3)	26.94%	20.28%	10.89%	9.35%

	China	
	2012	2011
Sales growth rate (1)	16.80%	23.23%
Growth rate (2)	2.00%	2.00%
Discount rate (3)	9.33%	7.87%

(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 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 specific cost of equity in each country is calculated by adding inflation and the country-risk premium to the cost of equity in Spain. The risk premium is the difference between the five-year credit default swap (CDS) spread of each country in which the subsidiaries operate and the spread applicable to Spain.

(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			
	2012		2011	
Group	Non-current	Current	Non-current	Current
Loans	160,000	55,000	52,000	3,000
Current account with the Group	-	2,251	-	408,796
Total	**160,000**	**57,251**	**52,000**	**411,796**

The Company has granted two participating loans to Twins Alimentación, S.A. amounting to Euros 52,000 thousand and Euros 3,000 thousand. These loans earn interest at participating or variable rates and fall due on 31 December 2013 and 31 December 2012, respectively. In 2012 the Company has granted a Euros 160,000 loan to its subsidiary DIA France, falling due on 2 January 2017.

At 31 December 2012 current balances with Group companies mainly comprise receivables from DIA Sabanci Supermarketleri Ticaret Anonim Sirketi, DIA Portugal Supermercados, S.A., DIA Brasil Sociedade Limitada and Finandia E.F.C., S.A. The nominal annual interest rates applied to current accounts with Group companies in 2012 were the one-month Euribor plus a spread of between -0.125% for payables and 0.2% for receivables.

At 31 December 2011, current balances receivable from Group companies mainly comprised the current account with DIA France totalling Euros 407,468 thousand. The nominal annual interest rates applied to current accounts with Group companies in 2011 were the one-month Euribor plus a spread of between -0.125% for payables and 0.2% for receivables.

(b) Investments

Details of investments are as follows:

	Thousands of Euros			
	2012		2011	
Unrelated parties	Non-current	Current	Non-current	Current
Equity instruments	36	-	36	-
Loans	1,491	311	1,410	670
Hedging derivatives	-	17,256	-	239
Deposits and guarantees	13,765	-	12,893	-
Total	**15,292**	**17,567**	**14,339**	**909**

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.

In 2012 the Company has contracted several different hedging instruments to mitigate the effect of possible interest rate rises (see note 22 c)). On 21 December 2011 the Company signed an equity swap contract with Société Générale whereby the latter acquired 13,586,720 own shares of the Company. This contract, which expires on 21 January 2013, can be settled by the Company receiving the shares or receiving a cash amount equal to the difference between the price at the purchase date and at the date of sale with a reference price of 3.5580 euros per share. This year the Company has recognised income of Euros 17,011 thousand under changes in the fair value of financial instruments in relation to this contract, as well as dividend income of Euros 1,270 thousand. On 21 January 2013 the Company settled this contract by opting to receive a cash payment of Euros 20,951 thousand.

Security 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).

(c) Trade and other receivables

Details of trade and other receivables are as follows:

	Thousands of Euros			
	2012		2011	
	Non-current	Current	Non-current	Current
Trade receivables	20,758	31,352	19,269	31,313
Trade receivables from group companies and associates	-	113,485	-	88,635
Other payables	-	41,487	-	37,412
Personnel	-	944	-	472
Current tax assets (note 23)	-	18,881	-	11,405
Public entities, other (note 23)	-	485	-	135
Impairment	-	(8,109)	-	(5,833)
Total	**20,758**	**198,525**	**19,269**	**163,539**

Trade receivables basically comprise balances receivable from franchise holders and concessionaires for the sale of goods, which are recognised at present value.

Trade receivables from Group companies basically comprise receivables from Twins Alimentación, S.A., which amount to Euros 79,237 thousand at 31 December 2012 and totalled Euros 68,965 thousand at the 2011 year end.

Other receivables essentially comprise rent receivable from the concessionaires that lease premises from the Company and amounts relating to sales of fixed assets and services provided to suppliers.

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

Current tax assets basically reflect the receivable generated on the Company's income tax settlement, amounting to Euros 7,445 thousand in 2012 and Euros 11,436 thousand in 2011.

(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	
	2012	2011
Current		
At 1 January	**(5,833)**	**(5,206)**
Charge	(3,997)	(1,548)
Reversals	1,721	921
At 31 December	**(8,109)**	**(5,833)**

During 2012 the Company has written off unrecoverable receivables totalling Euros 462 thousand (Euros172 thousand in 2011).

(13) Inventories

Details of inventories are as follows:

	Thousands of Euros	
	2012	2011
Manufacturing and distribution business		
Goods for resale	181,738	185,992
Raw materials and other supplies	2,180	3,548
Advances to suppliers	320	143
Impairment	(780)	(811)
Total	**183,458**	**188,872**

Inventories essentially comprise goods for resale.

(a) Limitations to availability

At 31 December 2012 and 2011 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) Prepayments

Details of prepayments are as follows:

	Thousands of Euros			
	2012		2011	
	Non-current	Current	Non-current	Current
Prepayments on operating leases	-	120	-	53
Prepayments on guarantees and loans (note 12 (b))	6,168	515	6,054	482
Other prepayments	-	1,695	-	2,784
Total	**6,168**	**2,330**	**6,054**	**3,319**

(15) Cash and Cash Equivalents

Cash includes cash on hand and current accounts with financial institutions. Other cash equivalents reflect deposits at banks with high credit ratings. These deposits are settled daily and earn interest at an average rate of 1.77%.

(16) Equity

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

(a) Capital

At 31 December 2012 the Company's share capital is represented by 679,336,000 ordinary shares of Euros 0.10 par value each, subscribed and fully paid. These shares are listed on the Spanish stock markets and are freely transferable.

On 25 March 2011, Norfin Holder, S.L., the Company's sole shareholder, approved a Euros 64,034,810.83 increase in DIA's share capital with a charge to the share premium. As a result, the share capital of DIA totals Euros 67,933,600, represented by 679,336,000 ordinary shares of Euros 0.10 par value each.

As stated in note 1, on 5 July 2011 the Company's shares were listed on the Spanish stock exchanges. According to public information filed with the Spanish National Securities Market Commission, the members of the board of directors control approximately 0.032% of the Company's share capital at the date of authorising these annual accounts for issue.

The most significant shareholdings disclosed in the public information filed with the Spanish Securities Market Commission are as follows:

- Blue Capital Sà.r.l.	9.428%
- Baillie Gifford & CO	3.003%

Nevertheless, the prospectus issued for the flotation of the Company's shares reported that certain major shareholders (Groupe Arnault, S.A.S, Colony Blue Investor S.à.r.l. and Blue Capital Sà.r.l., by mutual agreement) had committed to a share lock-up arrangement whereby they agreed not to sell their shares in the Company for a year from the date on which they commenced trading (5 July 2011). This agreement expired on 5 July 2012. Groupe Arnault, S.A.S, Colony Blue Investor S.à.r.l. and Blue Capital Sà.r.l. have also declared that they have reached a verbal agreement to exercise their voting rights jointly.

(b) Share premium

In 2004 a share premium amounting to Euros 847,736 thousand was created when share capital was increased. This increase was subscribed and fully paid by the French company Erteco, SAS, which contributed the 39,686 shares it held in another French company, DIA France, as payment. The share premium also includes Euros 797 thousand that arose from a share capital increase carried out in 1992.

As stated above, the share premium was reduced by Euros 64,034,810.83 as a result of the decision by the Company's sole shareholder to increase capital with a charge to this reserve. At the 2011 year end this reserve had been reduced by Euros 166,341 thousand to Euros 618,157 thousand due to the distribution of extraordinary dividends on 23 June 2011. No movements have taken place in 2012.

At 31 December 2012 the entire share premium is subject to the same restrictions and may be used for the same purposes as the Company's voluntary reserves, including conversion into share capital.

(c) Reserves

Reserves at 31 December 2012 and 2011 are as follows:

	Thousands of Euros	
	2012	**2011**
Legal reserve	13,587	780
Goodwill reserves	7,464	5,666
Voluntary reserves	45,875	11,781
Total	**66,926**	**18,227**

(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 2012 the Company has provided this reserve with 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

At 31 December 2012 all voluntary reserves, amounting to Euros 45,875 thousand, are recognised under other reserves and, together with the share premium, are freely distributable.

(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) ***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 agreed the realization of buy back own shares of DIA up to a maximum amount equivalent to 2% of the Company's share capital (additional to those already held by the Company at the date of this agreement). (See notes 10.f) and 12.b)).

On 07 June 2012 the board of directors agreed the realization of buy back own shares of DIA up to a maximum amount equivalent to 1% of the Company's share capital, under the authorisation conferred by the Board in relation with the decision taken by the Sole Shareholder of the Company at 9 May 2011 and in accordance with the definition in the Company's Internal Regulations of Conduct on Stock Markets and the Own Share Policy approved by the board of directors. On 2 July 2012 the programme of rebuying of 6.793.360 shares was completed.

The only disposals during 2012 were due to the transfer of 115,622 shares to the Company's directors and senior management as remuneration, with a charge of Euros 148 thousand to voluntary reserves. In 2011 85,736 shares were transferred to the Company's directors as remuneration, with a charge of Euros 22 thousand to voluntary reserves.

As a result, at year end the Company holds 20,178,722 own shares with an average purchase price of Euros 3.1107 per share which represent a total amount of 62,769,075.43 Euros.

(d) Other equity instruments

This reserve includes obligations derived from equity-settled share-based payment transactions following the approval by the Board and the shareholders general meeting 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 (see note 20).

(e) Dividends

Details of dividends paid are as follows:

	2012	2011
Dividends on ordinary shares (Thousands of Euros):	72,498	368,600
Dividends per share (Euros):	0.11	0.54

Own shares held by the Company are excluded from the calculation of dividends per share (in Euros); i.e. for 2012 the number of shares is 659,072,702 whereas for the prior year there were 679,336,000 shares.

On 23 June 2011 the Company's sole shareholder prior to the spin-off from the Carrefour Group approved the distribution of extraordinary dividends of Euros 368,600 thousand with a charge to voluntary reserves and the share premium.

(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	
	2012	2011
At 1 January	**724**	**882**
Grants obtained during the year	-	20
Transfers to the income statement	(179)	(178)
At 31 December	**545**	**724**

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

	Thousands of Euros	
	2012	2011
Capital grants	255	254
Operating grants	431	413
Total	**686**	**667**

Details of grants are as follows:

- *Capital grants*

No capital grants have been received in 2012. The Company was awarded the following grants in 2011:

	Thousands of Euros		
Granting entity	2011	Grant date	Purpose
Generalitat de Cataluña	15	2,011	Environmental
Instituto Catalan de Energía	1	2,011	Environmental
Xunta de Galicia	12	2,011	Environmental
Total	**28**		

- *Operating grants*

	Thousands of Euros				
Granting entity	2012	Grant date	2011	Grant date	Purpose
Forcem	430	2,012	409	2,011	Training
Otros	1	2,012	4	2,011	Several
Total	**431**		**413**		

(18) Provisions

Details of provisions are as follows:

	Thousands of Euros			
	2012		2011	
	Non-current	Current	Non-current	Current
Provisions for long-term employee benefits under defined benefit plans(note 19)	531	-	496	-
Decommissioning provisions (note 21)	807	-	772	-
Other trade provisions	-	1,907	-	2,882
Provisions for onerous contracts	-	134	-	-
Provisions for otehr liabilities (note 21)	36,823	-	105,789	-
Total	**38,161**	**2,041**	**107,057**	**2,882**

(19) 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	
	2012	2011
At 1 January	**496**	**766**
Current service cost	122	127
Provision surpluses taken to the income statement	(70)	(126)
Interest cost	33	31
Expected rate of return on plan assets	(12)	(11)
Payments for pensions	(6)	-
Other movements	(32)	6
Transfer of insured commitments	-	(297)
At 31 December (note 18)	**531**	**496**

The Company has commitments with current employees for pensions and length-of-service bonuses amounting to Euros 865 thousand at 31 December 2012 and Euros 793 thousand in 2011. Of these amounts, Euros 334 thousand and Euros 297 thousand were externalised in 2012 and 2011, respectively, as required by Spanish legislation.

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

	Thousands of Euros	
	2012	2011
At 1 January	**297**	**264**
Expected rate of return	12	11
Annual premium	32	31
Actuarial losses	(7)	(9)
At 31 December	**334**	**297**

The principal actuarial assumptions used are as follows:

- Annual discount rate: 4%
- 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: 65 years

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

	Thousands of Euros	
	2012	2011
Current service cost	(122)	(127)
Provision surpluses taken to the income statement	70	126
Interest cost	(33)	(31)
Expected rate of return on plan assets	12	11
Total	**(73)**	**(21)**

(20) 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 share-settled variable remuneration plan proposed by the appointment and remuneration committee.

The share-settled long-term incentive plan executives (including executive directors) of the Company and its subsidiaries are awarded variable remuneration settled though shares in the Company, receipt of which is dependent on whether the Company and Group meet certain business targets, in period 2011-2014, as well as certain indicators relating to the value of these shares. Beneficiaries are also required to remain in the employment or maintain their commercial relationship with the Company and/or its subsidiaries on the plan reference dates. The settlement will take place in different periods of the Plan duration until 2016.

The plan for executives of the Company and its subsidiaries are awarded variable remuneration settled though shares in the Company, receipt of which is dependent on whether the Company and Group meet certain business targets, with settlements, in their case, in 2013 for the period of years 2011 and 2012, and in 2015 for the period of years 2013 and 2014. Beneficiaries are also required to remain in the employment or maintain their commercial relationship with the Company and/or its subsidiaries on the plan reference dates.

The general shareholders meeting approved theses plans and beneficiaries were informed of the plan regulations on 11 June 2012.

At Group level, the maximum amount expected to be paid to beneficiaries of both plans is approximately Euros 47 million. Performance is measured over a period ending on 31 December 2014 and settlements are planned at various dates.

The expense accrued on these plans in 2012 totalled Euros 3,168 thousand (Euros 2,515 thousand in 2011). This cost was recognised under personnel expenses in the income statement. Similarly, the Company has recognised a Euros 2,699 thousand credit balance with its subsidiaries in relation to the accumulated balance accrued under these plans at 31 December 2012. In both cases the balancing entry has been recorded under other own equity instruments.

(21) Other Provisions

Movement in other non-current provisions is as follows:

	Thousands of Euros		
	Legal, tax and labour provisions	Other provisions	Total
At 1 January 2012	**103,225**	**3,336**	**106,561**
Charge	3,711	35	3,746
Applications	(69,124)	-	(69,124)
Reversals	(989)	(2,564)	(3,553)
At 31 December 2012	**36,823**	**807**	**37,630**

	Thousands of Euros		
	Legal, tax and labour provisions	Other provisions	Total
At 1 January 2011	**121,948**	**736**	**122,684**
Charge	8,481	2,600	11,081
Applications	(23,133)	-	(23,133)
Reversals	(4,071)	-	(4,071)
At 31 December 2011	**103,225**	**3,336**	**106,561**

Legal, tax and labour provisions mainly relate to inspection-related risks (see note 23).

The increase in other provisions in 2012 is mainly the result of updating calculations of tax risks, amounting to Euros 1,820 thousand. This balance also includes a provision of Euros 1,663 thousand for other legal risks. Provisions made in 2011 mainly reflected the effect of updating tax risks, amounting to Euros 3,791 thousand, and a Euros 2,530 thousand provision for additional Social Security payments on inspection.

In 2012 Euros 49,180 thousand of this provision has been applied to pay additional taxes raised on inspection of income tax filed for the 1994-2002 period, and Euros 15,536 thousand has been applied to pay additional taxes raised on inspection of income tax filed for 2004, 2005 and 2006. Applications also include additional Social Security payments of Euros 2,056 thousand following an inspection and payments of Euros 1,693 thousand relating to other legal risks. In 2011 Euros 18,190 thousand of this provision was applied to pay additional taxes raised on inspection of income tax filed for 1993, 1994, 1997 and 2007, and Euros 4,684 thousand was applied to settle additional VAT raised on an inspection of the Company's declarations for 1995 and 1996.

Reversals in 2012 mainly reflect a surplus of Euros 947 thousand in the provision for legal risks. Reversals in 2011 mainly comprise Euros 1,649 thousand reversed as a result of re-estimating the late payment interest payable on additional income taxes raised on inspection, and Euros 1,283 thousand reversed due to updating the provision for additional income tax raised on inspection of the 2007 declaration.

Following the reversal of a Euros 2,564 thousand provision for equity-settled payment transactions in 2012, other provisions comprise provisions for decommissioning.

(22) 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 payables are as follows:

	Thousands of Euros	
	Current	Current
Group	2012	2011
Payables	101,256	43,313
Total	**101,256**	**43,313**

At 31 December 2012, payables mainly reflect the Company's current account with its subsidiary Twins Alimentación, S.A., with a balance of Euros 69,377 thousand, and Euros 31,879 thousand payable to DIA France. At 31 December 2011, payables mainly comprised the balance in the current account with Twins Alimentación, S.A. The interest rates applied to current accounts with Group companies in 2012 and 2011 were the one-month Euribor plus a spread of between -0.125% for payables and 0.2% for receivables.

(b) Payables

Details of payables are as follows:

	Thousands of Euros			
	2012		2011	
Unrelated parties	Non-current	Current	Non-current	Current
Debt with financial institutions				
Syndicated loan	517,821	317,129	584,949	247,128
Other loans	72	109	86	-
Drawdowns on credit facilities	-	1,371	-	1,390
Interest	-	1,955	-	1,294
Finance lease payables (note 7)	-	-	-	8
Derivatives	-	928	-	-
Suppliers of fixed assets	-	2,921	-	2,761
Bills payable	-	8,752	-	2,760
Other debts	-	414	-	412
Current interest on payables	-	340	-	297
Guarantees and deposits received	2,493	220	1,630	362
Total	**520,386**	**334,139**	**586,665**	**256,412**

(c) Other information on payables

The Company holds a long-term syndicated financing contract with a number of financial institutions in Spain and international, which was arranged in 2011 for a maximum amount of Euros 1,050,000 thousand.

This loan is divided into three tranches:

(i) Tranche A consists of a five-year loan for a maximum amount of Euros 350,000 thousand, repayable in annual instalments on 31 December 2011 (10%), 31 December 2012 (20%), 31 December 2013 (20%), 31 December 2014 (20%), 31 December 2015 (20%) and any outstanding amount on maturity.

(ii) Tranche B is a five-year loan for a maximum amount of Euros 350,000 thousand repayable on maturity.

(iii) Tranche C comprises a revolving credit facility for a maximum amount of Euros 350,000 thousand to finance working capital requirements, whereby the Company is required to repay each of the amounts drawn down on the last day of the related interest period, charging the repayment of the amount drawn down to the revolving facility.

The interest rates in force at the end of 2012 are as follows:

. Tranche A: Euribor +1.55%
. Tranche B: Euribor +1.70%
. Tranche C: Euribor + 1.30% - 1.70% (depending on drawdowns)

The interest rates in force at the end of 2011 were as follows:

. Tranche A: Euribor +1.75%
. Tranche B: Euribor +1.90%
. Tranche C: Euribor + 1.50% - 1.90% (depending on drawdowns)

The guarantees made by the Company must be jointly and severally secured by its subsidiaries Twins Alimentación S.A., Petra Servicios a la Distribución, S.L., DIA Portugal Supermercados S.Lda. and DIA Brasil Sociedade Limitada. The shares of DIA France have also been pledged as collateral.

The DIA Group is required to comply with certain covenants throughout the term of this financing agreement. The lenders verify compliance with these covenants every six months using figures for the last twelve months.

On 5 July 2011, the Parent received Euros 865,000 thousand under this financing agreement, used mainly to repay, on the same date, borrowings from various Carrefour Group companies at 30 June 2011. Arrangement costs and fees totalled Euros 14,358 thousand and were recognised as a reduction in the financing received. At 31 December 2012 drawdowns total Euros 834,950 thousand (Euros 832,077 thousand in 2011).

At the 2012 year end, all covenant ratios, calculated based on the DIA Group's consolidated annual accounts, have been met. Details are as follows:

(i) Total recalculated net debt/recalculated EBITDA < 2.75x
(ii) EBITDA/net finance costs > 6.5x

The Company has five credit facilities with a total limit of Euros 31,000 thousand at 31 December 2012 and Euros 34,000 thousand at 31 December 2011. Drawdowns total Euros 1,371 thousand at 31 December 2012 and Euros 1,390 thousand at 31 December 2011. The average annual interest rate on these drawdowns was 2.12% in 2012 and 2.03% in 2011.

d) Trade and other payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	Current	Current
Group	2012	2011
Suppliers, group companies	12,326	11,971
Suppliers	718,683	697,560
Other payables	68,131	82,868
Personnel	29,013	25,563
Public entities, other (note 23)	32,251	26,822
Total	**860,404**	**844,784**

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 380,000 thousand and Euros 505,000 thousand at 31 December 2012 and 2011, respectively. Drawdowns total Euros 301,134 thousand at 31 December 2012 and Euros 305,446 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			
	2012		2011	
Thousands of Euros	Amount	%*	Amount	%*
**Within the maximum legal period	2,936,026	81.34%	3,176,766	91.66%
Other	673,332	18.66%	288,873	8.34%
Total payments for the year	3,609,357	100%	3,465,639	100%
Weighted average period by which payments are past due (in days)	17.69		28.65	
Late payments exceeding the maximum legal period	23,007		21,407	

* 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.

(e) Classification by maturity

The classification of payables by maturity is as follows:

	Thousands of Euros	
	2012	2011
1 year	334,139	256,412
1 to 2 years	67,143	67,143
3 to 5 years	450,736	517,864
Over 5 years	2,507	1,658
Total	**854,525**	**843,077**

(23) Taxation

Details of balances with public entities are as follows:

	Thousands of Euros			
	2012		2011	
	Non-current	Current	Non-current	Current
Assets				
Deferred tax assets	4,057	-	32,783	-
Current tax assets (note 12 c))	-	18,881	-	11,405
Other	-	485	-	135
	4,057	**19,366**	**32,783**	**11,540**
		(note 12 (c))		**(note 12 (c))**
Liabilities				
Deferred tax liabilities	95,435	-	102,914	-
Value added tax and similar taxes	-	16,193	-	12,392
Social Security	-	10,073	-	9,024
Withholdings	-	5,985	-	5,406
	95,435	**32,251**	**102,914**	**26,822**
		(note 22 (d))		**(note 22 (d))**

The Company has the following main applicable taxes open to inspection by the Spanish taxation authorities:

Tax	Periods
Income tax	2008-2011
Value Added tax	2009-2012
Personal income tax	2009-2012
Business activities tax	2009-2012

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

The Company filed individual tax returns in 2012, as it did in 2011 following the spin-off of the DIA Group from the Carrefour Group, which was headed by Norfin Holder, S.L.

A reconciliation of net income and expenses for the year with the taxable income is as follows:

2012	Thousands of Euros						
	Income statement			Income and expense taken to equity			
	Increases	Decreases	Net	Increases	Decreases	Net	Total
Income and expenses for the period	**184,850**	**-**	**184,850**	**-**	**(994)**	**(994)**	**183,856**
Income tax	67,595	-	67,595	-	(426)	(426)	67,169
Profit before tax	252,445	-	252,445	-	(1,420)	(1,420)	251,025
Permanent differences:	931	(34,500)	(33,569)	-	-	-	(33,569)
Temporary differences:							
originating during the year	3,208	(167,098)	(163,890)	928	-	928	(162,962)
originating in prior years	105,540	(1,486)	104,054	492	-	492	104,546
Taxable income	**362,124**	**(203,084)**	**159,040**	**1,420**	**(1,420)**	**-**	**159,040**

2011	Thousands of Euros						
	Income statement			Income and expense taken to equity			
	Increases	Decreases	Net	Increases	Decreases	Net	Total
Income and expenses for the period	**121,049**	**-**	**121,049**	**207**	**(178)**	**29**	**121,078**
Income tax	35,342	-	35,342	89	(76)	13	35,355
Profit before tax	156,391	-	156,391	296	(254)	42	156,433
Permanent differences:							
individual company	5,275	(45,046)	(39,771)	-	-	-	(39,771)
Temporary differences:							
individual company							
originating during the year	6,598	(127,143)	(120,545)	-	(239)	(239)	(120,784)
originating in prior years	18,621	(9,403)	9,218	226	(29)	197	9,415
Taxable income	**186,885**	**(181,592)**	**5,293**	**522**	**(522)**	**-**	**5,293**

A dividend received from the Group company DIA Portugal accounts for the majority of the balance under permanent differences.

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

	Thousands of Euros	
	2012	2011
Taxable income	**159,040**	**5,293**
Tax at 30%	47,712	1,588
Deductions	(1,758)	(408)
Total tax payable	45,954	1,180
Withholdings and payments on account	(53,398)	(12,583)
Tax payable (+) recoverable (-) by the Company	**(7,444)**	**(11,403)**

However, recoverable tax included in the income tax return filed for 2011 was not Euros 11,403 thousand but Euros 11,435 thousand, once the final adjustments to this tax became known. Recoverable tax for 2011 and 2012 has not yet been received at 31 December 2012.

The relationship between the tax expense and accounting profit for 2011 and 2010 is as follows:

	Thousands of Euros 2012		
	Profit and loss	Equity	Total
Income and expenses for the period before tax	**252,445**	**(1,420)**	**251,025**
Tax at 30%	75,734	(426)	**75,308**
Positive permanent differences	280	-	**280**
Negative permanent differences	(10,350)	-	**(10,350)**
Deductions and credits for the current year	(657)	-	**(657)**
Income tax expenses in prior years	704	-	**704**
Other adjustments (Activation Deductions IT 2011)	(1,102)	-	**(1,102)**
Other adjustments	2,986	-	**2,986**
Income tax expenses from continuing operations	**67,595**	**(426)**	**67,169**

	Thousands of Euros 2011		
	Profit and loss	Equity	Total
Income and expenses for the period before tax	**156,391**	**42**	**156,433**
Tax at 30%	46,917	13	**46,930**
Positive permanent differences	1,583	-	**1,583**
Negative permanent differences	(13,514)	-	**(13,514)**
Deductions and credits for the current year	(408)	-	**(408)**
Income tax expense in prior years	(298)	-	**(298)**
Other adjustments	1,062	-	**1,062**
Income tax expenses from continuing operations	**35,342**	**13**	**35,355**

Details of accumulated temporary differences at 31 December 2012 and the corresponding deferred tax asset or liability, in thousands of Euros, are as follows:

	TEMPORARY DIFFERENCE					TAX EFFECT				
	2,011	Origin	Reversal	Other	2,012	2,011	Origin	Reversal	Other	2,012
Onerous Contracts	-	134	-	-	134	-	40	-	-	40
Provision for textiles	771	-	(480)	-	291	231	-	(144)	-	87
Leaseholds	689	-	-	41	730	207	-	-	12	219
Provision for franchising operations	2,881	-	(975)	-	1,906	864	-	(292)	-	572
Other provisions	470	-	(31)	-	439	141	-	(9)	-	132
Hedging Operations	-	-	-	928	928	-	-	-	278	278
Equity instruments	13,896	3,039	-	(9,955)	6,980	4,169	912	-	(2,987)	2,094
Dia France	88,490	-	-	(88,490)	-	26,547	-	-	(26,547)	-
Pension commitments	498	35	-	-	533	149	11	-	-	160
Non-deductible goodwill on acq. of invest.	1,584	-	-	-	1,584	475	-	-	-	475
TOTAL DEFERRED TAX ASSETS	**109,279**	**3,208**	**(1,486)**	**(97,476)**	**13,525**	**32,783**	**963**	**(445)**	**(29,244)**	**4,057**

	TEMPORATY DIFFERENCE					TAX EFFECT				
	2,011	Origin	Reversal	Other	2,012	2,011	Origin	Reversal	Other	2,012
Accelerated depreciation 1994-1995	164	-	(78)	-	86	50	-	(23)	-	27
Accelerated depreciation 2011	65,608	-	(13,534)	2,502	54,576	19,682	-	(4,060)	751	16,373
Accelerated depreciation 2012	-	22,664	-	-	22,664	-	6,799	-	-	6,799
Goodwill deductible purchases from third parties	4,164	1,047	-	-	5,211	1,249	314	-	-	1,563
DIA France	-	139,167	-	(88,495)	50,672	-	41,750	-	(26,548)	15,202
Argentina	84,096	-	(7,794)	-	76,302	25,227	-	(2,338)	-	22,889
Turkey	65,274	-	(28,039)	-	37,235	19,581	-	(8,412)	-	11,169
Shanghai	65,729	4,220	-	-	69,949	19,719	1,266	-	-	20,985
Beijing	56,742	-	(56,095)	-	647	17,023	-	(16,829)	-	194
Hedging operations	239	-	-	(236)	3	72	-	-	(71)	1
Grants	1,032	-	-	(256)	776	310	-	-	(77)	233
TOTAL DEFERRED TAX LIABILITIES	343,048	167,098	(105,540)	(86,485)	318,121	102,913	50,129	(31,662)	(25,945)	95,435

Details of accumulated temporary differences at 31 December 2011 and the corresponding deferred tax asset or liability, in thousands of Euros, are as follows:

	TEMPORARY DIFFERENCE					TAX EFFECT				
	2,010	Origin	Reversal	Other	2,011	2,010	Origin	Reversal	Other	2,011
Provision for uninvoiced items	3,031	-	-	(3,031)	-	1,061	-	-	(1,061)	-
Provision for store closures	2	-	-	(2)	-	1	-	-	(1)	-
Provision for textiles	1,277		(506)	-	771	383	-	(152)	-	231
Leaseholds	624	-	-	65	689	187	-	-	20	207
Provision for franchising operations	2,400	481	-	-	2,881	720	144	-	-	864
Other provisions	-	470	-	-	470	-	141	-	-	141
Equity instruments	10,826	5,647	-	(2,577)	13,896	3,248	1,694	-	(773)	4,169
DIA France	97,120	-	(8,630)	-	88,490	29,136	-	(2,589)	-	26,547
Holding Asia	2,633	-	-	(2,633)	-	790	-	-	(790)	-
Pension commitments	765	-	(267)	-	498	229	-	(80)	-	149
Non-deductible goodwill on acq. of invest.	1,584	-	-	-	1,584	475	-	-	-	475
TOTAL DEFERRED TAX ASSETS	120,262	6,598	(9,403)	(8,178)	109,279	36,230	1,979	(2,821)	(2,605)	32,783

	TEMPORATY DIFFERENCE					TAX EFFECT				
	2,010	Origin	Reversal	Other	2,011	2,010	Origin	Reversal	Other	2,011
Accelerated depreciation 1994-1995	239	-	(75)	-	164	73	-	(23)	-	50
Accelerated depreciation 2011	-	65,608	-	-	65,608	-	19,682	-	-	19,682
Deductible purchases from third parties	3,174	990	-	-	4,164	952	297	-	-	1,249
Cancellation of profits on intragroup sales	949	-	-	(949)	-	285	-	-	(285)	-
Argentina	99,651	-	(15,555)	-	84,096	29,893	-	(4,666)	-	25,227
Turkey	51,838	13,436	-	-	65,274	15,551	4,031	-	-	19,582
Brazil	6,367	-	(2,990)	(3,377)	-	1,912	-	(897)	(1,015)	-
Shanghai	47,001	18,728	-	-	65,729	14,100	5,619	-	-	19,719
Beijing	28,361	28,381	-	-	56,742	8,508	8,515	-	-	17,023
Hedging operations	-	239	-	-	239	-	72	-	-	72
Grants	1,258		(226)	-	1,032	377	-	(67)	-	310
TOTAL DEFERRED TAX LIABILITIES	238,838	127,382	(18,846)	(4,326)	343,047	71,651	38,216	(5,653)	(1,300)	102,914

In 2004 and 2005 DIASA acquired 100% interests in the equity of two French companies, DIA France and SNME, which merged in 2009. The difference between the purchase price of Euros 943,867 thousand and the underlying book value of these shares at the acquisition date was allocated to DIA France and SNME's goods and rights, following the standards for the preparation of consolidated annual accounts approved by Royal Decree 1815/1991. The portion of this difference that could not be allocated, totalling Euros 681,254 thousand, is considered tax-deductible goodwill, with annual deductions capped at one twentieth of the total amount.

This goodwill has been amortised for tax purposes since the acquisition date. The amortisation charge for 2011 and 2012 amounts to Euros 6,806 thousand and was calculated considering the tax measures approved in Royal Decree-Law 9/2011 of 19 August 2011. The associated deferred tax liability amounts to Euros 65,369 thousand at 31 December 2012 (Euros 63,327 thousand at 31 December 2011).

In 2004 the Company recognised a provision of Euros 648,522 thousand in relation to the acquisition of DIA France, making a positive adjustment to income tax for the same year.

This accounting provision relating to the subsidiary DIA France totals Euros 226,593 thousand at 31 December 2012 and 2011 (see note 11), with associated deferred tax of Euros 50,167 thousand (Euros 89,874 thousand in 2011) including the goodwill difference generated as a result of tax losses in 2012 and 2011.

The Company has recognized, therefore, a net deferred tax liability amounting to Euros 15,202 thousands and Euros 26,547 thousands at 31 December 2012 and 2011, respectively.

Pursuant to article 12.3 of Legislative Royal Decree 4/2004, which approved the revised version of Spain's Income Tax Law, and following the wording provided in Law 4/2008 of 23 December 2008, in 2012 the Company has deducted the following impairment losses on its shareholdings in other companies from its taxable income:

	Thousands of Euros		
Company	Differrence in Equity	Integrated amount in tax base	Amount pending of Intregation
DIA France	(34,506)	(34,506)	(167,224)
Dia Argentina, S.A.	7,794	7,794	76,298
Dia Shanghai	(8,529)	(4,220)	69,949
Dia Pekín	(7,291)	(5,495)	647
Dia Turquía	(15,854)	(10,704)	37,235

The amounts listed under "difference in equity" in this table have been determined following the guidelines provided in article 12.3 of the Income Tax Law.

In 2007 the Company availed itself of tax relief for re-investment of extraordinary profit as foreseen by article 42.8 of Income Tax Law 43/1995 (Revised Legislative Royal Decree 4/2004) amounting to Euros 3,004,195.68, from which Euros 382,687.28 was deducted as a result of a monetary correction. The full amount was re-invested on 30 November 2007 in accordance with the corresponding legislation.

In 2009 the Company availed itself of tax relief for re-investment of extraordinary profit as foreseen by article 42.8 of Income Tax Law 43/1995 (Revised Legislative Royal Decree 4/2004) amounting to Euros 5,043,529.15, from which Euros 1,156,124.24 was deducted as a result of a monetary correction. The full amount was re-invested in 2009 in accordance with the corresponding legislation.

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 has applied accelerated depreciation to new property plant and equipment and investment property acquired before 31 March.

Information on the French company ERTECO SAS's acquisition of the 39,686 DIA France shares contributed to DIASA in 2004, as required by article 93 of the Legislative Royal Decree 4/2004, which enacted the Revised Spanish Income Tax Law, is as follows:

- 9,999 shares acquired by subscribing a capital increase on 15 April 1991;

- 23,170 shares acquired by subscribing a merger capital increase on 30 June 1999;

- 3,507 shares acquired by subscribing a capital increase on 26 August 2004;

- 40 shares purchased on 20 September 2004;

- 2,970 shares acquired by subscribing a capital increase on 6 October 2004. The carrying amount of these shares was Euros 121,287,831.73 and they were contributed to DIASA for a value of Euros 848,553,273.10. The goodwill of Euros 612,662,000 deriving from this operation is considered to be tax-deductible up to maximum annual limit of a twentieth of the amount.

The contributing entity's balance sheet for the month following the transfer, in thousands of Euros, is as follows:

ASSETS	31.12.2004	EQUITY AND LIABILITIES	31.12.2004
Fixed assets:			
Property, plant and equipment	267		
Investments	848,833	Net Equity	834,726
Total fixed assets	849,100		
Current assets:		Provisions for liabilities	648
Inventories	1,597		
Receivables	5,169	Current payables	20,492
Total current assets	6,766		
TOTAL ASSETS	**855,866**	**TOTAL EQUITY AND LIABILITIES**	**855,866**

(24) 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 2012 and 2011.

(25) 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 22 (a) and (d).

(b) Related party transactions

Details of the Company's transactions with related parties are as follows (no transactions with related companies have taken place in 2012):

	2,012 Subsidiaries	2,012 TOTAL	2,011 Subsidiaries	2,011 Related parties	2,011 TOTAL
Revenues					
Net sales					
Sales	381,273	381,273	365,577	-	365,577
Other services rendered	61,238	61,238	47,471	409	47,880
Financial instruments					
Finance income	10,218	10,218	7,842	344	8,186
Dividends	34,500	34,500	40,000	-	40,000
TOTAL REVENUES	**487,229**	**487,229**	**460,890**	**753**	**461,643**
Expenses					
Net purchases					
Purchases	(12,383)	(12,383)	7	(5,986)	(5,979)
Operating lease expenses	1,920	1,920	1,920	106	2,026
Other sevices received	40,265	40,265	39,613	16,063	55,676
Personnel expenses	9,201	9,201	8,946	-	8,946
Financial instruments					
Finance expenses	150	150	536	2,096	2,632
TOTAL EXPENSES	**39,153**	**39,153**	**51,022**	**12,279**	**63,301**
Investments					
Cost of assets acquired					
Buildings	-	-	(2)	-	(2)
Machinery, installations and furniture	(20)	(20)	(109)	-	(109)
Other fixed assets	-	-	(3)	-	(3)
TOTAL COST	**(20)**	**(20)**	**(114)**	**-**	**(114)**
Carrying amount and assets sld					
Buildings	-	-	(1)	-	(1)
Machinery, installations and furniture	(42)	(42)	(3)	-	(3)
Other fixed assets	(1)	(1)	1	-	1
TOTAL CARRYING AMOUNT	**(43)**	**(43)**	**(3)**	**-**	**(3)**
Dividend distributed	**-**	**-**	**-**	**368,600**	**368,600**

In 2011 the above income and expense balances included transactions with Carrefour Group companies until 5 July 2011, when the Company ceased to belong to this group.

(c) Information on the directors and senior management personnel

Details of remuneration received by the directors and senior management of the Company in 2012 and 2011 are as follows:

Thousands of Euros			
2012		2011	
Directors	Senior mgt.	Directors	Senior mgt.
1,756	3,130	1,123	2,216

The figure presented under directors for 2012 in the table above includes Euros 964 thousand earned in their capacity as board members (Euros 473 thousand in the prior year).

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 2012 and 2011. Details are as follows:

Members of the Board	Thousands of Euros 2012 Financial instruments	Fixed remuneration	Variable remuneration	Others
Ms. Ana María Llopis Rivas	81.1	75	-	-
Mr. Ricardo Currás de Don Pablos (*)	-	445	342	5
Mr. Julián Díaz González	64.7	52	-	-
Mr. Richard Golding	51.4	48	-	-
Mr. Mariano Martín Mampaso	58.5	48	-	-
Mr. Pierre Cuilleret	64.7	52	-	-
Ms. Rosalía Portela de Pablo	40.6	37	-	-
Mr. Antonio Urcelay Alonso	40.6	37	-	-
Mr. Nadra Moussalem	58.5	48	-	-
Mr. Nicolas Brunel	58.5	48	-	-
Total	**519**	**890**	**342**	**5**

(*) Remuneration as director, he doesn't recieve any remuneration as Board member.

Members of the Board	Thousands of Euros 2011 Financial instruments	Fixed remuneration	Variable remuneration	Others
Ms. Ana María Llopis Rivas	75	-	-	-
Mr. Ricardo Currás de Don Pablos (*)	37.5	426	221	3
Mr. Julián Díaz González	52.5	-	-	-
Mr. Richard Golding	47.5	-	-	-
Mr. Mariano Martín Mampaso	45	-	-	-
Mr. Pierre Cuilleret	47.5	-	-	-
Ms. Rosalía Portela de Pablo	37.5	-	-	-
Mr. Antonio Urcelay Alonso	37.5	-	-	-
Mr. Nadra Moussalem	47.5	-	-	-
Mr. Nicolas Brunel	45	-	-	-
Total	**473**	**426**	**221**	**3**

(*) On 24 Feruary 2012 Mr. Ricardo Currás de Don Pablos relinquished his remuneration as Board Member for 2011.

At 31 December 2012 and 2011 no advances or loans have been received by the senior executives or directors, nor has the Company extended any guarantees on their behalf.

At 31 December 2012 and 2011, details of investments held by the directors and parties related to them in companies with identical, similar or complementary statutory activities to that of the Company and positions held as well as functions and activities performed in these companies are as follows:

2012

Director	Company name	% ownership	functions
Mr. Ricardo Currás de Don Pablos	Carrefour, S.A.	0.000	None
Mr. Ricardo Currás de Don Pablos	Finandia, E.F.C., S.A.U.	-	Board member
Mr. Ricardo Currás de Don Pablos	Diasa DIA Sabanci Supermarketleri Ticaret, A.S.	-	Board member
Mr. Nadra Moussalem	Carrefour, S.A.	0.000	None
Mrs.Diane Labruyére-Cuilleret	Carrefour, S.A.	0.005	Board member

2011

Director	Company name	% ownership	functions
Mr. Ricardo Currás de Don Pablos	Carrefour, S.A.	0.001	None
Mr. Ricardo Currás de Don Pablos	Finandia, E.F.C., S.A.U.	-	Board member
Mr. Ricardo Currás de Don Pablos	Diasa DIA Sabanci Supermarketleri Ticaret, A.S.	-	Board member
Mr. Nadra Moussalem	Carrefour, S.A.	0.000	None

(26) Income and Expenses

(a) Revenues

Details of revenues by geographical market are as follows:

	Thousands of Euros	
	2012	2011
East Spain	1,877,235	1,785,287
West Spain	2,353,359	2,270,138
Abroad	14,093	4,431
Total	**4,244,687**	**4,059,856**

(b) Supplies

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

	Thousands of Euros	
	2012	2011
Merchandise used		
Purchases	3,868,075	3,682,692
Purcase discounts, non-trade income and returns	(667,393)	(644,148)
Change in inventories	4,253	15,700
Total	**3,204,935**	**3,054,244**
Raw materials and consumables used		
Purchases	10,685	10,776
Change in inentories	1,368	330
Total	**12,053**	**11,106**
Subcontracted work	44,507	43,522
Impairment of merchandise, raw materials and other suppliers	(31)	(505)
Total	**3,261,464**	**3,108,367**

(c) Employee benefits expense and provisions

Details of employee benefits expense and provisions are as follows:

	Thousands of Euros	
	2012	2011
Social Security payable by the Company	83,060	78,309
Other employee benefits expenses	2,358	3,454
Total	**85,418**	**81,763**

(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	
	2012	2011
Impairment of intangible assets (note 5)	210	60
Impairment of property, plant and equipment (note 6)	91	2,123
Intangible assets (note 5)	967	370
Property, plant and equipment (note 6)	5,281	7,356
Total	**6,549**	**9,909**

(e) Foreign currency transactions

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

	Thousands of Euros	
	2012	2011
Exchange losses	(10)	(82)
Exchange gains	129	143
Total	**119**	**61**

(f) Gains/losses on disposal and other

In 2011 the Company generated capital gains of Euros 3,043 thousand on the sale of 5% of its interest in DIA Argentina, S.A. to the subsidiary Pe-tra Servicios a la Distribución, S.L. (see note 11).

(27) 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 22 (c).

Itemised details of commitments at 31 December 2012 and 2011, in thousands of Euros, are as follows:

(a) Pledged

In thousands of Euros - 31 December 2012	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Guarantees	1,648	614	-	9,861	12,123
Cash	**1,648**	**614**	**-**	**9,861**	**12,123**
Purchase option on warehouses and stores	-	-	9,630	54,176	63,806
Commercial contract commitments	7,761	2,694	681	49	11,185
Other commitments	5,472	5,246	10,700	457	21,875
Operations / property / expansion	**13,233**	**7,940**	**21,011**	**54,682**	**96,866**
Total	**14,881**	**8,554**	**21,011**	**64,543**	**108,989**

In thousands of Euros - 31 December 2011	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Guarantees	13	1,567	684	12,267	14,531
Cash	**13**	**1,567**	**684**	**12,267**	**14,531**
Purchase option on warehouses and stores	-	-	-	63,806	63,806
Commercial contract commitments	4,645	1,843	185	-	6,673
Other commitments	4,141	3,612	6,546	457	14,756
Operations / property / expansion	**8,786**	**5,455**	**6,731**	**64,263**	**85,235**
Total	**8,799**	**7,022**	**7,415**	**76,530**	**99,766**

(b) Received

In thousands of Euros - 31 December 2012	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Unused credit facilities	29,630	-	-	-	29,630
Cash	**29,630**	**-**	**-**	**-**	**29,630**
Commercial contract commitments	14,982	6,624	15,707	11,900	49,213
Operations / property / expansion	**14,982**	**6,624**	**15,707**	**11,900**	**49,213**
Total	**44,612**	**6,624**	**15,707**	**11,900**	**78,843**

In thousands of Euros - 31 December 2011	IN 2 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Unused credit facilities	32,610	-	-	-	32,610
Cash	**32,610**	**-**	**-**	**-**	**32,610**
Commercial contract commitments	13,236	4,168	15,169	11,428	44,001
Operations / property / expansion	**13,236**	**4,168**	**15,169**	**11,428**	**44,001**
Total	**45,846**	**4,168**	**15,169**	**11,428**	**76,611**

At 31 December 2012 and 2011, as the parent of the DIA Group, the Company guarantees the financing granted to its subsidiaries in China and France for respective amounts of Euros 11,082 thousand and Euros 25,400 thousand.

(28) Employee Information

The average headcount of full-time-equivalent personnel in 2012 and 2011, distributed by professional category, is as follows:

	2012	2011
Management	129	127
Middle management	516	500
Other employees	15,911	15,997
Total	**16,556**	**16,624**

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

	2012		2011	
	Female	Male	Female	Male
Board members	2	8	2	8
Management	47	80	46	81
Middle management	261	268	239	265
Other employees	12,741	4,408	13,089	3,798
Total	**13,051**	**4,764**	**13,376**	**4,152**

During 2012 the Company employed one executive, two junior managers and 111 other employees with a disability rating of 33% or above (or an equivalent local classification).

The Company has nine senior management personnel, one of whom also sits on the board of directors, at 31 December 2012 and 2011.

(29) Audit Fees

KPMG Auditores, S.L., the auditors of the annual accounts of the Company, and other individuals and companies related to the auditors as defined by Audit Law 19/1988 of 12 July 1988, have invoiced the Company the following fees for professional services during 2012 and 2011:

Thousands of Euros	2012	2011
Audit services	119	119
Audit-related professional services	3	3
Total	**122**	**122**

The other group companies have invoiced the Company for the year ended 31 December 2012 net fees for other professional services in the amount of Euros 219 thousands.

(30) Events after the Reporting Date

With effect from 21 January 2013, the Company has signed an extension to the contract for the acquisition of 13,586,720 own shares signed on 21 December 2011. In this extension, the parties have agreed to modify the settlement options, leaving only the share-based option. The Company has therefore taken on a firm commitment to acquire these own shares. The dates for the purchase of 8,086,720 of these shares is six months from the extension signature date, and the remaining 5,500,000 shares must be acquired by the contract expiry date, 21 January 2014.

In an agreement signed between DIA and Schlecker International GmbH on 28 September 2012, DIA agreed to acquire 100% of the share capital of Schlecker, S.A. Unipersonal (“Schlecker Spain”) and, indirectly, 100% of the share capital of Schlecker Portugal, Sociedade Uniperssoal Lda. The parties had to first seek approval from the Spanish and Portuguese competition authorities. The purchase was completed on 1 February 2013, and DIA has held control over the acquired businesses since that date. DIA agreed a total price of Euros 69,287,307.46 for 100% of Schlecker Spain and Schlecker Portugal’s share capital and certain industrial property rights and other credit rights associated with these businesses. This price was calculated based on (a) an enterprise value of Euros 70,500,000 for Schlecker Spain, and (b) Schlecker Spain and Schlecker Portugal’s respective debt and cash balances. This price has still to be adjusted using the usual mechanisms for transactions of this nature. Due to the reason that the acquired companies have not made their annual accounts for 2012, at the date of preparation of these financial statements has not been possible to determine the fair value of the assets, liabilities and contingent liabilities acquired.

On 8 February 2013, the company signed a syndicated loan with a syndicate of 6 international banks, with variable rate, maturing 8 February 2017 for an amount of Euros 200 millions, whose purpose is the acquisition of 100% shares of Schlecker Spain and Portugal and other general needs of the Company.

The Board will propose to the ordinary general shareholders meeting amortization of 28,265,442 shares representative of the 4.16% of the capital; these shares will be written-off from the own shares and those acquired through the “Equity Swap” contract.

At the date of the preparation of the annual accounts, the Company has not yet fully assessed the impact of the balance sheet revaluation permitted by Law 16/2012 of 27 December 2012, which contained several tax measures aimed at consolidating public finances and boosting economic activity. If approved by the shareholders at their annual general meeting, this balance sheet revaluation would increase property, plant and equipment, investment property and a Law 16/2012 revaluation reserve, net of a single tax charge of 5% of the revaluation amount.

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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

DIRECTORS' REPORT

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

Distribuidora Internacional de Alimentación, S.A. (hereinafter the Company or DIA) and its subsidiaries abroad ended 2012 with a commercial network of 6,914 stores (7,085 including Beijing) in Spain, France, Portugal, Turkey, Argentina, Brazil and China, of which 4,024 are own stores and 2,890 franchises. The distribution by country is as follows:

Spain	2,925
France	888
Portugal	572
Turkey	1,093
Argentina	559
Brazil	561
China	316
Total	6,914

DIA and its subsidiaries in Spain have 2,925 stores (1,615 own stores and 1,310 franchises) at year end.

Despite consumer trends in the Spanish market, the Company and its domestic subsidiaries achieved net sales of Euros 4,317 million in 2012. Net sales of the Company and subsidiaries abroad amounted to Euros 10,124 million excluding VAT.

The Company's operating profit for 2012 amounted to Euros 222.99 million, with profit after tax of Euros 184.85 million.

DIA and its Spanish subsidiaries closed the year with a workforce of 19,043 employees. When all eight countries are considered, this figure rises to 47,396 employees at year end.

In 2012 DIA and its subsidiaries in Spain continued to make major investments in the modernisation of their stores, adapting these to the new DIA Market and DIA Maxi formats, which at year end total 1,598 establishments (1,065 in DIA Market format and 533 DIA Maxi establishments).

During 2012 the Company launched DIA Fresh, a new local store format offering a wide range of fresh products and excellent value for money. At year end there were 18 DIA Fresh stores (17 own stores and one franchise).

The investment in Beijing DIA Commercial Co., LTD., qualifies for classification as an available-for-sale non-current asset at 31 December 2012 and it has therefore been measured at fair value less costs to sell and transferred to current assets.

- **Risk management policy**

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

The Company's senior management supervises the management of these risks, ensuring 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.

The management policy used for each risk type is set by the Company's board of directors.

Risk management is controlled by the Company's finance department, which identifies, evaluates and mitigates financial risks in close collaboration with the Company's operational units. The Company's risks and uncertainties are described in note 10 to the annual accounts.

- **Environmental issues**

The Company is committed to environmental issues and aims to minimise its activity's impact on the environment, although it never loses sight of the economic cost of its actions. It strongly supports environmental protection as well as the development and management of a sustainable activity based on efficiency, ongoing improvements and finding new tools to control and reduce the impact caused by its business.

- **Research and development expenses**

The Company capitalises development expenses incurred by specific projects for each activity 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.

- **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 reached the maximum number foreseen in the buy-back programme for that year, holding 13,586,720 own shares at 31 December 2011.

On 14 November 2011 the Board of Directors agreed the realization of buy back own shares of DIA up to a maximum amount equivalent to 2% of the Company's share capital (additional to those already held by the Company at the date of this agreement). (See notes 10.f) and 12.b)).

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 of DIA agreed to buy back own shares up to a maximum amount equivalent to 1% of the Company's share capital, in addition to those already acquired in 2011. This scheme to buy back 6,793,360 shares ended on 2 July 2012.

The only disposals during 2012 were due to the transfer of 115,622 shares to the Company's directors and senior management as remuneration, with a charge of Euros 148 thousand to voluntary reserves. In 2011 85,736 shares were transferred to the Company's directors as remuneration, with a charge of Euros 22 thousand to voluntary reserves.

As a result, at year end the Company holds 20,178,722 own shares with an average purchase price of Euros 3.1107 per share.

- **Events after the reporting date**

With effect from 21 January 2013, the Company has signed an extension to the contract for the acquisition of 13,586,720 own shares signed on 21 December 2011. In this extension, the parties have agreed to modify the settlement options, leaving only the share-based option. The Company has therefore taken on a firm commitment to acquire these own shares. The date for the purchase of 8,086,720 of these shares is six months from the extension signature date, and the remaining 5,500,000 shares must be acquired by the contract expiry date, 21 January 2014.

In an agreement signed between DIA and Schlecker International GmbH on 28 September 2012, DIA agreed to acquire 100% of the share capital of Schlecker, S.A. Unipersonal ("Schlecker Spain") and, indirectly, 100% of the share capital of Schlecker Portugal, Sociedade Uniperssoal Lda. Once authorisation had been obtained from the Spanish and Portuguese competition authorities, the final sale and purchase contract was signed on 1 February 2013, which is, therefore, the date on which the Company took control over the acquired businesses. DIA agreed a total price of Euros 69,287,307.46 for 100% of Schlecker Spain and Schlecker Portugal's share capital and certain industrial property rights and other credit rights associated with these businesses. This price was calculated based on (a) an enterprise value of Euros 70,500,000 for Schlecker Spain, and (b) Schlecker Spain and Schlecker

Portugal's respective debt and cash balances. This price has still to be adjusted using the usual mechanisms for transactions of this nature. Due to the reason that the acquired companies have not made their annual accounts for 2012, at the date of preparation of these financial statements has not been possible to determine the fair value of the assets, liabilities and contingent liabilities acquired.

To fund the acquisition of these 100% stakes in Schlecker Spain and Portugal, as well as other general financing requirements, on 8 February 2013 DIA signed an agreement to borrow Euros 200 million from a syndicate of six international credit institutions. This loan bears interest at a variable market rate and falls due on 8 February 2017.

At the ordinary general meeting of shareholders, the directors will table a proposal to redeem 28,265,442 shares, representing 4.16% of the Company's capital, from the own shares held by the Company and acquired through the equity swap contract.

At the date of the preparation of the annual accounts, the Company has not yet fully assessed the impact of the balance sheet revaluation permitted by Law 16/2012 of 27 December 2012, which contained several tax measures aimed at consolidating public finances and boosting economic activity, and the process is pending final conclusion. If approved by the shareholders at their annual general meeting, this balance sheet revaluation would increase property, plant and equipment, investment property and a Law 16/2012 revaluation reserve, net of a single tax charge of 5% of the revaluation amount.

- **Corporate Governance Report**

  The DIA Group's corporate governance report is available at www.diacorporate.com and is published as price-sensitive information on the CNMV (Spanish National Securities Market Commission) website.