

Independent Audit Report on
the Financial Statements

DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2019



INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS

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

To the shareholders of Distribuidora Internacional de Alimentación, S.A.:

Audit report on the financial statements

Opinion

We have audited the financial statements of Distribuidora Internacional de Alimentación, S.A. (the "Company"), which comprise the balance sheet at December 31, 2019, the income statement, the statement of changes in equity, the statement of cash flows, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 a) to the accompanying financial statements) and, specifically, the accounting principles and policies contained therein.

Basis of the opinion

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

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

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

Key audit matters

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

Going concern principle

Description	<p>Notes 1 and 2.b) to the accompanying consolidated balance sheet describe the current status of the measures adopted in the 2019 financial year by the General Shareholders' Meeting and the Board of Directors of the Company to ensure that the going concern principle is correctly applied.</p> <p>The main measures taken in 2019 aimed to: a) implement a change in control and restore the Company's equity, ii) reach an agreement with creditors holding the syndicated bank debt and approve the "subsidiarization" transaction required by the syndicated creditors, and iii) reduce and subsequent increase capital by 605.5 million euros in the Company.</p> <p>In addition, as explained in aforementioned Note 2.b) to the accompanying consolidated financial statements, the Group's cash requirements are suitably guaranteed over the next twelve months, based on available finance sources and current compliance with the Company's latest approved business plan, to which it is fully committed.</p> <p>This is a key audit matter in the context of our audit in view of the relevance of the success of the actions taken by the Company's directors to guarantee the continuity of its operations.</p>
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Our response

Our audit procedures related to this matter included the following:

- ▶ Identifying and understanding the reasons behind the significant doubts concerning the Company's capacity to continue as a going concern, which led to the material uncertainty included in the audit report is the 2018 financial statements.
- ▶ Gaining an understanding, based on conversations with Company executives, of the significant events that occurred in 2019 described in Note 1 to the accompanying notes to the financial statements, aimed at restoring the Company's equity and financial position and reaching agreements designed to ensure the continuity of its business.
- ▶ Obtaining and analyzing the significant events communicated by the Company to the Spanish National Securities Market Commission (CNMV) and the minutes related to the agreements approved by the General Shareholders' Meeting and the principal management bodies and committees in 2019.
- ▶ Obtaining and analyzing the documentation related to the resolutions adopted by the General Shareholders' Meeting held on March 20, 2019, in which the current majority shareholder agreed to subscribe to and pay a capital increase, provided that certain conditions were met.
- ▶ Obtaining and analyzing supporting documentation that substantiates the 605.5 million-euro capital reduction and subsequent capital increase approved by the Extraordinary Shareholders' Meeting held by the Company on October 22, 2019, described in Note 1 to the accompanying financial statements.

- ▶ Obtaining and analyzing the terms of the financing agreement signed between the Company and its financial creditors on July 17, 2019, which is explained in Note 20 to the accompanying balance sheet.
- ▶ Obtaining and analyzing the documentation related to the resolutions reached by the Extraordinary General Shareholders' Meeting of the Company held on August 30, 2019, in which the shareholders approved the amendment of the syndicated finance agreements and the new credit facilities, as well as the granting, ratification, and extension of guarantees, and the approval of the "Subsidiarization Transaction" required by the creditors of the syndicated financing, which is explained in note 1 to the financial statements.
- ▶ Verifying that management's assessment of the Company's capacity to continue as a going concern, after considering the significant measures adopted to restore its equity and financial position. This verification included reviewing the Company's five-year business plan and expected financial performance over the next twelve years.
- ▶ Assessing whether the information reported in the notes to the accompanying financial statements related to applying the principle of going concern meets the requirements established in the regulatory financial reporting framework applicable to the Company.

Irregularities and misstatements identified in 2018

Description Note 1 to the 2018 financial statements discloses significant events that occurred in the third quarter of said year which led, among other revelations, to the identification of errors in certain estimates made up to that date, primarily in connection with the sales margin.

To clarify the events that gave rise to these errors, the Company and other companies belonging to the group launched an investigation that revealed the existence of irregular accounting practices carried out by employees and senior management in Spain and Portugal that bypassed the established internal controls.

Following the detection of these events, the Company's Board of Directors restated the comparative figures for 2017 included in the 2018 financial statements in order to correct the effects of the aforementioned misstatements. Note 1 to the 2018 financial statements explained the source and nature of the adjustments made to the comparative figures for 2017 so that they agree with those included in the 2017 financial statements originally authorized for issue by the Company.

Given the relevance of the events uncovered in 2018 with respect to the Company's internal controls, we determined these events to be a key audit issue.

Our response

Our audit procedures related to this matter included the following:

- ▶ Understanding the process used by management to identify the misstatements leading to the restatement of the comparative figures for 2017 included in the 2018 financial statements, as well as the circumstances in which they took place, and specifically, those related to irregular accounting practices.
- ▶ Analyzing results of a forensic analysis carried out at the Company by independent external consultants to assess the possible ramifications for internal control that could affect our audit work approach.

- ▶ Paying special attention to the areas affected, including tests of details on the accounts identified as incurring a higher risk of material misstatement, including the use of IT audit tools to conduct certain audit tests.

Trade discounts with suppliers

Description As explained in Note 4. K) to the accompanying financial statements, the Company's supplies (merchandise used) is reduced by several types of discounts which vary based on the specific terms and conditions reached with each supplier. Some of the discounts are fixed and others vary. Their application depends on the volume of purchases accumulated during a contractually established period or on the volume of sales made of each supplier's articles in the Company's establishments.

There is a risk of misstatement of the amount of recorded net cost of merchandised used, in the event the discount applied does not meet the actual terms and conditions agreed upon with the supplier. In these circumstances, correct recognition of the aforementioned cost requires the Company to reliably estimate the extent to which it has met the conditions entitling it to the discount.

Moreover, as explained above, Note 1 to the Company's 2018 financial statements disclosed the misstatement of certain estimates made in that financial year, related primarily to the sales margin. A significant portion of these misstatements arose from the Company incorrectly applying supplier discounts.

We determined this to be a key audit matter due to the quantitative relevance of the trade discounts with suppliers, as well as the related events detected in 2018.

Our response

Our audit procedures related to this matter included the following:

- ▶ Understanding the process used by the Company to determine and record the discounts applicable to each supplier, based on agreed-upon terms and conditions.
- ▶ Obtaining, for a sample of suppliers, the related template agreements establishing the terms agreed upon with the Company for the year, including trade discounts negotiated between the parties.
- ▶ For the same sample of suppliers, we requested confirmation of the trade discounts granted to the Company during the year.
- ▶ Recalculating, for a sample of suppliers, of the reduction in the cost of merchandised used recognized by the Company for the supplier discounts applied, based on the terms and conditions reached with those suppliers.
- ▶ Assessing whether the information reported in the notes to the accompanying financial statements related to supplier discounts meets the requirements established in the regulatory financial reporting framework applicable to the Company.

Recoverable amount of non-current assets subject to amortization or depreciation and investments in group companies

Description As explained in Notes 6, 5, 11, and 12 to the accompanying financial statements, at December 31, 2019, the Company recorded property, plant, and equipment amounting to 404,096 thousand euros, goodwill amounting to 27,767 thousand euros and investments related to equity instruments, as well as loans and current accounts granted to group companies amounting to 789,430 thousand euros and 556,910 thousand euros, respectively.

For purposes of calculating impairment loss on property, plant, and equipment and goodwill, the carrying amount of these non-current assets is assigned to each of the corresponding cash-generating units, which in the case of the Company is determined store level.

Impairment loss on investments in group companies is determined by each subsidiary, taking into account both the shares and the remaining loans pending collection from the various companies.

At each year-end, management makes significant judgments to determine the existence of indications of impairment of the recoverable amount of investments in group companies and assets linked to stores. In both cases, the recoverable amount is determined taking into account the value in use of cash-generating units, as applicable.

To determine this value, the Company has used valuation techniques that require the use of judgment on the part of management as well as hypotheses and estimates. Due to uncertainty related to these hypotheses and estimates, we determined this to be a key audit matter.

Our
response

Our audit procedures related to this matter included the following:

- ▶ Understanding the Company's analysis and evaluation process in the current context in order to identify the stores showing indications of impairment.
- ▶ Evaluating, with the involvement of our valuation specialists, the reasonableness of the methodology used to calculate the recoverable amount of the assets in stores and investments in group companies, as well as the principal hypotheses applied.
- ▶ Comparing the consistency applied in projecting future profit used as a basis for calculating the recoverable amount of both stores and investments in group companies with those applied in the group's latest business plan approved by the Board of Directors.
- ▶ Analyzing, with the involvement of valuation specialists, the sensitivity of certain hypotheses used in the model to future changes that could be considered reasonable.
- ▶ Assessing whether the information reported on the accompanying consolidated financial statements related to the impairment of non-current assets meets the requirements established in the regulatory financial reporting framework applicable to the Company.

Matter-of-emphasis paragraph

We draw your attention to the event after the reporting period included in Note 29 to the accompanying financial statements, which describes the effects that the COVID-19 crisis situation could have on the Company's future operations. Our opinion was not modified with respect to this matter.

Other matters

On February 7, 2019, other auditors issued their audit report on the 2018 financial statements in which they expressed an unqualified opinion and included a paragraph indicating the existence of a material uncertainty that could lead to significant doubts concerning the Company's capacity to continue as a going concern.

Other information: Management report

Other information refers exclusively to the 2019 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

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

- a. A specific level applicable to the non-financial statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the management report or where applicable, that the consolidated management report includes the corresponding reference to the separate non-financial statement as stipulated by prevailing regulations and if not, disclose this fact.
- b. A general level applicable to the remaining information included in the management report, which requires us to evaluate and report on the consistency of said information in the financial statements, based on knowledge of the Company obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the above paragraph, the information contained in the management report is consistent with that provided in the 2019 financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the directors and the audit committee for the financial statements

The directors are responsible for formulating the attached financial statements so that they reflect a true and fair image of the assets, financial situation and earnings of the company, in accordance with the regulatory framework for financial information applicable to the company in Spain, which is identified in Note 2 in the attached report, and the internal control they deem necessary to enable the preparation of the financial statements to be free from material misstatements due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the company to continue as a going concern, stating, where applicable, the issues linked to the going concern and using the accounting principle of a going concern except where the directors intend to liquidate the company or cease trading, or where there is no other realistic alternative.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the management company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legally stipulated disclosure requirements

Additional report to the Company's audit committee

The opinion given in this report is coherent with what is set out in our additional report for the Company's audit and control committee dated 8 of April of 2020.

Term of engagement

During the Ordinary General Shareholders' Meeting held on March 20, 2019, we were appointed auditors for a period of three years, commencing the year ended December 31, 2019.

This report corresponds to the distinctive stamp nº 01/20/04181 issued by the Spanish Institute of Chartered Accountants

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

(Signed on the original Spanish version)

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

April 8, 2020



Distribuidora Internacional de Alimentación, S.A.

Annual Accounts and Directors' Report

31 December 2019

(With Auditor's Report Thereon)

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



BALANCE

At 31 December 2019

(Expressed in thousands of Euro)

ASSETS	Notes	Restated (*)	
		2019 31 December	2018 31 December
Intangible assets	5	56,701	70,765
Development		6,833	22,112
Concessions		99	107
Patents, licences, trademarks and similar rights		881	1,614
Goodwill		27,767	35,689
Computer software		19,989	10,086
Other intangible assets		1,132	1,157
Property, plant and equipment	6	404,096	508,224
Land and buildings		209,714	238,138
Technical installations, machinery, equipment, furniture and other items		193,504	266,619
Under construction and advances		878	3,467
Non-current investments in group companies and associates		793,930	728,331
Equity instruments	11	789,430	720,331
Loans to companies	12 (a)	4,500	8,000
Non-current investments	12 (b)	22,880	25,831
Equity instruments		36	36
Loans to third parties		87	206
Other financial assets		22,757	25,589
Trade and other receivables		34,595	52,345
Trade receivables (exceeding operating cycle)	12 (c)	34,595	52,345
Non-current prepayments	14	939	1,229
Deferred tax assets	21	6,310	38,347
Total non-current assets		1,319,451	1,425,072
Non current held for sale assets		-	-
Inventories	13	194,651	221,644
Goods for resale		189,310	212,574
Raw materials and other supplies		4,862	7,558
Advances to suppliers		479	1,512
Trade and other receivables	12 (c)	326,393	389,394
Current trade receivables	10(d)	33,792	51,426
Trade receivables from group companies and associates		262,793	288,409
Other receivables		27,427	45,918
Personnel		1,307	786
Current tax assets	21	944	2,757
Public entities, other	21	130	98
Current investments in group companies and associates	12 (a)	552,410	375,013
Loans to companies		434,000	65,000
Other financial assets		118,410	310,013
Current investments	12 (b)	2,299	2,816
Loans		18	23
Derivatives		-	18
Other financial assets		2,281	2,775
Prepayments for current assets	14	540	385
Cash and cash equivalents	15	52,532	69,067
Cash		52,532	69,067
Total current assets		1,128,825	1,058,319
TOTAL ASSETS		2,448,276	2,483,391

The accompanying notes form an integral part of the annual accounts for 2019.

(*) Restated data (note 2.a)

BALANCE

At 31 December 2019

(Expressed in thousands of Euro)

		2019	Restated (*) 2018
EQUITY AND LIABILITIES	Notes	31 December	31 December
Capital and reserves without valuation adjustments	16	222,667	(99,113)
Capital		66,780	62,246
Registered capital		66,780	62,246
Share premium	3 and 16	544,997	-
Reserves		11,322	78,956
Legal and statutory reserves		-	13,021
Other reserves		11,322	65,935
(Own shares)		(7,252)	(55,861)
Negative results from previous years		(111,726)	-
Profit for the year		(281,543)	(191,274)
Other equity instruments		89	6,820
Valuation adjustments		-	13
Hedging transactions		-	13
Grants, donations and bequests received	17	-	272
Total equity		<u>222,667</u>	<u>(98,828)</u>
Non-current provisions	18	38,942	28,356
Long-term employee benefits		1,619	1,660
Other provisions		37,323	26,696
Non-current payables	20 (b)	1,307,624	918,075
Bonds and other securities		592,912	590,410
Debt with financial institutions		683,984	296,374
Finance lease payables	7	16,066	17,260
Other financial liabilities		14,662	14,031
Deferred tax liabilities	21	6,310	17,659
Total non-current liabilities		<u>1,352,876</u>	<u>964,090</u>
Current provisions		16,749	4,344
Current payables	20 (b)	49,292	640,915
Bonds and other securities		3,980	311,371
Debt with financial institutions		20,563	275,552
Finance lease payables	7	7,145	7,671
Other financial liabilities		17,604	46,321
Group companies and associates, current	20 (a)	28,494	65,040
Trade and other payables	20 (c)	777,734	907,242
Current suppliers		630,829	769,180
Suppliers, group companies and associates, current		6,090	6,005
Other payables		76,888	73,282
Personnel (salaries payable)		32,958	22,341
Public entities, other	21	30,822	35,235
Advances to customers		147	1,199
Current accruals		464	588
Total current liabilities		<u>872,733</u>	<u>1,618,129</u>
TOTAL EQUITY AND LIABILITIES		<u>2,448,276</u>	<u>2,483,391</u>

The accompanying notes form an integral part of the annual accounts for 2019.

(*) Restated data (note 2.a)

INCOME STATEMENT

At 31 December 2019

(Expressed in thousands of Euro)

INCOME STATEMENT	Notes	2019	2018
Revenues	24 (a)	3,798,756	4,188,401
Sales		3,679,605	4,044,560
Service Delivery		119,151	143,841
Work carried out by the company for assets		1,683	3,576
Supplies	24 (b)	(3,162,640)	(3,422,709)
Merchandise used		(3,110,524)	(3,362,202)
Raw materials and consumables used		(14,366)	(17,860)
Subcontracted work		(38,999)	(39,812)
Impairment of merchandise, raw materials and other supplies	13	1,249	(2,835)
Other operating income		229,192	258,246
Non-trading and other operating income	24 (e)	228,628	257,676
Operating grants taken to income	17	564	570
Personnel expenses		(474,191)	(440,782)
Salaries and wages		(374,217)	(347,749)
Employee benefits expense	24 (c)	(92,885)	(93,039)
Provisions		(7,089)	6
Other operating expenses		(443,968)	(420,187)
External services		(400,344)	(393,203)
Taxes		(9,414)	(8,556)
Losses, impairment and changes in trade provisions		(15,316)	(11,689)
Other operating expenses		(18,894)	(6,739)
Amortisation and depreciation	5 and 6	(115,849)	(124,205)
Non-financial and other capital grants	17	362	243
Impairment and gains/(losses) on disposal of fixed assets	5, 6 and 24 (d)	(27,117)	(57,468)
Impairment and losses		(17,664)	(56,658)
Losses on disposal and other		(9,453)	(810)
Results form operating activities		(193,772)	(14,885)
Finance income		20,660	25,088
Dividends	11	217	20,891
Group companies and associates		217	20,891
Other investment income		20,443	4,197
Group companies and associates		18,907	1,222
Other		1,536	2,975
Finance expenses		(61,734)	(33,424)
Group companies and associates		(3,706)	-
Other		(57,971)	(33,967)
Provision adjustments		(57)	543
Exchange gains		10	10
Impairment and gains/(losses) on disposal of financial instruments		(19,869)	(68,112)
Impairment and losses	11 and 12(a)	(14,046)	(70,092)
Gains/(losses) on disposal and other		(5,823)	1,980
Net finance income		(60,933)	(76,438)
Profit/(Losses) before income tax		(254,705)	(91,323)
Income tax	21	(26,838)	(99,951)
PROFIT/(LOSSES) FOR THE YEAR		(281,543)	(191,274)

The accompanying notes form an integral part of the annual accounts for 2019.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019
A) Statements of Recognised Income and Expense
(expressed in thousands of Euro)

	<u>2019</u>	<u>2018</u>
Profit for the year	<u>(281,543)</u>	<u>(191,274)</u>
Income and expense recognised directly in equity		
Cash flow hedges	(17)	91
Tax effect	4	(23)
Total income and expense recognised directly in equity	<u>(13)</u>	<u>68</u>
Amounts transferred to the income statement		
Grants, donations and bequests	(362)	(243)
Tax effect	90	61
Total amounts transferred to the income statement	<u>(272)</u>	<u>(182)</u>
Total recognised income and expense	<u>(281,828)</u>	<u>(191,388)</u>

The accompanying notes form an integral part of the annual accounts for 2019.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

B) Total Statements of Changes in Equity

(expressed in thousands of Euro)

	<u>Note</u>	<u>Registered capital</u>	<u>Share premium</u>	<u>Reserves</u>	<u>(Own shares)</u>	<u>Retained earnings</u>	<u>Profit for the year</u>	<u>Other equity instruments</u>	<u>Valuation adjustments</u>	<u>Grants, donations and bequests received</u>	<u>Total</u>
Balance at 31 December 2017		62,246	-	104,108	(60,359)	-	85,275	10,773	(55)	454	202,442
Recognised income and expense		-	-	-	-	-	(191,274)	-	68	(182)	(191,388)
Transactions with equity holders or owners		-	-	(134)	4,498	-	-	(3,953)	-	-	411
Issuance of share-based payments		-	-	-	-	-	-	1,602	-	-	1,602
Delivery of own shares		-	-	(134)	4,498	-	-	(5,555)	-	-	(1,191)
Distribution of profit for the year		-	-	(25,018)	-	-	(85,275)	-	-	-	(110,293)
Transfer of profit for the previous year		-	-	-	-	85,275	(85,275)	-	-	-	-
Reserves		-	-	85,307	-	(85,275)	-	-	-	-	32
Dividends		-	-	(110,325)	-	-	-	-	-	-	(110,325)
Balance at 31 December 2018		62,246	-	78,956	(55,861)	-	(191,274)	6,820	13	272	(98,828)
Recognised income and expense		-	-	-	-	-	(281,543)	-	(13)	(272)	(281,828)
Transactions with equity holders or owners		4,534	544,997	(44,107)	48,609	56,021	-	(6,731)	-	-	603,323
Reduction Capital		(56,021)	-	-	-	56,021	-	-	-	-	-
Increase Capital		60,555	544,997	(6,218)	-	-	-	-	-	-	599,334
Issuance of share-based payments		-	-	-	-	-	-	269	-	-	269
Own shares operations		-	-	(40,662)	45,917	-	-	-	-	-	5,255
Delivery of own shares		-	-	(2,073)	2,692	-	-	(982)	-	-	(363)
Value adjustment of share-based payments		-	-	4,846	-	-	-	(6,018)	-	-	(1,172)
Distribution of profit for the year		-	-	(23,527)	-	(167,747)	191,274	-	-	-	-
Transfer of profit for the previous year		-	-	-	-	(191,274)	191,274	-	-	-	-
Compensation of losses against reserves		-	-	(23,527)	-	23,527	-	-	-	-	-
Balance at 31 December 2019		66,780	544,997	11,322	(7,252)	(111,726)	(281,543)	89	-	-	222,667

The accompanying notes form an integral part of the annual accounts for 2019.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019
(expressed in thousands of Euro)

	<u>Notes</u>	2019	2018
Cash flows from operating activities			
Profit for the year before tax		(254,705)	(91,323)
Adjustments for:		221,323	275,846
Amortisation and depreciation	5 and 6	115,849	124,205
Impairment		45,777	141,274
Changes in provisions		6,322	4,289
Grants recognised in the income statement	17	(362)	(243)
Gains on disposal of fixed assets	24 (d)	9,453	810
Gains/(losses) on disposal of financial instruments		5,823	(1,980)
Finance income		(20,660)	(25,088)
Finance expenses		61,734	33,424
Exchange losses		(10)	(10)
Changes in fair value of financial instruments		(13)	68
Other income and expenses		(2,590)	(903)
Changes in operating assets and liabilities		(24,367)	(312,957)
Inventories		28,242	9,374
Trade and other receivables		81,063	(39,099)
Other current assets	14	(155)	22
Trade and other payables		(150,858)	(280,863)
Provisions		(575)	(10,993)
Other current liabilities		(124)	(123)
Other non-current assets and liabilities	12 (c) and 14	18,040	8,725
Other cash flows from operating activities		(25,897)	(8,472)
Interest paid		(45,430)	(23,536)
Dividends received	11	136	20,891
Interest received		18,910	1,241
Income tax paid (received)		487	(7,068)
Cash flows from operating activities		(83,646)	(136,906)
Cash flows from investing activities			
Payments for investments		(135,949)	(167,692)
Group companies and associates	11	(70,255)	(21,019)
Intangible assets	5	(9,032)	(16,964)
Property, plant and equipment		(56,662)	(129,128)
Other financial assets	12 (b)	-	(216)
Non current held for sale assets		-	(365)
Business unit		-	-
Proceeds from sale of investments		13,206	24,518
Group companies and associates	11	-	9,352
Intangible assets	5 and 24 (d)	147	-
Property, plant and equipment	6 and 24 (d)	9,411	14,977
Other financial assets		3,648	189
Cash flows used in investing activities		(122,743)	(143,174)
Cash flows from financing activities			
Proceeds from and payments for equity instruments		604,589	-
Issuance of equity instruments		599,334	-
Disposal of own equity instruments	16 (c)	5,255	-
Proceeds from and payments for financial liability instruments		(414,735)	300,861
Issue		156,948	537,394
Debt with financial institutions		156,948	537,176
Other payables		-	218
Redemption and repayment of		(571,683)	(236,533)
Bonds and other securities		(315,388)	-
Debt with financial institutions		(31,669)	(132,610)
Group companies and associates		(221,951)	(103,923)
Other payables		(2,675)	-
Dividends and interest on other equity instruments paid		-	(110,325)
Dividends		-	(110,325)
Cash flows used in financing activities		189,854	190,536
Net increase/decrease in cash and cash equivalents		(16,535)	(89,544)
Cash and cash equivalents at beginning of year		69,067	158,611
Cash and cash equivalents at year end		52,532	69,067

The accompanying notes form an integral part of the annual accounts for 2019.



NOTES TO THE ANNUAL ACCOUNTS FOR 2019

(Free translation from the original in Spanish. In the event of discrepancy, the 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 June 1966, and its registered office is located in Las Rozas (Madrid).

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

(a) The wholesale or retail purchase, sale and distribution of food products and any other consumer goods in both domestic and foreign markets; domestic healthcare, parapharmaceutical, homoeopathic, dietary and optical products, cosmetics, costume jewellery, household products, perfumes and personal hygiene products; and food, health and hygiene products and insecticides, and all other kinds of widely available consumer products for animals.

(b) Corporate transactions; the acquisition, sale and lease of movable property and real estate; and financial transactions as permitted by applicable legislation.

(c) 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.

(d) All manner of corporate collaboration services aimed at the sale of products and services of credit institutions, payment institutions, electronic money institutions and currency exchange establishments, in accordance with the provisions of the statutory activity and administrative authorisation of these entities. This collaboration shall include, as permitted by applicable legislation and, where appropriate, subject to any necessary prior administrative authorisation, the delivery, sale and distribution of products and services of these entities.

(e) 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 provided via the internet or any other electronic medium.

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

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

(h) 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.

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

(j) 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 Market, DIA Maxi, Clarel and DIA&go. The Company opened its first establishment in Madrid in 1979.

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

DIA shares have been traded on the Spanish stock exchanges since 5 July 2011.

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

On 25 March 2020 the directors of the Company authorised the issue of the consolidated annual accounts of Distribuidora Internacional de Alimentación, S.A. and subsidiaries for 2019 in accordance with the International Financial Reporting Standards endorsed by the European Union ("IFRS-EU") and other applicable financial reporting regulations. These annual accounts present consolidated loss attributable to the Parent of Euros 790,468 thousand and consolidated negative equity attributable to the Parent of Euros 350,502 thousand.

Relevant events occurring during 2019

a) Appointment of a new auditor

The General Shareholders' Meeting held on 20 March 2019 agreed to appoint Ernst & Young, S.L. as auditor of the individual and consolidated annual accounts of the Company and its Group for 2019, 2020 and 2021.

b) Change of control and redress of the balance and structure of the Company's equity

The General Shareholders' Meeting held on 20 March 2019 agreed to redress the balance and structure of the Company's equity by approving a capital increase of Euros 500 million payable by L1R Invest1 Holding, S.à.r.l. ("LetterOne"), holder at that time of 29.001% of the share capital.

LetterOne undertook to exercise its pre-emptive subscription rights in proportion to its share capital holding and underwrite the total capital increase by subscribing the part not subscribed by the other shareholders, or securing underwriting from one or more financial entities. Executing this capital increase was subject to compliance with three conditions:

- (i) settlement of the Voluntary Public Takeover Bid (the "Bid" or "PTB") made by L1R Invest1 Holding, S.à.r.l. (hereinafter the "Offeror") on all the DIA shares presented to the CNMV on 21 February 2019 and admitted for processing on 8 March 2019;
- (ii) appointment of a majority of DIA Board of Director members proposed by LetterOne; and
- (iii) establishment of an agreement with the lenders of DIA's syndicated bank loan, enabling the debt to be restructured or refinanced to guarantee the Company's financial stability.

1. PTB

On 28 March 2019, the CNMV authorised the Voluntary Public Takeover Bid for 100% of the share capital of DIA, comprising 622,456,513 shares, excluding the 180,518,694 shares, representing 29% of the capital, which were immobilised by the offeror. Consequently, the bid was extended to the acquisition of 441,937,819 DIA shares, representing 71% of share capital. The bid price was set at Euros 0.67 per share and the acceptance term for the PTB initially went from 1 April 2019 to 23 April 2019, inclusive.

In the original prospectus, the Offeror stated that the bid's effectiveness was contingent on it being accepted by the holders of at least 50% of the shares included in the bid, which meant the acceptance of at least 220,968,910 shares, representing 35.499% of the Parent company's share capital, which together with those held by the Offeror, would enable them to reach a minimum stake of 64.50%. On 9 April 2019, the Board of Directors issued its mandatory report expressing a favourable opinion regarding the Bid and underlining the negative trend that was affecting the business' performance, mainly as a result of the negative impact caused by the uncertainty regarding the Company's financial situation.

On 17 April 2019 LetterOne extended the Bid's acceptance term from 23 April 2019 to 30 April 2019. In light of this extension and certain preliminary information available to the Company, on 26 April an update was given on the operating performance and the business during the first quarter of 2019, prior to the publication of its unaudited financial reporting for this period, which was ultimately published on 14 May 2019. Also, on 26 April 2019 the Company informed the market of the signing of a modifying novation of the prevailing financing lines amounting to Euros 912,119,190 ("Existing Syndicated Loan") by virtue of which the term was extended to 31 May 2019, to agree and promote an increase in share capital or any other type of instrument equivalent to share capital in satisfactory terms for the lenders.

On 30 April 2019 LetterOne presented the CNMV with an application to modify the initial Bid by reducing the condition regarding the minimum acceptance level, subject to the CNMV confirming that the price of a Bid of Euros 0.67 per share offered by the Offeror would be considered a "fair price" in accordance with article 9.4 f) of Royal Decree 1066/2077, thereby extending the Bid's acceptance term.

On 6 May 2019 LetterOne announced its decision to improve the modification requested by completely removing the minimum acceptance level condition, although this improvement was still subject in any event to the aforementioned "fair price" consideration. On the same date, the CNMV authorised the modification of the initial Bid's characteristics, considering the PTB's fair price condition of Euros 0.67 per share sufficiently justified and extending the acceptance term to 13 May 2019, inclusive. On 8 May 2019, DIA's Board of Directors expressed a favourable opinion regarding the modified Bid, by issuing a mandatory report approved by the unanimous vote of all members of the Board of Directors.

On 17 May 2019 LetterOne confirmed that the acceptance term of its voluntary public takeover bid for 100% of the shares in DIA ended at midnight on 13 May 2019. For its part, the CNMV notified the results of the PTB, which was accepted for 253,701,782 shares representing 57.41% of the shares included in the bid and 40.76% of the share capital of DIA. This was a positive result which was released in the corresponding stock market bulletins on 20 May 2019.

On 20 May 2019, the CNMV officially announced that the Bid had been accepted for a number of shares equivalent to 40.76% of the share capital of DIA, which, added to the shares that LetterOne already held prior to the Bid, gave LetterOne a holding of 69.76% of DIA's share capital. The Bid was settled on Wednesday, 22 May 2019.

On 20 May 2019 LetterOne announced that, having met the first condition of the capital increase execution, in relation to the second condition regarding the agreement with the DIA loan creditors, it had reached a Lock-Up Agreement with the syndicated loan lenders to restore the company's financial stability.

2. Renewal of the Board of Directors

In relation to the third condition of the capital increase promoted by LetterOne and in light of the Bid settlement, on 21 May 2019 the Board of Directors was reorganised, accepting the resignations filed by board members Richard Golding, Mariano Martín Mampaso, Antonio Urcelay Alonso, María Garaña Corces, Julián Díaz González, Angela Spindler and Borja de la Cierva Álvarez de Sotomayor as directors and members of the Company's Board of Director's committees as a consequence of the positive outcome of the aforementioned Bid by LetterOne and the resulting change in Company control.

Stephan DuCharme, Michael Joseph Casey, Sergio Antonio Ferreira Dias and Karl-Heinz Holland were appointed as co-opted independent external directors (at the proposal of LetterOne) and Christian Couvreur and José Wahnón Levy were appointed as co-opted independent directors. Furthermore, the following appointments were made within the Board of Directors and its committees:

- (i) Stephan DuCharme was appointed Chairperson of the Board of Directors.
- (ii) Karl-Heinz Holland was appointed as CEO.
- (iii) Christian Couvreur, Stephan DuCharme and Jaime García-Legaz Ponce were appointed members of the Appointment and Remuneration Committee.
- (iv) Sergio Antonio Ferreira Dias and José Wahnón Levy were appointed members of the Audit and Compliance Committee.

Lastly, the resignations presented by the Secretary and Vice-secretary of the Board of Directors, Ramiro Rivera Romero and Miguel Ángel Iglesias Peinado were accepted, and Álvaro López-Jorrín Hernández and Lisa Giroux were appointed as the new Secretary and Vice-secretary of the Board. Subsequently, on 5 November 2019, Lisa Giroux presented her resignation and Sagrario Fernández Barbe was appointed Vice-secretary of the Board of Directors.

On 3 September, the Company announced that the Board of Directors had agreed to the voluntary creation of a permanent Capital and Financial Structure Committee within the Board. This Committee's main function is to advise the Board of Directors on issues relating to the Company's capital structure and financial strategy and to regularly monitor these matters.

As a result of the above, at 31 December 2019 the Board of Directors of the Company and its committees are organised as follows:

Board of Directors:

Chairperson: Stephan DuCharme (external proprietary director).

Chief Executive Officer: Karl-Heinz Holland (executive director).

Directors: Michael Joseph Casey (external proprietary director).

Christian Couvreur (independent director).

Sergio Antonio Ferreira Dias (external proprietary director).

Jaime García-Legaz Ponce (independent director).

José Wahnnon Levy (independent director).

Audit and Compliance Committee:

Directors: Sergio Antonio Ferreira Dias (external proprietary director).

Jaime García-Legaz Ponce (independent director).

José Wahnnon Levy (independent director). Appointed Chairperson on 29 May 2019.

Appointments and Remuneration Committee:

Directors: Christian Couvreur (independent director). Appointed Chairperson on 12 June 2019.

Stephan DuCharme (external proprietary director).

Jaime García-Legaz Ponce (independent director).

Capital and Financial Structure Committee:

Directors: Sergio Antonio Ferreira Dias (external proprietary director).

Michael Casey (external proprietary director).

Jaime García-Legaz Ponce (independent director). Appointed Chairperson on 3 September 2019. He has the casting vote if the votes are tied.

Christian Couvreur (independent director).

Subsequently on 15 January 2020, the Company announced that the Board of Directors had approved the appointment of Basola Vallés Cerezuela as co-opted independent director of the Company.

Furthermore, with effect as of 14 January 2020, Michael Casey announced his resignation from the Company's Board of Directors and, consequently, as a member of the Capital and Financial Structure Committee.

On 19 February 2020, the Company announced the resignation of Jaime García-Legaz Ponce from his position as member of the Appointments and Retribution Committee and his replacement by the director Basola Vallés Cerezuela.

As at 15 January 2020, the Board is organised as follows:

Board of Directors:

Chairperson: Stephan DuCharme (external proprietary director).

Chief Executive Officer: Karl-Heinz Holland (executive director).

Directors: Christian Couvreur (independent director).

Sergio Antonio Ferreira Dias (external proprietary director).

Jaime García-Legaz Ponce (independent director).

Basola Vallés Cerezuela (independent director).

José Wahnnon Levy (independent director).

3. Agreement with the syndicated loan lenders

After the settlement of the LetterOne Bid and the renewal of the Board of Directors, on 25 June 2019 the market was informed of the agreement reached between LetterOne and all the lenders of the syndicated loan held by DIA subject to certain conditions precedent, establishing the deadline for completion or withdrawal of these conditions, at the earliest between (a) the “Lock-Up Agreement” date in accordance with its terms, and (b) 15 July 2019 (or any subsequent date agreed by a majority of the lenders).

The main agreements reached include:

- (i) The terms under which the existing bank loan would be amended and restated, extending the maturity date of the Syndicated Loan to 31 March 2023.
- (ii) The terms under which the bilateral financing granted by the syndicated lenders or their subsidiaries would be amended, including extending up to 2021 at the earliest the maturity dates of certain financing arrangements.
- (iii) The possibility of obtaining new secured super senior funding lines, under terms that the Parent company considers satisfactory, for a total amount of up to Euros 380 million, of which binding commitments have been obtained for approximately Euros 270.8 million (see note 20(b)).
- (iv) Proposing to the General Shareholders’ Meeting of DIA an increase of Euros 100 million on the total amount of equity initially agreed for injection into the company in the Euros 500 million capital increase agreement passed by the Ordinary General Shareholders’ Meeting on 20 March 2019. This would foreseeably increase the company’s equity by a cash amount of up to Euros 600 million by the second half of 2019. Regarding this capital increase, LetterOne undertook to vote in favour of this agreement, exercising its pre-emptive subscription rights in proportion to its share capital holding, and partially underwrite (or secure underwriting from one or more financial entities) the capital increase for an amount of up to Euros 500 million.
- (v) In order for the company to avail of cash funds while the procedures to execute the capital increase were formalised, LetterOne undertook to advance funds to the Company, up to a total aggregate amount of Euros 490 million, by means of one or more participating loans and/or pre-fund the capital increase which, in the event that the participating loans could be fully or partially capitalised in the capital increase, and in the event of pre-funding (and also in the case of participating loans in the portion that could not be capitalised in the capital increase) would be repaid to LetterOne with the capital increase funds. This was one of the conditions precedent of the agreement.

On 18 July 2019 the Company announced compliance with the conditions precedent governing the effectiveness of the agreement and confirmed its subscription, as borrower, of two participating loans granted by its majority shareholder LetterOne, dated 29 May 2019 and 26 June 2019, respectively, and amounting to Euros 40 million and Euros 450 million, respectively. Accordingly, (a) the Company had received from LetterOne a cash amount of Euros 184 million, and (b) the Company would receive the remaining amount (i.e. Euros 306 million) on 19 July 2019 in order to repay the bonds maturing on 22 July 2019, thereby meeting the condition described in point (v) above.

4. Approval of the Hive Down imposed by the syndicated lenders

On 30 August 2019 a further Extraordinary General Shareholders' Meeting was held, at which a series of Corporate Governance agreements were approved, such as ratifying Directors and approving the composition of the Board of Directors and the Directors' remuneration policy. Thus, the modification of the syndicated financing and the new financing facilities was approved, as well as the granting, ratification and extension of guarantees and approval of the Hive Down. The Hive Down was required by the Syndicated Lenders within the framework of the Syndicated Financing and by virtue thereof:

- (i) New non-operating DIA subsidiaries would be set up or acquired.
- (ii) All the business, assets, liabilities and contracts held by DIA will be transferred to one or several subsidiaries indirectly wholly-owned by DIA, with the exception of: a) the European medium-term notes currently issued by the Company; b) any assets, liabilities and contracts that cannot be transferred due to legal or contractual restrictions; c) any assets, liabilities or contracts whose transfer would have a significant adverse effect on the business of the Company or the Company's group; d) any assets, liabilities and contracts whose transfer would incur a cost for the Company's group (including taxes or loss of tax assets) exceeding Euros 5,000,000; and, e) any lease agreements on real estate whose transfer or transmission would entitle the lessor to demand a rent increase or to terminate the lease.
- (iii) In particular, as a first milestone and subject to the aforementioned exceptions, the Company must transfer to subsidiaries indirectly wholly-owned by DIA: a) all real estate owned by DIA in Spain; b) certain specific commercial establishments of DIA representing 58% of the Restricted EBITDA (as defined and calculated in the Financing Agreement); and c) the interests held by DIA in the Brazilian, Argentinean and Portuguese subsidiaries, to the extent to which it is viable from the legal, fiscal and regulatory perspective. As further indicated below, this first milestone was agreed with the syndicated lenders to be initiated and start being effective from 1 January 2020 onwards.
- (iv) Certain subsidiaries directly or indirectly wholly-owned by DIA, which form part of the Hive Down, will become additional borrowers under the Financing Agreement.
- (v) Security will be extended over the shares or participations, bank accounts and receivables of the subsidiaries directly or indirectly wholly-owned by DIA that will form part of the Hive Down, as collateral for the Financing Agreement. Proceeding with the Hive Down is considered convenient and necessary as it is an obligation required by the Syndicated Lenders in the Financing Agreement, and its implementation is expected to contribute to facilitating the access of the Company and its Group to possible future financing or refinancing.

On 26 December 2019, DIA's Board of Directors agreed to commence executing the Hive Down with effect from 1 January 2020, which would mean starting a complex, sequential process entailing several transactions and legal proceedings over the first few months of 2020 to transfer the main business units of the Company to subsidiaries which, at the end of the process, as required by the syndicated lenders in the Financing Agreement, will be directly or indirectly held by different Luxembourg holding companies, which are, in turn, wholly-owned by DIA directly and/or indirectly. Subject to certain exceptions agreed with the syndicated lenders, the transfer of the Company's main business units will include all assets, liabilities, corporate interests, contracts and personnel comprising the Spanish retail and wholesale business, the overseas business and the central services of DIA. Similarly, as part of the business units transferred in the Hive Down, the debt included under the Financing Agreement will be transferred to certain Spanish subsidiaries wholly-owned by DIA indirectly, and directly and indirectly held by Luxembourg holding companies, also at the request of the syndicated lenders. Lastly, in compliance with the Financing Agreement, the shares or participations, bank accounts and receivables of the directly and indirectly wholly-owned subsidiaries of DIA involved in the Hive Down will be pledged.

5. Capital reduction and subsequent capital increase of Euros 605.6 million

On 22 October 2019 a further Extraordinary General Shareholders' Meeting was held, and the following agreements reached:

- (i) Writing off of losses against reserves and a capital reduction of Euros 56,021,086.17 by reducing the nominal value of the Company's shares by Euros 0.09 per share in order to restore the balance and structure of the Company's equity. The capital reduction was registered at the Mercantile Registry of Madrid on 28 October 2019 and as a result, the Company's new share capital amount is Euros 6,224,565.13, represented by 622,456,513 shares of Euros 0.01 par value each.
- (ii) Share capital increase for a nominal amount of Euros 60,555,224.66 by issuing and placing into circulation 6,055,522,466 new ordinary shares of Euros 0.01 par value each, with a share premium of Euros 0.09 and a cash amount of Euros 605,552,246.60 (par value plus share premium).

After the National Securities Market Commission's approval of the Capital Increase Prospectus on 25 October 2019 and the subscription over the different periods (preferential subscription, additional adjudication and discretionary adjudication), the Company reported that the capital increase had been fully subscribed on 20 November. LetterOne has subscribed a total of 4,562,191,872 new shares, representing 75.339% of the total capital increase for a cash total of Euros 456,219,187.20. Therefore, the interest held by LetterOne in the Company increased from the 69.759% held prior to the capital increase to 74.819% thereafter. The new shares subscribed by LetterOne have been fully paid by offsetting part of the receivables held with the Company under the participating loans dated 29 May and 26 June 2019 for Euros 40 million and Euros 450 million, respectively, and which L1R Invest1 Holding, S.à.r.l. contributed to inject liquidity into the Company. These new shares were listed for trading on Spanish stock markets on 27 November 2019, with effect from 28 November 2019.

The Board of Directors considered that this capital increase, together with the amending and refunding of the Syndicated Loan ensured a viable long-term capital structure for DIA, consolidating the clearing of the grounds for dissolution due to losses and constituting a solution to the Company's cash flow needs.

c) Other corporate transactions

The following events should be noted with regards the Company's investments:

- On 28 June 2018, 50% of the shares of FINANDIA E.F.C., S.A. were sold to CaixaBank Consumer Finance E.F.C., S.A.U. (CaixaBank) for Euros 9,306 thousand. During the first half of 2019 CaixaBank notified its intention to exercise the change of control option set forth in the sale document, thereby obliging DIA to acquire 50% of this company which was sold during the prior year.

On 19 July 2019, the partners of Finandia, EFC, S.A. decided to reduce the share capital of Finandia. Its current share capital amounts to Euros 3,500,000, represented by 7,000,000 shares of Euros 0.50 par value. On the same date, Distribuidora Internacional de Alimentación, S.A. acquired the 3,500,000-share interest held by Caixabank Payments & Consumer, E.F.C., E.P., S.A.U., rendering it sole shareholder. At 31 December 2019, the Company recognised a loss of Euros 5.8 million as a result of this acquisition. Moreover, Finandia is no longer classified as a credit institution, and its registered name has been changed to Finandia, S.A.U.

- In December 2018 the Company decided to dispose of its interest in the business Clarel (Beauty by Dia, S.A.) and recognise it as held for sale in the 2018 annual accounts. In 2019 the Company decided to reverse this classification, restating the 2018 figures as the Company's Board of Directors has agreed to continue managing, developing and remodelling this business.

- In December 2018, as established in the partner agreement for the creation of CD Supply Innovation, S.L. (associate - see note 11), the Company received notification from Tevir, S.A. (50% partner with DIA), informing of its decision to withdraw from the partnership. This withdrawal took effect in February 2019, with the termination of its activity.

- On 3 June 2019 a capital increase of Brazilian reais 174,350,000 was carried out at Dia Brazil, equivalent to Euros 40 million. This capital increase was conducted in two tranches: Euros 10 million (Brazilian reais

43,850,000) at 30 May 2019, and Euros 30 million (Brazilian reals130,500,000) at 3 June 2019. The capital of DIA Brazil went from Brazilian reals 670,950,037 to Brazilian reals 845,300,037. The Company holds 845,300,036 shares and DIA Argentina holds 1 share in the share capital of DIA Brazil.

- On 12 June 2019 the Board of Directors of the Company decided to liquidate the subsidiary DIA Eshopping, S.L., the activity of which consisted of creating, maintaining and operating websites and portals for the sale of products and services, terminating its activity on 30 June 2019.

- Within the framework of the Hive Down, on 22 August 2019, the Company acquired 100% of seven Luxembourg companies. In addition, on 2 August 2019, the company DIA FINANCE, S.L. was incorporated (see Note 11).

- On 26 August 2019, the partners of Compañía Gallega de Supermercados decided to wind up and liquidate the company, which from that date became Compañía Gallega de Supermercados, S.A. in Liquidation.

d) Profit/(loss) evolution during the year:

The evolution of pre-tax profit/(loss) on continuing operations for the year has been influenced by the combined effect of multiple factors:

1. The significant drop in sales throughout the year but especially during the first six months of 2019, caused by the liquidity difficulties undergone by the Company which have seen it carry out its activity in an extraordinarily complicated setting with high levels of stock depletion in warehouses and stores and a significant streamlining of resources in all areas.
2. The process of closing low-profit stores, which has affected a total of 407 stores in 2019 and which ultimately resulted in: a drop in sales, derecognition of related assets, increase in operating expenses for expenses related to the transfer of lease agreements.
3. A major franchise remodelling process aimed at improving the quality of our franchise network, which has affected a total of 100 stores during the year, leading to an increase in personnel and operating expenses, as well as the recognition of additional provisions in the related accounts receivable.
4. The product selection underwent a streamlining process, which involved a full review of the selections in every region, resulting in a significant reduction in the number of references, in the interest of greater simplification, improved productivity and better quality and value for the customer. This initiative has meant reduced margins being recorded in relation to the corresponding inventory liquidation (particularly during the first semester).
5. The impact of some logistics improvement initiatives, involving the closure or relocation of warehouses to achieve greater efficiency, has meant an increase in logistics costs in the short term, further derecognitions of assets and provisions for amounts payable on real estate leases.
6. Other significant extraordinary or exceptional items, such as:
 - The collective redundancy schemes implemented to improve productivity in stores, warehouses and headquarters, with the resulting impact on operating costs.
 - The syndicated loan refinancing process, which has been complex and entailed a series of different stages, as well as remodelling work and advisory services relating to the capital increase presented by the previous Board to the General Shareholders' Meeting of the Company (which includes financial and corporate advisory and strategic consulting services), impacting both operating costs and financial profits.
 - DIA's repurchasing of 50% of Finandia, which led to the recognition of losses, affecting operating profits and financial results.

(2) Basis of Presentation

(a) Comparative information

The annual accounts have been prepared on the basis of the Company's accounting records and presented in accordance with prevailing legislation and the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 and the amendments made thereto by Royal Decrees 1159/2010 and 602/2016, to give a true and fair view of the Company's equity, financial position and profit/(loss) as well as the accuracy of the cash flows included in the statement of cash flows.

The directors consider that the annual accounts for 2019, authorised for issue on 25 March 2020, will be approved with no changes by the shareholders at their ordinary general meeting.

The balance sheet, income statement, statement of recognised income and expense, statement of changes in equity, statement of cash flows and the notes thereto for 2019 include comparative figures for 2018, which differ from those approved by the shareholders of the Company at the Ordinary General Meeting held on 20 March 2019, as they no longer treat the Clarel business as a non-current asset held-for-sale (see note 1(c)). Details of the restatement are as follows:

ASSETS	Clarel Business
Intangible assets	1,390
Trade and other receivables	9,351
Non-current assets	10,741
Current assets held for sale	(11,768)
Trade and other receivables	1,027
Current assets	(10,741)

(b) Going concern

At 31 December 2019, once the capital increase mentioned in note 1.5 had been approved, the Company's equity structure has been re-established and the grounds for dissolution removed. The Company's equity amounts to Euros 223 million and working capital, calculated as current assets less current liabilities, is also a positive amount of Euros 256 million. The 2019 result amounts to a loss of Euros 282 million.

At the date on which these annual accounts were prepared, the Company has updated the Business Plan, which has been formulated on the basis of fundamental assumptions consisting of improving the customer value proposal by strongly developing the Group's own brand and fresh produce, which will increase customer loyalty and frequency of customer visits to stores, and supporting the franchised network and improving service levels in stores.

In conclusion, the Company's Directors believe that based on the effectiveness of modifying and refinancing the Syndicated Loan, the new lines of funding obtained and the capital increase carried out in November 2019, the Company has cleared the grounds for dissolution due to losses, securing a viable long-term capital structure for the Company. The liquidity requirements of the Company and its Group are based on a sustainable capital structure, following the deferral of financial liability payments for the Company and its Group. In this regard, the cash requirements for maintaining the Company's activities are adequately guaranteed for the next twelve months, in accordance with the sources of financing already available, and based on compliance with the Company's Business Plan, to which the Company is fully committed. Furthermore, the Company plans to address the maturity of the bonds, which amount to Euros 300 million and mature on 28 April 2021 (see note 20). All of this will enable the Company to continue operating on a going concern basis and to achieve its long-term objectives.

(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. 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.

Relevant accounting estimates and assumptions

- Evaluation of the potential impairment of non-financial assets subject to amortisation or depreciation: see note 3(b), (c) and (e).
- Evaluation of potential goodwill impairment: see note 3(b) and note 4(a).
- Evaluation of the recoverability of deferred tax assets (see note 21).
- Analysis of possible contingencies or liabilities linked to processes in progress: (see note 17).
- Evaluation of the potential impairment of investments in Group companies and associates classified as equity instruments (see note 4(g) and 10).

Estimates and judgements are evaluated regularly, based on the assumptions included in the approved business plan. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and are considered reasonable under the circumstances.

(3) Application of losses/distribution of profit

The application of 2019 losses prepared by the Board of Directors to be presented to shareholders at the Ordinary Annual General Meeting comprises transferring the full amount of Euros 281,543,229.11 to prior years' losses.

The application of 2018 losses ultimately approved by the General Shareholders' Meeting on 20 March 2019 was to take 2018 losses (Euros 191,274,360.75) to prior year's losses.

(4) Significant Accounting Policies

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

(a) Foreign currency transactions, balances and cash flows

Foreign currency transactions have been translated into Euros using the spot 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. Intangible assets are carried at cost, less any accumulated amortisation and impairment.

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

(i) Development

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

- Costs are clearly allocated, assigned and timed for each project.
- There are sound grounds for considering that the project will be technically successful both in the case of direct operation or sale to a third party, and the economic and commercial profitability is reasonably assured.
- The financing to undertake it, the availability of the proper technical or other resources to complete the project and to use or sell the intangible asset are reasonably assured.

Expenses taken to the income statement in prior years cannot be subsequently capitalised when the conditions are met.

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

When the carrying amount of an asset is higher than its estimated recoverable amount, its value is immediately reduced to its recoverable amount.

(ii) Business combinations and goodwill

The Company applies the acquisition method for business combinations. The acquisition date is the date on which the Company obtains control of the acquiree.

The business combination cost is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

The business combination cost excludes any payment that does not form part of the exchange for the acquired business. Acquisition costs are recognised as an expense when incurred.

At the acquisition date the Company recognises the assets acquired and the liabilities assumed at fair value. The excess between the business combination cost and the value of net assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after evaluating the consideration given and the identification and measurement of net assets acquired, is recognised in profit and loss.

Goodwill represents the difference, at the acquisition date, between the cost of the business combination and the fair value of the net identifiable assets acquired on the transaction. Therefore, goodwill is only recognised when it has been acquired for consideration and relates to future economic benefits from assets which cannot be identified individually and recognised separately.

It is allocated to those cash generating units (CGUs) that are expected to benefit from the business combination that generated the goodwill.

The goodwill recognised separately is amortised on a straight-line basis over the estimated useful life, valued at cost of acquisition less accumulated amortisation and the accumulated amount of any impairment adjustments recognised. Useful lives are determined separately for each CGU to which the assets are assigned and is estimated at 10 years (unless proven otherwise). At least once a year, the Group assesses whether there are any indications of impairment of cash generating units to which goodwill has been assigned and, if detected, their ultimate impairment is verified.

Following initial recognition, and until 31 December 2015, goodwill was measured at cost less any accumulated impairment losses. Since 1 January 2016, goodwill has been measured at cost, less any accumulated amortisation and impairment.

(iii) Computer software

Computer software acquired and produced by the Company, which comprises all the programmes relating to terminals at points of sale, warehouses, offices and micro-computing, is recognised at cost of acquisition or production. Computer software maintenance costs are charged as expenses when incurred.

(iv) Leaseholds

Leaseholds are rights to lease business 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 10 years or the term of the lease contract.

(v) Patents, licences, trademarks and similar rights

Industrial property is charged at cost, less any accumulated amortisation and impairment. Industrial property is amortised on a straight-line basis so as to allocate the cost of licences and trademarks over their estimated useful life of ten years, as well as investment in the development of commercial models and product ranges, which are amortised over four years.

(vi) 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.

(vii) Useful life and amortisation rates

Intangible assets are amortised on a straight-line basis over the following estimated years of useful life:

	<u>Estimated years of useful life</u>
Computer software	3
Leaseholds	10
Goodwill	10
Trademarks	10
Other intangible assets	Term of the agreement

Pursuant to Royal Decree 602/2016 of 2 December 2016, goodwill began to be amortised prospectively from 1 January 2016 onwards.

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.

(viii) Impairment

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

Given that the average period to carry out work on warehouses and stores does not exceed 12 months, there are no significant interest and other finance charges that are considered 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. Investments are depreciated over the shorter of their useful life and the lease term, taking into account extensions.

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 over the following estimated years of useful life:

	<u>Estimated years of useful life</u>
Buildings	40
Installations in leased stores	10 – 20
Technical installations and machinery	3 – 7
Other installations, equipment and furniture	4 -10
Other property, plant and equipment	3 – 5

The gain or loss arising on the sale of an asset is determined as the difference between the proceeds from the sale and the carrying amount of the asset and is recognised in the income statement.

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

(iii) Subsequent costs

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

(iv) Impairment of assets

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

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

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, which is the value in use, understood as the higher amount between fair value less cost of sales and the use value.

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. Each store is a cash-generating unit.

Based on past experience, the Company considers that there are indications of impairment when the operating profit, taking into account adjusted EBITDA (taken to mean earnings before depreciation/amortisation and impairment, gains/losses on disposal of fixed assets and other non-recurring income and expense), of a mature store (one that has been in operation for more than two years) has been negative during the past two years. When indications of impairment exist, the Company estimates the recoverable amount of the assets allocated to each cash-generating unit being this amount the highest between fair value deducting disposal costs and the use value. This use value is determined by discounting future cash flows after estimated tax, applying a tax discount rate post-tax which reflects the value of the money over the time and the specific risks linked to the asset.

Determining this recoverable amount and evaluating whether there exist signs of impairment of the cash-generating units requires judgement on the part of Management and the use of estimates.

The Company uses the assumptions included in the approved business plan to estimate the cash flow projections for calculating use value. This business plan covers a five-year period. For longer periods, from fifth year, the Company will use projections based on that business plan, applying a constant growth rate, until the end of the useful life, and incorporating a residual life or the disposal of the asset at the end of that useful life according to accounting rules. When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is considered to be impaired. In this case the carrying amount is adjusted to the recoverable amount and the impairment loss is recognised in the income statement. Amortisation and depreciation charges for future periods are adjusted to the new carrying amount during the remaining useful life of the asset. Assets are tested for impairment on an individual basis, except in the case of assets that generate cash flows that are not independent of those from other assets (cash-generating units).

For the purposes of comparing the book value with the recoverable value, the book value of the assets subject to impairment in each store is considered to correspond to the impaired assets. For those store assets that, due to their nature, can be reused in other stores, such as POS terminals, refrigeration elements or shelves, an estimate of their recoverable value has been made, and the difference has been impaired.

When new events or changes in existing circumstances arise which indicate that an impairment loss recognised in a previous period could have disappeared or been reduced, a new estimate of the recoverable amount of the asset or cash-generating unit is made. Previously recognised impairment losses are only reversed if the assumptions used in calculating the recoverable amount have changed since the most recent impairment loss was recognised. In this case, the carrying amount of the asset or cash-generating unit is increased to its new recoverable amount, to the limit of the carrying amount this asset or cash-generating unit would have had had the impairment loss not been recognised in previous periods. The reversal is recognised in the consolidated income statement and amortisation and depreciation charges for future periods are adjusted to the new carrying amount.

(e) Leases**(i) Lessor accounting**

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

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 at the start of the contract are classified as finance leases, otherwise they are classified as operating leases.

- Finance leases

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

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

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

- Operating leases

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

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

(iii) Sale and leaseback transactions

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

(f) Financial instruments

(i) Classification and separation of financial instruments

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

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

(ii) Offsetting principles

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

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

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

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

(iv) Loans and receivables

Loans and receivables comprise trade and non-trade receivables with fixed or determinable payments that are not quoted in an active market other than those classified in other financial asset categories.

These financial assets are initially measured at fair value, including any directly attributable transaction costs and, subsequently, at amortised cost recognising accrued interest using the effective interest rate. The effective interest rate is the rate that exactly matches estimated future cash flows over the expected life of a financial instrument to the carrying amount of the instrument. The foregoing notwithstanding, trade receivables maturing in less than a year that do not specify a contractual rate of interest, which are expected to be collected in the near term, are valued both initially and subsequently at the nominal value if the result of upgrading the cash flows is insignificant.

(v) Investments in Group companies

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

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

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

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

(vi) Interest and dividends

Interest is recognised using the effective interest method.

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

(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.

In particular, the Company derecognises the trade balances held with its suppliers in respect of the trade discounts granted by the latter when they are transferred in factoring operations in which the Company retains no credit or interest rate risk. The Company does not derecognise these trade balances when it retains substantially all the risks and rewards incidental to ownership thereof, but instead recognises a financial liability for the same amount as the consideration received.

(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 (v) Investments in Group companies.

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

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

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

(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.

The exchange of debt instruments between the Company and the counterparty or substantial modifications in the liabilities initially recorded, are recognised as a cancellation of the original financial liability and a new financial liability is recognised, provided the conditions of the instruments differ substantially. The Company considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is recorded as a write-down of the original financial liability, the costs or fees are recognised in profit or loss as part of profit or loss. Otherwise, the modified flows are discounted at the original effective interest rate, with recognition of any difference from the previous carrying amount in profit or loss. In addition, costs or fees adjust the carrying amount of the financial liability and are amortised using the amortised cost method over the remaining life of the modified liability.

The Company recognises the difference between the carrying amount of the financial liability or a portion thereof cancelled or transferred to a third party and the consideration paid, including any asset transferred other than the cash or liability assumed in profit or loss.

Financial debt is classified as a current liability unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The Company recognises exchanges of debt instruments with a lender, provided that the instruments have substantially different conditions, as a cancellation of the original financial liability and subsequent recognition of a new financial liability. Similarly, a substantial change in the conditions of a financial liability or part of one is recognised as a cancellation of the original financial liability and subsequent recognition of a new financial liability. The difference between the carrying amount of the financial liability cancelled and the consideration paid which also includes any asset transferred other than cash or any liability assumed, is recognised in results for the year

If it is determined that the new terms or modifications of a financial liability are not materially different from the existing ones and therefore the modification is not material, the existing financial liability is not derecognised. The Company will recalculate the gross carrying amount of the financial liability and recognise a profit or loss due to the change in the income statement for the year. The gross carrying amount of the financial liability will be recalculated as the present value of contractual cash flows renegotiated or changed, discounted at the original effective interest rate of the financial liability.

(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 in trade payables advanced by financial institutions under trade and other payables in the balance sheet until they are settled, repaid or have expired.

The amounts paid as consideration for the acquisition of invoices or payment documents for the trade payables recorded by the Company are recognised under other operating income in the income statement when the invoices or documents are conveyed.

(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

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments. Nonetheless, transaction costs are subsequently recognised in profit and loss, inasmuch as they do not form part of the changes in the effective value of the hedge.

The Company records hedges of foreign currency risk of a firm commitment as a cash flow hedge.

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, other costs directly attributable to the acquisition and indirect taxes not recoverable from the Spanish taxation authorities.

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 cost basis.

When the cost of inventories exceeds net realisable value, an adjustment is made. Net realisable value is understood to be the selling price, less costs to sell.

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.

(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) Trade and other payables

These amounts relate to liabilities for goods and services provided to the Company before the end of the financial year for which payment is pending. Trade and other payables are presented as current liabilities unless payment does not fall due within 12 months as from the end of the reporting period. They are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

The expense relating to raw materials and other supplies is reduced as a result of the different kinds of discounts, depending on the commercial terms and conditions agreed with suppliers. Some discounts are fixed while others are variable, subject to the accumulated volume of purchases over the contract term or the volume of sales made by the Company's stores of the corresponding supplier items.

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. Any unallocated discounts are used to reduce the balance of merchandise and other consumables used in the consolidated income statement. The main discounts applied to suppliers are as follows:

- Volume discounts: volume discounts are negotiated with suppliers as a percentage based on the volume of purchases
- Advertising income: this results from credits negotiated with suppliers based on the inclusion of references in brochures, displays, shelving etc.
- Income from loyalty programmes and surrender of coupons: this relates to income from credits negotiated with suppliers based on the surrender of coupons by customers at stores using the CLUB DIA card or special offers.
- Other items for smaller amounts that are established based on other variables agreed with suppliers such as a percentage of merchandise losses or specific transportation agreements.

Negotiations with suppliers take place annually. At each monthly close, the Company recognises discounts obtained from suppliers. The charges / invoices issued for these items to suppliers and the estimate calculated by the Company are recorded. These monthly estimates are based on the approved budget to be achieved with each of the suppliers and on the degree of progress in the negotiations.

(l) 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.

(m) 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 there is 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.

(n) 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.

(o) 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.

(p) 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. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligations 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.

(q) 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:

- It has transferred to the buyer the significant risks and rewards of ownership of the goods;
- It retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue and the costs incurred or to be incurred can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company has customer loyalty programmes which do not entail credits, as they comprise discounts which are applied when a sale is made and are recognised as a reduction in the corresponding transaction, which do not exceed the month in which they are granted. If the discount is applied after the current month, revenue from sales is adjusted based on the probability of occurrence and the relevant liability is generated. When these customer discounts are granted through franchised stores, they are paid to the franchisee and are therefore also recorded as a reduction in the sale amount in the month in which they are applied.

There are certain negotiations of loyalty income within the promotional policy in place with suppliers which, based on the number of units sold and the negotiated discount, are passed on to suppliers and recorded as a reduction in the cost of supplies.

(r) Income tax

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

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

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

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

The Company files consolidated tax returns with the subsidiaries Dia Retail España, S.A.U. (formerly Twins Alimentación, S.A.U.), Pe-Tra Servicios a la Distribución, S.L.U., Beauty by Dia, S.A.U., Grupo El Árbol Distribución y Supermercados S.A.U., Compañía Gallega de Supermercados S.A., Dia E-shopping S.L.U. and DIA Finance S.L., under the special consolidated tax regime set forth in Chapter VI of Title VII of Corporate Income Tax Law 27/2014 of 27 November (see note 21).

(i) Recognition of deferred tax liabilities

The Company recognises deferred tax liabilities 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) Recognition of deferred tax assets

The Company recognises deferred tax assets provided that it is probable that future taxable profits will be available against which the deferred tax asset 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.

(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.

For these purposes, the Company has considered the deduction for reversal of the temporary measures provided in transitional provision thirty-seven of Income Tax Law 27/2014 of 27 November 2014 as an adjustment to the tax rate applicable to the deductible temporary difference associated with the non-deductibility of amortisation and depreciation charges in 2013 and 2014.

(iv) Offset and classification

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

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

(s) 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

Equity-settled payment transactions are recognised as follows:

- If the equity instruments granted vest immediately on the grant date, or because their vesting is contemplated due to plan terms linked to changes in control, 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 expected to 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, although any necessary reclassifications in equity may be made.

(ii) Tax effect

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

(t) 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 12 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 12 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 12 months after the reporting date or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

(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 from businesses 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 Euro						
	Development	Concessions	Patents, licences, trademarks and similar rights	Computer software	Other intangible assets	Total
Cost						
At 1 January 2019	22,112	329	8,252	46,476	4,478	81,647
Additions	5,846	-	-	3,140	46	9,032
Disposals	(263)	(129)	(5,568)	(958)	(176)	(7,094)
Transfers	(20,862)	-	-	20,862	-	-
At 31 December 2019	6,833	200	2,684	69,520	4,348	83,585
Amortisation						
At 1 January 2019	-	(222)	(6,638)	(36,390)	(2,894)	(46,144)
Amortisation	-	(8)	(618)	(13,748)	(189)	(14,563)
Disposals	-	129	5,453	607	106	6,295
Transfers	-	-	-	-	(13)	(13)
At 31 December 2019	-	(101)	(1,803)	(49,531)	(2,990)	(54,425)
Impairment						
At 1 January 2019	-	-	-	-	(427)	(427)
Charge	-	-	-	-	(5)	(5)
Disposals	-	-	-	-	71	71
Reversal	-	-	-	-	122	122
Transfers	-	-	-	-	13	13
At 31 December 2019	-	-	-	-	(226)	(226)
Carrying amount at 31 December 2019	6,833	99	881	19,989	1,132	28,934

Thousands of Euro						
Restated	Development	Concessions	Patents, licences, trademarks and similar rights	Computer software	Other intangible assets	Total
Cost						
At 1 January 2018	14,974	329	8,041	36,863	4,731	64,938
Additions	14,958	-	166	1,840	-	16,964
Disposals	47	-	-	(49)	(253)	(255)
Transfers	(7,867)	-	45	7,822	-	-
At 31 December 2018	22,112	329	8,252	46,476	4,478	81,647
Amortisation						
At 1 January 2018	-	(203)	(5,295)	(29,427)	(2,755)	(37,680)
Amortisation	-	(19)	(1,343)	(6,965)	(250)	(8,577)
Disposals	-	-	-	2	111	113
At 31 December 2018	-	(222)	(6,638)	(36,390)	(2,894)	(46,144)
Impairment						
At 1 January 2018	-	-	-	-	(136)	(136)
Charge	-	-	-	-	(412)	(412)
Disposals	-	-	-	-	121	121
At 31 December 2018	-	-	-	-	(427)	(427)
Carrying amount at 31 December 2018	22,112	107	1,614	10,086	1,157	35,076

Additions in 2019 mainly comprise development expenses relating to IT projects carried out internally. Computer software was also acquired.

Additions in intangible assets in 2018 relate mainly to the development of in-house IT projects, which have mainly arisen from the updating of the development software for POS terminals, called Vela. Computer software was also acquired.

(a) Goodwill and impairment

Details of goodwill and movement are as follows:

	Thousands of Euro	
	2019	2018
<u>Cost</u>		
At 1 January	71,370	73,108
Disposals	(6,329)	(1,738)
At 31 December	65,041	71,370
<u>Amortisation</u>		
At 1 January	(20,673)	(13,833)
Amortisation	(5,277)	(7,143)
Disposals	1,497	303
At 31 December	(24,453)	(20,673)
<u>Impairment</u>		
At 1 January	(15,008)	(5,135)
Charge	(2,645)	(10,780)
Reversal	4,832	907
At 31 December	(12,821)	(15,008)
<u>Carrying amount at 31 December</u>	27,767	35,689

Disposals in 2019 mainly relate to the closure of 37 stores. The goodwill allocated to these stores was impaired in 2018.

The Company has tested the entire population of stores assigned goodwill in 2019 and 2018, recording impairment of Euros 2,645 thousand and Euros 10,780 thousand in 2019 and 2018, respectively.

(b) Fully amortised assets

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

	Thousands of Euro	
	2019	2018
Computer software	33,499	28,056
Other intangible assets	750	259
Total	34,249	28,315

(6) Property, plant and equipment

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

	Thousands of Euro						
	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 2019	53,282	642,867	965,182	43,950	3,467	86,057	1,794,805
Additions	1	4,921	12,283	1,144	2,199	4,753	25,301
Disposals	(1,416)	(57,448)	(90,445)	(4,548)	(284)	(8,911)	(163,052)
Transfers	-	2,294	2,184	11	(4,504)	15	-
At 31 December 2019	51,867	592,634	889,204	40,557	878	81,914	1,657,054
Depreciation							
At 1 January 2019	-	(420,405)	(718,842)	(26,127)	-	(70,984)	(1,236,358)
Depreciation	-	(22,013)	(61,645)	(6,108)	-	(6,243)	(96,009)
Disposals	-	43,742	72,572	3,927	-	8,303	128,544
Transfers	-	(1,296)	(349)	(1)	-	-	(1,646)
At 31 December 2019	-	(399,972)	(708,264)	(28,309)	-	(68,924)	(1,205,469)
Impairment							
At 1 January 2019	-	(37,606)	(12,617)	-	-	-	(50,223)
Charge	(9,467)	(9,980)	(5,495)	(100)	-	(2)	(25,044)
Disposals	-	12,686	3,538	-	-	-	16,224
Reversal	-	8,398	1,510	-	-	-	9,908
Transfers	-	1,154	492	-	-	-	1,646
At 31 December 2018	(9,467)	(25,348)	(12,572)	(100)	-	(2)	(47,489)
Carrying amount at 31 December 2019	42,400	167,314	168,368	12,148	878	12,988	404,096

	Thousands of Euro						
Restated	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 2018	57,324	631,845	922,672	37,996	2,302	85,385	1,737,524
Additions	16	32,086	74,735	10,549	4,016	7,064	128,466
Disposals	(4,058)	(21,516)	(33,513)	(4,599)	(1,107)	(6,392)	(71,185)
Transfers	-	452	1,288	4	(1,744)	-	-
At 31 December 2018	53,282	642,867	965,182	43,950	3,467	86,057	1,794,805
Depreciation							
At 1 January 2018	-	(408,406)	(679,918)	(24,054)	-	(68,304)	(1,180,682)
Depreciation	-	(27,391)	(67,367)	(6,511)	-	(7,216)	(108,485)
Disposals	-	15,541	28,456	4,438	-	4,536	52,971
Transfers	-	(149)	(13)	-	-	-	(162)
At 31 December 2018	-	(420,405)	(718,842)	(26,127)	-	(70,984)	(1,236,358)
Impairment							
At 1 January 2018	-	(5,627)	(2,271)	-	-	-	(7,898)
Charge	-	(34,532)	(11,239)	-	-	-	(45,771)
Disposals	-	2,249	730	-	-	-	2,979
Reversal	-	225	80	-	-	-	305
Transfers	-	79	83	-	-	-	162
At 31 December 2018	-	(37,606)	(12,617)	-	-	-	(50,223)
Carrying amount at 31 December 2018	53,282	184,856	233,723	17,823	3,467	15,073	508,224

(a) General

Additions to property, plant and equipment in 2019 and 2018 mainly comprise refurbishments, remodelling and the opening of new stores to new formats. In 2019 there was a significant decrease in activities due to the Company's financial position. Assets held under finance leases in both years are detailed in note 7.

Disposals in 2018 mainly comprise the sale of Company property to third parties, the majority of which was subsequently leased. In 2019 one property was sold to third parties. In addition, a number of items were derecognised in both years as they were replaced during the aforementioned improvements and, most importantly, due to store closures (see note 1(d)).

Details of residual useful life, depreciation for the year, accumulated depreciation and the carrying amount of individually significant items of property, plant and equipment at 31 December 2019 and 2018 are as follows:

Description	Thousands of Euro			
	2019			
	Residual useful life	Depreciation for the year	Accumulated depreciation	Carrying amount
Warehouse land	-	-	-	22,579
Warehouse buildings	24-29 years	(2,320)	(25,950)	33,788
Total		(2,320)	(25,950)	56,367

Description	Thousands of Euro			
	2018			
	Residual useful life	Depreciation for the year	Accumulated depreciation	Carrying amount
Warehouse land	-	-	-	22,579
Warehouse buildings	25-30 años	(1,406)	(23,630)	35,188
Total		(1,406)	(23,630)	57,767

(b) Impairment

As described in Note 4 d), based on past experience, the Company considers that there are indications of impairment when the performance of a mature store (one that has been in operation for more than two years) has been negative during the past two years and also those stores where impairment has been recorded. Also, all stores assigned individual goodwill have been analysed to identify the existence of potential impairment.

As part of the new Business Plan updated at year-end, the Company has carried out an analysis to verify whether the carrying value of these assets exceeded their recoverable value.

Assumptions used to calculate impairment:

The recoverable amount of each store is based on the use value calculations using discounted future cash flows. These calculations are based on cash flow projections from the approved five-year business plan. Cash flows beyond this projected period are extrapolated using the estimated growth rates indicated below. The growth rate considered from the fifth year, does not exceed the long-term average growth rate for the retail distribution business in which the Company operates-

The approved business plan used has been drawn up taking past experience into account, as well as forecasts included in the specific sector reports. This business plan takes into account significant structural changes and store refurbishments and, hence, the projections include capital expenses to undertake these refurbishments and achieve a boost in sales to recover the market position.

The key assumptions used in the approved business plan are detailed as follows:

	Spain	
	2019	2018
Sales growth rate (1)	8.64%	4.38%
Growth rate (2)	1.70%	2.00%
Discount rate (3)	6.90%	7.37%
Commercial margin (4)	23.36%	25.58%

(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 5 years

(3) Post-tax discount rate applied to cash flow projections

(4) Sales margin, average for the 2020-2024 period calculated on net sales and other income less goods used

Management has determined the values assigned to each of the aforementioned key assumptions as follows:

Sales growth rate

The average annual growth rate for the forecast period has been determined on the basis of Management's expectations of market development, the Company's approved business plan, and taking into account the store optimization plans, store remodelling to new formats, and the evolution of macroeconomic indicators (population, food price inflation, etc.).

In order to calculate the recoverable value of each store, the Company has set up portfolios of stores with similar characteristics, adding them based on the commercial brand and business model in order to apply common variables in terms of growth assumptions in line with the aforementioned business plan.

Long-term growth rate

The growth rates used to extrapolate flows beyond the initial five-year period have been determined based on the International Monetary Fund's target growth rates for Spain.

These weighted average growth rates of cash flows in perpetuity are consistent with the forecasts for the industry's expected evolution.

Post-tax discount rate

The discount rates used reflect country-specific risks. The discount rates used are post-tax by weighting the cost of equity against the cost of debt using the average industry weighting. The cost of equity is calculated considering the following factors: the risk-free rate of the country, the industry adjusted beta, the market risk differential and the size of the Company..

Sales margin

The sales margin remained stable throughout the budget period, with a slight improvement in logistics costs.

The impairment test has been carried out in accordance with the criteria set forth in note 4(d).

Certain store items, which have been deteriorated, such as POS terminals, refrigerators and shelving have not been fully impaired since, due to their nature and based on the business plan, they can be reused in new store openings or as replacements for old or damaged items in existing stores.

As a result of the impairment tests performed, net impairment of Euros 15,136 thousand was recognised in 2019 in relation to property, plant and equipment. This impairment comprises 103 stores for an amount of Euros 3,202 thousand, the estimated closure of 44 stores for Euros 2,476 thousand (including movable assets), the impairment of four warehouses for Euros 12,949 thousand, and the impairment of fruit display furniture, which will be replaced, for a total of Euros 6,417 thousand. In addition, the impairment of stores in prior years amounting to Euros 9,908 thousand has been reversed. These impairment tests resulted in the reversal of Euros 117 thousand affecting intangible assets and the allocation of Euros 2,645 thousand for the impairment of goodwill. Impairment amounting to Euros 56,658 thousand was recorded in 2018 (Euros 45,466 thousand corresponding to property, plant and equipment, Euros 412 thousand to intangible assets and Euros 10,780 thousand to goodwill). Euros 18,556 thousand of this amount relates to the total impairment of 245 stores which are expected to close or be sold, and Euros 38,102 thousand relates to another 283 stores.

Details of the sensitivity of the property, plant and equipment analysis to changes in key assumptions are set forth below, keeping the rest of the variables constant:

- A reduction in the average sales growth rate of 100 basis points would have led to an additional impairment of Euros 5,008 thousand;

- A decrease of 20 basis points in the sales margin would have led to an additional impairment of Euros 936 thousand;
- An increase of 100 basis points in the discount rate would have led to an additional impairment of Euros 1,849 thousand;
- Or a drop in the perpetual growth rate of 100 basis points would have led to an additional impairment of Euros 1,804 thousand.

(c) Fully amortised assets

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

	Thousands of Euro	
	2019	2018
Buildings	255,850	230,019
Technical installations and machinery	511,120	508,240
Other installations, equipment and furniture	13,899	14,004
Other property, plant and equipment	55,807	56,000
Total	836,676	808,263

(d) 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.

(e) Property, plant and equipment pledged as collateral

At 31 December 2019, the Company had provided mortgage guarantees on the majority of its real estate assets.

At 31 December 2018, the Company did not have elements of property, plant and equipment subject to guarantee.

(7) Finance leases - Lessee

At 31 December 2019 and 2018 the Company held the following types of property, plant and equipment under finance leases:

	Thousands of Euro			
	2019			Total
	Technical installations and machinery	Other installations, equipment and furniture	Other assets	
Cost	31,216	77	15,400	46,693
Accumulated depreciation	(17,648)	(12)	(7,263)	(24,923)
<u>Carrying amount at 31 December</u>	13,568	65	8,137	21,770

	Thousands of Euro			
	2018			
	Technical installations and machinery	Other installations, equipment and furniture	Other assets	Total
Cost	35,073	1	16,422	51,496
Accumulated depreciation	(19,517)	(1)	(7,187)	(26,705)
Carrying amount at 31 December	15,556	-	9,235	24,791

The amount of the cost indicated in the previous breakdown corresponds, in every case, with the fair value of the assets at the date on which the financial lease contracts were signed.

Interest incurred on finance leases totalled Euros 1,327 thousand in 2019 and Euros 1,591 thousand in 2018, respectively.

Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	Thousands of Euro			
	2019		Restated 2018	
	Minimum payments	Present value (note 20(b))	Minimum payments	Present value (note 20(b))
Less than one year	7,828	7,145	8,502	7,671
Two to five years	16,620	15,808	17,514	16,412
Over five years	261	258	853	848
Total minimum payments and present value	24,709	23,211	26,869	24,931
Less current portion	(7,828)	(7,145)	(8,502)	(7,671)
Total non-current	16,881	16,066	18,367	17,260

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

	Thousands of Euro	
	2019	Restated 2018
Future minimum payments	24,709	26,869
Unaccrued finance expenses	(1,498)	(1,938)
Present value	23,211	24,931

In 2019 and 2018 no items of property, plant and equipment were subleased under finance leases.

(8) Operating leases - Lessee

The Company has approximately 2,909 operating leases in place at 31 December 2019 (3,159 at 31 December 2018). In general terms, the operating leases on stores only establish the payment of a fixed monthly charge which is reviewed annually and generally speaking in line with and index linked to the rate of inflation. Operating leases do not include clauses establishing variable amounts such as turnover-based fees, or contingent rent amounts.

Leases on warehouses generally have the same characteristics as for stores. The Company has purchase options on several warehouse leases, which are included in off-balance sheet commitments (see note 26 (a)). The amounts of purchase options are determined by the date at which the Company decides to exercise them.

In 2018 sale and leaseback contracts were signed for certain stores with terms of between 20 and 30 years and a minimum tie-in period of between 6 and 10 years. No such contract has been signed in 2019.

Some logistics contracts call for the start of other mandatory compliance periods after the minimum commitment periods until the total term of the contracted is fulfilled. These items have not been taken into consideration by the Company when determining the term and the classification of the lease since there is no reasonable certainty of remaining during those additional periods.

Details of the main operating lease contracts in force at 31 December 2019 are as follows:

Warehouse	Minimum term
Miranda de Ebro (Burgos)	2020
Villanubla (Valladolid)	2022
Antequera (Málaga)	2020
Santiago de Compostela (La Coruña)	2020
Orihuela (Alicante)	2023
Villanueva de Gállego (Zaragoza)	2030
Getafe (Madrid)	2026
Dos Hermanas (Sevilla)	2027
Sabadell (Barcelona)	2029
San Antonio (Barcelona)	2023
Mallén (Zaragoza)	2023
Mejorada del Campo (Madrid)	2024

The amounts of purchase options are determined by the date at which the Company decides to exercise them.

Operating lease payments have been recognised in the income statement for 2019 and 2018 as follows:

	Thousands of Euro	
	2019	2018
Property lease payments	171,130	166,813
Sublease payments	2,279	1,992
Total	173,409	168,805

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

	Thousands of Euro	
	2019	2018
Less than one year	49,082	32,522
Two to five years	67,032	61,233
Over five years	32,207	40,673
Total minimum property lease payments	148,321	134,428
Less than one year	1,436	1,076
Two to five years	1,272	810
Total minimum movable goods lease payments	2,708	1,886

The majority of the store lease contracts signed by the Company contain clauses allowing them to be terminated at any time throughout their useful lives, once the mandatory tie-in period has elapsed, by informing the lessor of this decision with the agreed period of notice, which is generally under three months. Total lease commitments amount to a similar amount to annual lease expenses.

(9) Operating leases - Lessor

Sublease revenues amount to Euros 20,218 thousand in 2019 (Euros 21,948 thousand at 31 December 2018) and comprise revenues from rights-of-use transferred to franchisees as well as the amounts received from concessionaires to carry out their activities. In general terms, the duration of these contracts is under one year, tacitly renewable in those that establish a monthly fixed rent with an additional turnover-based fee.

(10) Risk management policy

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

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

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

(a) Financial risk factors

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

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

(b) Currency risk

The Company operates internationally and is therefore exposed to currency risk when operating with foreign currencies, especially with regard to the US Dollar.

Currency risk arises from future commercial transactions and assets and liabilities denominated in a currency other than the functional currency of the relevant DIA Group company. The Company controls this risk by means of forward currency contracts arranged by the Group's Treasury Department.

In 2019 and 2018 the Company did not perform any significant transactions in currencies other than the functional currency. However, the Company has contracted exchange rate insurance policies for non-recurrent transactions in US Dollars.

The hedging transactions carried out in US Dollars during 2019 amounted to US Dollars 605 thousand (US Dollars 7,046 thousand in 2018). This amount represented 13.47% of the transactions carried out in this currency in 2019 (68.68% in 2018). At the end of 2019, there are no outstanding hedges in this currency (US Dollars 954 thousand in 2018) that will expire in the next four months. These transactions are not significant with respect to the Company's total volume of purchases.

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 Argentinean Pesos and Brazilian Reals is mitigated primarily through borrowings in the corresponding foreign currencies.

The Company's exposure to currency risk at 31 December 2019 and 2018 in respect of the balances outstanding in currencies other than the functional currency of each country is immaterial.

(c) Price risk

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

(d) Credit risk

Credit risk is the risk to which the Company is exposed if a client or counterparty of a financial instrument fails to comply with their contractual obligations and mainly stems from trade receivables and the Company's investments in financial assets.

The Company has no significant credit risk concentrations. The risk of concentration is minimised through diversification, managing and combining various areas of impact. Firstly, the customer base is distributed geographically at the international level and secondly there are different types of customers such as franchisees and retailers.

The Company has policies to ensure that wholesale sales are only made to customers with adequate credit records. Retail customers pay in cash or by credit card. Derivative transactions are only arranged with financial institutions that have a high credit rating so as to mitigate credit risk. The Company has policies to limit the amount of risk with any one financial institution.

The credit risk presented by the Company is attributable to the transactions it carries out with the majority of its franchisees and is mitigated through the bank and other guarantees received, which are described in note 26(b), as follows:

Thousands of Euro	2019	2018
Commercial transactions non current (note 12 (c))	34,595	52,345
Commercial transactions current	33,792	51,426
Guarantees received (note 26 (b))	(26,732)	(35,200)
Total	41,655	68,571

Non-current commercial transactions reflect the financing of the starting inventory of the franchisees, which is repaid monthly based on the cash generation profile of the business. Current commercial transactions comprise financing of goods supplies and amounts falling due less than 12 months from the initial financing.

In 2019 and 2018, the Company entered into agreements to transfer supplier trade receivables without recourse. Receivables transferred at 31 December 2019 amount to Euros 14,128 thousand (Euros 126,450 thousand at 31 December 2018).

Details of the Company's exposure to credit risk at 31 December 2019 and 2018 are shown below. The accompanying tables reflect the analysis of financial assets by remaining contractual maturity dates:

Notes to the Annual Accounts for 2019

Thousands of Euro	Maturity	2019
Loans to group companies	2021	4,500
Loans to third parties	2021-2022	87
Deposits and guarantees	per contract	22,757
Trade receivables and service delivery	2021-2036	34,595
Non-current financial assets		61,939
Trade receivables	2020	33,792
Trade receivables from group companies and associates	2020	262,793
Other receivables	2020	27,427
Personnel	2020	1,307
Loans to group companies	2020	434,000
Current account with group companies	2020	118,410
Loans	2020	18
Deposits and guarantees	2020	2,281
Current financial assets		880,028

Thousands of Euro	Maturity	2018
Loans to group companies	2021	8,000
Loans to third parties	2020-2021	206
Deposits and guarantees	per contract	25,589
Trade receivables and service delivery	2020-2035	52,345
Non-current financial assets		86,140
Trade receivables	2019	51,426
Trade receivables from group companies and associates	2019	288,409
Other receivables	2019	45,918
Personnel	2019	786
Loans to group companies	2019	65,000
Current account with group companies	2019	310,013
Loans	2019	23
Deposits and guarantees	2019	2,775
Current financial assets	2019	764,350

The Company had taken out credit insurance policies to ensure the collectability of certain trade receivables for sales. The trade receivables covered by these policies total Euros 221 thousand at 31 December 2018 (Euros nil at 31 December 2019).

The returns on these financial assets totalled Euros 20,436 thousand in 2019 and Euros 4,175 thousand in 2018.

Details of non-current and current trade and other receivables by maturity at 31 December 2019 and 2018 are as follows:

Non-current	Thousands of Euro			
	Total	1 - 2 years	3 - 5 years	> 5 years
31 December 2019	34,595	7,412	15,881	11,302
31 December 2018	52,345	12,038	22,964	17,343

Current	Thousands of Euro				
	Total	Not expired	Less than 1 month	2-3 months	4-6 months
31 December 2019	326,393	290,703	6,929	28,421	340
31 December 2018	389,394	327,739	2,765	58,264	626

Details of the impairment policy can be found in note 4 (f).

(e) Liquidity risk

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

During 2018 and after publishing a Significant Event in October on the review of estimated results for the year and the restatement of the 2017 annual accounts, the Company's credit rating was downgraded successively by rating agencies, initiating a process of dialogue and negotiation with its main banks with regards a dual purpose: (i) assure that they maintained their support for the Company by signing a formal agreement to maintain and restore the existing financing ceilings, and (ii) negotiate a new financing package that would allow the Company to assure coverage of its future working capital needs under the Business Plan.

This dialogue process has been carried out by means of a series of negotiations throughout the first half of 2019, with the agreement taking effect on 17 July 2019, and a new Financing Agreement being entered into, which matures 31 March 2023.

With the new Financing Agreement, the bilateral financing facilities and the additional funds from the capital increase carried out in November 2019, the Company now has a viable long-term capital structure, the Company's cash flow needs are now solved, and the entire process has resulted in a sustainable capital structure with a payment deferral of financial liabilities for the Company in line with its business plan.

Details of the Company's exposure to liquidity risk at 31 December 2019 and 2018 are shown below. The tables below reflect the analysis of financial liabilities by contracted maturity.

Notes to the Annual Accounts for 2019

Thousands of Euro	Maturity	2019
Bonds and other securities	2021 and 2023	592,912
Debt with financial institutions		683,984
Revolving credit facilities	2023	141,407
Other bank loans	2023	377,268
Credit facilities drawn down	2023	165,309
Finance lease payables	2021-2025	16,066
Guarantees and deposits received	per contract	10,463
Suppliers of fixed assets	2021	393
Other non current liabilities	2021-2022	3,806
Total non-current financial liabilities		1,307,624
Bonds and other securities	2020	3,980
Debt with financial institutions		20,563
Revolving credit facilities	2020	3,153
Interests	2020	1,791
Other loans	2020	15,028
Other current liabilities	2020	591
Finance lease payables	2020	7,145
Suppliers of fixed assets	2020	12,508
Other debts	2020	1,409
Other non-current liabilities	2020	1,500
Current interest on payables	2020	403
Guarantees and deposits received	2020	1,784
Payables to group companies	2020	28,494
Suppliers	2020	630,829
Suppliers, group companies	2020	6,090
Other payables	2020	76,888
Personnel	2020	32,958
Advances to customers	2020	147
Total current financial liabilities		824,698

Notes to the Annual Accounts for 2019

Thousands of Euro	Maturity	2018
Bonds and other securities	2020-2023	590,410
Debt with financial institutions		296,374
Revolving credit facilities	2020-2022	254,222
Other loans	2020	15,000
Credit facilities drawn down	2020-2022	27,152
Finance lease payables	2020-2025	17,260
Suppliers of fixed assets	2020-2025	202
Guarantees and deposits received	per contract	11,829
Other non current liabilities	2020	2,000
Total non-current financial liabilities		918,075
Bonds and other securities	2019	311,371
Debt with financial institutions		275,552
Revolving credit facilities	2019	124,350
Interests	2019	7,210
Other loans	2019	15,032
Credit facilities drawn down	2019	123,966
Other current liabilities	2019	4,994
Finance lease payables	2019	7,671
Suppliers of fixed assets	2019	43,869
Other debts	2019	2,302
Current interest on payables	2019	15
Guarantees and deposits received	2019	135
Payables to group companies	2019	65,040
Suppliers	2019	769,180
Suppliers, group companies	2019	6,005
Other payables	2019	73,282
Personnel	2019	22,341
Advances to customers	2019	1,199
Total current financial liabilities		1,577,962

2019:

Thousands of Euro	Total	2021	2022-2024	From 2025
Bonds and other securities	592,912	299,255	293,657	-
Revolving credit facilities	141,407	-	141,407	-
Other debts with credit entities	377,268	-	377,268	-
Credit facilities drawn down	165,309	-	165,309	-
Finance lease payables	16,066	5,863	9,944	259
Guarantees and deposits received	10,463	-	-	10,463
Other non current liabilities	4,199	1,893	2,306	-
Total non-current financial debt	1,307,624	307,011	989,891	10,722

2018:

Thousands of Euro	Total	2020	2021-2023	From 2024
Bonds and other securities	590,410	-	590,410	-
Syndicated credits (Revolving credit facilities)	254,222	135,555	118,667	-
Credit facilities drawn down	27,152	-	27,152	-
Other debts with credit entities	15,000	15,000	-	-
Finance lease payables	17,260	5,408	11,004	848
Guarantees and deposits received	11,829	-	-	11,829
Other non current liabilities	2,202	2,059	-	143
Total non-current financial debt	918,075	158,022	747,233	12,820

The finance costs accrued on these outstanding financial liabilities totalled Euros 56,313 thousand in 2019 and Euros 32,857 thousand in 2018.

(f) Cash flow and fair value interest rate risks

The Company's interest rate risk arises from interest rate fluctuations that affect the finance cost of non-current borrowings issued at variable rates.

The Company contracts different interest rate hedges to mitigate its exposure, in accordance with its risk management policy. At 31 December 2019 and 2018 there were no outstanding derivatives contracted with external counterparties to hedge interest rate risk related to long-term financing.

During 2019 fixed-rate debt as a percentage of the volume of average gross debt totalled 42.94%, compared with 66% in the previous year.

Company policy is to keep financial assets liquid and available for use. These balances are held in financial institutions with high credit ratings.

A 0.5 percentage point rise in interest rates would have led to a variation in profit after tax of Euros 2,599 thousand in 2019 (Euros 303,1 thousand in 2018).

(11) Investments in Equity Instruments of Group Companies

Details of investments in Group companies which, generally speaking, are subject to compulsory audits, at 31 December 2019 and 2018 are as follows:

**Information on Group companies
for the year ended 31 December 2019
(expressed in thousands of Euros)**

Name	Registered Offices	Activity	Auditor	% of ownership and vote		Capital	Reserves	Results for the year from continuing operations		Carrying amount of investment	Dividends received in 2019
				% direct interest	Total			Total equity			
Dia Portugal Supermercados, S.A.	Lisbon	Wholesale and retail sale of food products and the subsidiary sale of toiletries and perfume products.	EY	100	100	51,803	29,665	(20,230)	61,238	80,547	-
Dia Argentina, S.A. and Subsidiary	Buenos Aires	Wholesale and retail distribution of food products	EY	95	100	147,140	(66,534)	(23,508)	57,097	141,531	-
Dia Brasil Sociedade Limitada and Subsidiary	Sao Paulo	Wholesale and retail distribution of consumer products	EY	100	100	251,657	(26,726)	(245,282)	(20,351)	251,657	-
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.	N/A	100	100	3,500	1,237	(2,049)	2,688	3,500	-
Dia Retail España, S.A. (Twins Alimentación, S.A. in 2018) and Subsidiary	Madrid	Distribution of food products and toiletries through supermarkets and the subsidiary, sub-lease of premises primarily to its sole shareholder.	EY	100	100	36,169	(36,416)	(22,053)	(22,300)	126,348	-
Dia World Trade, S.A.	Geneva	Supply services to the companies of the DIA Group.	EY	100	100	84	871	132	1,087	843	217
Beauty by DIA, S.A.	Madrid	Sale of toiletries and perfume products.	EY	100	100	9,616	(27,715)	(18,968)	(37,067)	34,400	-
Grupo El Árbol, Distribución y Supermercados, S.A. and Subsidiary	Madrid	Wholesale and retail sale of food products and others.	EY	100	100	12,000	(41,480)	(77,695)	(107,175)	150,000	-
DIA ESHOPPING, S.L.	Madrid	Creation, maintenance and operation of portals in Internet for selling products and services.	N/A	100	100	10	(9,501)	(2,702)	(12,193)	-	-
Red Libra Trading Services, S.L.	Madrid	Negotiation with suppliers of distribution, acquisition of other materials and supplies need for the activity brands, with the purpose of maximize the quality-price balance offer to the customer.	N/A	50	50	3	(67)	284	220	-	-
CD Supply Innovation S.L.	Madrid	Management of financial and provisioning services for own brand.	EY	50	50	1,000	700	(111)	1,589	500	-
Luxembourg Investment Company 317 Sarl	Luxembourg	Share holding company	N/A	100	100	12	-	(16)	(4)	14	-
Luxembourg Investment Company 318 Sarl	Luxembourg	Share holding company	N/A	100	100	12	-	(16)	(4)	15	-
Luxembourg Investment Company 319 Sarl	Luxembourg	Share holding company	N/A	100	100	12	-	(16)	(4)	14	-
Luxembourg Investment Company 320 Sarl	Luxembourg	Share holding company	N/A	100	100	12	-	(16)	(4)	15	-
Luxembourg Investment Company 321 Sarl	Luxembourg	Share holding company	N/A	100	100	12	-	(16)	(4)	14	-
Luxembourg Investment Company 322 Sarl	Luxembourg	Share holding company	N/A	100	100	12	-	(16)	(4)	15	-
Luxembourg Investment Company 323 Sarl	Luxembourg	Share holding company	N/A	100	100	12	-	(16)	(4)	14	-
DIA FINANCE, S.L.	Madrid	Import, export, acquisition, distribution and wholesale and retail sale of food, beverages, household goods and in general other products for domestic use and consumption	N/A	100	100	3	-	0	3	3	-
										<u>789,430</u>	<u>217</u>

**Information on Group companies
for the year ended 31 December 2018
(expressed in thousands of Euros)**

Name	Registered Offices	Activity	Auditor	% of ownership and vote		Capital	Reserves	Results for the year from continuing operations	Total equity	Carrying amount of investment	Dividends received in 2018
				% direct interest	Total						
Dia Portugal Supermercados, S.A.	Lisbon	Wholesale and retail sale of food products and the subsidiary sale of toiletries and perfume products.	KPMG	100	100	51,803	10,135	(10,451)	51,487	50,547	9,100
Dia Argentina, S.A. and Subsidiary	Buenos Aires	Wholesale and retail distribution of food products	KPMG	95	100	147,140	(55,992)	(9,903)	81,245	141,531	-
Dia Brasil Sociedade Limitada and Subsidiary	Sao Paulo	Wholesale and retail distribution of consumer products	KPMG	100	100	211,657	(15,810)	(6,911)	188,935	211,657	-
Finandia E.F.C., S.A.	Madrid	Loan and credit operations, including customer credit, mortgage loans and financing of commercial transactions, as well as the issue and management of credit and debit cards.	KPMG	100	100	7,000	1,612	(375)	8,237	3,500	-
Twins Alimentación, S.A. and Subsidiary	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	7,235	(43,651)	(247)	160,748	11,662
Dia World Trade, S.A.	Geneva	Supply services to the companies of the DIA Group.	N/A	100	100	84	848	211	1,143	843	129
Beautyby DIA, S.A.	Madrid	Sale of toiletries and perfume products.	KPMG	100	100	9,616	(7,480)	(20,235)	(18,099)	-	-
Grupo El Árbol, Distribución y Supermercados, S.A. and Subsidiary	Madrid	Wholesale and retail sale of food products and others.	KPMG	100	100	12,000	61,032	(102,512)	(29,480)	150,000	-
DIA ESHOPPING, S.L.	Madrid	Creation, maintenance and operation of portals in Internet for selling products and services.	KPMG	100	100	10	(847)	(8,654)	(9,491)	1,003	-
		Negotiation with suppliers of distribution, acquisition of other materials and supplies need for the activity brands, with the purpose of maximize the quality-price balance offer to the customer.									
Red Libra Trading Services, S.L.	Madrid	Management of financial and provisioning services for own brand.	N/A	50	50	3	78	(482)	(401)	2	-
CD Supply Innovation S.L.	Madrid		N/A	50	50	1,000	429	271	1,700	500	-
										720,331	20,891

Details of investments in Group companies and changes in 2019 and 2018 are as follows:

Thousands of Euro					
Company	Balances at 1 January 2019	Additions	Disposals	Transfers non current held for sale assets	Balances at 31 December 2019
Dia Portugal Supermercados, S.A.	50,547	30,000	-	-	80,547
Dia Argentina, S.A.	141,531	-	-	-	141,531
Dia Brasil Sociedade Limitada	211,657	40,000	-	-	251,657
Finandia E.F.C., S.A.	3,500	-	-	-	3,500
Dia Retail España, S.A. (Twins Alimentación, S.A. in 2018)	160,748	-	-	-	160,748
Dia World Trade	843	-	-	-	843
Beauty by DIA S.A.	51,372	-	-	-	51,372
Grupo El Árbol, Distribución y Supermercados, S.A.	150,000	-	-	-	150,000
DIAESHOPPING, S.L.	1,003	-	-	-	1,003
Red Libra Trading Services, S.L.	2	150	-	-	152
CD Supply Innovation, S.L.	500	-	-	-	500
Luxembourg Investment Company 317 Sàrl	-	14	-	-	14
Luxembourg Investment Company 318 Sàrl	-	15	-	-	15
Luxembourg Investment Company 319 Sàrl	-	14	-	-	14
Luxembourg Investment Company 320 Sàrl	-	15	-	-	15
Luxembourg Investment Company 321 Sàrl	-	14	-	-	14
Luxembourg Investment Company 322 Sàrl	-	15	-	-	15
Luxembourg Investment Company 323 Sàrl	-	14	-	-	14
DIA FINANCE, S.L.	-	3	-	-	3
Total cost	771,703	70,254	-	-	841,957
Impairment	(51,372)	(35,555)	-	34,400	(52,527)
Carrying amount	720,331	34,699	-	34,400	789,430

Thousands of Euro					
Company	Balances at 1 January 2018	Additions	Disposals	Transfers non current held for sale assets	Balances at 31 December 2018
Dia Portugal Supermercados, S.A.	50,547	-	-	-	50,547
Dia Argentina, S.A.	127,281	14,250	-	-	141,531
Dia Brasil Sociedade Limitada	211,657	-	-	-	211,657
Finandia E.F.C., S.A.	7,000	-	(3,500)	-	3,500
Twins Alimentación, S.A.	160,748	-	-	-	160,748
Dia World Trade	843	-	-	-	843
Beauty by DIA, S.A.	51,372	-	-	-	51,372
Grupo El Árbol, Distribución y Supermercados, S.A.	150,000	-	-	-	150,000
DIAESHOPPING, S.L.	1,003	-	-	-	1,003
Red Libra Trading Services, S.L.	2	-	-	-	2
CD Supply Innovation, S.L.	500	-	-	-	500
Dia Tian Tian Management Consulting Service & Co.Ltd.	-	6,071	(6,071)	-	-
Shanghai Dia Retail CO., LTD.	-	12,649	(12,649)	-	-
Total cost	760,953	32,970	(22,220)	-	771,703
Impairment	(153,308)	(70,092)	172,028	-	(51,372)
Carrying amount	607,645	(37,122)	149,808	-	720,331

2019 changes

As of June 3, 2019 there has been a capital increase of the Brazilian subsidiary of Brazilian Real 174,350,000, which corresponds to Euros 40.0 million. This capital increased was done by two tranches: May 30, 2019 for an amount of Euros 10.0 million (Brazilian Real 43,850,000) and June 3, 2019 for an amount of Euros 30.0 million (Brazilian Real 130,500,000). Dia's Brazil capital increased from Brazilian Real 670,950,037 to Brazilian Real 845,300,037. The Company holds 845,300,036 shares and Dia Argentina holds 1 share of the capital.

As of 19 December 2019 shareholders contributed Euros 30,000 thousand to Dia Portugal Supermercados, S.A. through the capitalisation of one of the participating loans it had held with the Company since 30 June 2015 and which had been extended on several different dates, the latest being 13 November 2019 (see note 12 a).

2018 changes

On 30 October and 25 September 2018, capital increases were carried out in DIA Argentina, S.A. for a total of Euro 5,000 thousand and Euro 10,000 thousand, respectively, 95% subscribed by the Company and 5% by Pe-Tra Servicios a la Distribución, S.L.U., a subsidiary of Twins Alimentación, S.A.

On 28 June 2018, a shareholding of 50% in FINANDIA E.F.C. was sold to CaixaBank Consumer Finance E.F.C., S.A.U for Euro 9,306 thousand, and the Company recognised a profit on the sale of Euro 5,071 thousand (net of transaction costs). As a consequence, the investment has being considered as a participation in associates.

On 12 April 2018, the Company terminated the agreement concluded on 18 April 2017 to create Red Libra Trading Services, S.L., a company engaged in negotiating with distributor brand suppliers for the DIA and EROSKI Groups so as to maximise value for money for consumers. The company, which ran its operations from Madrid and whose capital is held in equal parts by the Company and Eroski, is no longer operating.

On 3 April 2018 the Company entered into an agreement with Nanjing Suning.Com Supermarket LTD, a company belonging to the Chinese Suning group, for the sale of 100% of the shares of the Chinese companies Shanghai Dia Retail CO., Ltd and DIA (Shanghai) Management Consulting Services CO. Ltd, signalling the DIA Group's exit from the Chinese market. The Company contributed a total of Euro 18,720 thousand through the assignment of the receivable with Dia World Trade amounting to Euro 2,911 thousand, the pardoning and capitalisation of debts with the Company amounting to Euro 9,789 thousand and a cash contribution of Euro 6,020 thousand. The agreement was signed on 10 August 2018, following compliance with the conditions precedent to which it was subject. Impairment was subsequently recognised on these contributions which were sold to another shareholder for Euro 1.

- Impairment

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

Thousands of Euro				
Company	Balances at 1 January 2019	Charge	Transfers non current held for sale assets	Balances at 31 December 2019
Beauty by DIA S.A	(51,372)	-	34,400	(16,972)
Dia Retail España, S.A. (Twins Alimentación, S.A. in 2018)	-	(34,400)	-	(34,400)
DIA ESHOPPING, S.L.	-	(1,003)	-	(1,003)
Red Libra Trading Services, S.L.	-	(152)	-	(152)
Total non-current	(51,372)	(35,555)	34,400	(52,527)

Thousands of Euro				
Company	Balances at 1 January 2018	Charge	Transfers non current held for sale assets	Balances at 31 December 2018
Dia Tian Tian Management Consulting Service & Co.Ltd.	(19,300)	(6,071)	25,371	-
Beauty by DIA, S.A.	-	(51,372)	-	(51,372)
Shanghai Dia Retail CO., LTD.	(134,008)	(12,649)	146,657	-
Total non-current	(153,308)	(70,092)	172,028	(51,372)

As mentioned in note 4 (d) the recoverable amount of investments in Group companies is determined based on

Notes to the Annual Accounts for 2019

the value in use or fair value less costs to sell if higher. The calculations of the use value are based on cash flow projections from the five-year financial budgets approved by management. Cash flows beyond this five-year period are extrapolated using the estimated growth rates for the country.

The main key assumptions of the Business Plan are detailed below:

	Spain		Portugal	
	2019	2018	2019	2018
Sales growth rate (1)	8.77%	4.38%	8.73%	2.06%
Growth rate (2)	1.70%	2.00%	1.50%	2.00%
Discount rate (3)	7.53-10.15%	7.73%	8.20%	7.76%
Commercial margin (4)	24.15%	25.58%	21.18%	20.72%

	Argentina		Brazil	
	2019	2018	2019	2018
Sales growth rate (1)	5.90%	2.48%	13.13%	8.82%
Growth rate (2)	1.70%	2.00%	0.00%	2.00%
Discount rate (3)	16.30%	12.17%	10.40%	9.96%
Commercial margin (4)	18.67%	18.55%	19.74%	18.34%

(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 5 years

(3) Discount rate applied for the cash flow projections

(4) Sales margin, average for the 2020-2024 period calculated on net sales and other income less goods used

As a result of the events of 2018, mainly the announcement of the drop in estimated profits and the Company's new business plan released before the 2018 closing, an analysis was carried out to verify if the carrying value of these assets exceeded their recoverable value. The main assumptions for determining existing impairment are detailed in note 6.b. After the definition of a new business plan, at 31 December 2019 it was deemed necessary to recognise the impairment of investments in Group companies amounting to Euros 34,400 thousand, Euros 1,003 thousand and Euros 152 thousand relating to the subsidiaries Dia Retail España, S.A., DIA Eshopping, S.L. and Red Libra Trading Services, S.L., respectively, as well as the reversal of part of the impairment recognised in 2018 for the value of the investment in Beauty by DIA for an amount of Euros 34,400 thousand.

(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:

Group	Thousands of Euros			
	2019		2018	
	Non-current	Current	Non-current	Current
Loans	4,500	434,000	8,000	65,000
Current account with the Group	-	118,410	-	310,013
Total	4,500	552,410	8,000	375,013

Details of loans to Group companies at 31 December 2019 and 2018 are presented below:

Group	Thousands of Euros			
	2019		2018	
	Non-current	Current	Non-current	Current
Dia Portugal Supermercados, S.A.	4,500	10,000	-	30,000
Dia Argentina, S.A.	-	12,000	-	-
Dia Brasil Sociedade Limitada	-	135,000	-	-
DIA SHOPPING, S.L.	-	12,500	8,000	-
Beauty by DIA S.A.	-	50,000	-	35,000
Grupo El Árbol Distribución y Supermercados, S.A.	-	180,000	-	-
Dia Retail España, S.A. (Twins Alimentación, S.A. in 2018)	-	47,000	-	-
Total	4,500	446,500	8,000	65,000
Impairment of the loan DIA SHOPPING, S.L.	-	(12,500)	-	-
Total neto de deterioro	4,500	434,000	8,000	65,000

On 30 June 2015 the Company extended a Euro 30,000 thousand loan to its subsidiary DIA Portugal Supermercados, S.A., which has a single maturity date in 2017 and generates quarterly market-rate interest. At 30 January 2017, the Company signed an agreement to extend the maturity of the aforementioned loan by 15 months, bringing the maturity date to 30 April 2018. In 2018, two addenda were signed to extend the loan's maturity to 30 January 2019. In the first half of 2019, two further addenda were signed to extend the loan's maturity date, the latest date being 30 July 2019. On 13 November 2019 the maturity of this loan was extended to January 2021. On 19 December 2019, it was finally capitalised through a contribution from shareholders (see note 11).

On 8 February 2019 the Company extended another Euro 4,500 thousand loan to its subsidiary DIA Portugal Supermercados, S.A., which has a maturity date of 31 May 2019 and generates monthly interest as agreed between the parties. On 31 May 2019, the Company signed an appendix to extend the loan's maturity to 30 July 2019. On 13 November 2019, the maturity of this loan has been extended to 29 January 2021.

On 27 December 2019 the Company extended a Euro 10,000 thousand loan to its subsidiary DIA Portugal Supermercados, S.A., which has a maturity date of 29 June 2020 and generates monthly interest as agreed between the parties.

On 8 February 2019 the Company extended a Euro 12,000 thousand loan to its subsidiary DIA Argentina, S.A., which has a maturity date of 31 May 2019 and generates monthly interest as agreed between the parties. The loan may be automatically extended for one-month periods up to 31 May 2019. During the first half of 2019, the Company signed an appendix to extend the loan's maturity to 31 July 2019. On 6 November 2019 the maturity of the loan has been extended to 31 January 2020.

On 8 February 2019, the Company extended a Euros 4,000 thousand loan to its subsidiary DIA Brasil Sociedade Limitada, which matures on 22 August 2019 and generates monthly interest as agreed between the parties. In the second half of 2019 the maturity of this loan has been extended to 23 March 2020.

On 27 March 2019 the Company extended another Euro 21,000 thousand loan to its subsidiary DIA Brasil Sociedade Limitada, which matures on 10 October 2019 and generates monthly interest as agreed between the parties. In the second half of 2019 the maturity of this loan has been extended to 11 May 2020.

On 2 July 2019, the Company extended a Euros 55,000 thousand loan to its subsidiary DIA Brasil Sociedade Limitada, which matures on 22 January 2020, includes two half-yearly extensions and generates monthly interest as agreed between the parties.

On 23 September 2019 the Company extended another Euro 15,000 thousand loan to its subsidiary DIA Brasil Sociedade Limitada, which matures on 13 April 2020 and generates monthly interest as agreed between the parties.

On 11 December 2019 the Company extended another Euro 20,000 thousand loan to its subsidiary DIA Brasil Sociedade Limitada, which matures on 30 July 2020 and generates monthly interest as agreed between the parties.

On 27 December 2019 the Company extended another Euro 20,000 thousand loan to its subsidiary DIA Brasil Sociedade Limitada, which matures on 15 July 2020 and generates monthly interest as agreed between the parties.

On 28 February 2018, the Company granted a participating loan of Euro 1,000 thousand to its subsidiary DIA ESHOPPING, S.L. maturing on 30 June 2018. The loan may be automatically extended for six-month periods up to 30 June 2021. It bears interest as agreed between the parties. On 27 December 2018, this loan was increased by Euro 7,000 thousand charged to existing financial loans (cash pooling balances), maturing as initially agreed. On 18 July 2019, the parties agreed to increase this loan by Euros 4,000 thousand (Euros 3,700 thousand being charged to the balance due and Euros 300 thousand by bank transfer). On 27 December 2019, in view of the company's financial position, the parties agreed to increase this loan by Euros 500 thousand by crediting its current account, which resulted in a participating loan totalling Euros 12,500 thousand. At 31 December 2019 this participating loan is fully impaired, as the DIA ESHOPPING, S.L. subsidiary is in liquidation (see note 1).

On 28 December 2015, the Company signed a participating loan for Euros 1,000 thousand with its subsidiary Beauty by DIA, S.A. (Schlecker, S.A. in 2015), which initially matured on 30 June 2016. At that date it was extended as the loan agreement offers the option of extensions for additional six-month periods, up to a final maturity date on 30 June 2019. This loan generates quarterly interest as agreed between the parties. On 28 February 2018 the Company increased the participating loan by Euro 4,000 thousand. Furthermore, on 27 December 2018, this loan was increased by Euro 30,000 thousand charged to existing financial loans (cash pooling balances), maturing on 31 January 2019 and extended automatically unless prior written notification is

received. On 27 December 2019, in view of the company's financial position, the parties agreed to increase this amount by Euros 15,000 thousand to Euros 50,000 thousand, matching the loan balance and, therefore, no funds were provided. The loan will mature on 31 December 2020, but will be deemed to be tacitly extended by monthly periods if, prior to each maturity date, no written notification from either party is provided stating their refusal to extend this loan.

On 1 April 2019, the Company granted a participating loan of Euro 70,000 thousand to its subsidiary Grupo El Árbol Distribución y Supermercados, S.A. maturing on 30 June 2019. The loan may be automatically extended for six-month periods up to 30 June 2022. It bears quarterly interest as agreed between the parties. On 27 and 31 December 2019, in view of the Company's financial position, the parties agreed to increase the loan by Euros 40,000 thousand and Euros 70,000 thousand, respectively, to Euros 180,000 thousand, matching the

loan balance and, therefore, no funds were provided. The loan will mature on 31 December 2020, but will be deemed to be tacitly extended by monthly periods if, prior to each maturity date, no written notification from either party is provided stating their refusal to extend this loan.

On 1 April 2019 the Company arranged a participating loan with its subsidiary Twins Alimentación, S.A. (following a company name change to Dia Retail España, S.A.) amounting to Euros 37,000 thousand, maturing on 30 June 2019. On 27 December 2019, this loan was increased by Euros 10,000 thousand, through the delivery of funds, to a total of Euros 47,000 thousand. This loan matures on 31 March 2020 and is subject to tacit successive monthly extensions. It bears quarterly interest as agreed between the parties.

Details of the current accounts with group companies at 31 December 2019 and 2018 are presented below:

	Thousands of Euro							
	2019		2018		2019		2018	
	Total	Account receivable	Tax Credit (VAT)	Tax Credit (Income tax)	Total	Account receivable	Tax Credit (VAT)	Tax Credit (Income tax)
Dia Retail España, S.A. (Twins Alimentación, S.A. in 2018)	-	-	-	-	24,194	17,339	378	6,477
Beauty by DIA S.A.	37,454	35,461	1,993	-	45,951	43,520	1,725	706
Grupo El Árbol Distribución y Supermercados, S.A.	24,959	24,451	508	-	205,093	202,498	2,595	-
Compañía Gallega de Supermercados, S.A.	-	-	-	-	-	-	-	-
DIA ESHOPPING, S.L.	-	-	-	-	1,676	1,557	-	119
Dia World Trade, S.A.	-	-	-	-	1,782	1,782	-	-
Finandia E.F.C., S.A.	14	14	-	-	1,258	1,258	-	-
Red Libra	-	-	-	-	13	13	-	-
Pe-Tra Servicios a la distribución, S.L.U.	2,216	1,974	-	242	1,976	1,034	-	942
Dia Portugal Supermercados, S.A.	11,300	11,300	-	-	3,086	3,086	-	-
Dia Brasil Sociedade Limitada	29,490	29,490	-	-	18,402	18,402	-	-
Dia Argentina, S.A.	12,859	12,859	-	-	6,504	6,504	-	-
Dia Paraguay S.A.	118	118	-	-	78	78	-	-
Total	118,410	115,667	2,501	242	310,013	297,071	4,698	8,244

The nominal annual interest rates applied to current accounts with Group companies in 2019 and 2018 ranged from one-month Euribor plus a spread of -0.125% (with a 0% floor) for payables and one-month Euribor plus a spread of 0.2% for receivables.

(b) Investments

Details of investments are as follows:

	Thousands of Euro			
	2019		2018	
<u>Unrelated parties</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>	<u>Current</u>
Equity instruments	36	-	36	-
Loans	87	18	206	23
Hedging derivatives	-	-	-	18
Deposits and guarantees	22,757	2,281	25,589	2,775
Total	22,880	2,299	25,831	2,816

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.

Other financial assets include the security and other deposits 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). At 31 December 2018 this item also includes the amount of Euro 2,000 thousand withheld from the seller in the acquisition of establishments from the Eroski Group, which will be released after five years, in accordance with the addendum to the framework contract signed on 7 August 2015. This guarantee has been used as per its purpose once the store in question was closed in 2019 (see note 20 (b)).

Additionally, in 2019 this current caption comprises amounts deposited with franchisees totalling Euro 2,285 thousand (Euro 2,775 thousand in 2018).

(c) Trade and other receivables

Details of trade and other receivables are as follows:

	Thousands of Euro			
	2019		Restated 2018	
	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>	<u>Current</u>
Trade receivables	34,595	50,409	52,345	70,005
Trade receivables from group companies and associates	-	262,793	-	288,409
Other payables	-	31,657	-	51,978
Personnel	-	1,307	-	786
Current tax assets (note 21)	-	944	-	2,757
Public entities, other (note 21)	-	130	-	98
Impairment	-	(20,847)	-	(24,639)
Total	34,595	326,393	52,345	389,394

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

At 31 December 2019, trade receivables from group companies basically comprise Euros 67,619 thousand receivable from Dia Retail España, S.A. (Euros 70,196 thousand at 31 December 2018), Euros 33,747 thousand receivable from Beauty by DIA, S.A. (Euros 36,166 thousand at 31 December 2018) and Euros 147,880 thousand receivable from Grupo El Árbol Distribución y Supermercados, S.A. (Euros 162,528 thousand at 31 December 2018).

Other receivables mainly reflect non-trading income negotiated with suppliers.

Provisions are made for all such amounts when their recovery is considered doubtful. A total of Euros 16,618 thousand relate to trade receivables and Euros 4,229 thousand to other receivables (Euros 18,579 thousand and Euros 6,060 thousand, respectively, in 2018).

Current tax assets comprise the receivable in relation to the estimated income tax for 2019 and 2018, respectively (see note 21).

d) Receivables from suppliers

The heading "Other receivables" mainly includes balances with suppliers that have become receivables and are pending collection.

In 2019 the Company entered into agreements to transfer supplier trade payables without recourse (see note 10 (d)). The accrued finance cost of the transfer of these receivables amounted to Euros 947 thousand in 2019 (Euros 263 thousand in 2018).

The transferred receivables that had not yet fallen due at 31 December 2019 totalled Euros 14,128 thousand (Euros 126,370 thousand in 2018) and all were considered to be without recourse. The Company considers that default risk and credit risk have not been retained in respect of these non-recourse assignments, so the relevant amounts have been derecognised from trade receivables.

(e) Impairment

In general terms, overdue receivables from customers more than six months old are impaired, unless there is evidence of non-payment or there is no business relationship, in which case the balance is impaired earlier.

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 Euro	
	2019	2018
Current		
At 1 January	(24,639)	(20,890)
Charge	(16,071)	(18,156)
Cancellations	6,688	-
Reversals	13,175	14,407
At 31 December	(20,847)	(24,639)

(13) Inventories

Details of inventories are as follows:

	Thousands of Euro	
	2019	2018
Goods for resale	191,250	215,390
Other supplies	5,684	8,753
Advances to suppliers	479	1,512
Impairment	(2,762)	(4,011)
Total	194,651	221,644

At 31 December 2019 there are no restrictions of any kind on the availability of inventories.

The Company has taken out insurance policies guaranteeing the recoverability of the carrying amount of inventories in the event of incidents that might affect their use or sale.

(14) Prepayments

Details of prepayments are as follows:

	Thousands of Euro			
	2019		2018	
	Non-current	Current	Non-current	Current
Prepayments on operating leases	-	8	-	8
Prepayments on guarantees and loans (note 12 (b))	939	230	1,229	235
Other prepayments	-	302	-	142
Total	939	540	1,229	385

(15) Cash and cash equivalents

Balances in current accounts earn interest at applicable market rates. Current investments are made for daily, weekly and monthly periods and have not generated any interest during 2019 (the same was the case throughout 2018).

The Company has pledged certain bank accounts. However, there are no restrictions on the availability of those bank accounts unless the guarantee becomes enforceable.

(16) Equity

(a) Capital

At 31 December 2018, DIA, S.A.'s share capital was Euros 62,245,651.30, represented by 622,456,513 shares of Euros 0.10 par value each, subscribed and fully paid. These shares are freely transferable.

The following agreements were reached at the Extraordinary General Shareholders' Meeting on 22 October 2019:

- (i) Writing off of losses against reserves and a capital reduction of Euros 56,021,086.17 by reducing the nominal value of the Company's shares by Euros 0.09 per share in order to restore the balance and structure of the Company's equity. The capital reduction was registered at the Mercantile Registry of Madrid on 28 October 2019 and as a result, the Company's new share capital amount is Euros 6,224,565.13, represented by 622,456,513 shares of Euros 0.01 par value each.
- (ii) Share capital increase for a nominal amount of Euros 60,555,224.66 by issuing and placing into circulation 6,055,522,466 new ordinary shares of Euros 0.01 par value each, with a share premium of Euros 0.09 and a cash amount of Euros 605,552,246.60 (par value plus share premium).

After the National Securities Market Commission's approval of the Capital Increase Prospectus on 25 October 2019 and the subscription over the different periods (preferential subscription, additional adjudication and discretionary adjudication), the Company reported that the capital increase had been fully subscribed on 20 November. LetterOne has subscribed a total of 4,562,191,872 new shares, representing 75.339% of the total capital increase for a cash total of Euros 456,219,187.20. Therefore, the interest held by LetterOne in the Company increased from the 69.759% held prior to the capital increase to 74.819% thereafter. The new shares subscribed by LetterOne have been fully paid by offsetting part of the receivables held with the Company under the participating loans dated 29 May and 26 June 2019 for Euros 40 million and Euros 450 million, respectively, and which L1R Invest1 Holding, S.à.r.l. contributed to inject liquidity into the Company. These new shares were listed for trading on Spanish stock markets on 27 November 2019, with effect from 28 November 2019.

As a result of the above, the share capital of DIA at 31 December 2019 amounts to Euros 66,779,789.79, represented by 6,677,978,979 shares of Euros 0.01 par value each, subscribed, fully paid and freely transferable.

The Company's shares are listed on the Spanish stock markets. According to public information filed with the Spanish National Securities Market Commission (CNMV), the members of the board of directors control approximately 0.001% of the Company's share capital.

According to the same public information recorded with the Spanish National Securities Market Commission (CNMV), the most significant shareholdings at the reporting date of these annual accounts are as follows:

Letterone Investment Holdings, S.A. holds 74.819%.

(b) Share premium

As mentioned in note 16 (a) above, the capital increase was carried out by issuing 6,055,522,466 new ordinary shares of Euros 0.01 par value each, with a share premium of Euros 0.09, amounting to a share premium total of Euros 544,997,021.94.

(c) Reserves

Details of changes in reserves are as follows:

	Legal reserve	Capital redemption reserve	Others distributables reserves	Voluntary reserves	Total	Negative results from previous years
At 1 January 2019	13,021	5,688	15,170	45,077	78,956	(191,274)
Loss compensation	(13,021)	(5,688)	-	(4,818)	(23,527)	23,527
Reduction Capital Social	-	-	-	-	-	56,021
Expenses associated to the capital increase	-	-	-	(6,218)	(6,218)	-
Own shares operations for PTB	-	-	-	(40,662)	(40,662)	-
Delivery of own shares	-	-	-	(2,073)	(2,073)	-
Value adjustment of share-based payments	-	-	-	4,846	4,846	-
At 31 December 2019	-	-	15,170	(3,848)	11,322	(111,726)

	Legal reserve	Capital redemption reserve	Others distributables reserves	Voluntary reserves	Total
At 1 January 2018	13,021	5,688	15,170	70,229	104,108
Delivery of own shares	-	-	-	(134)	(134)
Distribution of profit for the year	-	-	-	85,307	85,307
Reserves	-	-	-	(110,325)	(110,325)
Dividends	-	-	-	-	-
At 31 December 2019	13,021	5,688	15,170	45,077	78,956

The application of the Company's 2018 losses ultimately approved by the General Shareholders' Meeting on 20 March 2019 was to take 2018 losses (Euros 191,274,360.75) to prior year's losses.

As agreed at the General Shareholders' Meeting on 22 October 2019, losses have been offset by charging Euros 23,527 thousand to reserves. Losses of Euros 56,021 thousand from the capital reduction mentioned in the Capital section have also been offset.

(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 2019, the Company had not recognised this reserve, as it had been fully offset, for an amount of Euros 13,021 thousand, to compensate for losses, as agreed by the Extraordinary General Meeting of Shareholders of 22 October 2019.

(ii) Capital redemption reserve

An amount equal to the par value of the own shares redeemed in 2015 and 2013 was appropriated to the redeemed capital reserve, as set forth in article 335.c) of the Spanish Companies Act. At 31 December 2019, this reserve was fully offset in the amount of Euros 5,688 thousand, having met the requirements for a share capital reduction.

(iii) Differences on redenomination of capital to Euros

This 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 and has been fully offset to compensate for losses.

(iv) Other non-distributable reserves

This reserve amounting to Euros 15,170 thousand is non-distributable and arose as a result of the entry into force of Royal Decree 602/2016, which eliminated the concept of intangible assets with indefinite useful lives, establishing that from 1 January 2016, these would be subject to amortisation. At 31 December 2016, after the publication of this Royal Decree, this reserve, which up to that date was on account of goodwill, was transferred to voluntary reserves, remaining non-distributable. Once the net amount of the goodwill exceeds the carrying amount, it may be transferred to freely distributable reserves.

(v) Voluntary reserves

These reserves are freely distributable. At 31 December 2019 these reserves were negative, as a result of the incremental costs associated with the capital increase amounting to Euros 6,218 thousand being recognised under this heading.

(vi) Own shares

Changes in own shares in 2019 and 2018 are as follows:

	Number of shares	Euros/share	Total
31 December 2017	10,310,633	5.8540	60,358,696.12
Delivery of shares to incentives plans 2014-2016 (note 19)	(768,277)		(4,497,512.23)
31 December 2018	9,542,356	5.8540	55,861,183.89
Shares sale	(7,843,729)		(45,917,380.17)
Delivery of shares to Board Members	(94,247)		(551,724.23)
Delivery of shares to incentives plans 2016-2018 (note 19)	(365,590)		(2,140,172.74)
31 December 2019	1,238,790	5.8540	7,251,906.75

During 2019, 365,590 shares were received, amounting to Euros 2,140 thousand, as remuneration through the 2016-2018 incentive plan. Furthermore, directors have received remuneration in the form of shares totalling Euros 552 thousand (94,247 shares).

In addition, a total of 7,843,729 shares were sold after the PTB to LetterOne at Euros 0.67 per share, which gave rise to a cash influx of Euros 5,255,298.43, eliminating own shares valued at Euros 45,917,380.17 and generating transfers to reserves on account of the difference in price of Euros 40,662,081.74.

At 31 December 2019 the Company holds 1,238,790 own shares of the Parent with an average purchase price of Euros 5.8540 per share, representing a total amount of Euros 7,251,906.75.

(d) Other equity instruments

This reserve includes obligations derived from share-based payment transactions to the Company's Directors. At 31 December 2018, it also included obligations derived from share-based payment transactions following approval by the Board of Directors and the General Shareholders' Meeting of the 2016-2018 long-term incentive plan. At 31 December 2019, there is no reserve for obligations arising from the long-term incentive plan (see note 19).

(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 Euro	
	2019	2018
At 1 January	272	454
Transfers to the income statement	(272)	(182)
At 31 December	-	272

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

	Thousands of Euro	
	2019	2018
Capital grants	362	243
Operating grants	564	570
Total	926	813

(18) Non-current and current provisions

Details of non-current provisions are as follows:

Thousands of Euro						
	Provisions for long-term employee benefits	Tax provisions	Social provisions	Legal provisions	Other provisions	Total
At 1 January 2019	1,660	21,051	473	4,250	922	28,356
Charge	170	6,163	191	7,027	7	13,558
Applications	-	-	(6)	(569)	-	(575)
Reversals	(211)	-	(236)	(1,950)	-	(2,397)
At 31 December 2019	1,619	27,214	422	8,758	929	38,942

Thousands of Euro						
	Provisions for long-term employee benefits	Tax provisions	Social provisions	Legal provisions	Other provisions	Total
At 1 January 2018	1,655	18,200	469	2,048	916	23,288
Charge	187	12,589	274	3,103	6	16,159
Applications	-	(7,135)	(102)	(26)	-	(7,263)
Reversals	(182)	(2,603)	(168)	(875)	-	(3,828)
At 31 December 2018	1,660	21,051	473	4,250	922	28,356

Tax provisions in 2019 and 2018 mainly arose from differences in criteria with the authorities.

Tax reversals in 2018 mainly arose from matters resulting from tax inspections that were not considered probable at the end of that year.

The tax provisions in 2018 were mainly applied to the payment of settlements arising from the 2011-2012 and 2007 tax assessments.

At 31 December 2019 the tax provisions to cover inspection-related risks amount to Euros 27,214 thousand (Euros 21,051 thousand at 31 December 2018).

At 31 December 2019 this item includes provisions for lawsuits filed by employees (related to social security contributions) amounting to Euros 422 thousand compared with the Euros 473 thousand provision for this item recognised at 31 December 2018.

The provisions related to litigation with third parties (legal provisions) at 31 December 2019 amount to Euros 8,759 thousand. The provisions for this item at 31 December 2018 amounted to Euros 4,250 thousand.

The Company has registered Euros 16,749 thousand under current provisions at 31 December 2019 for onerous contracts relating to stores and warehouses. The amounts are Euros 8,475 thousand and Euros 8,274 thousand, respectively (Euros 4,344 thousand at 31 December 2018; Euros 1,653 thousand relate to stores and Euros 2,691 to warehouses).

The Company may at any time be party to litigation or a pre-litigation claim arising in the ordinary course of business. They all relate to civil, criminal or tax disputes involving the Company. The most relevant court proceedings to date are summarised below.

Arbitration

In June 2018, the Company applied for arbitration to the Spanish Civil and Commercial Court of Arbitration ("CIMA") against Eroski and Cecosa (jointly, the "Eroski Group") in relation to the breach of the agreement signed by both parties regarding the incorporation of Red Libra Trading Services, S.L., the joint venture set up by the Company and the Eroski Group (the "Agreement"). In this arbitration request, the Company claimed from the Eroski Group, among other things, damages amounting to Euros 40 million. In July 2018, the Eroski Group filed a defence and counterclaim, alleging breach of the Agreement by DIA and claiming damages of Euros 59.8 million from DIA.

At 31 December 2019, the arbitration proceedings are at an initial stage in which, for technical reasons, the

procedural calendar established by the Court has not yet been applied.

On 4 March 2020 an agreement was signed between the parties whereby they both irrevocably waive the actions initiated between them in relation to these arbitration proceedings, which has been jointly notified by the parties to the CIMA Arbitration Court, which has issued an order of 11 March 2020 declaring the proceedings closed and the proceedings definitively terminated by virtue of the agreement reached between the parties.

Administrative proceedings

In 2016, the Agency for Food Information and Control initiated a number of penalty procedures against the Company for alleged serious infringements under Law 12/2013 of 2 August on measures to improve the functioning of the food chain. On 13 March 2017, the Ministry of Agriculture and Fisheries, Food and Environment issued a resolution imposing penalties of €6.8 million on the Company for serious infringements in the acquisition of food (the "Resolution"). The Company appealed the Resolution, first in administrative channels and later in the courts of law. On 18 February 2019, the National Court declared the completion of the proceeding pending a judgement. At the reporting date, the Company has no knowledge of any judgement issued.

In a decision of 19 December 2019, the Spanish National Securities Market Commission (CNMV) raised and simultaneously suspended, due to the criminal proceedings in progress on the same matter in National Court Division 6, Preliminary Proceedings 45/2019, a disciplinary proceeding for a very serious infringement brought against DIA and other persons who held administration and management offices in the company (specifically the office of managing director, four senior executives and the members of the Audit and Compliance Committee) at the time of the facts due to having reported to the CNMV financial information containing incorrect or untrue data in the individual and consolidated annual accounts for 2016 and 2017. To date, this sanctioning procedure is suspended until a court resolution is reached in the criminal procedure, considering that if any sanction were to materialize, its economic impact would not be significant in any case.

Criminal proceedings before the Spanish National Court

On 16 January 2020, the Company was notified of the edict of 14 November 2019 issued by Division 6 of the National Court during Preliminary Proceedings 45/2019 whereby the court is declared competent to investigate certain matters in which former DIA executives are involved. The aforementioned proceedings derive from an action brought by several of the Company's minority shareholders, alongside the investigation proceedings by the Prosecutor's Office for Anti-Corruption, initiated as a result of the claim filed by DIA on 6 February 2019 before the aforementioned Prosecutor's Office.

The Company has also been notified of the edict of 10 January 2020 issued by the above-mentioned Division 6 of the National Court in the same preliminary proceedings, determining the facts investigated, the crimes that might have been committed and the persons to be summoned for investigation, in addition to other investigative measures to be conducted by the Court. Specifically, the edict of 10 January 2020 states that the crimes to be investigated in the aforementioned proceedings are misappropriation and accounting fraud in relation to DIA's annual accounts for 2016 and 2017, allegedly committed by DIA's former executives and harming DIA in a number of ways.

As a result, DIA asked to appear in the proceeding as the injured party and the Court accepted the request.

The initial investigation stage is in progress and DIA is currently an injured party, possible events during the proceeding notwithstanding.

Procedure relating to LetterOne's acquisition of shares in the Company

In October 2019, the Company became aware of information published in the media on an investigation initiated by the National Court in relation to LetterOne's acquisition of shares in the Company. The Company is not aware of any additional information regarding this proceeding and it has not received any notification in relation to it.

Other procedures

In addition to the above, the Company has other non-significant legal procedures with third parties that are provisioned.

(19) Share-based payment transactions

On 22 April 2016 the Shareholders at their general meeting approved a long-term incentive plan for 2016-2018, to be settled with a maximum of 9,560,732 Company shares.

This plan was for current and future executive directors, senior management and other key personnel of DIA and its subsidiaries, determined by the Board of Directors, who met the requirements established in the general conditions and chose to voluntarily adopt the Plan. The purpose of this plan was the granting and payment of variable pay in DIA shares, based on a Company and Group business target being met and the plan required the employee to be present when the shares were delivered, which was expected to happen in April 2019 (first, 50% tranche) and in January 2020 (second tranche). Therefore, even though the plan refers to market conditions linked to the 2016-2018 period, and to non-market conditions linked to share value, which were known in February 2019, the plan continued to accrue personnel expenses until the respective deliveries. As a result of the change in control of the Company, and as this is one of the vesting conditions regulated in the Plan's Regulations, the full expense was recognised in the first half of 2019, although the second instalment was scheduled for January 2020. In the second half of 2019 and in accordance with the decision taken by the Company's Board of Directors to cancel the second delivery, the Other equity instruments amount for this second delivery is cancelled.

The expenses recognised in respect of the long-term incentive plan in force during 2019 amount to Euros 387 thousand (Euros 650 thousand in 2018) and are included under Personnel expenses in the income statement with a balancing entry under Other own equity instruments.

The equity instruments granted during 2019 have led to net movement in other equity instruments of Euros 2,782 thousand, reflecting the distribution of 365,590 own shares net of withholdings relating to the 2016-2018 Plan (768,277 own shares net of withholdings were distributed in 2018 totalling Euros 5,347 thousand relating to the 2014-2016 Plan). In addition, these instruments for undelivered shares were derecognised in the amount of Euros 3,984 thousand (see note 16 (c) (vi)). Furthermore, the April 2019 delivery and the cancellation of the second delivery in January 2020 have had an impact on reserves of Euros 4,846 thousand due to the impact of the non-market condition caused by the difference in the share price taken as the reference. At 31 December 2019 no plan other than the one included in the previous table has been approved.

(20) Payables and Trade Payables

The carrying amount of financial liabilities recorded at cost or amortised cost does not significantly differ from their fair value, with the exception of non-current bonds whose fair value is the same as their quoted price. At 31 December 2019 this is Euros 427,317 thousand (Euros 576,357 thousand at 31 December 2018).

(a) Payables to Group companies and associates

Details of Group companies and associates are as follows:

	Thousands of Euro	
	Current	Current
Group	2019	2018
Payables	28,494	65,040
Total	28,494	65,040

Details of current payables to Group companies at 31 December 2019 and 2018 are presented below:

Group	Thousands of Euro					
	Current	Tax Debit	Tax Debit	Current	Tax Debit	Tax Debit (Income
	Account	(VAT)	(Income tax)	Account	(Income tax)	tax)
	2019			2018		
Dia Retail España, S.A.	25,964	377	76	-	-	21,925
Beauty by DIA S.A.	-	-	17	-	-	-
Grupo El Árbol Distribución y Supermerca	-	-	104	-	-	41,178
Compañía Gallega de Supermercados, S	-	-	-	310	-	-
DIA SHOPPING, S.L.	-	-	-	-	17	572
Finandia E.F.C., S.A.	-	-	-	948	-	-
Red Libra Trading Services, S.L.	90	-	-	90	-	-
Dia World Trade, S.A.	1,866	-	-	-	-	-
Total	27,920	377	197	1,348	17	63,675

The interest rates applied to current accounts with Group companies in 2019 and 2018 ranged from one-month Euribor plus a spread of between -0.125% (with a 0% floor) for payables and one-month Euribor plus a spread of 0.2% for receivables.

(b) Payables

Details of payables are as follows:

At 31 December 2019	Thousands of Euro							
	Total	Current	2 years	3 years	4 years	5 years	> 5 years	Non-current
Bonds and other securities	596,892	3,980	299,255	-	293,657	-	-	592,912
Debt with financial institutions								
Syndicated credits (Revolving credit facilities)	144,560	3,153	-	-	141,407	-	-	141,407
"Term loan"	377,268	-	-	-	377,268	-	-	377,268
Other bank loans	15,028	15,028	-	-	-	-	-	-
Interest	1,791	1,791	-	-	-	-	-	-
Credit facilities drawn down	165,309	-	-	-	165,309	-	-	165,309
Other financial liabilities	591	591	-	-	-	-	-	-
Finance lease payables (note 7)	23,211	7,145	5,863	5,086	3,516	1,342	259	16,066
Suppliers of fixed assets	12,901	12,508	189	204	-	-	-	393
Other debts	1,409	1,409	-	-	-	-	-	-
Current interest on payables	403	403	-	-	-	-	-	-
Guarantees and deposits received	12,247	1,784	-	-	-	-	10,463	10,463
Other financial liabilities	5,306	1,500	1,500	2,306	-	-	-	3,806
Total	1,356,916	49,292	306,807	7,596	981,157	1,342	10,722	1,307,624

(*) The incremental costs linked to the new debt unaccrued at 31 December 2019, amounting to Euros 5,354 thousand, are deducted from the balance of the Revolving credit facilities heading.

At 31 December 2018	Thousands of Euro							
	Total	Current	2 years	3 years	4 years	5 years	> 5 years	Non-current
Bonds and other securities	901,781	311,371	-	298,696	-	291,714	-	590,410
Debt with financial institutions								
Syndicated credits (Revolving credit facilities)	378,572	124,350	25,000	-	229,222	-	-	254,222
Other bank loans	30,032	15,032	15,000	-	-	-	-	15,000
Interest	7,210	7,210	-	-	-	-	-	-
Credit facilities drawn down	151,118	123,966	17,066	10,086	-	-	-	27,152
Other financial liabilities	4,994	4,994	-	-	-	-	-	-
Finance lease payables (note 7)	24,931	7,671	5,408	4,443	3,981	2,580	848	17,260
Suppliers of fixed assets	44,071	43,869	59	-	-	-	143	202
Other debts	2,302	2,302	-	-	-	-	-	-
Current interest on payables	15	15	-	-	-	-	-	-
Guarantees and deposits received	11,964	135	-	-	-	-	11,829	11,829
Other financial liabilities	2,000	-	2,000	-	-	-	-	2,000
Total	1,558,990	640,915	64,533	313,225	233,203	294,294	12,820	918,075

- Bonds and other marketable securities

The Company has outstanding bonds with a nominal value of Euros 600,000 thousand at 31 December 2019, all of which were issued as part of a Euro Medium Term Note programme approved by the Central Bank of Ireland.

Details of bond issues pending repayment at 31 December 2019 are as follows:

Issuing Company	Issue date	Term (years)	Maturity date in thousands of euro		
			Coupon	2021	2023
DIA, S.A.	07.04.2017	6	0,875%	-	300.000
DIA, S.A.	28.04.2016	5	1,000%	300.000	-

During the period from 31 December 2018 to 31 December 2019 there have been no bonds issued by the Company.

On 22 July 2019 the Company fully repaid the Euro Medium Term notes amounting to Euros 305,700 thousand with a coupon of 1.500% and a 5-year term which matured on that date, as well as payment of the fifth and final coupon for an amount of Euros 4,586 thousand, thereby fully settling its payment obligations with regards to these bonds.

- Loans and borrowings

Multi-product Syndicated Financing Facilities and other credit facilities

On 31 December 2018, the Company signed a Financing Agreement with several national and overseas entities. AgenSynd, S.L. acted as Financing Agent. This financing, which was initially granted for an amount of Euros 894,681 thousand, was divided into several tranches, based on the financial instrument, the amount and the entities providing the financing. These agreements were intended to provide access to short-term financing, enabling the DIA Group to meet the working capital needs of the Company and part of the Group's subsidiaries. In addition, the agreement involved the cancellation of some credit facilities that were not drawn down. The maturity date was set as 31 May 2019, with the exception of some of the Revolving Credit Facility tranches for which the maturity date was set in 2020 and 2022.

As a result of a bank joining the aforementioned Financing Agreement, in January 2019 several of the financing tranches were increased by Euros 17,433 thousand, therefore reaching an amount of Euros 912,120 thousand.

On 25 March 2019 the Company signed an amendment to the Financing Agreement with the same group of entities, whereby certain financing tranches were redistributed. The total amount remained the same, of which Euros 6,500 thousand was granted to other Group companies.

During May and June 2019 the Company agreed to extend the Financing Agreement with the entities until a new financing agreement was signed.

On 17 July 2019, the Company signed a new Financing Agreement for a total amount of Euros 973,219 thousand with all the syndicated lenders of the Company. This new Financing Agreement includes binding commitments for certain of the syndicated lenders to provide new bilateral tranches for an amount of Euros 70,793 thousand, with Euros 67,640 thousand allocated to the reverse factoring facility and Euros 3,153 thousand allocated to a revolving tranche (together, the Super Senior Supplier Tranche). An interest rate of 2.5% plus Euribor has been fixed for all tranches (except the bilateral tranches with Caixabank, which have a 3% interest rate plus Euribor and 5.5% plus Euribor for the Super Senior Supplier tranche).

In relation to the debt restructuring carried out during 2019, the Company has analysed the derecognition of financial liabilities, with the result being that the terms of the new debt are substantially different from the terms of the original debt. As a result, the Company has accounted for it as a cancellation of the original financial liability and has recognised a new financial liability at its fair value, recording the difference between the two amounts in the income statement, as well as the restructuring expenses.

This new Financing Agreement matures on 31 March 2023, except for the Super Senior Supplier tranche, which matures on 17 July 2020 with the option of two renewal periods of one extra year each, at the option of the Company and subject to certain conditions.

This new Financing Agreement includes certain commitments and obligations, including the following:

- Personal obligations (to do and not to do certain things) and the provision of information customary in this type of financing transaction in accordance with the company's current rating.
- Not to distribute Company dividends to shareholders without the agreement of the financing institutions until the debt held with them has been repaid in full.
- To provide a new Company covenant plan no later than 31 December 2019.
- Financial covenants:
 - Leverage Ratio: this ratio will be measured on 30 June and 31 December of each year, with the first measurement taking place on 31 December 2020. Covenant Levels are set at 35% headroom to the Adjusted Net Debt / Adjusted EBITDA ratio forecast in the covenant plan, according to the definition of these concepts in the Financing Agreement.
 - Liquidity Ratio: a minimum of Euros 30 million in cash and cash equivalents is fixed, excluding trapped cash, to be verified on and from 31 December 2019 for each quarter on a 12-month look forward basis, up to 31 December 2020.
 - Capital expenditure ratio and restructuring costs: from 31 December 2019 capital expenditure and restructuring costs may not exceed 12.5% and 20%, respectively, of the aggregate total of both items for the period from 31 December 2019 to 31 December 2023 included in the Covenant Plan delivered in December 2019.
- From 31 December 2021 onwards, an annual cash sweep of excess free cash flow will be applied, with the first repayment, if applicable, from the second quarter of 2022 onwards, calculated on the basis of 50% of available cash flow once the investment and restructuring costs provided for in the Covenant Plan have been fully paid. These amounts will be used in early repayment and cancellation of any outstanding amounts in the following order: a) firstly, the Super Senior Supplier Tranche, b) secondly, any other new Super Senior Facilities (if required to do so under the terms of such New Financing Facilities), and c) thirdly, tranches under the Financing Agreement.
- The obligation to repay the facilities under the Financing Agreement does not apply to (a) the funds obtained from the divestment of Max Descuento and/or Clarel (b) the funds obtained from the capital increase that took place in the final quarter of 2019 (c) any participating loan granted by LetterOne prior to the capital increase.
- At least 80% of the Group's cash must be held in bank accounts subject to security securing the financing and held by Syndicated Lenders (if applicable) providing cash deposit services in the jurisdiction in which the Group company operates.

Authorisation is given to the Company to obtain additional financing of Euros 400 million to refinance the bond maturing in 2021 and refinance some of the debt under the syndicated facilities, although the Company is under a reasonable endeavours obligation only to refinance Facility A under the new Financing Agreement before refinancing the 2021 bonds (see Debt Baskets subsection below for additional information).

Furthermore, certain security is to be granted in relation to the financing, some of which has already been granted during the first few months of 2019, including:

- Personal guarantee from the Company, Twins Alimentación, S.A.U., Beauty By DIA, S.A.U., DIA E-shopping, S.L., Pe-Tra Servicios a la Distribución, S.L., Grupo El Árbol Distribución y Supermercados, S.A.U.
- Pledge on shares owned by the Company in Twins Alimentación, S.A.U., Beauty By DIA, S.A.U., DIA E-shopping, S.L., Grupo El Árbol Distribución y Supermercados, S.A.U., as well as on the shares that Twins Alimentación, S.A.U. owns in Pe-Tra Servicios a la Distribución, S.L.
- Pledge on shares owned by the Company in DIA Portugal Supermercados, Sociedade Unipessoal, LDC.

- Pledge on shares owned by the Company and Pe-Tra Servicios a la Distribución S.L. in DIA Argentina, S.A.
- Pledge on shares owned by the Company in DIA Brasil Sociedade Ltda. and DIA World Trade S.A.
- Pledge on receivables arising from financing contracts between Group companies granted by the Company.
- Pledge on current accounts held by the Company, Twins Alimentación, S.A.U., Beauty By DIA, S.A.U., DIA E-shopping, S.L., and Pe-Tra Servicios a la Distribución, S.L.
- Personal guarantee by DIA World Trade SA.
- Mortgage guarantees on certain real estate assets located in Spain and Portugal and guarantees on certain intellectual property rights registered in Spain and Portugal.

In addition, in connection with the security package imposed by the financing institutions on the Company in the new Financing Agreement, the Group is obliged to implement a Hive Down, whereby (a) new companies and Company subsidiaries have been set up, (b) certain Company assets, liabilities and contracts will be transferred to certain subsidiaries indirectly held by the Company, and in particular (1) the rights to use, and other rights linked to, certain specific commercial establishments of the Company representing at least 58% of the Spanish Group's Restricted EBITDA (as defined in the Financing Agreement), as well as the Company's real estate located in Spain, must be transferred to the Spanish operating subsidiary, and (2) to the extent to which it is viable from a legal, fiscal and regulatory perspective, and to the extent that the overall Euros 5,000 thousand costs cap agreed for the Hive Down with the syndicated lenders is not exceeded, the interests held by the Company in the Brazilian, Argentinean and Portuguese subsidiaries should be transferred to other subsidiaries (these transfers will start being effective as from 1 January 2020, and will imply a complex sequential process of several transactions and legal steps during the first months of 2020), (c) the new Spanish operating subsidiary and the Spanish financing subsidiary will become additional borrowers under the new Financing Agreements, and (d) the Company will issue new pledges on the shares of the new subsidiaries set up in the Hive Down, the Spanish operating subsidiary and the Spanish financing subsidiary.

This Hive Down was approved by the General Shareholders' Meeting on 30 August 2019.

Bonds with maturities in 2021 and 2023 will remain at the level of the Parent company, but the remaining assets and liabilities (as required under the Financing Agreement and subject to the carve-outs mentioned here and above) will be distributed between the new borrower and the new Spanish company established.

On 31 December 2019, the Caixa credit facility amounting to Euros 2,890 thousand was transferred from the Company to its subsidiary, DIA Retail España, S.A.U. (formerly Twins Alimentación, S.A.).

At 31 December 2019	Limit	Amount used	Conf/Fact	Amount available
Revolving Credit Facility (RCF)	149,914	149,914	-	-
Term Loan	377,268	377,268	-	-
Credit Facility - syndicated financing	223,968	165,309	10,059	48,600
Loans	10,000	1,310	-	8,690
Loans may be balanced with confirming	159,866	120,293	-	39,573
Loans may be balanced with reverse factoring	54,102	43,706	10,059	337
Confirming - syndicated financing	212,674	-	212,249	425
Total Syndicated Multiproduct Financing	963,824	692,491	222,308	49,025
Credit lines facilities drawn down (not included in syndicated credits)	-	-	-	-

Notes to the Annual Accounts for 2019

At 31 December 2018	Limit	Amount used	Conf/Fact	Amount available
Revolving Credit Facility (RCF)	471,224	378,572	-	92,652
Credit Facility - syndicated financing	275,422	151,118	80,505	43,799
Loans	5,000	-	-	5,000
Loans may be balanced with confirming	162,766	123,966	-	38,800
Loans may be balanced with reverse factoring	107,656	27,152	80,505	1
Confirming - syndicated financing	145,034	-	140,398	4,636
Total Syndicated Multiproduct Financing	891,680	529,690	220,903	141,087
Credit lines facilities drawn down (not included in syndicated credits)	5,000	-	-	5,000

Financial Covenants

- Liquidity ratio:

From 31 December 2019 to 31 December 2020, on a 12-month look forward basis, a minimum liquidity amount of Euros 30,000 thousand for the Group's cash and cash equivalents, excluding trapped cash, is fixed.

This will be measured quarterly throughout the established period.

At 31 December 2019, the Company has met the established liquidity ratio.

- Financial Leverage Ratio:

The Company undertakes to meet a set financial leverage ratio from 31 December 2020.

This will be measured every 6-months, each 30 June and 31 December.

Covenant levels are set with 35% headroom to the Adjusted Net Group Debt / Adjusted EBITDA ratio forecast in the Group's Covenant Plan for the years 2020 to 2024 (the "Covenant Plan"). This was presented to the lenders on 27 December 2019, establishing the following limits:

Thousands of euro	2020	2021	2022	2023
Covenant nivel	1,025.9X	14.2X	5.6X	4.2X

- Investment ratio (capex) and restructuring costs:

The Company undertakes that, in aggregate, over the period from January 1st 2020 to December 31st 2023, (i) total capital expenditure will not exceed the amount forecasted in the covenant plan by more than Euros 187,500 thousand, which is equivalent to a 12.5% headroom and (ii) total restructuring costs will not exceed the amount forecasted in the covenant plan by more than Euros 23,300 thousand, which is equivalent to a 20.0% headroom,

Debt baskets

The new Financing Agreement allows the Company to incur a certain amount of financial debt in addition to the existing debt:

- Additional Super Senior indebtedness ("Additional Super Senior Financing"), provided the total amount of the Super Senior debt does not exceed Euros 380,000 thousand (reducing as the Super Senior borrowing is cancelled or permanently paid off and/or to the extent that the Super Senior commitments outstanding at 17 July 2022 are less than Euros 380,000 thousand), provided that debt exceeding Euros 280,000 thousand may only be incurred if the Super Senior net leverage does not exceed 4.50:1.00 on a pro forma LTM basis at the time of incurrence and that it is granted on standard market terms.

In this regard, and in addition to the Super Senior Supplier Tranche amounting to Euros 70,793 thousand, on 31 January 2020, the Group signed a binding Super Senior financing agreement for up to Euros 200,000 thousand with DEA Finance S.à r.l. (replacing the L1R commitment letter, which also amounted up to Euros 200,000 thousand).

The borrower of the Super Senior Suppliers Tranche is the Company, however, as part of the Hive Down process, the obligations will be transferred on to DIA Retail España, S.A. (Twins Alimentación S.A.).

DIA Finance S.L. is the borrower of the committed financing of Euros 200,000 thousand and will also be the borrower of any additional Super Senior Debt until the Super Senior Suppliers tranche has been fully repaid and settled, at which time a portion of the relevant debt obligations may be borrowed by or transferred on to DIA Retail España, S.A. (formerly Twins Alimentación S.A.).

The Financing Agreement entered into with the syndicated lenders establishes that the amounts granted under the Super Senior Suppliers Tranche, the Super Senior loan of Euros 200,000 thousand and any other additional Super Senior Debt will be classified pari-passu between them, and senior to the remaining tranches of the Financing Agreement.

• The Financing Agreement also allows the Group to borrow additional financing of up to Euros 400,000 thousand to refinance the 2021 bonds and, to the extent that more than Euros 300,000 thousand is borrowed, to prepay part of the syndicated facility debt provided the following conditions are met:

o The maturity of the new loan(s) cannot be before the end date of any financing entered into under the Financing Agreement.

o The loan(s) cannot be secured, unless ranking after tranches A and B and before tranches C, D, E and F under the syndicated facilities agreement.

o If the loan(s) are not secured, the debt must be borrowed by the Company; if the financing is secured, it must be borrowed by DIA Finance, S.L.

To clarify, this is not a comprehensive description of the Financing Agreement and certain other generally-accepted financial debt “baskets” are also included.

Bank loans

The maturity of the company's bank loan at 31 December 2019 and 2018 is as follows:

At 31 December 2019				Current		Non-current
Type	Owner	Currency	Total	1 year	2 years	Total
Loan	DIA	EUR	15,028	15,028	-	-

At 31 December 2018				Current		Non-current
Type	Owner	Currency	Total	1 year	2 years	Total
Loan	DIA	EUR	30,032	15,032	15,000	15,000

On 14 June 2019 and 16 December 2019, DIA, S.A. repaid the first and second partial maturity on the Liberbank loan amounting to Euros 7,500 thousand in each repayment.

Other current and non-current financial liabilities

On 15 January 2019 the Equity Swap agreement totalling Euros 4,533 thousand was cancelled and recognised under Other current financial liabilities at 31 December 2018.

At 31 December 2018							
Start date	Expiration date	Number of shares	Nominal amount in thousand of euro	Counterpart	Strike	Interest rate	Liquidation
22.12.2018	15.01.2019	6,000,000	34,238	Santander	Fixed	Variable	Physical

At 31 December 2018 other non-current financial liabilities of Euros 2,000 thousand reflect the amounts withheld from the seller in the acquisition of establishments from the Eroski Group, which will be released after five years, in accordance with the addendum to the framework contract signed on 7 August 2015. In 2019 this withholding has been released in full (see note 12(b)).

At 31 December 2019, other non-current and current financial liabilities include Euros 3,806 thousand and Euros 1,500 thousand respectively, relating to the debt with Caixa Bank for the purchase of 50% of the Finandia subsidiary on 19 July 2019.

- Participating loans

In order to provide the Company with liquidity, while the formalities for executing the capital increase mentioned in note 1 and 16 of these explanatory notes were completed, the following participating loans were arranged with its majority shareholder:

- On 29 May 2019 the Company arranged a participating loan with L1R Invest1 Holding, S.à.r.l. amounting to Euros 40,000 thousand, maturing on 28 November 2019.
- On 26 June a second participating loan was arranged amounting to Euros 450,000 thousand, maturing on 28 November 2019.

On 27 November 2019, these participating loans were partially capitalized for Euros 456,219 thousand, relating to the funds arising from the L1R capital increase. The remaining Euros 33,781 thousand were repaid on this date.

At 31 December 2019 both participating loans were cancelled and have accrued joint interest of Euros 3,709 thousand.

(c) Trade and other payables

Details of trade and other payables are as follows:

	Thousands of Euro	
	2019	2018
Suppliers	630,829	769,180
Suppliers with subsidiaries and associated companies (note 23 (b))	6,090	6,005
Other payables	76,888	73,282
Personnel	32,958	22,341
Public entities, other (note 21)	30,822	35,235
Advances to customers	147	1,199
Total	777,734	907,242

The carrying amounts of trade and other receivables are the same as their fair values due to their current nature.

Suppliers and trade payables essentially comprise current payables to suppliers of merchandise and services, including accepted giro bills and promissory notes.

Suppliers, Group companies and associates mainly includes at 31 December 2019 the debt with Dia Retail España, S.A. (formerly Twins Alimentación, S.A.) amounting to Euros 4,565 thousand. At 31 December 2018, the balance of this heading related mainly to non-current debts for the supply of goods with CDSI.

Trade and other payables do not bear interest.

At 31 December 2019 the Company has reverse factoring facilities with a limit of Euros 219,674 thousand (31 December 2018: Euros 160,633 thousand) of which Euros 219,246 has been used (31 December 2018: Euros 155,658 thousand).

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

	2019	2018
	Days	Days
Average payment period to suppliers	44	49
Payment operations ratio	44	50
Pending payment transactions ratio	38	35
	Amount in euros	Amount in euros
Total payments made	3,798,493,602	4,630,628,150
*Total payment pending	404,417,071	346,762,927

* Receptions unbilled and invoices included in the confirming lines at the year end previously mentioned, are not included in this amount.

The above average payment period considers the reverse factoring facilities with suppliers. Payment periods in agreements vary between 60 and 90 days.

(21) Taxation

Balances with public entities

Details of balances with public entities are as follows:

	Thousands of Euro			
	2019		2018	
	Non-current	Current	Non-current	Current
Assets				
Deferred tax assets	6,310	-	38,347	-
Current tax assets	-	944	-	2,757
Other receivables from the Administration	-	130	-	98
	6,310	1,074	38,347	2,855
	(note 12 (c))		(note 12 (c))	
Liabilities				
Deferred tax liabilities	6,310	-	17,659	-
Current tax liabilities (note 20 (c))	-	-	-	-
Value added tax and similar taxes	-	14,470	-	19,734
Social Security	-	10,729	-	10,296
Withholdings	-	5,623	-	5,205
	6,310	30,822	17,659	35,235
	(note 20 (c))		(note 20 (c))	

Years open to inspection and tax inspections

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

Subsequent to the reporting date of these accounts, the inspections and investigations being carried out by the Spanish tax authorities on the following items and tax periods in Spain concluded:

Tax	Periods
Income tax	01/2013 to 12/2014
Value Added tax	06/2014 to 12/2015
Personal income tax	06/2014 to 12/2014
Withholding/ Advance Payments on Work Revenue/Professionnal	06/2014 to 12/2014
Withholding / Advance Payments on property leases	06/2014 to 12/2014
Withholdings on account of Non-Resident Income Tax	06/2014 to 12/2014

In 2018, the verification and inspection procedures for the 2011 and 2012 Corporate Income Tax and 2012 Personal Income Tax and 2013 Value Added Tax were completed.

At 31 December 2019 and 2018, the following main taxes to which the Company are subject are open to inspection:

Tax	Periods	
	2019	2018
Income tax	2015-2018	2015-2017
Value Added tax	2016-2019	2015-2018
Personal income tax	2016-2019	2015-2018
Business activities tax	2016-2019	2015-2018

Due to different interpretations of prevailing tax legislation, 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

At 31 December 2019 the Company files consolidated tax returns as the parent of tax group 487/12. In 2018, the Group's subsidiaries were DIA Retail España S.A. (formerly Twins Alimentación, S.A.), Petra Servicios a la Distribución, S.L., Beauty By DIA S.A., El Árbol Distribución y Supermercados, S.A., Compañía Gallega de Supermercados, S.A. and DIA Eshopping, S.L. In 2019, the tax consolidation group comprises the same subsidiaries as previously mentioned plus the subsidiary DIA Finance S.L., which was incorporated in 2019.

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

A reconciliation of net income and expenses for 2019 with DIA's taxable income is as follows:

2019	Thousands of Euro						
	Income statement			Income and expense taken to equity			
	Increases	Decreases	Net	Increases	Decreases	Net	Total
Income and expenses for the period	-	(281,543)	(281,543)	-	(285)	(285)	(281,828)
Income tax	26,838	-	26,838	-	(94)	(94)	26,744
Profit before tax	26,838	(281,543)	(254,705)	-	(379)	(379)	(255,084)
Permanent differences:							
individual company	47,519	(49,808)	(2,289)	-	-	-	(2,289)
Temporary differences:							
individual company							
originating during the year	19,753	(10,503)	9,250	-	-	-	9,250
originating in prior years	15,442	-	15,442	379	-	379	15,821
Taxable income	109,552	(341,854)	(232,302)	379	(379)	-	(232,302)

The permanent positive adjustment of Euros 47,519 thousand made in the 2019 corporate income tax settlement mainly relates to the provision for non-deductible impairment on the investment in DIA Retail España S.A., the non-deductible financial expenses relating to debts with Group entities pursuant to article 15 of Spanish Corporate Income Tax Law 27/2014 and the negative income from the investment in Finandia pursuant to Article 21 of Spanish Corporate Income Tax Law 27/2014.

The permanent negative adjustment of Euros 49,808 thousand made in the 2019 corporate income tax settlement mainly relates to the reversal of part of the impairment recognised in previous years for the investment in Beauty by DIA, the costs arising from the capital increase recorded under Voluntary Reserves, which are considered deductible in accordance with Article 11.3 of Spanish Corporate Income Tax Law 27/2014 and the exemption of interest income arising from participating loans in accordance with Article 21 of Spanish Corporate Income Tax Law 27/2014.

Temporary differences that increase taxable income in 2019 mainly reflect the reversal of the accelerated amortisation/depreciation performed in 2011 and 2012 in accordance with Royal Decree 13/2010 of 3 December 2010, the reversal of the tax-deductible impairment on the investment in DIA Argentina, pursuant to Royal Decree-Law 3/2016 of 2 December 2016, the application of several goodwill amortisation criteria and the consideration as non-deductible of various provisions set aside for accounting purposes which would not meet the deductibility requirements set out in article 14 of Corporate Income Tax Law 27/2014.

Temporary differences that reduce taxable income in 2019 mainly reflect the differences arising from the reversal of one-tenth of the Company's amortisation/depreciation expense that was considered non-deductible for tax purposes pursuant to Law 16/2012, of 27 December, the reversal of the non-deductible impairment on property, plant and equipment pursuant to Article 13.2 of Spanish Corporate Income Tax Law 27/2014 and the reversal of the provision for inventories considered non-deductible in prior years pursuant to Article 14 of Spanish Corporate Income Tax Law 27/2014.

A reconciliation of net income and expenses for 2018 with DIA's taxable income is as follows:

2018	Thousands of Euro						
	Income statement			Income and expense taken to equity			
	Increases	Decreases	Net	Increases	Decreases	Net	Total
Income and expenses for the period	-	(191,274)	(191,274)	68	(182)	(114)	(191,388)
Impuesto sobre sociedades	99,951	-	99,951	23	(61)	(38)	99,913
Profit before tax	99,951	(191,274)	(91,323)	91	(243)	(152)	(91,475)
Permanent differences:							
individual company	74,484	(51,017)	23,467	-	-	-	23,467
Temporary differences:							
individual company							
originating during the year	68,321	-	68,321	-	-	-	68,321
originating in prior years	19,125	(79,948)	(60,823)	152	-	152	(60,671)
Taxable income	261,881	(322,239)	(60,358)	243	(243)	-	(60,358)

The permanent positive adjustment of Euros 74,484 thousand made in the 2018 Corporate Income Tax settlement basically comprises impairment of the investment in DIA Shanghai and Beauty By DIA, in accordance with article 13.2 of Corporate Income Tax Law 27/2014 and the adjustment made with regards payables relating to DIA Shanghai which were taken on by DIA after transfer.

The permanent negative adjustment of Euros 51,017 thousand made in the 2018 Corporate Income Tax settlement mainly comprises the exemption for avoiding double taxation relating to the distribution of dividends by DIA Portugal and Twins Alimentación, S.A., the exemption of positive income obtained by DIA during the transfer of 50% of its investments in the subsidiary FINANDIA, both regulated by article 21 of Corporate Income Tax Law 27/2014, and the tax incentive relating to the reduction in income from certain intangible assets, in accordance with article 23 of the aforementioned law.

Temporary differences that increase taxable income in 2018 primarily related to the reversal of unrestricted depreciation in 2011 and 2012 pursuant to Royal Decree 13/2010 of 3 December; the reversal of tax impairment of the portfolio in DIA Argentina, pursuant to Royal Decree Law 3/2016 of 2 December; the consideration as non-deductible of impairment on property, plant and equipment under article 13.2 of Corporate Income Tax Law

Notes to the Annual Accounts for 2019

27/2014; the use of different amortisation criteria for goodwill and the consideration as non-deductible of provisions recorded for accounting purposes which do not meet the deductibility requirements set out in article 14 of Corporate Income Tax Law 27/2014.

Temporary differences that reduce taxable income in 2018 reflect reversal adjustments in the 2016 and 2017 statements of financial position, differences arising from the reversal of a tenth of the Company's amortisation/depreciation charge, which was considered non-tax deductible in accordance with Law 16/2012 of 27 December; and differences resulting from the fulfilment during the year of the tax deductibility requirements of the equity-settled remuneration plans.

The reconciliation between the Taxable Income for Corporate Income Tax purposes and tax payable/recoverable in 2019 and 2018 is as follows:

	Thousands of Euro	
	2019	2018
Taxable income	(232,302)	(60,358)
Tax at (25%)	-	-
Deductions	-	-
Tax payable	-	-
Total tax payable	(733)	(2,542)
Withholdings and payments on account	(197)	(215)
Tax payable (+) recoverable (-) by the Company	(930)	(2,757)

In 2019 the tax authorities refunded Euros 2,743 thousand of the Euros 2,757 thousand expected at 2018 year-end. The remaining Euros 14 thousand were refunded after the reporting date of these accounts.

The relationship between the tax expense and pre-tax profit in 2019 and 2018 is as follows:

	Thousands of Euro			Thousands of Euro		
	2019			2018		
	Profit and loss	Equity	Total	Profit and loss	Equity	Total
Income and expenses for the period before tax	(254,705)	(379)	(255,084)	(91,323)	(152)	(91,475)
Tax at 25%	-	(94)	(94)	-	(38)	(38)
Income tax expenses in current year	(243)	-	(243)	(2,123)	-	(2,123)
Deductions and credits for the current year	-	-	-	(1,447)	-	(1,447)
Income tax expenses in prior years	(284)	-	(284)	(318)	-	(318)
Impairment of prior years tax loss carryforwards	22,394	-	22,394	87,857	-	87,857
Other adjustments	4,971	-	4,971	15,982	-	15,982
Income tax expenses / (income) from continuing operations	26,838	(94)	26,744	99,951	(38)	99,913

Details of accumulated temporary differences at 31 December 2019 and the corresponding deferred tax asset or liability, in thousands of Euros, are as follows:

	TEMPORARY DIFFERENCE				TAX EFFECT				
	2,018	Origin	Reversal	Other	2,019	2,018	Origin	Reversal	Other
Onerous Contracts	4,344	-	-	(4,344)	-	1,086	-	-	(1,086)
Provision for textiles	2,816	-	-	(2,816)	-	704	-	-	(704)
Amortization differences on goodwill	13,516	-	-	(13,516)	-	3,379	-	-	(3,379)
Leaseholds	678	-	-	(678)	-	169	-	-	(169)
Provision for franchising operations	5,876	-	-	(5,876)	-	1,470	-	-	(1,470)
Hedge depreciation 2013/2014	32,206	-	-	(6,966)	25,240	8,050	-	-	(1,740)
Other provisions	344	-	-	(344)	-	86	-	-	(86)
Amortization intragroup goodwill	5,939	-	-	(5,939)	-	1,485	-	-	(1,485)
Equity instruments	3,843	-	-	(3,843)	-	961	-	-	(961)
Pension commitments	1,661	-	-	(1,661)	-	416	-	-	(416)
Non-deductible goodwill on acq. of invest.	1,584	-	-	(1,584)	-	396	-	-	(396)
Non-deductible impairment of fixed assets	59,740	-	-	(59,740)	-	14,935	-	-	(14,935)
Restated	321	-	-	(321)	-	80	-	-	(80)
DEFERRED TAX ASSETS RECOGNIZED	132,868	-	-	(107,628)	25,240	33,217	-	-	(26,907)
Amortization limit deduction (DT 37 L27/2014)	-	-	-	-	-	1,878	-	-	(1,878)
Universo Mujer deduction	-	-	-	-	-	884	-	-	(884)
International double taxation deduction	-	-	-	-	-	2,368	-	-	(2,368)
OTHER DEFERRED TAX ASSETS	-	-	-	-	-	5,130	-	-	(5,130)
TOTAL DEFERRED TAX ASSETS RECOGNIZED	132,868	-	-	(107,628)	25,240	38,347	-	-	(32,037)

	TEMPORARY DIFFERENCE				TAX EFFECT				
	2,018	Origin	Reversal	Other	2,019	2,018	Origin	Reversal	Other
Onerous Contracts	-	12,405	-	4,344	16,749	-	3,101	-	1,086
Provision for textiles	-	-	(876)	2,816	1,940	-	-	(219)	704
Provision Retirement ERO	-	3,772	-	-	3,772	-	943	-	-
Provision for franchising operations	-	445	-	5,880	6,325	-	111	-	1,470
Other provisions	-	100	-	216	316	-	25	-	54
Amortization intragroup goodwill	-	2,603	-	23,956	26,559	-	651	-	5,989
Leaseholds	-	-	-	692	692	-	-	-	173
Hedge depreciation 2013/2014	-	-	(5,368)	6,960	1,592	-	-	(1,342)	1,740
Amortization intragroup goodwill	-	-	(2,051)	7,864	5,813	-	-	(513)	1,966
Equity instruments	-	428	-	924	1,352	-	107	-	231
Pension commitments	-	-	(41)	1,664	1,623	-	-	(10)	416
Non-deductible impairment of fixed assets	-	-	(2,167)	48,896	46,729	-	-	(542)	12,224
Restated	-	-	-	321	321	-	-	-	80
DEFERRED TAX ASSETS NON RECOGNIZED	-	19,753	(10,503)	104,533	113,783	-	4,938	(2,626)	26,133
Amortization limit deduction (DT 37 L27/2014)	-	-	-	-	-	-	-	-	1,878
Universo Mujer deduction	-	-	-	-	-	-	531	-	884
International double taxation deduction	-	-	-	-	-	-	2,060	-	5,247
Unrecognised tax credits	411,335	231,641	-	(18,625)	624,351	102,834	57,909	-	(4,656)
OTHER DEFERRED TAX ASSETS NON RECOGNIZED	411,335	231,641	-	(18,625)	624,351	102,834	60,500	-	3,353
TOTAL DEFERRED TAX ASSETS NON RECOGNIZED	411,335	251,394	(10,503)	85,908	738,134	102,834	65,438	(2,626)	29,486

In 2019 the Company only recognised temporary asset differences amounting to Euros 6,310 thousand to the extent that there were temporary liability differences for this amount, and the remaining temporary asset differences amounting to Euros 22,135 thousand were derecognised.

The above table of temporary asset and liability differences shows the recognised differences and details the differences that become unrecognised asset differences.

In relation to the unrecognised temporary asset differences, in 2019 the Company generated tax credits for unrecognised tax losses amounting to Euros 57,909 thousand, irrespective of whether the Company continues to be entitled to offset them for tax purposes within an unlimited period of time. The aforementioned tax credits for tax losses generated in 2019 entail a base amounting to Euros 231,641 thousand, which does not correspond to the total tax loss of the individual Company, which amounts to Euros 232,302 thousand. This is due to the effect of the Group companies with positive results, which reduce the Group's tax loss for the year.

In addition, tax credits for tax losses were adjusted in 2019 as a result of the 2018 Corporate Income Tax being filed, amounting to Euros 3,170 thousand and the signing of the tax inspection reports for 2013 and 2014 amounting to Euros 1,486 thousand. Both items total Euros 4,656 thousand, as detailed in the Other column in the above table.

Details of accumulated temporary differences at 31 December 2018 and the corresponding deferred tax asset or liability, in thousands of Euros, are as follows:

	TEMPORARY DIFFERENCE				TAX EFFECT					
	2,017	Origin	Reversal	Other	2,018	2,017	Origin	Reversal	Other	2,018
Onerous Contracts	1,271	3,073	-	-	4,344	318	768	-	-	1,086
Provision for textiles	146	2,670	-	-	2,816	36	668	-	-	704
Amortization differences on goodwill	10,025	3,448	-	43	13,516	2,506	862	-	11	3,379
Leaseholds	730	-	-	(52)	678	182	-	-	(13)	169
Provision for franchising operations	3,390	2,486	-	-	5,876	848	622	-	-	1,470
Hedge depreciation 2013/2014	37,573	-	(5,367)	-	32,206	9,392	-	(1,342)	-	8,050
Other provisions	344	-	-	-	344	86	-	-	-	86
Amortization intragroup goodwill	5,143	839	-	(43)	5,939	1,286	210	-	(11)	1,485
Equity instruments	7,807	1,590	(5,554)	-	3,843	1,952	398	(1,389)	-	961
Pension commitments	1,656	5	-	-	1,661	415	1	-	-	416
Non-deductible goodwill on acq. of invest.	1,584	-	-	-	1,584	396	-	-	-	396
Non-deductible impairment of fixed assets	5,530	54,210	-	-	59,740	1,382	13,553	-	-	14,935
Restated	69,348	-	(69,027)	-	321	17,337	-	(17,257)	-	80
DEFERRED TAX ASSETS RECOGNIZED	144,547	68,321	(79,948)	(52)	132,868	36,136	17,082	(19,988)	(13)	33,217
Amortization limit deduction (DT 37 L27/2014)	-	-	-	-	-	1,878	-	-	-	1,878
Universo Mujer deduction	-	-	-	-	-	-	884	-	-	884
International double taxation deduction	-	-	-	-	-	-	2,368	-	-	2,368
Unrecognised tax credits	351,428	-	-	(351,428)	-	87,857	-	-	(87,857)	-
OTHER DEFERRED TAX ASSETS	-	-	-	(351,428)	-	89,735	3,252	-	(87,857)	5,130
TOTAL DEFERRED TAX ASSETS RECOGNIZED	144,547	68,321	(79,948)	(351,480)	132,868	125,871	20,334	(19,988)	(87,870)	38,347
Unrecognised tax credits	-	59,912	-	351,423	411,335	-	14,977	-	87,857	102,834
Dia Tian Tian Management Consulting Service & Co.Ltd.	11,365	-	-	(11,365)	-	2,842	-	-	(2,842)	-
Shanghai Dia Retail Co.Ltd.	92,037	-	-	(92,037)	-	23,010	-	-	(23,010)	-
DEFERRED TAX ASSETS NON RECOGNIZED	103,402	59,912	-	248,021	411,335	25,852	14,977	-	62,005	102,834

	TEMPORARY DIFFERENCE					TAX EFFECT				
	2,017	Origin	Reversal	Other	2,018	2,017	Origin	Reversal	Other	2,018
Accelerated depreciation 1994-1995	-	-	-	-	-	-	-	-	-	-
Accelerated depreciation 2011	7,294	-	(3,853)	-	3,441	1,809	-	(963)	-	846
Accelerated depreciation 2012	7,809	-	(2,046)	-	5,763	1,968	-	(512)	-	1,456
Goodwill deductible purchases from third parties	5,026	-	-	-	5,026	1,256	-	-	-	1,256
Argentina	39,685	-	(13,226)	-	26,459	9,919	-	(3,307)	-	6,612
Hedging transactions	(79)	-	-	92	13	(18)	-	-	23	5
Grants	691	-	-	(240)	451	150	-	-	(60)	90
DTA provision	-	-	-	29,574	29,574	-	-	-	7,394	7,394
TOTAL DEFERRED TAX LIABILITIES	60,426	-	(19,125)	29,574	70,875	15,084	-	(4,782)	7,357	17,659

With respect to tax credits on tax-loss carryforwards available for offset, the tax consolidation group to which the Company belongs carried out in 2018 an analysis to assess their future recoverability within the context of a new Business Plan and concluded that the Company needed to recognise an impairment loss for the year amounting to Euros 87,857 thousand, irrespective of the fact that the Company continues to have the right to offset tax-loss carryforwards over an unlimited period.

In 2018, unrecognised temporary asset differences in the form of tax loss carryforwards amounting to Euros 14,977 thousand, plus the aforementioned unrecognised impaired loans amounting to Euros 87,857 thousand, brought total unrecognised tax loss carryforwards to Euros 102,834. The right to offset these credits for tax purposes is not limited in time.

In addition, a provision was made for deferred tax assets amounting to Euros 7,394 thousand, which related to other temporary asset differences that reversed in 2019 and 2020 which the Group expected to generate a negative tax base, and which would become tax loss carryforwards that can't be capitalised in accordance with the Group's recoverability analysis.

With respect to Other deferred tax assets, the Company recognised the deduction generated under Transitional Provision 37 of Spanish Corporate Income Tax Law 27/2014 amounting to Euros 1,878 thousand, the deduction generated and not applied for supporting the Exceptional public interest event "Programa Universo Mujer", as established in article 27.3 of Law 49/2002 of 23 December, amounting to Euro 884 thousand and the deduction generated and not applied due to international double taxation pursuant to article 31 of Corporate Income Tax Law 27/2014 amounting to Euro 2,368 thousand.

The unrecognised temporary asset differences outstanding from 2017, amounting to Euros 25,852 thousand, disappeared as a result of the sale of Shanghai DIA Retail C.Ltd. and DIA Tian Tian Management Consulting Service in 2018.

The taxation authorities' right to examine or investigate tax loss carryforwards (whether available or already offset), double taxation relief and tax credits aimed at incentivising certain activities (whether applied or available) becomes statute-barred ten years as from the day after the filing deadline for the tax return or self-assessment for the tax period in which the right of offset or application was generated. After this period, the

Company must justify the tax loss carryforwards or tax credits by presenting the assessment or self-assessment and its accounts, together with evidence of their having been filed during the aforementioned period at the Mercantile Registry.

Law 16/2013, which introduced a number of tax measures, repealed article 12.3 of the Revised Corporate Income Tax Law approved by Royal Legislative Decree 4/2004, which allowed impairment losses on securities held in the capital of companies to be deducted from taxable income. At the same time a transitional regime was established whereby it became compulsory to include impairment losses generated prior to this new rule in taxable income. Royal Decree-Law 3/2016 has amended this transitional regime and stipulated a minimum amount of impairment losses to be reversed that must be included each year. Consequently, the amount to be included in taxable income will be the greater of the resulting positive difference in the investee's capital and reserves and a fifth of the amount pending reversal.

In 2019 the amount included in the tax base is one fifth of the reversal pending in respect of DIA Argentina.

Company	Thousands of Euro		
	Difference in Equity	Integrated amount in tax base	Amount pending of Intregation
Dia Argentina, S.A.	Non-application	13,226	13,226

In 2018 the amount included in the tax base is one fifth of the reversal pending in respect of DIA Argentina since the sale of Shanghai DIA Retail C.Ltd. and DIA Tian Tian Management Consulting Service in 2018 entails not reversing the amount of tax impairment that was pending reversal.

Company	Thousands of Euro		
	Difference in Equity	Integrated amount in tax base	Amount pending of Intregation
Dia Argentina, S.A.	Non-application	13,226	26,452

In 2011, pursuant to additional provision eleven of the Revised 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 additional provision eleven of the Revised Spanish Income Tax Law, applying the wording presented in Royal Decree-Law 6/2010 of 9 April 2010 and Royal Decree-Law 13/2010 of 3 December 2010, as well as the single repealing provision included in Royal Decree-Law 12/2012 of 30 March 2012, DIA applied accelerated depreciation to new property, plant and equipment and investment property acquired before 31 March of that year.

(22) Environmental information

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

The expenses incurred during the year to manage this environmental 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 liabilities and charges at 31 December 2019.

(23) Related party balances and transactions

(a) Related party balances

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

(b) Transactions with subsidiaries and associates

The Company's transactions with subsidiaries are as follows:

Balances with subsidiaries and associated companies	Thousands of euro	
	2019	2018
Sales	813,784	892,650
Other services rendered	140,976	140,966
Finance income	18,884	1,110
Dividends	217	20,891
TOTAL REVENUES	973,861	1,055,617
Purchases	(17,015)	(18,402)
Work carried out by the company for assets	48,980	49,953
External services	221	5
TOTAL EXPENSES	32,186	31,556
Buildings	134	214
Machinery, installations, furniture and other fixed assets	778	223
TOTAL COST	912	437
Buildings	(1)	(14)
Machinery, installations and furniture	(791)	(261)
Other fixed assets	(30)	(796)
Under construction and advances	(256)	-
TOTAL CARRYING AMOUNT	(1,078)	(1,071)

During 2019, transactions were carried out with the company Red Libra totalling Euros 163 thousand (Euros 732 thousand in 2018) and the company CDSI for Euros 174,412 thousand (Euros 1,332,843 thousand in 2018), mainly relating to trade transactions (see note 20 (c)).

In addition, transactions have been carried out with the majority shareholder LetterOne for an amount of Euros 6,748 thousand, of which Euros 3,706 thousand relate to financial expenses for participating loans granted in 2019 (see note 20 b) and Euros 3,042 thousand relate to the service contract signed with LetterOne on 12 June 2019.

(c) Information on the directors and senior management personnel

Details of remuneration received by the directors and senior management of the Company in 2019 and 2018 are as follows:

Thousands of Euro			
2019		2018	
Directors	Senior mgt.	Directors	Senior mgt.
3,246	5,850	3,972	8,813

In 2019 and 2018 the directors of the Company earned Euros 708 thousand and Euros 1,082 thousand, respectively, (included in the table above) in their capacity as board members.

In 2019 and 2018 shares have been delivered in relation to the 2016-2018 Incentive Plan and the 2014-2016 Incentive Plan, respectively, to members of Senior Management and the share amount has been included in the corresponding year.

Notes to the Annual Accounts for 2019

Article 39.5 of the Company's articles of association requires the disclosure of the remuneration earned by each of the members of the board of directors in 2019 and 2018. Details are as follows:

2019		Thousands of Euro					
Members of the Board			Financial instruments	Fixed remuneration	Compensation	No competence	Others (Ret.Kind)
D. Richard Golding	01/01/2019	21/05/2019	3.6	48.4	-	-	-
D. Mariano Martín Mampaso	01/01/2019	20/03/2019	4.0	51.0	-	-	-
D. Antonio Urcelay Alonso	01/01/2019	21/05/2019	3.6	48.4	-	-	-
D. Borja de la Cierva Sotomayor (*)	01/01/2019	21/05/2019	2.8	299.4	-	353.9	5.9
D. Julián Díaz González	01/01/2019	21/05/2019	3.6	41.0	-	-	-
D ^a Angela Lesley Spindler	01/01/2019	21/05/2019	3.6	44.8	-	-	-
D ^a María Luisa Garaña Corces	01/01/2019	21/05/2019	3.6	44.4	-	-	-
D. Miguel Ángel Iglesias Peinado (*)	01/01/2019	21/05/2019	1.6	76.9	-	-	2.6
D. Christian Couvreaux	21/05/2019	31/12/2019	19.6	94.2	-	-	-
D. Jose Wahnou Levy	21/05/2019	31/12/2019	19.6	94.4	-	-	-
D. Jaime García Legaz	01/01/2019	31/12/2019	23.4	154.8	-	-	-
D. Karl-Heinz Holland (*)	21/05/2019	31/12/2019	-	1,841.7	-	-	17.7
Total			89	2,839	-	354	26

(*) Remuneration as senior management and as director

2018		Thousands of Euro						
Members of the Board	From	to	Financial instruments	Fixed remuneration	Compensation	No competence	Others	
Ms Ana María Llopis Rivas	01/01/2018	31/12/2018	5.7	109.5	-	-	-	
Mr. Ricardo Currás de Don Pablos (*)	01/01/2018	24/08/2018	-	496.8	1,951.5	202.0	10.0	
Mr. Julián Díaz González	01/01/2018	31/12/2018	4.3	68.4	-	-	-	
Mr. Juan María Nin Genova	01/01/2018	22/06/2018	1.9	35.9	-	-	-	
Mr. Richard Golding	01/01/2018	31/12/2018	4.3	105.4	-	-	-	
Mr. Mariano Martín Mampaso	01/01/2018	31/12/2018	5.6	115.8	-	-	-	
Mr. Antonio Urcelay Alonso	01/01/2018	31/12/2018	4.4	109.8	-	-	-	
Ms Angela Lesley Spindler	01/01/2018	31/12/2018	5.0	96.5	-	-	-	
Mr. Borja de la Cierva Sotomayor	01/01/2018	31/12/2018	4.8	118.4	-	-	-	
Ms María Luisa Garaña Corces	01/01/2018	31/12/2018	4.0	95.5	-	-	-	
Mr. Stephan DuCharm	20/04/2018	04/12/2018	3.7	66.4	-	-	-	
Mr. Antonio Coto Gutiérrez (*)	24/08/2018	28/12/2018	1.3	248.3	-	-	10.6	
Mr. Karl-Heinz Holland	20/04/2018	18/12/2018	2.9	58.0	-	-	-	
Mr. Sergio Ferreira Dias	15/10/2018	18/12/2018	0.9	24.2	-	-	-	
Mr. Miguel Ángel Iglesias Peinado	28/12/2018	31/12/2018	-	0.4	-	-	-	
Total			49	1,749	1,952	202	21	

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

Additionally, as a result of the new remunerations policy approved by shareholders at the Extraordinary General Meeting held on 30 August 2019, there is deferred remuneration in shares for non-proprietary directors, the accrual of which has initially been estimated at Euros 50 thousand. The accrual of shares granted and pending delivery under the previous remunerations policy, net of withholdings, amounts to Euros 27 thousand in 2019 (a gross amount of Euros 39 thousand). The amounts for 2019 in the above tables relating to the remuneration of Directors in equity instruments only reflect the amount of net shares granted and pending delivery, relating to the previous remunerations policy.

It is also important to note that in 2019 employee remuneration has been recorded for those who fulfilled the role of Director in 2018 for post-contractual non-compete agreements amounting to Euros 607 thousand for Antonio Coto Gutiérrez and Euros 504 thousand for Ricardo Currás de Don Pablos. In the latter case, the amount had been provisioned at 31 December.

During 2018 and 2017 the members of the board of directors and senior management personnel of the Company have not carried out operations with the Company or Group companies other than ordinary operations under market conditions.

The civil liability insurance premiums paid in respect of directors and senior management personnel totalled Euros 808 thousand in 2019 (2018: Euros 650 thousand).

Conflicts of interest concerning the directors

The Company's directors and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act, except as follows referred to 2018:

1) As a result of their respective appointments in 2018, Mr DuCharme, Mr Holland and Mr Dias notified the Company of their relations and interests with the LetterOne Group, which held directly or indirectly a 29.001% stake in the Company's capital, leading to their classification as "proprietary directors". This classification as "proprietary directors" resulted in Mr DuCharme, Mr Holland and Mr Dias declaring their potential conflict of interest and related with their relationship with the referred shareholder, refraining from voting on one of the agreements of the Company's Board of Directors.

2) The Company did not receive from Mr Antonio Coto, who was a Director of the Company at some point in 2018, any notification in his capacity as such in 2018, communicating situations of conflict, direct or indirect, with the Company's interests in accordance with article 229.3 of the current Spanish Companies Act. Mr Antonio Coto did not reply to the request for information issued by the Company as part of the usual procedures for the preparation of the consolidated annual accounts and Annual Corporate Governance Report for 2018.

(24) Income and Expenses

(a) Revenues

Sales

Details of revenues by geographical market are as follows:

	Thousands of Euro	
	2019	2018
North Spain	1,972,338	2,013,729
South Spain	1,688,739	2,004,154
Comunitary	2,560	3,809
Abroad	15,968	22,869
Total	3,679,605	4,044,560

Services delivery

In 2019 and 2018 services rendered mainly include the amounts of the rights licensed by DIA, ancillary services pertaining to the technical and commercial assistance provided to its franchisees.

(b) Supplies

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

	Thousands of Euro	
	2019	2018
Merchandise used		
Purchases	3,896,445	4,466,954
Purchase discounts, non-trade income and returns	(808,341)	(1,070,133)
Change in inventories	22,420	(34,619)
Total	3,110,524	3,362,202
Raw materials and consumables used		
Purchases	11,496	19,208
Change in inventories	2,870	(1,348)
Total	14,366	17,860
Subcontracted work	38,999	39,812
Impairment of merchandise, raw materials and other suppliers	(1,249)	2,835
Total	3,162,640	3,422,709

(c) Personnel expenses

Details of personnel expenses are as follows:

	Thousands of Euro	
	2019	2018
Salaries and wages	327,165	319,547
Severance	47,052	28,202
Social Security payable by the Company	89,867	89,805
Other employee benefits expenses	3,018	3,234
Provisions	7,089	(6)
Total	474,191	440,782

(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 Euro	
	2019	2018
Impairment of intangible assets (note 5)	(117)	412
Impairment of property, plant and equipment (note 6)	15,136	45,466
Impairment of goodwill (note 5 (a))	2,645	10,780
Disposals and retirements of intangible assets (note 5)	581	552
Disposals and retirements of property, plant and equipment (note 6)	8,872	258
Total	27,117	57,468

Proceeds from the sale of these fixed assets totalled Euros 9,558 thousand in 2019 (Euros 14,977 thousand in 2018) and mostly derived from the sale of properties owned by the Company.

(e) Non-trading and other operating income

A breakdown of non-trading and other operating income is as follows:

	Miles de euros	
	2019	2018
Canons	25,492	28,820
Rental Income	20,218	21,948
Income from services rendered	46,828	74,857
Logistical Income	64,301	63,899
Franchise Income	29,610	31,439
Information services to suppliers	13,990	11,743
Other income	28,189	24,970
Total	228,628	257,676

(25) Fees for auditing and other services provided by the auditor

The audit firm Ernst & Young, S.L. and the audit firm KPMG Auditores, S.L., worked as auditors of the Company's annual accounts, and have invoiced the following fees for professional services during the years ended 31 December 2019 and 2018:

Thousands of Euros	2019	
	Ernst & Young, S.L.	
Audit services	366	
Other services relating to audit	455	
Other services	288	
Total	1,109	

Thousands of Euros	2018		
	KPMG Auditores, S.L.	Other companies associated with KPMG International	Total
Audit services	660	-	660
Other services relating to audit	65	-	65
Other services	5	11	16
Total	730	11	741

The amounts detailed in the above tables include the total fees for services rendered in 2019 and 2018, irrespective of the date of invoice.

(26) 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 expansion operations. Additionally, the Company has lease contracts which also represent future commitments made and received.

These off-balance-sheet cash commitments comprise:

- available credit and syndicated loan facilities which were unused at the reporting date;
- bank commitments received.

Commitments were acquired to carry out business expansion processes.

Finally, commitments relating to lease contracts for property and furniture are described in note 7 Operating Leases.

Details of these commitments, in thousands of Euros, are as follows:

(a) Pledged

In thousands of Euro - 31 December 2019	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Guarantees	2,476	97	577	17,126	20,276
Purchase option on warehouses and others	18,985	6,636	-	25,827	51,448
Commercial contract commitments	14,690	993	453	-	16,136
Total	36,151	7,726	1,030	42,953	87,860

In thousands of Euro - 31 December 2018	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Guarantees	1,133	2,184	272	12,702	16,291
Purchase option on warehouses and others	23,730	-	18,628	25,277	67,635
Commercial contract commitments	12,609	1,431	5,107	236	19,383
Total	37,472	3,615	24,007	38,215	103,309

The Company is the guarantor of the drawdowns made on the credit facilities by its Spanish subsidiaries, which at 31 December 2019 and 2018 amounted to Euros 4,643 thousand and Euros 4,047 thousand, respectively.

Cash and bank guarantees mainly comprise those that secure commitments relating to store and warehouse leases.

In the purchase options, mainly options on warehouses are included.

Sales contract commitments include commitments acquired with franchises regarding compliance with certain conditions and payment obligations in the event of non-compliance by the franchisee with financing operations with third parties.

In addition, the Company has extended guarantees in respect of certain obligations of its Brazil subsidiary, details of which are as follows:

- JP Morgan guarantee for a maximum amount of USD 31,000 thousand with maturity on 7 January 2020, which was subsequently renewed until 7 July 2020.
- Societ  Generale guarantee for a maximum amount of Euros 27,170 thousand with maturity on 28 March 2021.
- Societ  Generale guarantee for a maximum amount of Euros 13,585 thousand with maturity on 28 March 2021.

(b) Received

In thousands of Euro - 31 December 2019	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Unused credit facilities	48,486	-	-	-	48,486
Unused confirming lines	428	-	-	-	428
Cash	48,914	-	-	-	48,914
Commercial contract commitments (note 10 d)	13,533	2,699	3,191	7,309	26,732
Operations / property / expansion	13,533	2,699	3,191	7,309	26,732
Total	62,447	2,699	3,191	7,309	75,646

In thousands of Euro - 31 December 2018	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Unused credit facilities	48,400	-	-	-	48,400
Unused revolving lines of credit	92,652	-	-	-	92,652
Unused confirming lines	4,956	-	-	-	4,956
Cash	146,008	-	-	-	146,008
Commercial contract commitments (note 10 d)	18,073	4,252	4,003	8,872	35,200
Other commitments	1,650	159	-	-	1,809
Operations / property / expansion	19,723	4,411	4,003	8,872	37,009
Total	165,731	4,411	4,003	8,872	183,017

At 31 December 2019, within the framework of the financing agreement signed on 17 July 2019, the Super Senior Supplier reverse factoring of Euros 67,640 thousand is established as the amount granted under the Super Senior Supplier Tranche. On 31 January 2020, the subsidiary, DIA Finance, S.L., entered into a financing agreement with the lender DEA Finance S.à r.l. in an amount of up to Euros 200,000 thousand, replacing the existing L1R Invest1 Holding, S.à r.l. commitment (see note 20 (b)).

Guarantees received under business contracts relate to guarantees securing business agreements with franchisees.

(27) Employee information

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

	2019	2018
Management	117	119
Middle management	655	632
Other employees	14,446	14,318
Total	15,218	15,069

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

	2019		2018	
	Female	Male	Female	Male
Board members	-	6	2	7
Senior management	2	6	3	9
Other management	33	60	33	65
Middle management	308	313	320	337
Other employees	9,640	4,147	10,766	4,656
Total	9,983	4,532	11,124	5,074

In 2019 the Company employed one executive and 101 other employees with a disability rating of 33% or above (or an equivalent local classification). In 2018 the Company employed one executive, one middle management personnel and 104 other employees with this disability rating.

The Company's senior management is formed by 8 executives at 31 December 2019 and 12 at 31 December 2018. One executive is a member of the board of directors at 31 December 2019 and two executives at 31 December 2018.

(28) Non-current assets and liabilities held for sale

In December 2018 the Company put its interest in Beauty by Dia, S.A. (Clarel business) up for sale (notes 1 and 2(a)). In 2019, the strategy regarding this business has changed and the discontinuation of this company has been cancelled. Intragroup balances have once again been included in the balance sheet due to their nature.

(29) Events after the reporting period

On 17 February 2020, DIA appointed Marcelo Maia as DIA Brazil's new Executive Chair.

On 11 February 2020, DIA appointed Ricardo Álvarez as DIA Spain's new CEO.

On 15 January 2020, the Board of Directors approved the appointment by co-optation of Ms. Basola Vallés Cerezuela as the Company's independent board member. In addition, with effect on 14 January 2020, Mr. Michael Casey handed in his resignation as a member of the Company's Board of Directors and thus as a member of the Financing and Capital Structure Committee.

The hive down process described in note 1.4 was initiated on 1 January 2020, as required by the syndicated lenders. This entails a complex sequence of many operations and legal steps in the first few months of 2020 to transfer the Company's main business units to certain subsidiaries that will be directly or indirectly owned by other intermediate companies in Luxembourg, wholly owned, directly or indirectly by DIA.

Impact of Coronavirus COVID-19

On 11 March 2020, the World Health Organisation (WHO) raised the public health emergency caused by COVID-19 to international pandemic level.

So as to immediately and effectively address this situation with extraordinary measures, the Spanish Government approved *Royal Decree 463/2020 of 14 March, declaring a state of emergency in order to manage the health crisis caused by COVID-19* (which is applicable throughout the national territory for a period of fifteen calendar days), as well as extraordinary measures to address the economic and social impact derived by Covid-19 through *Royal Decree 8/2020 of 17 March*.

Within the scope of the extraordinary measures approved, the Royal Decree recognises the importance and essential nature of the business of distributing food and essential goods, which constitutes the main activity of the DIA Group and which must continue to be carried out as normally as possible as it plays an essential role within the strategy of home confinement and the reduction of social interaction designed to stop the spread of the virus among the population.

The first stages of this health crisis have seen a solid increase in sales, as the entire population is buying food and basic products in order to adequately deal with the period of confinement established by the authorities.

The DIA Group has set up and is deploying the human and technical resources and action protocols required to ensure that the primary objective of protecting the health and well-being of its employees is compatible with trying to maintain adequate service levels for all store customers, ensuring that the global food distribution chain of which the DIA Group is a part, runs as smoothly as possible.

The Company considers that these events do not imply an adjustment in the Annual Accounts for the year ended December 31, 2019, even though these events could significantly affect the operations and, therefore, the financial results and future cash flows.

Given the complexity of the situation and its rapid evolution, at this time it is not feasible to make a quantified reliable estimation of the impact in the Company, which will be prospectively registered in the Annual Accounts for the year ended December 31, 2020.

In accordance with the foregoing, on the basis of the best information currently available, the Company considers that this is a circumstantial situation that, according to the most current details and the Treasury position of the Company does not compromise the application of the going concern basis (Note 2.b).

DIRECTORS' REPORT 2019

Distribuidora Internacional de Alimentación, S.A. (the Company) has prepared this directors' report, following the recommendations of the guide for the preparation of the directors' report for listed companies issued by the CNMV on 29 July 2013.

2019 HIGHLIGHTS

The Company has been operating in a highly disrupted and volatile business, financial and corporate context which, despite having a positive final resolution during the second half of the year, has nevertheless taken a substantial toll and affected the operating performance during the year.

The sequence of relevant facts in 2019 is as follows:

- 20 May 2019, the public tender offer proposed by LetterOne was successfully completed and an agreement in principle with the syndicate lenders was announced. LetterOne became the controlling shareholder with 69.76% of the share capital of DIA.
- 21 May 2019 a new Board of Directors and CEO were appointed.
- 25 June 2019 a new financing agreement with the syndicated facility lenders was reached, and it became effective on 18 July 2019.
- 19 July 2019 the Company entered into participating loans with LetterOne totalling Euros 490 million, which were fully funded.
- 22 July 2019 the Company fully repaid Euros 306 million Medium Term Notes on maturity.
- 22 October 2019 the Extraordinary Shareholders' Meeting approved a Share Capital Increase in the Company for Euros 606 million.
- 20 November 2019 the Capital Increase settled, leaving the new share capital of the Company at Euros 66,779,789.79 (divided into 6,677,978,979 shares of Euros 0.01 of nominal value each). LetterOne thus increased its stake to 74.82%.

THE RECAPITALIZATION

The Company successfully achieved its viable long-term capital structure after refinancing Euros 900 million of existing syndicated facilities, together with Euros 271 million new money raised through the new debt facilities and the proceeds coming from the Euros 606 million capital increase completed in November.

THE TRANSFORMATION

The transformation of DIA into a profitable modern proximity retailer consists of:

- Investing in capabilities to drive the transformation: word-class specialists in food retail, building an efficient organisation and developing best-in-class operating standards.
- Rebuilding DIA's culture and trust, fostering long-term relationships with all key stakeholders, and creating a new performance-based culture and principles-oriented leadership.
- Transforming DIA's Customer Value Proposition based on a new assortment, improving the fresh offer and private brand, adapting pricing and promotions, investing in the network of stores and re-inventing the franchise model.

In advance of the transformation, a series of decisions have been taken with the objective of cleaning the bad legacy from the past. Those measures have included: (i) sizable headcount reduction initiatives (mostly in Brazil and Spain) to improve productivity, (ii) the closure of 861 unprofitable stores with permanent negative contribution, (iii) transferring poorly-run franchised stores to wholly-owned (COFO to COCO) affecting 385 stores, (iv) an assortment optimization initiative to achieve a manageable minimum common offer among the formats and improve operations, (v) the discontinuation of non-core activities (i.e.: e-shopping, Bahia masterfranchise or Mini Preço in Brazil) to reduce complexity and improve efficiency and focus, and (vi) the recognition of accruals, losses, impairments or write-offs in connection with certain receivables, investments, tax credits, risks and liabilities.

A key task also developed and well advanced has been to build the new team. More than 80 new professionals, top international retailers, joined the management team at all levels (CEO-1, CEO-2, etc.) and across all relevant functional areas of the Group (Commercial, Operations, Logistics, etc.) adding food retail expertise and capabilities and complementing the existing talents. The Group also promoted to leading positions internal talents forming a winning team. The new team has been fully engaged in

diagnosing issues, setting action plans, and developing the roadmap to achieve the transformation targets.

Among the transformation pillars, several initiatives were already well developed in Spain: (i) improvements in the fresh offer focusing on quality, presentation, freshness and pricing, (ii) a new franchise model has been developed and tested after a big effort to sanitise the network of poorly-run stores, and (iii) the operational excellence initiative started with the deployment of optimised in-store processes and improved logistics in order to satisfy quicker service levels for fruits & vegetables.

EARLY SIGNS OF RECOVERY

The stabilization, recapitalization and early transformation activity described above has implied a formidable effort in a very short time.

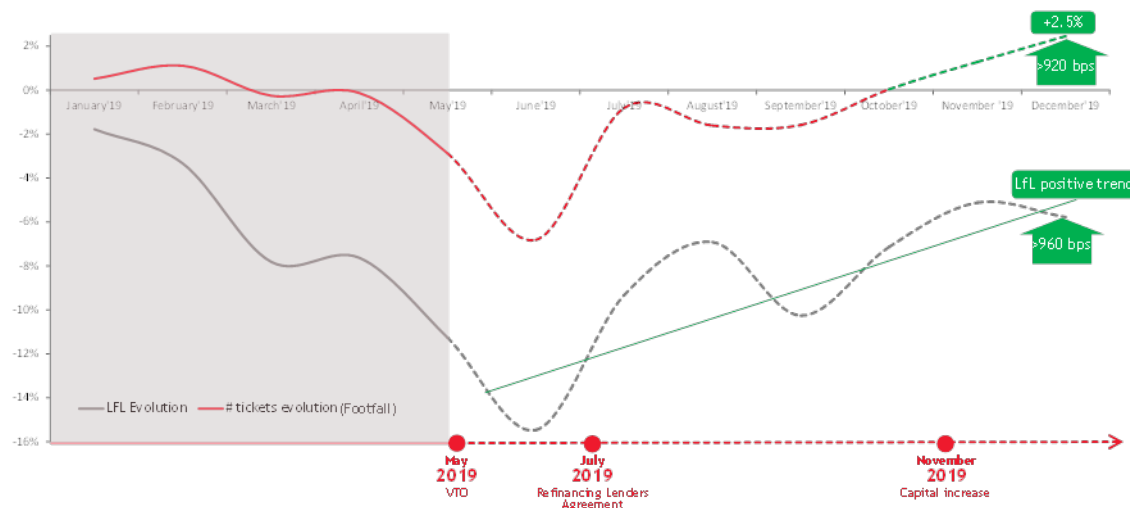
The disruption in the first half of the year and the actions linked to the preparation for transforming DIA have caused an unavoidable significant negative impact in the 2019 P&L.

In order to facilitate the understanding of 2019 performance, all the related restructuring and one-off items that had to be charged to the income statement in the year (most of which are non-cash) have been properly disclaimed in this document.

The early signs of the transformation become visible through the Like-for-like Sales. In 2019 LFL went down by 7.6%, but the footfall (LFL tickets) remained largely unchanged (-0.7%), which proves the formidable resilience of our customer base and the fundamental strength of the proximity format of DIA.

The trend at the end of the year showed a clear recovery in footfall, growing at positive rates consistently every month in Q4.

Since the all-time lows reached in June, both footfall and comparable LFL Sales grew by over 920 bps and 960 bps respectively until 2019 year-end.



The full recovery of positive LFL sales will take longer, as our customers will discover an enhanced and attractive customer value proposition (CVP) that will drive them to increase substantially their average basket.

The Group believes that the fundamental strengths of DIA are intact and that with its leading team, execution discipline and customer focus, the Group is just at the beginning of an exciting transformation journey.

EVOLUTION OF THE PARENT COMPANY

In 2019, the Company generated a net turnover of Euros 3,798.7 million. Accordingly, and jointly with its subsidiaries, it generated sales of Euros 6,870.5 million in 2019.

The Company's operating loss in 2019 was Euros -193.8 million.

During 2019 Euros 17.7 million in asset impairment was recognised (Euros 56.7 million in 2018).

After the definition of a new business plan, at 31 December 2019 it was deemed necessary to recognise the impairment of investments in Group companies in the amounts of Euros 34.4 million, Euros 1.0 million and Euros 0.2 million relating to the subsidiaries Dia Retail España, S.A., DIA Eshopping, S.L. and Red Libra Trading Services, S.L., respectively, as well as the reversal of part of the impairment recognised in 2018 for the value of the investment in Beauty by DIA in the amount of Euros 34,400 thousand.

In 2018 the Company recognised impairment of Euros 51.4 million in Beauty by DIA, S.A. Moreover, during 2018 the shareholdings in Shanghai Dia Retail CO., LTD. and Dia Tian Tian Management Consulting Service & Co.Ltd. were impaired by Euros 12.6 million and Euros 6.1 million, respectively. The impairment of the shareholdings in China has been written off.

Finally, 2019 corporate income tax amounted to Euros 26.8 million, mainly due to the derecognition of the tax-loss carryforwards yet to be offset (Euros 100 million, primarily relating to the impairment of those tax credits in 2018).

DIA: FY RESULTS 2019

(EURm)	2019	%	2018	%	INC
Sales	3,798.7	100.0%	4,188.4	100.0%	-9.3%
Works carried out by the company for assets	1.7	0.0%	3.6	0.1%	-52.8%
Supplies	(3,162.6)	-75.5%	(3,422.7)	-81.7%	-7.6%
Other operating income	229.2	5.5%	258.3	6.2%	-11.3%
Personnel expenses	(474.2)	-11.3%	(440.8)	-10.5%	7.6%
Other operating expenses	(444.0)	-10.6%	(420.2)	-10.0%	5.7%
Amortisation and depreciation	(115.8)	-2.8%	(124.2)	-3.0%	-6.8%
Non financial and other capital grants	0.3	0.0%	0.2	0.0%	50.0%
Impairment and gains on disposal of fixed assets	(27.1)	-0.6%	(57.5)	-1.4%	-52.9%
Results from operating activities	(193.8)	-4.6%	(14.9)	-0.4%	1200.7%
Net finance income (excluding financial instruments)	(41.0)	-1.0%	(8.3)	-0.2%	394.0%
Impairment and gains on disposal of financ. inst.	(19.9)	-0.5%	(68.1)	-1.6%	-70.8%
Net finance result	(60.9)	-1.5%	(76.4)	-1.8%	-20.3%
Profit before income tax	(254.7)	-6.1%	(91.3)	-2.2%	179.0%
Income tax	(26.8)	-0.6%	(100.0)	-2.4%	-73.2%
PROFIT OF THE YEAR FROM RECURRING OPERATIONS	(281.5)	-6.7%	(191.3)	-4.6%	47.2%

In 2019, net turnover per employee amounted to Euros 249,623 (Euros 277,498 in 2018).

WORKING CAPITAL AND NET DEBT

The Company's negative working capital was Euros 256.6 million at the end of 2019, representing a 13.4% decrease compared with the same period in the previous year. The value of inventories fell by 12.1% to Euros 194.7 million, a Euros 26.9 million decline, compared with 2018 due to more efficient management of inventories at stores and distribution centres as well as to the inventory liquidation measures implemented by the Company.

WORKING CAPITAL

(EURm)	2019	Restated 2018	INC
Inventories	194.7	221.6	-12.1%
Trade and other receivables	326.4	389.4	-16.2%
Trade and other payables	(777.7)	(907.2)	-14.3%
Trade working capital	(256.6)	(296.2)	-13.4%

Net Debt came in at Euros 1,332.9 million at the end of 2019, Euros 222 million less than at the end of 2018. The debt maturity profile improved significantly after the long-term financing agreement was signed, and the payment of the bonds in July.

NET DEBT

(EURm)	2019	2018	INC
Long-term debt	1,307.6	918.1	42.4%
Short-term debt	77.8	705.9	-89.0%
Total debt	1,385.4	1,624.0	-14.7%
Cash and equivalents	(52.5)	(69.1)	-24.0%
Net debt	1,332.9	1,554.9	-14.3%

STORE COUNT (GROUP)

At the end of 2019, DIA operated a total of 6,626 stores, 812 less than in the same period last year, with 49 new openings and 861 closures in the period.

The number of stores declined by 448 in Spain (from 4,684 to 4,236), after the opening of 10 new stores and the closure of 458 stores during 2019 (of which 101 were Cada DIA, 327 DIA, 22 Clarel and 8 La Plaza). Furthermore, during 2019 the Group closed 34 Cash & Carry stores. This year was also special in terms of franchised activity, as the Group transferred 255 net stores back to owned from franchised operations. This change is due to the new Group policy to seek higher-quality franchise partners to provide customers with a better shopping experience.

In Portugal, the number of stores fell by 27 during the period from 603 to 576. The net number of stores transferred from owned to franchised was 25, and 29 stores were closed.

Argentina ended 2019 with 934 stores in operation, 45 less than in December 2018, totalling 8 openings and 53 closures during the period. With regards to franchised activity, a total of 30 net stores were transferred to owned during the period.

In Brazil, the Group has a presence in 3 regions (Sao Paulo, Belo Horizonte and Porto Alegre), it closed 321 stores (including operations in Bahia) in the period and opened 29. The total number of stores was reduced by 292 net stores, from 1,172 to 880.

DIA GROUP	Owned	Franchised	Total
Total stores 31 December 2018 (*)	3,693	3,745	7,438
New openings	31	18	49
Net change from franchised to owned stores	385	-385	0
Closings	-384	-477	-861
Total DIA GROUP stores at 31 December 2019	3,725	2,901	6,626

SPAIN	Owned	Franchised	Total
Total stores 31 December 2018 (*)	2,615	2,069	4,684
New openings	4	6	10
Net change from franchised to owned stores	255	-255	0
Closings	-303	-155	-458
Total DIA Spain stores at 31 December 2019	2,571	1,665	4,236

PORTUGAL	Owned	Franchised	Total
Total stores 31 December 2018 (*)	294	309	603
New openings	0	2	2
Net change from franchised to owned stores	25	-25	0
Closings	-21	-8	-29
Total DIA Portugal stores at at 31 December 2019	298	278	576

ARGENTINA	Owned	Franchised	Total
Total stores 31 December 2018	298	681	979
New openings	8	0	8
Net change from franchised to owned stores	30	-30	0
Closings	-13	-40	-53
Total DIA Argentina stores at at 31 December 2019	323	611	934

BRAZIL	Owned	Franchised	Total
Total stores 31 December 2018	486	686	1,172
New openings	19	10	29
Net change from franchised to owned stores	75	-75	0
Closings	-47	-274	-321
Total DIA Brazil stores at at 31 December 2019	533	347	880

(*)2018 figures include Clarel as a continued activity.

EVENTS FOLLOWING THE CLOSE OF THE PERIOD

On 17 February 2020, the DIA Group appointed Marcelo Maia as DIA Brazil's new Executive Chair.

On 11 February 2020, the DIA Group appointed Ricardo Álvarez as DIA Spain's new CEO.

On 15 January 2020, the Board of Directors approved the appointment by co-optation of Ms. Basola Vallés Cerezuela as the Company's independent board member. In addition, with effect on 14 January 2020, Mr. Michael Casey handed in his resignation as a member of the Company's Board of Directors and thus as a member of the Finance and Capital Structure Committee.

The implementation of the "Hive Down Transaction", as requested by the syndicated lenders, was initiated on 1 January 2020. This transaction implies initiating a complex sequential process of several transactions and legal steps during the first months of 2020 for the transfer of the Company's main business units to certain subsidiaries which will be directly or indirectly owned by several intermediate Luxembourg companies, wholly owned, directly or indirectly, by DIA.

Impact of Coronavirus COVID-19

On 11 March 2020, the World Health Organisation (WHO) raised the public health emergency caused by COVID-19 to international pandemic level.

So as to immediately and effectively address this situation with extraordinary measures, the Spanish Government approved *Royal Decree 463/2020 of 14 March, declaring a state of emergency in order to manage the health crisis caused by COVID-19* (which is applicable throughout the national territory for a period of fifteen calendar days), as well as extraordinary measures to address the economic and social impact derived by Covid-19 through *Royal Decree 8/2020 of 17 March*.

Within the scope of the extraordinary measures approved, the Royal Decree recognises the importance and essential nature of the business of distributing food and essential goods, which constitutes the main activity of the DIA Group and which must continue to be carried out as normally as possible as it plays an essential role within the strategy of home confinement and the reduction of social interaction designed to stop the spread of the virus among the population.

The first stages of this health crisis have seen a solid increase in sales, as the entire population is buying food and basic products in order to adequately deal with the period of confinement established by the authorities.

The DIA Group has set up and is deploying the human and technical resources and action protocols required to ensure that the primary objective of protecting the health and well-being of its employees is compatible with trying to maintain adequate service levels for all store customers, ensuring that the global food distribution chain of which the DIA Group is a part, runs as smoothly as possible.

The Company considers that these events do not imply an adjustment in the Annual Accounts for the year ended December 31, 2019, even though these events could significantly affect the operations and, therefore, the financial results and future cash flows.

Given the complexity of the situation and its rapid evolution, at this time it is not feasible to make a quantified reliable estimation of the impact in the Company, which will be prospectively registered in the Annual Accounts for the year ended December 31, 2020.

In accordance with the foregoing, on the basis of the best information currently available, the Company considers that this is a circumstantial situation that, according to the most current details and the Treasury position of the Company does not compromise the application of the going concern basis.

INFORMATION ABOUT THE FORESEEABLE EVOLUTION OF THE ENTITY

DIA Group has prepared a strategic plan within the framework of the conditions for the syndicated financing obtained in 2019 covering the period 2020-2024 in order to transform the Company in every country in which it operates so that DIA will be a successful and profitable company.

This strategic plan focuses on three main objectives:

- Investing in capabilities to drive the transformation: during the last six months of 2019, the Company started a process to attract specific retail industry talent which, together with the talent existing at the Company, will lead the transformation. A matrix organisational structure has been defined in this context, in which the headquarters are at the core and where the chief executives in each country are responsible for their own profit and loss accounts while reinforcing financial controls.
- Rebuilding DIA's culture and trust: a change in culture that will be the engine behind the repositioning of DIA. DIA's basic principles revolve around:
 - Customers, which are the central focal point of our business.
 - We collaborate with respect, mutual confidence and transparency with employees, franchisees and our business partners.
 - Zero tolerance of corruption.
 - Constant improvement in all areas in which the Company operates.
 - Encouraging a culture of permanent innovation and creative solutions in which we understand that making mistakes is part of the innovation process.
 - Operational excellence is the Company's cornerstone.
 - Reducing complexity and following the principle of simplicity when operating our business.
 - Cost controls, process efficiency and swift decision-making are key elements of achieving success.

- **Transforming DIA:** offering a new commercial experience to our customers based on:
 - Active management of the location and re-location of our stores in order to find the best positions under the best conditions, always thinking of providing value to our customers.
 - A new commercial experience that is anchored by a balance between our own brands and national brands.
 - Improve our offer of fresh products, in terms of both variety and quality.
 - Improve the perception of prices and promotional policies. Use the latter in the most efficient manner possible, together with the optimisation of loyalty cards so that the discounts offered to our customers are more personalised and, accordingly, improve the buying experience for our customers.

These pillars started to be implemented at the end of 2019 and will continue in coming years. The Company's current strategy is to establish a foundation so that the business can correctly operate for all stakeholders.

As part of this strategy, the Company firmly believes in the franchise model as a key factor for the success of the business. We will continue to develop a different, winning model for both parties.

RESEARCH, DEVELOPMENT AND INNOVATION ACTIVITIES

Since its creation, DIA has placed a strong emphasis on developing knowledge, management methods and business models that have allowed the Company to generate sustainable competitive advantages. Through franchising, DIA transfers all of its expertise to franchisees so that they can run a profitable and efficient business.

As established in IAS 38, DIA Group includes the development costs generated internally in the assets, once the project has reached a development phase, as long as they are clearly identifiable and linked to new commercial model projects and IT developments, to the extent that it can be justified that they will result in an increase in future profit for the Company.

The costs associated with R&D+i incurred by DIA during 2019 are, as a percentage, smaller compared to the rest of the costs arising from the development of activities aligned with its social objectives.

Euros 5.85 million was capitalised in 2019, corresponding to IT developments in Spain (Euros 14.96 million in 2018).

TREASURY STOCK

Changes in treasury stock in 2019 and 2018 are as follows:

	Number of shares	Average price	Total
At 31 December 2017	10,310,633	5.8540	60,358,696.12
Delivery of shares as part of the incentive plan 2014-2016	(768,277)		(4,497,512.23)
At 31 December 2018	9,542,356	5.8540	55,861,183.89
Sale of shares	(7,843,729)		(45,917,380.17)
Delivery of shares to Directors	(94,247)		(551,724.23)
Delivery of shares as part of the incentive plan 2016-2018	(365,590)		(2,140,172.74)
At 31 December 2019	1,238,790	5.8540	7,251,906.75

During 2019, 365,590 shares were received, amounting to Euros 2,140 thousand, as remuneration through the 2016-2018 incentive plan. Furthermore, directors have received share-based remuneration relating to 2018 for a total of 94,247 shares amounting to Euros 552 thousand

In addition, a total of 7,843,729 shares were sold after the PTB to LetterOne at Euros 0.67 per share, which gave rise to a cash influx of Euros 5,255,298.43, eliminating own shares valued at Euros 45,917,380.17 and generating transfers to reserves on account of the difference in price of Euros 40,662,081.74.

At 31 December 2019 the Company holds 1,238,790 own shares of the Parent with an average purchase price of Euros 5.8540 per share, representing a total amount of Euros 7,251,906.75.

AVERAGE PAYMENT PERIOD TO SUPPLIERS

The information required from Spanish DIA Group companies under the reporting requirement established in the Law 15/2010 of 5 July 2010, which amended Spanish Law 3/2004 of 29 December 2004 and introduced measures to combat late payments in commercial transactions, is as follows:

	2019	2018
	Days	Days
Average payment period to suppliers	44	49
Paid operations ratio	44	50
Pending payment transactions ratio	38	35
	Importe (euros)	Importe (euros)
Total payments made	3,798,493,602	4,630,628,150
*Total payment pending	404,417,071	346,762,927

*Receptions unbilled and invoices included in the confirming lines at the year end previously mentioned, are not included in this amount.

The aforementioned average payment period takes into account reverse factoring arrangements with suppliers, and the payment deadlines established with suppliers fall between 60 and 90 days.

LIQUIDITY

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.

After the publication in October 2018 of a relevant event indicating the revision of estimated results for the year and the restatement of the 2017 annual accounts, throughout the year there were successive reductions in the Company's credit rating by rating agencies, which gave rise to a dialogue and negotiation process with its main banks that had a dual objective: (i) ensure that they maintain their support for the Company by signing a formal agreement to maintain and restore existing financing ceilings; and (ii) negotiate a new financing package that would allow the Company to ensure coverage of its future working capital needs under its Business Plan.

This dialogue process has been carried out by means of a series of negotiations throughout the first half of 2019, with the agreement taking effect on 17 July 2019 and a new Syndicated Loan Agreement effective up until 31 March 2023 was formally concluded.

With the new Syndicated Loan, the bilateral financing agreements reached, and the additional funds from the planned capital increase that took place in November 2019, the Company now has a viable long-term capital structure, the Company's liquidity needs are now solved, and the entire process has resulted in a sustainable capital structure with a payment deferral of financial liabilities for the Company in line with its business plan.

The Company's exposure to liquidity risk at 31 December 2019 and 2018 is shown below. These tables reflect the analysis of financial liabilities by remaining contractual maturity dates:

Thousands of Euro	Maturity	2019
Bonds and other securities	2021-2023	592,912
Debt with financial institutions		683,984
Revolving credit facilities	2023	141,407
Other bank loans	2023	377,268
Credit facilities drawn down	2023	165,309
Finance lease payables	2021-2025	16,066
Guarantees and deposits received	per contract	10,463
Suppliers of fixed assets	2022	393
Other non current liabilities	2022	3,806
Total non-current financial liabilities		1,307,624
Bonds and other securities	2020	3,980
Debt with financial institutions		20,563
Revolving credit facilities	2020	3,153
Interests	2020	1,791
Other loans	2020	15,028
Other current liabilities	2020	591
Finance lease payables	2020	7,145
Suppliers of fixed assets	2020	12,508
Other debts	2020	1,409
Other non-current liabilities	2020	1,500
Current interest on payables	2020	403
Guarantees and deposits received	2020	1,784
Payables to group companies	2020	28,494
Suppliers	2020	630,829
Suppliers, group companies	2020	6,090
Other payables	2020	76,888
Personnel	2020	32,958
Advances to customers	2020	147
Total current financial liabilities		824,698

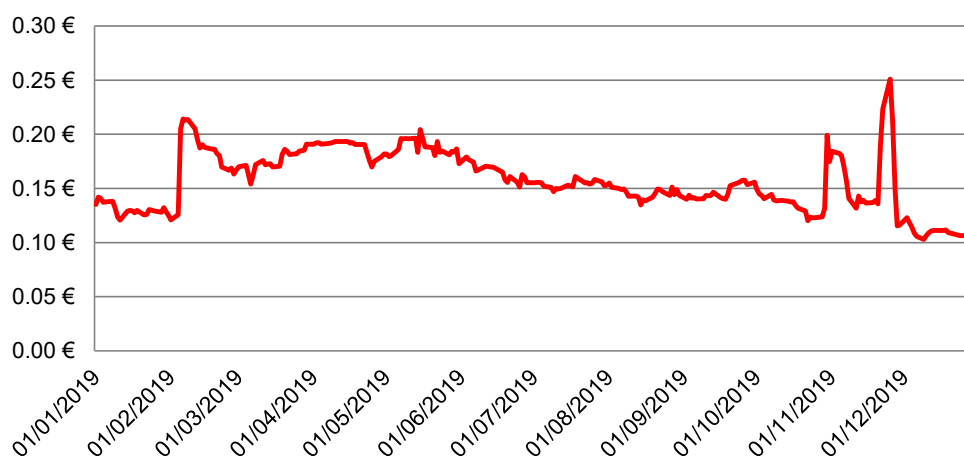
Thousands of Euro	Maturity	2018
Bonds and other securities	2020-2023	590,410
Debt with financial institutions		296,374
Revolving credit facilities	2020-2022	254,222
Other loans	2020	15,000
Credit facilities drawn down	2020-2022	27,152
Finance lease payables	2020-2025	17,260
Suppliers of fixed assets	2020-2025	202
Guarantees and deposits received	per contract	11,829
Other non current liabilities	2020	2,000
Total non-current financial liabilities		918,075
Bonds and other securities	2019	311,371
Debt with financial institutions		275,552
Revolving credit facilities	2019	124,350
Interests	2019	7,210
Other loans	2019	15,032
Credit facilities drawn down	2019	123,966
Other current liabilities	2019	4,994
Finance lease payables	2019	7,671
Suppliers of fixed assets	2019	43,869
Other debts	2019	2,302
Current interest on payables	2019	15
Guarantees and deposits received	2019	135
Payables to group companies	2019	65,040
Suppliers	2019	769,180
Suppliers, group companies	2019	6,005
Other payables	2019	73,282
Personnel	2019	22,341
Advances to customers	2019	1,199
Total current financial liabilities		1,577,962

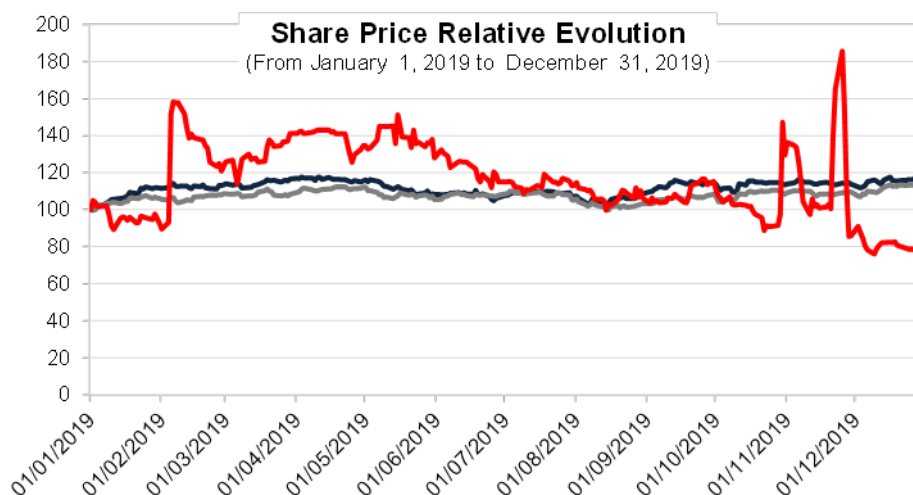
The financial expenses accrued on these outstanding financial liabilities totalled Euros 56,313 thousand in 2019 and Euros 32,857 thousand in 2018.

STOCK EXCHANGE INFORMATION

Share Price Evolution

(From January 1, 2019 to December 31, 2019)





In 2019 DIA's share Price declined by 24.5% while the IBEX 35 Index and Bloomberg European Food Retail Index increased by 11.8% and 16% respectively. During 2019 DIA's share price closed at a minimum level of 0.1021 euros per share, with an average share Price during the year of 0.1567 euros.

CREDIT RATING

Due to the negative evolution of the results, initiated in 2018 and extended to 2019, and the highly volatile and disrupted corporate business, the credit rating agencies Standard and Poor's (S&P) and Moody's have been lowering the long term notes attributed to the DIA Group, losing the investment grade.

So, in the case of S&P, the grade has dropped from CCC+ to CCC with negative perspective while in the case of Moody's the grade has dropped from Caa1 under revision to Caa1 with negative perspective.

DIVIDEND POLICY

The Parent Company concluded a new Financing Agreement on 17 July 2019 with all members of the lending syndicate covering the Company's credit facilities. This agreement includes a commitment by the Company to not distribute dividends to shareholders without the consent of the financing institutions until the debt owed to them has been repaid in full.

OTHER INFORMATION

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

In accordance with the Law 11/2018, of December 28 regarding non-financial information and diversity, the DIA Group has prepared the "NON-FINANCIAL INFORMATION STATEMENT" related to the 2019 financial year, which is part, as established in articles 44 and 49 of the Commercial Code of this Director's Report and which is attached as a separate document.

CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT 2019

Distribuidora Internacional de Alimentación, S.A. (the Company) and its dependent companies (the Group, or the DIA Group) have prepared this consolidated Non-Financial Information Statement, following the requirements of new Law 11/2018 on non-financial information of 28 December 2018. This report is part of the DIA Group Consolidated Director's Report 2019.

CONTENTS

	1
1. BASIS OF PREPARATION FOR THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT	3
2. COMPANY PRESENTATION	4
2.1. Corporate structure	4
2.2. Shareholding structure	5
3. BUSINESS MODEL	6
3.1. Recent action and new business strategy	7
4. CORPORATE GOVERNANCE	9
4.1. Composition and changes to the board of directors and leadership team	9
4.2. Corporate policies	10
4.3. Risk management at DIA Group	11
4.4. Compliance and ethics management	12
5. CORPORATE SOCIAL RESPONSIBILITY MANAGEMENT AT DIA	15
6. CUSTOMERS	17
7. EMPLOYEES	19
7.1 Employment and social dialogue	20
7.2 Health and safety in the workplace	22
7.3 Equal opportunities	23
7.4 Employee training	24
8. FRANCHISEES	26
9. SUPPLIERS	28
10. INVESTORS	30
11. ENVIRONMENT	31
11.1 Complying with existing regulations	31
11.2 Promoting the responsible use of resources	31
11.3 Managing waste following the waste hierarchy model	32
11.4 Adopting measures to reduce the emission of greenhouse gases	33
11.5 Actively working on identifying improvement opportunities	34
11.6. Encouraging staff through training and awareness initiatives	34
12. SOCIETY	36
12.1. Tax governance, control and risk management	36
12.2. Partnerships and sponsorship actions	37
13. GLOBAL REPORTING STANDARD EQUIVALENCE INDEX OF ACT 11/2018	40
14. ANNEX: REGIONAL INFORMATION ON SOME IMPORTANT INDICATORS	46

1. BASIS OF PREPARATION FOR THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

The Director's Report for DIA Group consists of its Financial and Non-Financial Statements, based on the recommendations of the CNMV's "Guide for the Preparation of Director's Reports of Listed Companies" and the requirements of the new Law 11/2018 on non-financial information of 28 December 2018. This integrated approach therefore encompasses the information required to understand the Group's evolution, results and financial position and the information needed to appreciate the impact of DIA Group's activities on the environment, society and its employees.

The Consolidated Non-Financial Information Statement (hereinafter NFIS) of DIA S.A. and Subsidiaries comprising the Group (hereinafter DIA or the Group) is issued annually and includes consolidated data from the Company overall¹ for all of 2019. The information has been prepared in accordance with prevailing commercial legislation for the issues that were considered material for the Group. The different indicators are presented following Global Reporting Initiative (GRI) standards and show the Company's performance for 2019 and comparative figures for the previous year. The annex provides information in greater detail for certain indicators included in this report.

For any general enquiries about this report, interest groups should contact the External Relations and CSR Department at Jacinto Benavente 2A, 28232 Las Rozas de Madrid, or email rsc@diagroup.com or comunicacion@diagroup.com.

¹ All companies that make up the DIA Group are included in the scope of this report. However, due to the size or inactivity of any of the companies, the most material companies in terms of employees and environmental performance are: DIA Portugal Supermarkets, Lda and DIA Portugal II in Portugal; DIA Argentina, S.A. in Argentina; DIA Brasil Sociedade Limitada in Brazil; DIA Retail, S.A., Beauty by DIA, S.A. and Grupo El Arbol, Distribución y Supermercados, S.A. in Spain.

2. COMPANY PRESENTATION

Distribuidora Internacional de Alimentación S.A. (the “Company”, and together with its subsidiaries, the “Group” or “DIA”) is a leading convenience grocery retailer with an average of 2.9 million tickets per day and over 20 million active members worldwide. Based in Madrid, Spain, and listed on the Spanish stock exchanges, the Group is the Spanish grocery retailer with the largest network of stores in the country, the highest rate of penetration in small municipalities and the third-largest market share in Spain in 2019². As at December 31, 2019, the Group operated 6,626 stores across Spain, Portugal, Brazil and Argentina (including franchised stores and *Clarel*, and excluding *Max Descuento*) and had 39,379 employees.

The Group is organized into business units and has four reporting segments based on geography: Spain, Portugal, Brazil and Argentina. As at December 31, 2019, Spain accounted for 60.8% of the Group’s sales, with Portugal accounting for 8.6%, Brazil for 17.2% and Argentina for 13.4%.

2.1. Corporate structure

Name	Location	Activity	% interest 2019
DIA Portugal Supermercados, Lda.	Lisbon	Wholesale and retail distribution of food and high consumption products.	100,00
DIA Portugal II	Lisbon	Retail distribution of food products and high consumption.	100,00
DIA Argentina, S.A.	Buenos Aires	Wholesale and retail distribution of food products and high consumption.	100,00
Distribuidora Internacional, S.A.	Buenos Aires	Consulting services.	100,00
DIA Paraguay, S.A.	Asunción	Wholesale and retail distribution of food products.	100,00
DIA Brasil Sociedade Limitada	Sao Paulo	Wholesale and retail distribution of food and high consumption products.	100,00
DBZ Administração, Gestão de Ativos e Serviços Imobiliários, L.T.D.A.	Sao Paulo	Wholesale and retail distribution of food products.	100,00
DIA América Latina Estudos, Pesquisas e Treinamentos, L.T.D.A.	Sao Paulo	Delivery of services to latam countries related to studies and market surveys of the retail market and participation in the capital of other companies.	100,00
DIA Retail España, S.A.U. ³	Madrid	Wholesale and retail distribution of food and high consumption products.	100,00
Pe-Tra Servicios a la distribución, S.L.U.	Madrid	Leasing of business premises.	100,00
DIA World Trade, S.A.	Geneva	Provision of services to suppliers of DIA Group companies.	100,00
Beauty by DIA, S.A.U.	Madrid	Distribution of cleaning and toiletry products.	100,00
Grupo El Árbol, Distribución y Supermercados, S.A.U.	Madrid	Wholesale and retail distribution of food products and high consumption.	
DIA ESHOPPING, S.L.U.	Madrid	Creation, maintenance and exploitation of web pages and portals for the sale of products and services.	100,00
Finandia, S.A.U.	Madrid	Loan and credit transactions, including consumer loans, mortgage loans and finance for commercial transactions, and credit and debit card issuing and management.	100,00
DIA FINANCE, S.L.U.	Madrid	Import, export, acquisition, distribution and wholesale and retail sale of food, beverages, household goods and in general other products for domestic use and consumption.	100,00
Luxembourg Investment Company 317. S.a.r.l.	Luxembourg	Company holding shares.	100,00
Luxembourg Investment Company 318. S.a.r.l.	Luxembourg	Company holding shares.	100,00
Luxembourg Investment Company 319. S.a.r.l.	Luxembourg	Company holding shares.	100,00

² Kantar Worldpanel “Informe Cliente DIA”.

³ TWINS Alimentación, S.A.U. in 2018.

Name	Location	Activity	% interest 2019
Luxembourg Investment Company 320. S.a.r.l.	Luxembourg	Company holding shares.	100,00
Luxembourg Investment Company 321. S.a.r.l.	Luxembourg	Company holding shares.	100,00
Luxembourg Investment Company 322. S.a.r.l.	Luxembourg	Company holding shares.	100,00
Luxembourg Investment Company 323. S.a.r.l.	Luxembourg	Company holding shares.	100,00
CD Supply Innovation S.L.	Madrid	Financial and supplies services management for own brand.	50,00
ICDC Services Sàrl	Geneva	Negotiation of On Top services with international suppliers.	50,00
Red Libra Trading Services, S.L.	Madrid	Negotiation with suppliers of distribution brands.	50,00
Horizon International Services, S.a.r.l.	Geneva	Negotiation of On Top services with international suppliers.	25,00

Table 1: Corporate structure as at December 31, 2019, including legal name, country of registration, registered office and direct and indirect stake (%) of the Company.

In the context of the agreement to modify and recast the DIA Group's bank debt, the General Shareholders' Meeting of 30 August 2019 agreed to carry out a subsidiary transaction at the request of the syndicated lenders. In implementation of that agreement and after the approval of that operation by the Board of Directors of DIA Group on 26 December 2019, a process of several transactions and legal procedures has been initiated during the first months of 2020, to transfer the main business units to certain subsidiaries directly or indirectly owned by different Luxembourg companies which in turn will be direct or indirect subsidiaries of DIA, S.A.

2.2. Shareholding structure

DIA is listed on the Madrid stock exchanges. Below is a summary of the shareholder structure.

Nº shares in circulation	6,677,978,979	100%	Direct voting rights	Indirect voting rights	Financial instruments
Treasury stock	1,238,790	0.02%	0.00%	0.00%	0.00%
Free Float	1,680,327,841	25.16%	0.00%	0.00%	0.00%
LETTERONE INVESTMENT HOLDINGS, S.A.	4,996,412,348	74.82%	0.00%	74.82%	0.00%

Table 2: Significant holdings and treasury stock in 31 December 2019, according to communications of significant holdings by CNMV.

3. BUSINESS MODEL

The Group operates grocery retail stores under the convenience model through its network, which it manages either directly or under franchise agreements. As at December 31, 2019, 44% of stores were franchises, making the Group the largest Spanish grocery retail franchiser among main competitors. Moreover, it is the fourth-largest franchiser in Europe and it is in the top 25 franchiser worldwide, according to the most recent studies⁴.

The Group has four store formats in Spain with varying characteristics, but with a unified focus on fresh offerings and convenience through its capillarity and proximity format: *DIA*, *La Plaza de DIA*, *DIA & Go* and *Clarel*. The *DIA* format is present across all four jurisdictions in which the Group operates, with stores located near to customers in cities, suburban towns and smaller villages. The *La Plaza de DIA* format is only available in urban areas across Spain with a focus on fresh and premium products. *DIA & Go*, the newest format introduced in 2018, is located in high-density urban areas in Spain, Portugal and Brazil and caters to high convenience, on-the-go shoppers. *Clarel* is a new store concept where the target is to become the benchmark neighborhood store for shoppers looking to buy beauty, household and personal care items. All four formats are designed to serve all major shopping missions with a tailored, customer-centered approach.

The Group targets a broad range of customers by offering a variety of food and non-food products of excellent quality at different price points. The Group's food product offering, which accounts for more than 80% of the sales, includes, but is not limited to: produce, pre-packaged foods, grocery, meat and poultry, seafood, cured-meats and baked goods. As part of a focused effort to enhance its fresh food offering, the Group is introducing meat, fish and deli counters in a selected number of stores, and packed fresh products in all of its stores. The Group is committed to increasing the area dedicated to bakery goods, fruit and vegetables and to offering on-the-go food. It has also increased the assortment, variety and frequency of delivery of fresh products across its store network.

The Group has more than 30 years' experience in private label development and its current private label offering includes around 7,000 SKUs:

- *DIA*. This has been the Group's traditional brand for over 30 years. It encompasses all the mass-consumption product categories.
- *Bonté*. This brand specializes in personal care products and perfumes.
- *Delicious*. This is the Group's premium label (gourmet) with the highest added value for the Group.
- *Basic Cosmetics*. This is the make-up and decorative cosmetics brand.
- *BabySmile* and *JuniorSmile*. This brand specializes in baby and child care products.
- *As*. This brand specializes in pet care and pet food.
- *Vital*. This is the most recent brand developed by the Group. It specializes in healthy nutrition and includes over 170 items across the countries.

The Group's business model is underpinned by a time-tested supply chain system. The Group operates its own fully-integrated logistics system based around 29 warehouses that match the Group's geographic footprint across its primary jurisdictions, with a total aggregate storage space of approximately 676,670 m² as at December 31, 2019 and the support of third-party transportation companies.

⁴ Kantar Worldpanel; Franchise Direct 2018 Ranking.

3.1. Recent action and new business strategy

The last two years have been challenging for the DIA Group, both financially and commercially speaking. A profit warning about profits, financial re-expressions, downgrades and liquidity constraints have led to a real threat of insolvency and falling share prices. In 2019, this led to a refinancing agreement that has been extensively explained in Consolidated Annual Accounts (14 note). At the same time, some priority actions have been taken this year with the objective of stabilizing and repositioning the business. The most important of these actions are as follows:

- DIA store reduction and defranchising process (turning franchised stores into DIA own stores).
- A template adjustment process, mainly in Brazil and Spain, with the aim of improving the efficiency and productivity of the Group.
- Discontinuation of non-core business activities (for example, DIA Opportunities, Bahia and Mini preço in Brazil).
- Implementation of an Action Plan for the continuous review and improvement of the areas of Compliance and Internal Control at the Group level.

Business strengths

- Customer proximity and capillarity: the Group has a leading distribution network⁵ of over 6,600 stores focused on convenience. This allows it to exploit favorable consumption trends: approximately 63% of respondents in a 2017 study indicated that proximity, convenience and ease were the most important factors when choosing a grocery store, an increase of 18% compared to 2010⁶.
- Value for money uplift potential from its private label: the Group was the first company to introduce private label products in Spain over 40 years ago. The Group can develop high-quality private label products and offer them at competitive prices because of the Group's sales volumes, its extensive expertise and the strong relationship it has with suppliers, and savings resulting from reduced marketing and advertising expenses.
- Differential business model with around 50% of the network franchised: this model has allowed the Group to scale its operations and enhance its capillarity and recognition in a cost-efficient way, saving the Group time and resources while boosting store returns and margins and allowing for great flexibility in both management and operation. The Group has 30 years of experience with, and achieved a high level of recognition for, its franchise business model. As at December 31, 2019, the Group is the largest Spanish grocery retail franchiser among main competitors, it is in the top 5 in Europe and in the top 25 franchiser worldwide⁷.
- Large, loyal and data-rich customer base: the Group's ClubDIA loyalty program, which was established over 21 years ago, had over 20 million active members at 2019. More than 70% of sales are made using the ClubDIA loyalty card and the average basket size of a customer using the loyalty program is higher than the basket size of a customer that did not.

⁵ Among leading retailers in Spain in terms of market share, DIA has the largest store network in the market with 3,476 points of sale (PoS) as at June 30, 2019, followed by Mercadona with 1,628 PoS and Eroski with 1,321 PoS.³²

⁶ Observatorio Cetelem, Consumo Europa 2017; MAPAMA; Kantar Worldpanel.

⁷ Franchise Direct 2018; Kantar Worldpanel.

Transformation process

The process of transforming DIA into a modern, profitable retail company focuses on:

- Investing in the skills needed to lead this transformation: having experts in global food distribution, building an efficient organisation and developing the best operational standards.
- Restoring DIA's culture and confidence, promoting long-term relationships with shareholders and key players in the Group and creating a new performance-based, leadership-centred culture.
- Transforming the DIA Customer Value Proposal, establishing a new product selection, improving the fresh produce offering and own brand, adapting prices and promotions, investing in the store network and reinventing the franchise model.

One of the most important tasks during 2019 that has been successfully completed has been the formation of a new team. Over 80 new successful professionals from the field of distribution have joined all of the Group's functional departments (Sales, Operations, Logistics, etc.) at all levels (CEO-1, CEO-2, etc.). These new appointments complement the Group's existing and talented professionals, some of whom have been duly promoted to leadership positions, creating a winning team. From the beginning, the new team has committed itself to the new DIA stage, setting out action plans and developing road maps so as to meet the Group's transformation objectives.

Many of the initiatives that make up the Group's transformation process have already been successfully rolled out in Spain: (i) improvements to the fresh product offering, focussing on quality, presentation, freshness and price, (ii) a new, already tested, franchise model resulting from a significant streamlining of the franchise network, and (iii) the operational excellence initiative that has begun with the roll out of optimisation processes in stores and logistics improvements to respond to faster service levels for fruit and vegetables.

4. CORPORATE GOVERNANCE

DIA Group has a corporate governance and compliance system that works to ensure a proper climate of control and compliance with both external and internal regulations. The Company's internal regulations are in line with the Spanish Companies Act, corporate governance principles and best practices of listed companies. The Company's internal regulations are the following: the bylaws ("Estatutos"), the general shareholders' meeting regulations, the Board of Directors Regulations, the Audit and Compliance Commission Regulations, the Ethics Code of Conduct and corporate policies.

According to the Annual Report on Corporate Governance ("Informe Anual de Gobierno Corporativo"), the Company complies with all the Corporate Governance Code Recommendations ("Recomendaciones del Código de Buen Gobierno para Sociedades Cotizadas, 2015"), with this exception:

- Recommendation 7: live broadcast of the General Shareholders' Meeting. Three Board meetings were held in 2019. An ordinary one, which was broadcast live, and two extraordinary ones in which there was no live retransmission when the Company considered that the broadcast systems and the channels of information to shareholders in connection with the holding of these general meetings are sufficient without the need to retransmit their celebration.

4.1. Composition and changes to the board of directors and leadership team

In line with its regulations, DIA's Board of Directors, through its Appointments and Remuneration Commission, ensures that the selection procedures for directors encourage diversity of experience and knowledge. Proposed appointments are always based on a prior analysis of the Board's needs, in the general interests of the Company, so that every member of the Board is a professional with a clear executive profile and extensive experience in businesses related to retailing and consumer goods.

In 2019, DIA's Board of Directors has been overhauled by means of the resignation of all Board members other than Jaime García-Legaz Ponce and the appointment of six new members (Stephan DuCharme, Sergio Dias, Karl-Heinz Holland, Michael Casey, José Wahnón Levy and Christian Couvreur). The new Board of Directors, whose biographies can be found on DIA's corporate website, has a new approach for performance tracking and finance oversight. On August 30, 2019, the Extraordinary General Shareholders Meeting fixed the number of members of the Company's Board of Directors at eight directors. However, the Board of Directors currently comprises seven members and there is one unfilled vacancy, which as of the date of this report is still not covered.⁸

In addition to the changes at Board level, a new CEO, Karl-Heinz Holland, was appointed on May 21, 2019 to lead the company's transformation. Alongside him, a new leadership team of retail experienced professionals are responsible for the execution of a new business plan that stabilizes operations and taps into the company's significant strengths and opportunities to achieve its objectives.

Overall, the new business structure aims to create a leadership culture chiefly focused on responsibility, ethics and performance-orientation along with the necessary sense of engagement.

Board Commissions

The Board of Directors has several Commissions which are governed by the Company's bylaws, the Board of Directors Regulations and the Commission's specific regulation, in its case. These Commissions are structured as follows:

Audit and Compliance Commission

José Wahnón Levy (Independent Chairman)

Sergio Dias (External Proprietary Member)

Jaime García-Legaz Ponce (Independent Member)

⁸ On 14 January 2020, the Board of Directors appointed Basola Vallés as the new independent director for DIA Group. With effect from the same date, Michael Casey submitted his resignation from the position of director.

Appointments and Remunerations Commission

Christian Couvreur (Independent Chairman)
 Jaime García-Legaz Ponce (Independent Member)
 Stephan DuCharme (External Proprietary Member)

Finance and Capital Structure Commission

Jaime García-Legaz Ponce (Independent Chairman)
 Christian Couvreur (Independent Member)
 Michael Casey (External Proprietary Member)
 Sergio Dias (External Proprietary Member)

Directors' remuneration

According to the Spanish Companies Act and to the Company's internal regulations, such as the Remuneration Policy, the members of the Board of Directors shall receive, as directors, compensation that shall be determined by the shareholders' general meeting by means of the approval of a remuneration policy, which shall be submitted for approval at least every three years. The directors' remuneration, which is explained in detail in the Directors Remuneration Report, will consist of a fixed monthly stipend, per diems for attending meetings and compensation for functions delegated or entrusted to them.

On August 30, 2019, the Company's Extraordinary General Shareholders' Meeting approved a new directors' remuneration policy for 2019-2022. The main features of this new policy are as follows:

- Commitment and attraction and retaining of talent: the aim of the remuneration policy will be to reward quality, dedication, responsibility, knowledge of the business and commitment to the Company and to the people who are in key positions and lead the organization.
- External and internal equity: the external competitive environment and internal equity will be taken into account when setting remuneration.
- Transparency.
- Promotion of the creation of long-term value for the Company and its shareholders.
- Proprietary directors will not have any remuneration as directors.

	Average compensation paid (euros)			
	2018		2019	
	Men	Women	Men	Women
Directors	461,034.05	105,400.00	680,842.33	123,207.30

Table 3. Average remuneration paid to directors, including executives, for all remuneration concepts, considering in the calculations the real time each has exercised as a Director during 2019. More information about the detail of individual remuneration received by each Director and time held by the position can be found in 21 note of the Consolidated Annual Accounts and in the Council Annual Remuneration Report, 2019.

4.2. Corporate policies

Following the CNMV's recommendations on the Good Governance Code, DIA's relationship with its main stakeholders is governed by the company's different corporate policies, all of which apply to the whole Group and are approved by the Board of Directors:

- Corporate Social Responsibility Policy.

- Corporate Investor Relations Policy.
- Corporate Tax Policy.
- Corporate Risk Management Policy.
- Corporate Environmental Policy.
- Corporate External Relations Policy.
- Corporate Quality and Food Safety Policy.
- Corporate Crime Prevention and Anti-corruption Policy.
- Corporate Franchise Policy.
- Corporate Human Resources Policy.
- Corporate Marketing and Client Communication Policy.

All of these policies are available to the general public at www.diacorporate.com.

DIA Group executives and, ultimately, the Board of Directors, are responsible for the implementation of these policies. More details on policy performance can be found in the stakeholder chapters below.

4.3. Risk management at DIA Group

Risk monitoring and management systems

The Group uses the COSO II methodology (Enterprise Risk Management) as a reference for its risk management system, ensuring a systematic and detailed approach is undertaken with the aim of identifying events, and assessing, prioritizing and responding to risks related to the achievement of the Group's strategy and business objectives.

The Company's Management (Executive Committee), the Board of Directors and the Audit and Compliance Commission (ACC) are responsible for the design and proper functioning of the Risk Management Model (RMM):

- The Board of Directors is responsible for approving the Enterprise Risk Management Policy and the Executive Committee is responsible for establishing risk tolerance levels which is ultimately approved by the Board of Directors.
- DIA Management (the Executive Committee) is responsible for the design, implementation and establishment of the strategy, culture, people, processes and technology that make up the Risk Management Model.
- The Audit and Compliance Commission is responsible for monitoring and periodically reviewing the effectiveness of DIA Internal Control procedures, Internal Audit and Risk Management Systems, and for verifying the adequacy and completeness of them.

In order to manage the Risk Management Model, the Group has established a Risk Committee and has designated a Risk Coordinator for each country as well as at the corporate level. The Risk Coordinator communicates and coordinates meetings, collects information and prepares the minutes of each Commission meeting. In addition to the foregoing responsibilities, the Corporate Risk Coordinator (CRC) also acts as country intermediary at the corporate level and reports to the Audit and Compliance Commission. The Risk Committee comprises the Risk Coordinator and the person responsible for each of the functional lines (Area Directors). The Area Director is responsible for preventing and managing risks

appropriately, as well as adequately implementing the necessary mechanisms in order to minimize the impact of a risk to the greatest extent possible. The Risk Committee evaluates the overall process of risk management and assesses the need for new or different controls and response mechanisms. There is also an annual review of both, financial and non-financial risks, included in the risk map.

The main Risk Committee's responsibilities include company context (external and internal) and new project analysis, establishing recommendations for the development and/or continuation of specific action plans, and permanently monitoring the risks identified using the risk map (particularly risks that could impact on the Group's strategy, customers, franchises and suppliers).

DIA's Internal Audit Department assesses the overall functioning of the risk monitoring and management system, the performance of the management bodies and the effectiveness of the monitoring activities established, and reports to the Audit and Compliance Commission. As a result of organizational changes and the company's new strategy, this function is currently in a process of reviewing its role and scope of work.

Materialization of non-financial risks

In 2019, important risks inherent in the business model arose. These DIA specific, non-financial risks for the Company and its primary stakeholders⁹ have been specified in each of the following chapters.

All of these risks have been duly analyzed and diverse action plans have been put into place to address them. In this regard, it should be noted that, as of the date of this report, a plan for the continuous review and improvement of the group's risk management model is being carried out for adaptation to the new DIA management model.

4.4. Compliance and ethics management

The DIA Group's ethics and compliance model, which is managed by the Company's Board of Directors, aims to encourage conduct that embodies the Company's values, including the prevention and eradication of behaviors associated with criminal actions. This model is based on the principle of due control, since it is based on the following criteria:

- Compliance risks are regularly analyzed.
- Expected behaviors are carefully defined in different regulations, which are shared and actively communicated to all employees.
- There is an independent prevention and compliance body that has the resources to assess the effectiveness of the model, reporting directly to the Audit and Compliance Commission and the Board of Directors.
- There is an enabled channel in place to anonymously and confidentially report any irregularities.

Regulations and procedures for compliance at DIA Group

The Ethics Code probably forms the cornerstone of this compliance system: all company employees, managers and directors must comply with it. This is a high-level set of rules that defines what is desirable conduct and what is unacceptable conduct (including conduct that is potentially associated with criminal actions such as corruption and money laundering). Suppliers, franchisees and contractors are all proactively informed about the existence of the Ethics Code and the reporting and consultation channel is also available to them with the same assurances as any other employee.

⁹ Common sectorial risks or those more closely linked to the success of the business model, such as an increase in commodity prices or high competition risk, have not been included in the NFIS.

The DIA Group Ethics Committee, which heads up the Ethics Committees in the different countries, is responsible for implementing the Code of Ethics. The Board of Directors, which receives a regular report from the Group Ethics Committee, is responsible for assessing the effectiveness of the code and issuing any modifications that it believes are appropriate for achieving the objectives sought.

The DIA Group uses a further four control programs to identify and prevent fraud, which reinforce the implementation of the Code of Ethics.

- DIA Group companies based in Spain have implemented a Crime Prevention Model that identifies and evaluates the risks of committing crimes that could give rise to criminal liability for the legal entity, as well as the corresponding rules, procedures and controls to identify and prevent those crimes from being committed. A manager to lead the crime prevention function has been appointed within the Company, permanently reporting to and assisting the Compliance Officer and the Ethics Committee at a corporate level and who is responsible for the maintenance and correct functioning of the prevention model.
- In all the jurisdictions in which the Group operates, DIA Group companies have an Anti-Fraud and Anti-Corruption program that identifies and evaluates the risks of corruption and fraud in their activities. Each country has appointed an anti-fraud prevention officer, and, in Spain, this resource is also the crime prevention officer.
- The Corporate Information Security Policy is also an important part of the compliance system. It includes the strategy of information protection in relation to information access, user responsibilities, security in communications and operations, incident management, business continuity and compliance. It defines the criteria to mitigate the risks that affect confidentiality, integrity and availability of the Company's information. This policy and its associated control framework are based on the ISO 27000 international standards.
- Lastly, the Company has an internal control system relating to the financial information (SCIIF) that defines the objectives, the roles and responsibilities concerning the reporting of financial data. This system manages the risks associated with financial information and sets up internal control procedures to minimize these risks. Its objective is to provide reasonable assurance regarding the reliability of the financial information provided.

In terms of money laundering, as DIA is not subject to the effects of Law 10/2010, specific money laundering prevention policy has not been drawn up within the Anti-Fraud Program. However, the Company has control and restriction systems established in order to manage related issues: supplier of goods and service payments pass through authorization platforms and cash payments are highly limited within the Company (as a general rule, cash payments are not allowed and, if exceptionally needed, they are duly registered and documented under the mandatory controls). Furthermore, like all other risks related to the prevention of crimes for which the legal entity may be responsible, they are regularly reviewed and reported.

Regarding contributions to foundations and non-profit organizations, there is no financial donation.

Irregularities and disciplinary measures

Within the context of the Group's review of its profit outlook for the year ended December 31, 2018, which revealed the existence of irregular accounting practices in Spain and Brazil and which led to the restatement of the Group's financial statements for the years ended December 31, 2017 and 2016, the Group appointed an external firm of advisors to carry out a forensic investigation to establish the causes of such irregularities and to identify the people responsible for them. The investigations, both in Spain and Brazil, have been completed and final reports were brought to the attention of the Anti-Corruption Prosecutor's Office in 2019.

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
Ethics Committee activity	2018	2019	2018	2019	2018	2019	2018	2019
No. Reports - employees	10	13	47	41	3	12	8	8
No. Reports - external (suppliers, franchisees)	8	4	1	0	1	1	0	0
No. Reports - anonymous	0	5	3	25	3	13	0	1
Total no. of reports	18	22	51	66	7	26	8	9
Total no. of reports resolved	16	19	39	37	4	12	1	7
Total no. of reports in progress	2	3	12	29	3	14	7	2
No. Consultations - employees	1	2	15	27	11	2	5	17
No. Consultations - external (suppliers, franchisees)	3	5	0	4	2	0	0	0
No. Consultations - anonymous	0	1	0	6	0	0	0	1
Total no. Consultations	4	8	15	37	13	2	5	18
Total no. of consultations resolved	2	8	15	35	10	1	3	17
Total no. consultations in progress	2	0	0	2	3	1	2	1

Table 4: Ethics Committee activity in 2018 and 2019 by nature of report/consultation. Spain includes those communications managed from the corporate division.

During 2019, 188 communications have been received through the ethical channel, of which 123 are complaints of non-compliance (compared to 84 the previous year) and 65 are consultations (compared to 37 the previous year). Following the investigation of the allegations, of the 75 communications closed in 2019, a complaint has been confirmed as sexual harassment, which has led to the dismissal of the employees involved; no allegations of corruption or discrimination have been confirmed (in 2018 a case of corruption was confirmed). The Ethics Committee has confirmed a total of 6 complaints that have ended in employee layoffs for non-compliance of any of the principles of the Code of Ethics. All other complaints have either been dismissed after the investigation, or other corrective measures have been implemented (training, change of functions, provisional discharge, etc.).

No additional communications of corruption have been confirmed through court ruling in 2019.

Strengthening the business ethics culture

The Company is implementing a plan to review and continuously improve its internal control model that encompasses the control of financial information, control of compliance and activity-related (operations).

One of the first steps has been to include, and communicate, in all of the company's new corporate values, a zero-tolerance policy towards behaviors that are not governed by the Corporate Code of Ethics. Commitment to this value has been a key part of the personal message launched by the CEO and top management to Group employees. In 2019, 3,388 employees were proactively trained in anticorruption policies or the Ethics Code (157 of them were executives), compared with 375 employees in 2018. Furthermore, recent reinforcement of the whistle blowing channel, via an externally managed platform and telephone line, show the Company's strong commitment to fostering a culture of robust ethics.

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
Training in anti-corruption policies/Code of Ethics	2018	2019	2018	2019	2018	2019	2018	2019
Directors	0	0	0	0	0	0	0	0
Executives	0	7	0	9	0	140	11	1
Managers	0	3	0	58	0	336	82	3
Employees	0	0	0	0	0	367	282	2,464

Table 5: Employees proactively trained in anti-corruption policies or the Ethics Code in 2019, by professional category. This includes classroom learning and e-learning platforms.

5. CORPORATE SOCIAL RESPONSIBILITY MANAGEMENT AT DIA

Governance of Corporate Social Responsibility (CSR)

CSR issues are ultimately the responsibility of DIA's Board of Directors, through its Audit and Compliance Commission. This Commission is responsible for ensuring that the Company's CSR strategy and practices address its non-financial risks and fulfill its stakeholders' expectations, as well as for approving and assessing the General CSR Policy's level of compliance.

Furthermore, the Board of Directors, through this Commission, coordinates and approves the non-financial reporting process in accordance with the latest applicable regulations. At the level of senior management, the Department of External Relations and RSC, which reports directly to the CEO and the Audit and Compliance Commission, analyses and identifies risks and trends, based on their knowledge of the business and dialogue with stakeholders, and also manages that the requirements for non-financial reporting are included in the company's information and control systems. Finally, as explained, there is also an Ethics Committee composed of managers from different departments that reports directly to the Audit and Compliance Commission and also collaborates in the management of compliance control of the Social Responsibility.

Dialogue with interest groups

The DIA Group identifies and engages with its traditional stakeholders (customers, the investor community, employees, franchisees and suppliers) as an integral part of the Company's day-to-day activities, in a process that involves diverse areas across the whole of the Company's value chain.

Furthermore, the External Relations and CSR Department identifies, consults and responds to other interested parties that are also important to the business (regulators and public administrations, industry and professional associations, the media, NGOs and members of the local community). This department's reporting line ensures that important matters that are identified are known by the Company's principal governing bodies.

Material CSR issues

DIA's materiality matrix was developed in 2016 by the Company's Management and it was reviewed in 2017. This matrix incorporates a study of the relevance of different proposed issues (based on their representativeness for the leading organisms CSR influencers, such as the Dow Jones Sustainability Index, the Global Reporting Initiative sector report, Vigeo, Sustainalytics, Carbon Disclosure Project, the National Securities Market Commission, press analysis or the "Behind the Brands" report), and their historical relevance in the sector at a national and international level (based on a study commissioned by DIA of companies in the sector). This analysis was supplemented with the inclusion of an internal relevance factor for each issue.

The indicators and the information to be reported on performance in non-financial matters have been defined taking into account both this materiality analysis and the requirements of applicable law.

DIA Group material issues
Governance System
Ethics and compliance
Transparency and investor relations
Tax practices
Development of human capital

DIA Group material issues
Workplace practices
Gender Equality
Health and Safety
Quality and food safety
Franchise relations
Digital Transformation
Eco-efficiency
Food waste
Consumer information and protection

Table 6: DIA Group material issues in the corporate social responsibility context.

Justification of the non-materiality of other matters required by law and not material for DIA, for which no information is provided in this report:

- Water consumption: water is exclusively used for cleaning purposes and not for production activities. Nevertheless, the company supports and encourages its responsible consumption with internal communication actions.
- The impact of the Company's activities on biodiversity: as the Group's facilities and activities are located or carried out in urban areas, the impact on biodiversity is small.
- Light and noise pollution: the impact produced is considered not relevant because lights in stores are fully switched off when closed and logistics centers are not located in residential areas.

In addition to the above mentioned, there are other matters not material in DIA, but for which the information is provided. The equivalence table at the end of this report provides guidance on these cases.

Next steps in CSR management

The new business model towards sustainable value creation includes within its objectives a more integrated and strategic CSC supported by the Board of Directors and its Audit and Compliance Commission, as well as from the Executive Committee. In this regard, CSR priorities and objectives are being reviewed to define a 2020 Master Plan. The objective of this Plan will be to identify the risks of key RSC for the Company, integrating its management into the daily operation and improving the control and reporting system thereof.

6. CUSTOMERS

As already mentioned, DIA Group has an average of 2.9 million tickets per day and over 20 million active members worldwide. Understanding and addressing the needs of these and other, potential customers is the Company's cornerstone.

Main communication channels with this stakeholder

The Group connects with and listens to its customers using different channels:

- The requested surveys, which ClubDIA customers receive after each purchase in their email and where they are invited to quickly rate their shopping experience.
- The CLUB DIA APP, from where the customer can voluntarily evaluate their shopping experience, the App itself or contact the Group directly to transmit their queries or suggestions.
- The online purchase website www.dia.es and its corresponding APP (DIA online) where the customer can evaluate the products and fill out the contact form with customer support.
- Anonymous communities of clients to know their opinion about the Company, its establishments and its own brand.
- Consumer panels, which allow the Group to evaluate the organoleptic characteristics of the products. This year, 3,662 panels have been made.
- Social networks for the Group's commercial and corporate operations. The Group has profiles on the most used platforms in all the countries in which it operates, including Facebook, Twitter, Instagram and YouTube.
- Customer Support Services: This year, more than 250,000 inquiries, complaints and suggestions related to issues related to stores, products, opening hours, online services, etc. have been assigned to a manager, attended, analyzed and analyzed Answered. This year, more than 90,000 complaints or complaints have been received, with those related to discounts and promotions being the most frequent.

Main risks associated with this stakeholder

The most relevant risks identified are not being able to meet the customer's needs and possible non-compliance with internal food safety requirements and standards. These risks could also lead to loss of reputation and brand value, especially if incidents related to the quality of home-branded products, unreliable customer service, poorly maintained stores or poor data management adverse advertising, government investigations or even litigation. The company's new management believes that the risk of not meeting customer demands has materialized and, therefore, concrete action plans have been defined in this regard.

Main policies governing relations with this stakeholder and performance

- Corporate Quality and Food Safety Policy: The Company's Corporate Quality and Food Safety Policy aims to develop a relationship with its consumers based on trust through a system that rigorously guarantees the proper production, processing and management of all the products the Company offers.

The Company keeps control of product quality and safety across the supply chain, monitoring storage, transport and sales processes. As a pre-requisite to product validation, private label products and corresponding suppliers are evaluated by the Group in terms of quality and safety. This process consists of conducting systematic quality audits at suppliers' production centers. As at December 31, 2019, the Group had a total of 33 in-house laboratories that had conducted 603,366 internal analyses (910,015 in 2018) as part of its control program. The Group works with approved external laboratories where additional analyses are carried out in addition to the internal

checks. This year, the number rose to 21,352 analyses in addition to the internal checks (compared to 23,153 analyses in 2018). Finally, the Group's Quality Control Department carries out ongoing checks and periodical audits of warehouses and stores, where they supervise and evaluate aspects such as tidiness and cleanliness, the management of expired products, and the cold chain, guaranteeing compliance with the defined standards.

The company has managed two health alerts relating to sardine and tuna products in 2019. In both cases, the measures adopted went beyond legal requirements and a precautionary approach was always taken, focusing on customer safety. On this basis, the batches of allegedly affected products were voluntarily and successfully withdrawn from stores, all customer queries were promptly responded to, and appropriate investigations, in collaboration with the health authorities, were carried out to identify potential weaknesses, if any, in the control systems. In the end, both cases were closed by the relevant authorities without responsibility being assigned to the company. In this regard, there were no incidents arising from non-compliance with health and safety regulations leading to a fine or material sanction in 2019.

- Corporate Marketing and Client Communication Policy: The Company's Corporate Marketing and Client Communication Policy bases its guidelines on respecting the commitments undertaken with clients; honesty in both verbal and written communications; and integrity in all of the Company's professional actions in this context. Accordingly, the guidelines in relation to communication with clients are based on the general principles of transparency, proximity, equality and quality.
- Corporate Information Security Policy: The purpose of this policy is to define the guidelines aimed at ensuring the confidentiality, integrity and availability of information and it has to be met by employees, external staff and external collaborators who have to access the Company's information systems.

Beyond the corporate marketing strategy, the current Board of Directors and management team deem DIA's commercial value proposition to be insufficient to create value for customers, the most important of the stakeholders. As a result, a new business strategy is being drawn up, based on the six transformation pillars already presented in the business model chapter. This new commercial proposition includes changes to the assortment, categories and private labels, and a new pricing and promotion strategy. The ultimate goal is to develop an outstanding private label and become a leader in the fresh food and customer experience.

In addition, a new operational store model has been designed to achieve excellence. This model is based on three pillars: optimizing store processes, becoming a benchmark in terms of fresh products and excelling at customer service. These objectives will be supported by a new logistics distribution model.

7. EMPLOYEES

DIA Group has a diverse workforce of 39,379 employees at 2019 year end, distributed in four countries: Spain, Portugal, Brazil and Argentina. Of all employees working in DIA, 72% work in Europe and 28% in Latin America.

			Workforce by status, gender and age at December 31					
			Executives		Managers		Employees	
			2018	2019	2018	2019	2018	2019
ARGENTINA	Men	<30 years	-	-	36	31	1,203	997
		30-50 years	14	10	356	293	1,160	1,119
		>50 years	3	1	33	27	21	20
	Women	<30 years	-	-	22	29	646	555
		30-50 years	1	1	141	127	844	804
		>50 years	-	-	4	5	18	20
	TOTAL		18	12	592	512	3,892	3,515
BRAZIL	Men	<30 years	-	-	10	9	2,263	1,716
		30-50 years	16	15	124	98	1,336	1,072
		>50 years	3	-	9	9	75	69
	Women	<30 years	-	-	4	4	2,767	2,143
		30-50 years	1	3	76	63	2,176	1,832
		>50 years	1	-	3	3	59	52
	TOTAL		21	18	226	186	8,676	6,884
SPAIN	Men	<30 years	-	-	10	12	1,996	1,618
		30-50 years	42	52	285	260	4,144	3,732
		>50 years	43	25	96	97	961	979
	Women	<30 years	-	-	13	10	2,703	2,331
		30-50 years	16	19	272	246	13,437	12,342
		>50 years	22	20	58	77	2,597	2,929
	TOTAL		123	116	734	702	25,838	23,931
PORTUGAL	Men	<30 years	-	-	2	-	464	401
		30-50 years	3	4	38	25	619	634
		>50 years	3	1	15	17	94	94
	Women	<30 years	-	-	-	-	730	702
		30-50 years	7	6	46	40	1,436	1,443
		>50 years	-	-	2	2	105	129
	TOTAL		13	11	103	84	3,448	3,403

Table 7: Total number and distribution of employees by gender, age, country and professional classification¹⁰. 2018 figures in Spain have been restated to include two employees from Switzerland. Directors have not been included in this breakdown.

Main communication channels with this stakeholder

There are different communication channels with employees, most of them promoting two-way communication. Below are the most relevant:

- Corporate Portal for employees: a space for promoting communication with employees, for generating professional knowledge, sharing free time and disseminating corporate information.

¹⁰ Executives include the 5 higher category levels at the company; Managers include the following 3 category levels in the hierarchy; employees include the other categories. Directors have not been included in this breakdown.

- Newsletters: weekly issue for sharing good practice and progress on the business strategy among all Group employees. In addition, operational teams also receive daily and weekly newsletter updates on the projects they are involved in.
- DIA also conducts regular surveys to evaluate employees' feedback on different issues (from specific initiatives carried out to general corporate culture assessments). These communication channels, regardless of whether they are run internally or through a third party, guarantee total anonymity and privacy with regards the answers given by employees.
- Face-to-face communication between top management and employees has also been strengthened in 2019.

Main risks associated with this stakeholder

The most relevant risks identified are labor conflict, inadequate talent structure and inadequate compliance with labor regulations. The inadequate talent structure is considered to have materialized and therefore, changes have already been made as stated in the chapter "Composition and changes to the Board of Directors and Leadership Team".

Main policies governing relations with this stakeholder and performance

- Corporate Human Resources Policy: This includes DIA Group's commitment to creating jobs and developing professionals within the context of the Company's corporate values. This policy also aims to promote the Company's long-term commitment to generating pride and a sense of belonging, adapting to the different cultural, labor and business contexts in every country in which it operates.

With regards diversity, training and disconnect from work policies, the DIA Group does not define these independently. However, most of these HR-related issues are addressed from the general Human Resources policy.

As a result of the Human Resources Policy and 2019's operational and financial priorities, the key areas in human resources management for this year are: the collective dismissal process in Spain, the roll out of new corporate principles and efforts to bring employees closer to daily store operations.

7.1 Employment and social dialogue

A considerable part of the DIA workforce operates under permanent and full-time contracts, as shown in the tables below.

	Total employees by contract type and type of workday at December 31	
	2018	2019
Permanent	38,772	35,057
Temporary	4,912	4,317
TOTAL	43,684	39,374
Full-time	34,469	31,209
Part-time	9,215	8,165
TOTAL	43,684	39,374

Table 8: Total number and distribution of employment contract type. Temporary contracts in 2018 have been restated adding internships. Permanent and full-time contracts in Spain are also restated for 2018 to include two employees from Switzerland. Directors have not been included in this breakdown.

Average annual contracts per gender (number)				
	2018		2019	
	Men	Women	Men	Women
Permanent	13,355	24,576	12,869	24,106
Temporary	2,152	3,464	1,837	3,371
Full-time	14,354	19,703	13,715	19,667
Part-time	1,154	8,337	991	7,811

Average annual contracts per age (number)						
	2018			2019		
	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years
Permanent	9,800	24,341	3,791	9,150	23,641	4,183
Temporary	3,051	2,251	314	2,795	2,108	305
Full-time	10,559	20,380	3,118	10,005	19,934	3,442
Part-time	2,293	6,212	986	1,941	5,815	1,046

Average annual contracts per status (number)						
	2018			2019		
	Executives	Managers	Employees	Executives	Managers	Employees
Permanent	182	1,659	36,091	171	1,601	35,203
Temporary	1	8	5,608	1	9	5,198
Full-time	0	39	9,451	172	1,569	31,640
Part-time	182	1,628	32,247	0	41	8,760

Tables 9, 10, 11: Average annual number of contracts by type of contract, gender, age and professional category.
Directors have not been included in this breakdown.

The 100% of employees in Brazil, Spain and Portugal are protected by a collective labor agreement, either at company or industry level (in Argentina, this figure accounts for 69% of the workforce), and the Company has 1,176 trade union representatives worldwide (compared to 1,115 in 2018). Given the countries in which DIA Group operates and the significant trade union representation in place, there is no perceived risk of violation of basic human and labor rights (such as child labor, slave labor, freedom of association or the right to collective bargaining) at in-house operations. The DIA's Ethics Code and the Group's Ethics Channel were set up to manage this area and also to help safeguard the DIA Group's commitment to respecting these values.

With regards remuneration, DIA's salaries are in line with market rates and labor agreements. Merit is the main driver behind salary growth and the DIA Group has performance evaluation mechanisms in place for its workforce. Store and warehouse employees are assessed on their performance and productivity, both on an individual level and in their workplace. At the offices, the personal objectives are focused on individual performance and values, and aligned with the Company's results.

		Average compensation paid (euros)					
		<30 years		30-50 years		>50 years	
		2018	2019	2018	2019	2018	2019
Executives	Men	-	-	118,608.73	151,437.85	136,807.99	179,959.82
	Women	-	-	90,805.68	115,417.88	118,641.04	80,305.65
Managers	Men	22,477.81	23,199.15	35,609.93	33,582.27	51,353.79	40,775.24
	Women	20,413.24	20,529.71	36,151.92	33,515.13	53,007.63	44,966.90
Employees	Men	11,627.00	10,322.89	16,749.71	16,152.44	23,166.66	18,914.79
	Women	11,098.49	9,379.70	15,171.12	15,682.78	18,144.52	15,520.54

Table 12: Average compensation paid¹¹ by category, gender and age (euros).

As a consequence of the Company's difficult financial situation and in line with new operational and commercial priorities, DIA has undertaken several collective dismissal processes at Spanish subsidiaries (DIA Retail España, S.A.U., before TWINS Alimentación, S.A.U., and Grupo El Árbol Distribución y Supermercados, S.A.U.) that have affected 1,468 employees. In addition, dismissals have also taken place in the rest of the Group's countries, mainly due to the closure of stores and warehouses and due to management team renovations.

		Number of terminations							
		2018				2019			
		<30 years	30-50 years	>50 years	TOTAL	<30 years	30-50 years	>50 years	TOTAL
Executives	Men	-	5	11	16	-	24	30	54
	Women	-	1	2	3	-	6	11	17
Managers	Men	3	40	13	56	8	151	29	188
	Women	1	19	5	25	6	63	3	72
Employees	Men	1,120	858	86	2,064	1,012	1,040	94	2,146
	Women	1,057	1,577	181	2,815	1,094	1,851	94	3,039
TOTAL		2,181	2,500	298	4,979	2,120	3,135	261	5,516

Table 13: Number of terminations by category, gender and age.

7.2 Health and safety in the workplace

DIA is aware of the importance of maintaining suitable prevention conditions. It therefore strictly abides by prevailing legislation and the collective agreements governing its labor relations contain specific points regarding employee health and safety. Along the same strategic lines, DIA has included procedures in its Global Prevention Plan to detect the repercussions of working conditions on employees' health, identifying employees who are particularly exposed to such risks so as to adapt their workplaces to the needs of each person. Beyond the collective agreements, there are no records of additional, specific health and safety agreements with trade unions.

In order to improve the well-being and work-life balance of store personnel, rest days are established taking into account the preferences of the worker whenever this is possible. There are also additional company benefits when it comes to child and dependent care. At the same time, employees at the headquarters have flexible in and out hours and intensive, compact working days during summer (in

¹¹ Everything received by employees throughout the year is considered here, except for payment in kind. This includes fixed pay actually processed and paid, additional payments dependent on the working day, productivity and performance bonuses and the distribution of profits. Executives category includes CEO.

Spain). Workers' right to disconnect from work has not been identified as a priority issue in the conversations held with employees and employees' representatives so far.

The next table shows company performance with regards the main health and safety indicators.

	Absenteeism and main health and safety indicators			
	Men		Women	
	2018	2019	2018	2019
Hours of absenteeism	1,909,199.4	1,754,311.0	5,193,002.7	5,216,606.0
Number of workplace accidents	1,024.0	1,127.0	1,389.0	1,442.0
Injury frequency rate	33.1	38.8	28.5	30.6
Serious accidents	10.0	36.0	17.0	21.0
Professional illnesses	10.0	2.0	24.0	22.0
Fatalities	0	0	0	0

Table 14: Absenteeism and main health and safety indicators. Hours of absenteeism include all possible causes (leave due to illness, accidents and other causes). Injury frequency rate is been restated for 2018 due to changes in the methodology (current rate represents the number of injuries per 1,000,000 employee-hours worked).

Absenteeism is an important indicator not only because of its impact on the Company's productivity, but also because it could negatively affect the work environment. There are several actions carried out to reduce this indicator, such as the individualized follow-up of cases, disease prevention campaigns/ promotion of healthy lifestyle habits or the active replacement of temporary or long-term leaves. The impact of these measures is still under study.

7.3 Equal opportunities

DIA is committed to respecting the principle of equality and condemns any type of discrimination, in any form, directly or indirectly, and for any reason: sex, marital status, age, race, social status, religion, political affiliation, etc. The general Human Resources Policy and the Ethics Code are the instruments that ensure compliance with this concept.

During 2019, one sexual harassment complaint has been received through the Ethics Channel, which led to the dismissal of two employees. No discrimination complaints have been proved this year. In relation to this topic, in 2018, a study by a third party was completed in Spain with the aim of confirming that there was no discrimination bias in the procedures used by the Company.

In Spain, the Group has had an Equality Program in place since 2012. This plan includes measures aimed at each of the following areas: access to the Company and selection; hiring; promotion; training; pay; reconciliation of personal, family, work and working time; occupational health; sexual harassment; gender violence; company culture, communication and awareness. The plan is preventive, in other words, it intends to eliminate any possibility of future discrimination based on sex. The existence of an Equality Agent, the implementation of different anti-harassment and gender-based violence protocols, discrimination prevention systems (access, promotion, compensation, language) and specific awareness campaigns are some of the best practices linked with this program.

DIA carries out a policy of equal pay in all its professional categories. The following table shows the gross pay gap by country for the different categories. It should be noted that the gross pay gap is the difference between the average total compensation for women and the average total compensation for men in an organization. This calculation does not take into account these key factors that allow comparability as a professional category, functional area, performance, knowledge or professional experience and that can significantly influence the final data.

	Gender pay gap	
	2018	2019
Executives	83.48	61.80
Managers	99.71	100.81
Employees	94.96	99.00

Table 15: Gender pay gap (ratio calculated as the average pay for women among men for each category). All concepts, except retribution in kind, are taken into account for calculation.

The DIA Group also works to integrate groups with disabilities in all countries in which it operates. In total, among DIA's workforce at the end of 2019, there were 497 people with some type of physical or intellectual disability. Despite the efforts made by different countries of the Group, this global figure has decreased in comparison to the previous year along with the contraction of the global workforce figure.

		Disabled employees in the workforce at December 31					
		<30 years		30-50 years		>50 years	
		2018	2019	2018	2019	2018	2019
Executives	Men	0	0	1	1	0	0
	Women	0	0	0	0	0	0
Managers	Men	0	1	0	0	1	1
	Women	0	0	2	2	0	0
Employees	Men	105	76	180	164	24	26
	Women	54	41	160	138	45	47
TOTAL		159	118	343	305	70	74

Table 16: Disabled employees in the workforce, by professional category, gender and age, at December 31.

Moreover, during 2017, an independent assessment of store accessibility was completed in 10 locations across the Spanish network. This assessment will serve as a basis for addressing appropriate accessibility improvements in the future.

7.4 Employee training

DIA Group maintains an active policy in terms of retaining and training talent. In addition to external training, the DIA Group has more than 30 in-house training centers for employees and franchisees who work in stores. These centers are involved in training sales people at all levels to carry out functions such as checkout operations, new services, and more specific tasks such as the running of the meat and fish sections. The Company also runs specific training programs at its logistics centers.

In 2019, employee training and communication programs have been built around four priorities:

- Promote the new Company's values:
 - Customers are at the center of everything we do.
 - Cooperation with our employees, franchise and business partners is based on fairness and mutual respect.
 - Dedication and strong engagement of all employees and franchise partners is vital for the long-term success of our company.
 - We adopt a zero tolerance policy in relation to corruption.

- We strive for permanent improvement in all areas of the business.
 - We foster a culture of change, permanent innovation and creative solutions. A culture of “allowed failure” is an integral part of that.
 - We strive for Operational Excellence in all parts of the Company.
 - We reduce complexity and follow the principle of “Keep it Simple”.
 - Cost consciousness, efficient workflow and short decision making processes are key for future success.
- Zero tolerance for corruption and unethical behavior: as shown in the compliance and ethics chapter, a total of 3,388 people have been trained on this (compared to the 2018 figure of 375). This includes 157 people within top management and face-to-face training sessions executed by the CEO and other company leaders.
 - New store operations model. Simplifying and standardizing procedures, as well as focusing on the customer are cornerstones not only for the new DIA values, but also for the new store operations model. Implementing it has required an in-depth review of the Company's operations and everybody's roles and responsibilities and it has been supported by the whole organization, including HR and its training and communications program.
 - Focus on store operations and the client. With the objective of better supporting the stores in giving customers the best shopping experience, a training program has been designed to bring office employees closer to the store network. This program, which at this date runs in Argentina and Spain, will enable employees to spend one day per semester working in the stores. In addition, any new recruits, regardless of their status, will undergo an induction period of two weeks, working in one or more of the stores. The final objective is that the whole organization understands the day to day reality of the stores and the client, and creates a closer and more effective relationship.

		Training					
		Executives		Managers		Employees	
		2018	2019	2018	2019	2018	2019
Men	Training hours	882.0	1,102.0	8,808.2	7,947.0	89,610.2	87,476.5
	Average training hours	6.8	9.4	8.6	8.3	6.2	6.4
Women	Training hours	773.0	436.0	7,746.1	5,469.0	175,523.9	143,628.0
	Average training hours	14.9	8.0	12.1	8.5	6.4	5.4
TOTAL		1,655.0	1,538.0	16,554.3	13,416.0	265,134.1	231,104.5

Table 17: Annual training hours and average training hours per professional category and gender.

8. FRANCHISEES

Almost 30 years of experience in developing the franchise model has seen the DIA Group become the number one ranked franchiser in Spain and fourth-largest franchiser in Europe in the food distribution sector, according to the international ranking carried out by consulting firm Franchise Direct, which is based on parameters that take into account financial issues, innovation capacity, environmental action and franchisee support, among other aspects.

At 2019 year end, the number of franchise stores in the Group came to 2,901, which is 44% of total stores overall. This number is made up of two types of store and contractual relationship:

- COFO (company owned franchise operated) model: stores are transferred to the franchisee for management and operation. The Group retains a portion of the revenues and the ownership of a potentially strategic point of sale.
- FOFO (franchised owned franchise operated) model: all personnel and operating costs, including establishment opening and improvement costs (investments), are borne by the franchisee.

In both types, the Company provides its historical knowledge of the sector and the strength of its brand and logistical developments, while the franchisee contributes their sales vocation and local market knowledge, which is key to developing the model of proximity and approachability.

This relationship of trust between the DIA Group and the entrepreneurs also creates value and wealth in the communities in which the franchises are set up. During 2019, DIA franchise business generated over 20,500 estimated direct jobs.

	Franchised stores December 31		Number of franchise employees	
	2018	2019	2018	2019
ARGENTINA	681	611	4,256	4,147
BRAZIL	686	347	9,576	5,611
SPAIN	2,069	1,665	7,469	6,793
PORTUGAL	309	278	2,179	1,969
TOTAL	3,745	2,901	23,832	20,539

Table 18: Franchised stores and estimated number of employees for the franchise network. Data for 2018 have been restated to include Clarel franchised stores and estimated employees.

Main communication channels with this stakeholder

- The Group closely monitors its franchisee relationship by conducting annual surveys prepared by Nielsen, an independent consultant. With this anonymous and confidential survey, you obtain information from franchisees about what aspects they consider to be eligible for improvement and what their levels of satisfaction are.
- The Franchise Portal, an online platform where entrepreneurs can access databases of their own and comparative information and can use the message servicing system to contact the Group directly.
- Regular discussion forums within the “Franchise Week” series and existing local assistance programs, such as “Atención al Socio Estratégico” in Spain, “El Defensor del Franquiciado” in Argentina and “DIA te escucha” in Brazil.
- Franchise newsletter in all the countries the Group operates in, with important information about the Group.

Main risks associated with this stakeholder

Conflict and potential loss of partners could affect the associated with the DIA brand and the success of the Group's business model, as it largely depends on its ability to maintain contractual relationships with profitable franchisees. The Company's new management considers that this risk has materialized and therefore concrete action plans have been defined to improve the relationship.

Main policies governing relations with this stakeholder and performance

- Corporate Franchise Policy: establishes the guidelines relating to franchisees, ensuring that each country's legislation is respected, the information provided is accurate, and that agreements with entrepreneurs who decide to manage a DIA store through the franchise model are fulfilled.

The Group has established several support programs through which franchisees can develop a closer relationship, resources to meet their specific needs and contribute to their success. As described above, there is a strong focus on improving communications between franchisees and the Group. In addition, Argentina and Brazil also organize an integration day with franchisees. The "DIA Academy" is a professional training school in Argentina to provide guidance to aspiring entrepreneurs on how to run a business. In 2017, Brazil set up the "DIA Experts Committee" with a group of franchisees. The aim of this initiative is to share issues, ideas, and suggestions on which it can subsequently implement improvement plans.

From an operational perspective, regional centers in Spain have been supplied with a franchise analyst for their team, in charge of providing franchisees with financial and economic advice, which allows such franchisees to leverage the profitability of their business. There is also a logistics contact person who deals with all order requests and any other logistics issues faced by franchisees. Although the Group does not have a formal commitment to financially assist franchisees, it has a financing committee that analyses cases where franchisees are undergoing financial difficulties to determine whether and how to assist them.

It has to be noted that all changes made at the operational and commercial level to improve the Company's business model benefit both company owned stores and franchisee stores. Treating franchisee stores with the same management criteria is a basic principle and an important commitment from the DIA Group.

In addition, one of the strategic objectives of the new management is a sustainable franchise model in the long term. To this end, several measures have been analyzed and tested this year that provide the franchise network with more liquidity and profitability and simplify operations. The objectives of this new model are to incentivize sales and attract highly professional franchisees, thus raising the strategic value of the franchise network for the DIA business model.

9. SUPPLIERS

DIA Group has numerous supply and supply agreements developed for all its products, which it acquires from suppliers of own brands and suppliers of national brands from all over the world. Supplier size varies, from large multinational groups to national suppliers and small local or regional suppliers. Most purchases are made directly to your suppliers, without intermediaries. At the same time, DIA Group continues to participate in the international trading platform Horizon International Services, together with Auchan Retail, The Casino Group and Metro Group to negotiate international services with domestic brand suppliers. The other purchasing plants in which DIA participated (CD Supply Innovation, S.L., Red Libra Trading Services, S.L.) do not have activity at the end of the year.

Main communication channels with this stakeholder

- Suppliers portal is an online platform where suppliers can access historical databases, the invoicing system and, in some cases, stock status.
- Suppliers annual/regular meetings, where suppliers are informed about the corporate priorities and situations and can exchange ideas with top management.

Main risks associated with this stakeholder

Non-compliance with applicable regulations and/or unethical conduct by suppliers. This risk did not materialize in 2019.

Main policies governing relations with this stakeholder and performance

- Corporate Quality and Food Safety Policy: The Company's Corporate Quality and Food Safety Policy aims to create a relationship with its consumers based on trust through a system that rigorously guarantees the proper production, processing and management of all the products the Company offers. Accordingly, the Company keeps control of product quality and safety throughout the supply chain, monitoring storage, transport and sales processes.

DIA Group selects its suppliers based on criteria related to competence, process efficiency and the highest quality of the products. The Group does not have a procurement policy as such that includes social and environmental principles applicable to its relations with suppliers. However, all suppliers have been proactively informed of the launch of the new DIA Group complaints and consultation channel as well as the new gift and hospitality policy, and have been encouraged to use the Canal in the event that the channel is detected some non-compliance situation.

Although a proactive process to detect non-compliance with human or labor rights has not been carried out to date, commercial and ethical channels have not detected any misconduct within the DIA supply chain. Since human rights management along the supply chain has gained relevance in the last years, its inclusion as a material issue will be reassessed in the near future to include it. In fact, in February 2020, an International Sanctions Policy is been approved. This policy will ensure that the Company does not carry out commercial relations with third parties (companies or people that provide any good or service) that have some kind of direct or indirect link with countries, organizations, groups and / or individuals. that are sanctioned for reasons of terrorism, drug trafficking, breach of human rights, among others, by international entities (UN, European Union, USA, etc.).

	Number of local suppliers		Proportion of spending on local suppliers (%)	
	2018	2019	2018	2019
ARGENTINA	472	456	96.41	96.68
BRAZIL	993	397	98.75	99.83
SPAIN	1,481	1,415	94.80	95.35
PORTUGAL	440	431	82.48	83.25

Table 19: Local suppliers and proportion of spending on local suppliers.

Together with the shared objective of guaranteeing product safety and quality (already explained in the Customer chapter), the Company will also foster a new and collaborative relationship with suppliers in the coming years. The objective of this new supplier relationship model will be to create symbiotic, fair and enduring partnerships with a shared focus on achieving long-term growth rather than short-term margin targets. This will not only enable us to achieve a new business model, but also better management of supplier compliance with DIA's values.

10. INVESTORS

The investment community is arguably one of the most important stakeholders for a listed company. This is true not only for companies with an important free float, as DIA has been until recently (LetterOne Investment Group held a 74.82% share as of December 31, 2019), since most of them need to call on financial markets for the development of their activity.

Main communication channels with this stakeholder

Shareholders and investors have a number of available communication channels where they are provided with detailed information about the Company's stock market and businesses, thus maintaining effective and transparent communication. Beyond the information regularly provided by corporate reports and the investor relations team, the department organized 151 different information activities across different platforms, including two roadshows, one-to-one meetings, webcasts and conference calls. All of them with the aim of providing the market and shareholders with the most up-to-date and accurate information, beyond the legal information that publicly traded companies are required to provide.

Main risks associated with this stakeholder

Any failure, insufficiency or breakdown in the Group's internal controls over financial reporting could have a material adverse effect on the Group's business, operating results, financial condition or prospects (materialized in 2019); The Group's ability to pay dividends to its shareholders is uncertain and may be restricted; protecting the interests of minority shareholders from the controlling shareholder.

Main policies governing relations with this stakeholder and performance

- Corporate Investor Relations Policy: The investor relations policy establishes the guidelines for the department that deals with the stock markets, based on transparency, truthfulness, responsiveness and permanent communication, in accordance with the applicable law, the Internal Code of Conduct and the rest of the Company's internal regulations. Those responsible for investor relations base their actions on these principles, reaching out to the necessary people so that shareholders, institutional investors and voting advisors have access to clearly identified contact people, as well as regular and simple access to the Company's information.

As already stated in the Compliance and Ethics chapter, by the end of 2018, the Group identified irregular accounting practices in Spain and Brazil, which led to the restatement of the Group's financial statements for the years ended December 31, 2017 and 2016. In 2019, the Group appointed a firm of advisors to carry out a forensic investigation to establish the causes of such irregularities and to identify the people responsible. The investigations, both in Spain and in Brazil, are complete and the final reports have been brought to the attention of the Anti-Corruption Prosecutor's Office (Fiscalía Anticorrupción). These investigations could adversely affect the Group's business or lead to the commencement of legal proceedings against the Group, which could have an adverse material effect on the Group's business, operating results, financial condition or prospects. At the same time, this fact, together with other relevant events (like the capital reduction) resulted in a significant fall in the Company's share price in 2018 and 2019.

A SCIIF Manual has been approved with the objective of specifying and developing the functions of the responsible identified in the previous Policy, as well as the methodology for the development of the internal control function. Additionally, Internal Control Committees (Corporate and countries) have been set up with the objective of creating a common area for joint knowledge and analysis of the issues related to the operation of the internal control system of DIA, with the final objective of channeling solutions to potential contingencies.

11. ENVIRONMENT

Since the environment could easily fit in the definition of stakeholder as someone who can affect or is affected by the Company's activity, it is treated here as one of the DIA Group's primary stakeholders. In addition to this, it can easily be incorporated into stakeholder management processes, bringing a more holistic approach to stakeholder management.

Main communication channels with this stakeholder

One-to-one personal meetings with environmental NGOs and active listening channels for legislative changes are the main communication channels with this stakeholder. This activity is also reinforced by the institutional agenda kept, mainly, through the industry organizations the Company belongs to.

Main risks associated with the environment

The most relevant risks identified are the inadequate compliance of environmental regulations and the risk of natural disasters. None of these risks have formally materialized in the Company reports, although the flooding in Alicante and Murcia, Spain, in September 2019 caused significant economic damage at the Company's facilities.

Main policies governing relations with this stakeholders and performance

The DIA Group's commitment to the environment is defined in its Environmental Policy, endorsed by the Board of Directors in 2016. This policy sets forth the objectives both in terms of operations and the organizational culture guiding the Company's activities. Performance attained in each of the policy objectives is set forth below:

11.1 Complying with existing regulations

Abiding by the law is the first mainstay upon which the DIA Group's work for the environment is based.

Moreover, no significant fines have been imposed for breach of regulations during this year¹². The Company considers that no significant contingencies exist concerning the protection and improvement of the environment and, accordingly, no provision has been made in this regard.

In addition to this and despite the fact that DIA Group's activities do not pose a serious environmental risk, due to their nature, any incidents that could arise in this regard are identified and monitored by the Company's risks map.

11.2 Promoting the responsible use of resources

In line with the regulatory developments, DIA Spain has reduced the environmental impact of using plastic bags. The offer of reusable, rigid bags made from up to 70% recycled plastic has been streamlined and different tests with FSC bags, both for rigid bags and sectioned bags, have been run.

Beyond regulatory requirements, the environmental performance of packaging has also been substantially improved in the fresh category, where bulk vegetable selling has increased 70% compared to last year, eliminating plastic from more than 1,000 tonnes of vegetables. The fruit and vegetable offering strategies are now made on the basis of bulk products, so the expectation is that this results in an important reduction in tonnes of plastic in a near future.

¹² The significance thresholds for reporting sanctions are: 0 euros for issues relating to competition; 30,000 euros for issues relating to the environment and 50,000 euros for all other issues.

The table below outlines usage of the different materials at DIA Group (packaging used in private label not included here). In 2019 there is a strong decrease in the consumption of paper and cardboard, mainly due to different streamlining projects carried out in the marketing departments in all countries.

Materials consumed, by major groups (Kg)	2018	2019
Paper and cardboard	11,762,246.0	9,481,420.3
Plastics	1,658,600.0	1,530,919.2
Others	286.4	0.0

Table 20: Materials consumed by major groups (Kg).

11.3 Managing waste following the waste hierarchy model

The policy's objective in this regard is managing waste by following the waste hierarchy model, prioritizing waste prevention and avoiding waste disposal where possible. The following table shows waste generated by the DIA Group, which in the case of non-hazardous waste has decreased by more than 900 tonnes with respect to the prior year.

	Non-hazardous waste generated (Kg)	
	2018	2019
Toner	21,595.0	1,847.7
Organic material	2,057,580.0	7,747,637.0
Scrap metal	1,289,473.0	2,942,471.8
Plastics	5,044,527.0	4,732,532.0
Wood	2,378,274.0	2,066,833.0
Paper/Cardboard	64,265,748.0	59,473,253.0
RAEE	35,787.0	23,473.0
Indifferentiated	47,738,822.0	44,929,791.0
TOTAL	122,831,806.0	121,917,838.5

Non-hazardous waste					
% Recycled		% Reused		% Landfill	
2018	2019	2018	2019	2018	2019
58.86	61.32	2.00	0.10	39.34	38.58

Tables 21, 22: Non-hazardous waste and its processing destination.

	Hazardous waste generated (Kg)	
	2018	2019
Batteries	64,796.0	71,531.4
Fluorescent bulbs	181.0	237.0
TOTAL	64,977.0	71,768.4

Hazardous waste					
% Recycled		% Reused		% Landfill	
2018	2019	2018	2019	2018	2019
99.92	100	0.00	0.00	0.08	0.00

Table 23, 24: Hazardous waste (Kg) and its processing destination.

During 2019, DIA Group continued working to minimize food waste, concentrating its efforts on the following lines of action:

- Ordering more effectively and managing stock properly: the frequency distribution of fresh products has been increased and the product portfolio has been optimized, therefore reducing the fresh stock at stores and the possibility of food waste. In addition, each section manager has been given specific responsibility over fresh stock management. This improvement has reduced food waste in Spain by over 7,000 tonnes in 2019.
- Selling products with short use-by dates at low prices: bargains on products that need to be consumed quickly at low prices.
- Raising public awareness: raising public awareness, in collaboration with AECOC, among different stakeholders, with a particular focus on the customer.
- Donation of unsold stock to people and families on very low incomes. This is done through authorized partners, making sure that the food products are stored and transported in the right conditions.
- Waste recycling: if in spite of these measures there is still organic waste at the Company's facilities, the first option is to recycle it as pet food, compost or biogas.

11.4 Adopting measures to reduce the emission of greenhouse gases

Product distribution and sales activity calls for the consumption of significant energy resources in stores, warehouses and transportation and the resulting greenhouse gas emissions.

		Energy and refrigeration gases consumption		CO ₂ emissions (Tn CO ₂ eq)	
		2018	2019	2018	2019
Scope 1	Stationary sources (GJ)	8,413.8	8,195.6	533.3	513.2
	Logistics (GJ)	1,951,948.2	2,033,779.8	145,771.0	151,882.0
	Company cars (GJ)	44,763.0	44,519.4	3,307.0	3,284.7
	Refrigeration gases (Kg)	147,083.5	81,786.2	300,455.0	171,426.0

		Energy and refrigeration gases consumption		CO ₂ emissions (Tn CO ₂ eq)	
		2018	2019	2018	2019
Scope 2	Electricity consumption (GJ)	3,876,219.1	3,801,029.7	290,807.0	291,903.8
Scope	Business travel	-	-	-	9,453.5

Table 25: Energy consumption and CO₂ emission at DIA Group¹³. Electricity consumption and the CO₂ footprint for Brazil and Portugal 2018 have been restated.

The 2019 has been a year of change at DIA Group in terms of management and financial structure, culture and operations. Against this backdrop, the defining of reduction targets and the implementation of eco-efficiency measures has been put on standby. DIA Group's carbon footprint of 628,463 CO₂ equivalent tonnes in 2019 (a 16% reduction compared to previous year) is mainly explained through the introduction of new operational projects:

- While the logistics footprint has increased in some countries because of the significant increase in distribution frequency (greater distribution frequency will translate into better stock management and fresher products for the customer), it has decreased in some countries due to the closure of stores.
- The refrigeration systems footprint has halved due to various factors: store closures, reduced renovations and the extended use of less pollutant gases over the last few years. These gases not only have lower global warming potential, but they also work at a lower pressure (which also helps to reduce leaks).
- The decreased used of renewable energies in 2019 (from approximately 62 million kWh used in 2018 to 35 million kWh in 2019) has been cancelled out by decreased electricity consumption due to store closures. As a result, scope 2 emissions from electricity consumption have increased by 0.01% compared to 2018.

11.5 Actively working on identifying improvement opportunities

The Group has set up an Environmental Management system designed to generate continuous improvement and minimize the environmental impact of the Group's activity. The environmental auditing of facilities and activities carried out regularly by the Environmental area enables DIA to assess the level of regulatory compliance (with legislation and in-house standards), as well as to identify improvement opportunities.

11.6. Encouraging staff through training and awareness initiatives

The most important information and training initiatives have been set up in 2019 around the following issues:

- Streamline use of resources: posters in workspaces to raise awareness of the importance of reducing the use of water, energy and material resources (paper, cling film, etc.).

¹³ Detail of refrigerant gases reported: R134A, R404A, R407A, R407C, R407F, R410A, R417A, R141B, R422D, R427A, R448A, R449A, R450A, R452A, R453A, R513A, R507 y R22. In terms of CF-11 equivalents, 1,24 tonnes have been produced by gas R-22; Electricity consumption for the last few months of 2019 includes some estimates in Brazil, Spain and Portugal; Scope 3 emissions have only been reported for Spain and Brazil, as business travel for the other countries represented less than 5% of this figure.

- Adequate waste management: training sessions geared towards warehouse and store staff to promote the separation of reusable, recyclable and recoverable waste components at source.

12. SOCIETY

DIA is very aware that the greatest impact it can have on society is the one that derives from its core business: successfully supplying products that meet all their customers' needs and making them accessible to everyone, creating quality jobs and entrepreneurship opportunities and, lastly, generating wealth through local business and supplier development. This is why the foregoing sections show DIA Group's relations with its main stakeholders and how these relations are managed by the Company.

DIA also recognizes its accountability towards other stakeholders that could be catalogued in the society group (general public, public administrations, media, etc.). Accountability to this group is fundamentally understood to be based on two pillars: a) ensuring strict compliance with the law and transparent and reliable information and b) tax responsibility, understood as strong tax governance procedures and tax discipline. With regards the first pillar, it should be noted that the Company has not received any fines for non-compliance with social or economic legislation in 2019¹⁴, other than the ones related to tax payments. In terms of tax responsibility, a specific section is included herein to describe the Company's policy in this regard.

Main communication channels with this stakeholder

Very diverse: from a dedicated team for external relations to corporate reports, official email channels and indirect participation in sectorial platforms.

Main risks associated with this stakeholder

The most relevant risk identified is the inadequate compliance with regulations, which could also lead to associated reputation risk erosion if it results in adverse publicity.

The application of tax laws, rules and regulations to the Group's business is subject to interpretation by the competent tax authorities. The Group relies on generally available interpretations of tax laws and regulations in the jurisdictions in which it operates, and it believes that it is in material compliance with applicable tax laws. However, there can be no assurance that tax authorities may not take the view that the Group's interpretations are not accurate.

Main policies governing relations with this stakeholder and performance

- Corporate Tax Policy (or Tax Strategy): The DIA Group's tax policy establishes the necessary scope of action to responsibly comply with tax regulations while ensuring that the Company's interests are covered, always supporting the Company's business strategy. Accordingly, DIA seeks to create a climate of compliance, good faith, transparency, collaboration and reciprocity in its relationships with the tax authorities, in accordance with the law, while defending its legitimate interests.
- Corporate External Relations Policy: The aim of the Corporate External Relations Policy is to promote transparent and accessible relations based on mutual respect with the media, regulatory bodies and associations. This policy focuses on achieving the Company's objectives outlined in its strategic plan and better positioning the Company in the market.

12.1. Tax governance, control and risk management

DIA Corporate Tax Strategy was approved by the Board of Directors in 2015 and its main aim is to ensure compliance with tax regulations while safeguarding the Company's interests. The tax principles and good practices comprising the DIA Tax Strategy should guide decision making at all levels.

As part of the good tax practices guiding DIA's activity, the Tax Strategy establishes that DIA does not use opaque corporate structures of any kind or companies located in tax havens for the purposes of concealing relevant information from the tax authorities. The Company is also part of the "Código de

¹⁴ The significance thresholds for reporting sanctions are: 0 euros for issues relating to competition; 30,000 euros for issues relating to the environment and 50,000 euros for all other issues.

Buenas Prácticas Tributarias¹⁵. In this regard, it should be noted that the transfer of assets from Spanish to Luxembourg subsidiaries is only for the purposes of the financial agreement reached with the syndicated lenders, as already explained, and not for tax purposes.

DIA Group is also committed to complying with the OECD Guidelines for Multinational Enterprises and OECD BEPS reports on tax matters.

As a result of DIA Group's Tax Strategy, DIA has designed a System for the Control and Management of Tax Risks, even where the legal standards do not strictly require it. The aim of this system is to identify the main tax risks in order to evaluate and prevent them. For these purposes:

- Controls are defined within the different tax processes that are documented through risk matrices and controls (more than 90% of the controls defined are key controls).
- The controls established are assessed annually, using SAP GRC.
- In addition to the obligatory mention of control and tax risk management in the Annual Corporate Governance Report, the results of the annual review of the Tax Risk Management and Control System are reported to the Board of Directors' Audit and Compliance Commission.

	Profits generated before taxes (thousand euros)		Tax paid (thousand euros)	
	2018	2019	2018	2019
ARGENTINA	-4,694	-34,513	-7,610	-479
BRAZIL	-8,408	-263,488	-1,694	-505
SPAIN	-129,267	-357,174	-7,753	328
PORTUGAL	-17,322	-21,782	-3,290	1,358

Table 26: Profits generated before taxes and tax paid in 2019, in thousand euros. Profit and tax figures from Paraguay (-197 and -15, respectively) included as part of Argentina; profit and tax figures from Switzerland (63 and -10 euros, respectively) and Luxemburg (-117 and 0, respectively) included as part of Spain. Data for 2018 have been restated.

More information about tax management, including litigations and periods open to inspection can be found in 16 note of the Consolidated Annual Accounts, 2019.

With regards other transactions with public bodies, it should be noted that, unlike the 63,389.18 euros received in Spain in 2018, no public grants¹⁶ have been received this year.

12.2. Partnerships and sponsorship actions

In addition to these two main aspects in relation to "the society", DIA also works with various non-profit entities and associations to develop charitable actions (main ones are summarized in the table below). As in many other areas of the Company, the approach towards philanthropic activities is being reviewed. In this regards, it is important to highlight that the sponsorship program with the Spanish Basketball Federation has been cancelled, as well as other historic projects the Group had been supporting.

¹⁵ https://www.agenciatributaria.es/AEAT.internet/Inicio/_Segmentos_/Empresas_y_profesionales/Foro_Grandes_Empresas/Codigo_de_Buenas_Practicas_Tributarias/Adhesiones_al_Codigo_de_Buenas_Practicas_Tributarias.shtml

¹⁶ Public grants are defined as any economic contribution paid by a public body to the company to carry out a specific activity. Social security bonuses received for training or other concepts are not included here.

ARGENTINA	BRAZIL	SPAIN	PORTUGAL
UNICEFF race support Employees support to renovate the School Home "The Ark of Children"	Corporate volunteering Natal Solidario Organizational support of Autism Walk in Sao Paulo	Afternoon snacks together with the Red Cross in Extremadura for children at risk of exclusion 9th Race against Rare Diseases in Madrid	Support of "Futebol de rua da CAIS" social inclusion project Support of the Association - Entrepreneurs For Social Inclusion fellowship programme

Table 27: Main philanthropic activities carried out by DIA Group in 2019.

This type of collaboration can only be carried out by means of a written agreement that clearly states the recipient of the benefit, the purpose of the sponsorship, the type and value of the contribution and reasonable consideration agreed upon.

The DIA Group's dialogue and collaboration with third parties always respects DIA's Ethics Code and the spirit of the Corporate External Relations Policy. Although DIA has its own institutional agenda, it is aware that many of the global challenges faced by the sector and society as a whole require the different players to participate in a coordinated manner. For the sake of transparency, below are the main sector associations with which the DIA Group is involved worldwide:

- Eurocommerce: DIA is present in this European distribution union through its participation in ASEDAS.
- ASEDAS (Asociación Española de Distribuidores de Autoservicio y Supermercados - Spanish Association of Distributors, Self-service Chains, and Supermarkets).
- Ecoembes.
- AECOC: (Asociación Española de Fabricantes y Distribuidores - Spanish Association of Manufacturers and Distributors).
- CEL (Centro Español de Logística - Spanish Logistics Centre).
- PACKNET (Plataforma Tecnológica Española de Envase y Embalaje - Spanish Technological Platform of Containers and Packaging).
- AEA (Agencia Española de Anunciantes - Spanish Advertisers' Agency).
- AGERS (Asociación Española de Gerencia de Riesgos y Seguros - Spanish Association of Risk Management and Insurance).
- IGREA (Iniciativa de Gerentes de Riesgos Españoles Asociados - Initiative of Associated Spanish Risk Managers).
- Asociación Española de Franquiciadores (Spanish Franchisers' Association).
- ISMS FORUM (La Asociación Española para el Fomento de la Seguridad de la Información - Spanish Association for the Advancement of Information Security).
- ISACA (Information Systems Audit and Control Association).
- APED (Associação Portuguesa de Empresas de Distribuição - Portuguese Association of Distribution Companies).

- APF (Associação Portuguesa de Franchising - Portuguese Franchising Association).
- ASU (Asociación de Supermercados Unidos - Association of United Supermarkets).

The DIA Group is adequately registered as a business lobby for its interaction with the European Union, although in 2017 this activity only took place through its unions in Spain and Portugal.

13. GLOBAL REPORTING STANDARD EQUIVALENCE INDEX OF ACT 11/2018

Act 11/2018 requirements	GRI	Material for DIA	Scope	NFIS Chapter
GENERAL INFORMATION				
Business model				
Description of the business model, business environment, organization and structure.	102-2; 102-5	Yes	Global	2. Company presentation; 3. Business model;
Markets in which the company operates	102-6	Yes	Global	2. Company presentation
Objectives and strategies	102-15	Yes	Global	3.1. Recent actions and business strategy
Key factors and trends that may affect the company's future development	102-15	Yes	Global	3.1. Recent actions and business strategy
Description of policies, including due diligence procedures and verification and control procedures, including what measures have been taken	GRI 103: Economic, environmental and social performance factor	Yes	Global	4.2. Corporate policies; 6. Customers; 7. Employees; 8. Franchises; 9. Suppliers; 10. Investors; 11. Environment; 12. Society
The results of these policies and associated KPIs (these KPIs should enable the assessment of progress and comparability between companies and sectors, in accordance with national, European or international benchmark frameworks used for each area)	GRI 103: Economic, environmental and social performance factor	Yes	Global	6. Customers; 7. Employees; 8. Franchises; 9. Suppliers; 10. Investors; 11. Environment; 12. Society
Main risks identified, risk management model and materialization of risks.	102-15	Yes	Global	4.3. Risk Management at DIA Group; 6. Customers; 7. Employees; 8. Franchises; 9. Suppliers; 10. Investors; 11. Environment; 12. Society
ENVIRONMENTAL ISSUES				
General information about environmental performance				
Current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety	GRI 103: Environmental focus; 102-15	Yes (Eco-efficiency)	Global	11. Environment
Environmental assessment or certification procedures	GRI 103: Environmental focus	Yes (Eco-efficiency)	Global	11.5 Actively working on identifying improvement opportunities
Resources dedicated to environmental risk prevention	GRI 103: Environmental focus	Yes (Eco-efficiency)	Global	11. Environment
Application of the principle of precaution	102-11	Yes (Eco-efficiency)	Global	11.1 Complying with existing regulations
The amount of provisions and guarantees for environmental risks	307-1	Yes (Eco-efficiency)	Global	11.1 Complying with existing regulations
Pollution				

Act 11/2018 requirements	GRI	Material for DIA	Scope	NFIS Chapter
Measures for preventing, reducing or offsetting carbon emissions that seriously affect the environment; Taking into account any kind of atmospheric pollution specific to an activity, including sound and light contamination.	GRI 103: Emissions management approach; 305-1; 305-2; 305-3; 305-5; 305-6	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases; 5. Corporate Social Responsibility Management at DIA Group
Circular economy and waste prevention				
Waste: Measures for prevention, recycling, reusing, other forms of recovery and waste elimination;	GRI 103: Effluents and waste management approach; 306-2	Yes (Eco-efficiency)	Global	11.3 Managing waste following the waste hierarchy model
Actions to combat food waste	GRI 103: effluents and waste management approach	Yes (Food waste)	Global	11.3 Managing waste following the waste hierarchy model
Sustainable use of resources				
Water consumption and water supply according to local limitations;	not reported	No material		5. Corporate Social Responsibility Management at DIA Group
Consumption of raw materials and measures adopted to improve efficiency of use;	301-1	Yes (Eco-efficiency)	Global	11.2 Promoting the responsible use of resources
Direct and indirect consumption of energy, measures adopted to improve energy efficiency and use of renewable energies.	GRI 103: Energy management approach; 302-1; 302-2; 302-4	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
Climate Change				
Significant elements of greenhouse gas emissions generated as a result of Company activity, including the use of goods and services it produces;	305-1; 305-2; 305-3; 305-5;	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
The measures adopted to adapt to the consequences of climate change	GRI 103: Emissions and energy management approach	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
Medium and long-term voluntary reduction targets for greenhouse gas emissions and the measures implemented for this purpose.	GRI 103: Emissions and energy management approach	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
Biodiversity protection				
Measures adopted to preserve or restore biodiversity;	not reported	No material	Global	5. Corporate Social Responsibility Management at DIA Group
Impacts caused by activities or operations in protected areas.	not reported	No material	Global	5. Corporate Social Responsibility Management at DIA Group
SOCIAL AND EMPLOYEES ISSUES				
Employment				

Act 11/2018 requirements	GRI	Material for DIA	Scope	NFIS Chapter
Total number of employees by gender, age, country and professional category;	102-8 ; 405-1	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Total number of employees by type of contract;	102-8	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Average annual number of permanent contracts, temporary, full and part-time contracts by gender, age and professional category;	102-8	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Number of terminations by gender, age and professional category;	401-1	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Average remuneration and evolution by gender, age and professional category or equivalent value;	405-2	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Wage gap, remuneration of equal jobs or company averages;	405-2	Yes (Gender equality)	Global	7.3. Equal opportunities
Average remuneration of board members and executives, including variable remuneration, allowances, indemnities, payment of long-term savings plans and any other benefit, broken down by gender;	GRI 103: Diversity management approach	Yes (Gender equality)	Global	7.1. Employment and Social Dialogue
Implementation of policies safeguarding employees' right to disconnect;	GRI 103: Employment management approach	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Employees with disabilities.	405-1	Yes (Labour practices)	Global	7.3. Equal opportunities
Work organisation				
Organisation of work time.	GRI 103: Employment management approach	Yes (Labour practices)	Global	7.2. Health and Safety in the workplace
Hours of absenteeism.	403-2	Yes (Labour practices)	Global	7.2. Health and Safety in the workplace
Measures adopted to facilitate work - life balance and promote shared responsibility among couples.	GRI 103: Employment management approach	Yes (Gender equality)	Global	7.2. Health and Safety in the workplace
Health and safety				
Health and safety conditions in the workplace;	GRI 103: Health and safety management approach	Yes (Health and safety)	Global	7.2. Health and Safety in the workplace
Workplace accidents, specifying accident rates and seriousness.	403-2	Yes (Health and safety)	Global	7.2. Health and Safety in the workplace
Professional illnesses; by gender.	403-3	Yes (Health and safety)	Global	7.2. Health and Safety in the workplace
Social Relations				

Act 11/2018 requirements	GRI	Material for DIA	Scope	NFIS Chapter
Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff;	GRI 103: Employment management approach	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Percentage of employees covered by a collective agreement, by country;	102-41	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Balance of collective agreements, particularly in the area of health and safety in the workplace.	403-1	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Training				
Policies implemented in the area of training;	GRI 103: Training and education management approach	Yes (Develop. of human capital)	Global	7. Employees
Total hours of training by professional category.	404-1	Yes (Develop. of human capital)	Global	7. Employee training
Universal accessibility for people with disabilities	GRI 103: Diversity and equal opportunities approach	Yes (Labour practices)	Global	7.3. Equal opportunities
Equality				
Measures adopted to promote equal opportunities for and treatment of men and women;	GRI 103: Diversity and equal opportunities approach	Yes (Gender equality)	Global	7.3. Equal opportunities
Equality plans, measures taken to promote employment, protocols against sexual and gender-based harassment	GRI 103: Diversity and equal opportunities approach	Yes (Gender equality)	Global	7.3. Equal opportunities
Measures taken to promote the integration and universal accessibility of people with disabilities.	405-1	Yes (Labour practices)	Global	7.3. Equal opportunities
Policy against all types of discrimination and, if applicable, diversity management.	GRI 103: Diversity and equal opportunities approach	Yes (Ethics and compl.)	Global	7.3. Equal opportunities
HUMAN RIGHTS				
Application of due diligence procedures with regard to human rights;	102-16	Yes for internal operations (Ethics and compl.); No material in the supply chain.	Global	4.4. Compliance and Ethics Management; 7.1. Employment and Social Dialogue; 9. Suppliers
Prevention of risks of violation of human rights and, if applicable, measures to mitigate, manage and address possible abuses committed;	102-16	Yes for internal operations (Ethics and compl.); No material in the supply chain.	Global	4.4. Compliance and Ethics Management; 7.1. Employment and Social Dialogue; 9. Suppliers
Cases of human rights violations reported;	102-15; 102-17	Yes for internal operations (Ethics and compl.); No material in the supply chain.	Global	4.4. Compliance and Ethics Management; 7.1. Employment and Social Dialogue; 9. Suppliers

Act 11/2018 requirements	GRI	Material for DIA	Scope	NFIS Chapter
Promotion and compliance with the provisions of the core agreements of the International Labour Organisation relating to respect for freedom of association and the right to collective negotiation;	102-16; 102-41	Yes for internal operations (Ethics and compl.); No material in the supply chain.	Global	4.4. Compliance and Ethics Management; 7.1. Employment and Social Dialogue; 9. Suppliers
Elimination of workplace job discrimination;	406-1	Yes for internal operations (Ethics and compl.); No material in the supply chain.	Global	4.4. Compliance and Ethics Management; 7.1. Employment and Social Dialogue; 9. Suppliers
Elimination of forced labour;	102-16; 102-17; 409-1	Yes for internal operations (Ethics and compl.); No material in the supply chain.	Global	4.4. Compliance and Ethics Management; 7.1. Employment and Social Dialogue; 9. Suppliers
Abolishment of child labour.	102-16; 102-17; 408-1	Yes for internal operations (Ethics and compl.); No material in the supply chain.	Global	4.4. Compliance and Ethics Management; 7.1. Employment and Social Dialogue; 9. Suppliers
CORRUPTION AND BRIBERY				
Measures adopted to prevent corruption and bribery;	GRI 103: Anti-corruption management approach; 102-16; 205-2; 205-3 (incidents of corruption)	Yes (Ethics and compl.)	Global	4.4. Compliance and Ethics Management
Anti-money laundering measures.	102-16; 205-2	No material	Global	4.4. Compliance and Ethics Management
Contributions to foundations and non-profits.	102-12	No material	Global	12.2. Partnerships and sponsorship actions
SOCIETY				
Commitments to sustainable development				
Impact of the company's activity on local jobs and development;	GRI 103: Employment management approach, Procurement practices; 102-8; 204-1	Yes (Labour practices)	Global	9. Suppliers; 12. Society
Impact of the company's activity on local towns and the region;	GRI 103: Employment management approach; Socioeconomic compliance approach;	Yes (Ethics and compl.; Labour practices)	Global	9. Suppliers; 12. Society
Relations with local community players and types of dialogue with these;	102-43	Material (stakeholder listening as mandatory process to define material issues)	Global	5. Corporate Social Responsibility Management at DIA Group; Society
Association activities and sponsorship	102-12; 102-13	No material	Global	12. Society
Outsourcing and suppliers				

Act 11/2018 requirements	GRI	Material for DIA	Scope	NFIS Chapter
Social issues, gender equality and environmental issues in the procurement policy; consideration in the relationships with suppliers and subcontractors of their social and environmental responsibility	GRI 103: Management approach Environmental and social assessment of suppliers; 102-9	No material	Global	Suppliers
Supervision and auditing systems and the results thereof.	308-1; 414-1	No material	Global	8.Suppliers
Consumers				
Measures for health and safety of consumers;	GRI 103: Customer health and safety Management approach	Yes (Quality and food safety)	Global	6.Customers
Claims and complaints systems and resolution.	416-1; 416-2	Yes (Consumer information and protection)	Global	6.Customers
Tax information				
Profits earned by country	GRI 103: Economic performance management approach	Yes (Tax practices)	Global	12.Society
Taxes paid on profits	GRI 103: Economic performance management approach	Yes (Tax practices)	Global	12.Society
Public grants received	201-4	No material	Global	12.Society
ADDITIONAL INFORMATION				
Other information about the organizational profile	102-1 to 102-10	No material	Global	2.Company Presentation; 7.Employees; 9.Suppliers;
Corporate Governance	102-18	Yes (Govern. System)	Global	4.Corporate Governance
Stakeholder participation	102-40 to 102-44	Yes (Transp. and Investors Relations; Franch. relation)	Global	5.Corporate Social Responsibility Management at DIA Group
Other information about the report profile	102-45 to 102-53; 102-56	No material	Global	1. Basis of preparation for the Consolidated Non-Financial Statement; 5.Corporate Social Responsibility Management at DIA Group

14. ANNEX: REGIONAL INFORMATION ON SOME IMPORTANT INDICATORS

		Total employees by contract type at December 31	
		2018	2019
ARGENTINA	Permanent	4,304	3,985
	Temporary	198	54
BRAZIL	Permanent	8,904	7,062
	Temporary	19	26
SPAIN	Permanent	22,599	21,005
	Temporary	4,096	3,744
PORTUGAL	Permanent	2,965	3,005
	Temporary	599	493
TOTAL		43,684	39,374

Table 28: Country distribution of employment contract type. Temporary contracts 2018 have been restated in Argentina and Brazil adding internships. Permanent contracts in Spain are also restated for 2018 to include two employees from Switzerland. Directors have not been included in this breakdown.

		Total employees by type of workday at December 31	
		2018	2019
ARGENTINA	Full-time	3,923	3,603
	Part-time	579	436
BRAZIL	Full-time	8,736	6,845
	Part-time	187	243
SPAIN	Full-time	18,492	17,524
	Part-time	8,203	7,225
PORTUGAL	Full-time	3,318	3,237
	Part-time	246	261
TOTAL		43,684	39,374

Table 29: Country distribution of employment workday type. Full-time contracts in Spain are restated for 2018 to include two employees from Switzerland. Directors have not been included in this breakdown.

		Absenteeism and main health and safety indicators			
		Men		Women	
		2018	2019	2018	2019
Hours of absenteeism	ARGENTINA	157,865.0	117,265.6	171,319.3	151,330.2
	BRAZIL	925,797.4	590,720.3	1,634,249.5	1,423,094.3
	SPAIN	667,367.2	878,946.9	2,696,485.2	2,893,347.6
	PORTUGAL	158,169.8	167,378.1	690,948.7	748,833.6

		Absenteeism and main health and safety indicators			
		Men		Women	
		2018	2019	2018	2019
Number of workplace accidents	ARGENTINA	79.0	72.0	19.0	26.0
	BRAZIL	65.0	73.0	62.0	117.0
	SPAIN	743.0	857.0	1,057.0	1,086.0
	PORTUGAL	137.0	125.0	251.0	213.0
Injury frequency rate	ARGENTINA	12.2	11.9	5.4	7.6
	BRAZIL	7.8	10.1	5.5	11.4
	SPAIN	53.9	62.1	35.7	36.9
	PORTUGAL	56.7	55.1	58.7	53.0
Serious accidents	ARGENTINA	0.0	15.0	0.0	5.0
	BRAZIL	10.0	18.0	12.0	16.0
	SPAIN	0.0	2.0	3.0	0.0
	PORTUGAL	0.0	1.0	2.0	0.0
Professional illnesses	ARGENTINA	2.0	1.0	1.0	1.0
	BRAZIL	0.0	0.0	1.0	1.0
	SPAIN	8.0	1.0	15.0	20.0
	PORTUGAL	0.0	0.0	7.0	0.0
Fatalities	ARGENTINA	0.0	0.0	0.0	0.0
	BRAZIL	0.0	0.0	0.0	0.0
	SPAIN	0.0	0.0	0.0	0.0
	PORTUGAL	0.0	0.0	0.0	0.0

Table 30: Absenteeism and main health and safety indicators, by country. Hours of absenteeism include all possible causes (leave due to illness, accidents and other causes). Injury frequency rate represents the number of injuries per 1,000,000 employee-hours worked.

		Disabled employees at December 31 2018							Disabled employees at December 31 2019						
		Men			Women			Total	Men			Women			Total
		<30	30-50	>50	<30	30-50	>50		<30	30-50	>50	<30	30-50	>50	
ARGENTINA	Executives	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Managers	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Employees	0	3	0	1	0	0	4	1	2	0	1	1	0	5
BRAZIL	Executives	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Managers	0	0	0	0	0	0	0	1	0	0	0	0	0	1
	Employees	100	119	6	50	75	7	357	73	104	8	37	65	6	293
SPAIN	Executives	0	1	0	0	0	0	1	0	1	0	0	0	0	1
	Managers	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Employees	5	53	16	3	74	33	184	2	52	14	3	62	35	168
PORTUGAL	Executives	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Managers	0	0	1	0	2	0	3	0	0	1	0	2	0	3

		Disabled employees at December 31 2018							Disabled employees at December 31 2019						
		Men			Women			Total	Men			Women			Total
		<30	30-50	>50	<30	30-50	>50		<30	30-50	>50	<30	30-50	>50	
PORTUGAL	Employees	0	5	2	0	11	5	23	0	6	4	0	10	6	26
TOTAL		105	181	25	54	162	45	572	77	165	27	41	140	47	497

Table 31: Country distribution of disabled employees in the workforce, by professional category, gender and age, at December 31.

		ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
		2018	2019	2018	2019	2018	2019	2018	2019
Paper and cardboard		918,850.00	811,567.00	3,597,482.00	1,948,714.23	6,201,960.00	5,949,586.95	1,043,954.00	771,552.09
Plastics		867,910.00	783,998.00	99,964.00	70,555.00	657,000.00	556,404.16	33,726.00	119,962.05
Others		286.40	-	-	-	-	-	-	-

Table 32: Materials consumed by major groups (Kg).

		Non-hazardous waste							
		Generated (Kg)		% Recycled		% Reused		% Landfill	
		2018	2019	2018	2019	2018	2019	2018	2019
ARGENTINA	Toner	-	-	-	-	-	-	-	-
	Organic material	-	1,110,000.00	-	0	-	0	-	100
	Scrap metal	-	-	-	-	-	-	-	-
	Plastics	602,100.00	476,183.00	100	100	-	0	-	0
	Wood	-	-	-	-	-	-	-	-
	Paper/Cardboard	2,727,681.00	2,165,040.00	100	100	-	0	-	0
	RAEE	-	-	-	-	-	-	-	-
	Others	1,733,970.00	1,272,880.00	0	0	0	0	100	100
	TOTAL	5,063,751.00	5,024,103.00	65.8	52.6	0	0	34.2	47.4
BRAZIL	Toner	1,038.00	-	100	-	0	-	0	-
	Organic material	-	374,900.00	-	100	-	0	-	0
	Scrap metal	488,703.00	1,365,598.00	100	100	0	0	0	0
	Plastics	827,087.00	889,779.00	100	100	0	0	0	0
	Wood	1,542.00	-	0	-	100	-	0	-
	Paper/Cardboard	4,560,027.00	5,280,888.00	100	100	0	0	0	0
	RAEE	-	-	-	-	-	-	-	-
	Others	12,126,572.00	9,976,556.00	0	0	0	0	100	100
	TOTAL	18,004,969.00	17,887,721.00	32.6	44.2	0	0	67.4	55.8
SPAIN	Toner	20,557.00	1,847.70	-	54	30.3	-	69.7	46
	Organic material	-	2,662,010.00	-	0	-	0	-	100
	Scrap metal	733,010.00	1,322,620.00	100	100	0	0	0	0
	Plastics	3,132,670.00	2,874,630.00	100	100	0	0	0	0
	Wood	2,003,610.00	1,775,310.00	0	0	100	100	0	0
	Paper/Cardboard	49,495,780.00	45,238,260.00	100	100	0	0	0	0
	RAEE	35,787.00	23,473.00	100	100	0	0	0	0
	Others	27,851,820.00	29,784,260.00	0.6	0	0	0	99.4	100
	TOTAL	83,273,234.00	83,682,410.70	64.3	61.2	2.4	0	33.3	38.8

		Non-hazardous waste							
		Generated (Kg)		% Recycled		% Reused		% Landfill	
		2018	2019	2018	2019	2018	2019	2018	2019
PORTUGAL	Toner	-	-	-	-	-	-	-	-
	Organic material	2,057,580.00	3,600,727.00	76.6	88.1	0	0	23.4	11.9
	Scrap metal	67,760.00	254,253.80	0	0	100	0	0	0
	Plastics	482,670.00	491,940.00	100	100	0	79.7	0	0
	Wood	373,122.00	291,523.00	0	38.3	100	41.4	0	20.3
	Paper/Cardboard	7,482,260.00	6,789,065.00	100	100	0	0	0	0
	RAEE	-	-	-	-	-	-	-	-
	Others	6,026,460.00	3,896,095.00	-	55.2	-	0	100	44.8
	TOTAL	16,489,852.00	11,722,876.80	57.9	84.6	2.7	0.8	39.5	14.6
DIA Group	TOTAL	122,831,806.00	121,917,838.50	58.9	61.3	2	0.2	39.1	38.4

Table 33: Non-hazardous waste and its processing destination, by country. Script data is not available.

		Hazardous waste							
		Generated (Kg)		% Recycled		% Reused		% Landfill	
		2018	2019	2018	2019	2018	2019	2018	2019
ARGENTINA	Batteries	-	-	-	-	-	-	-	-
	Fluorescent	50.0	-	0.00	-	0.00	-	100	-
	TOTAL	50.0	-	0.00	-	0.00	-	100	-
BRAZIL	Batteries	-	-	-	-	-	-	-	-
	Fluorescent	-	-	-	-	-	-	-	-
	TOTAL	-	-	-	-	-	-	-	-
SPAIN	Batteries	61,976.0	68,143.9	100	100	0.00	0.00	0.00	0.00
	Fluorescent	131.0	237.0	100	100	0.00	0.00	0.00	0.00
	TOTAL	62,107.0	68,380.94	100	100	0.00	0.00	0.00	0.00
PORTUGAL	Batteries	2,820.0	3,387.5	100	100	0.00	0.00	0.00	0.00
	Fluorescent	-	-	-	-	-	-	-	-
	TOTAL	2,820.0	3,387.5	100	100	0.00	0.00	0.00	0.00
DIA Group	TOTAL	64,977.0	71,768.40	99.92	100	0.00	0.00	0.08	0.00

Table 34: Hazardous waste and its processing destination, by country. Some hazardous waste management is not recorded in Argentina, Brazil and Portugal because it is included in general service contracts.

		Energy consumption and refrigeration gases		CO ₂ emissions (Tn CO ₂ eq)	
		2018	2019	2018	2019
ARGENTINA	Stationary sources (GJ)	0.0	0.0	0.0	0.0
BRAZIL		7,920.10	6,835.40	505.90	436.60
SPAIN		0.0	0.0	0.0	0.0
PORTUGAL		493.70	1,360.20	27.40	76.64
TOTAL		8,413.80	8,195.60	533.30	513.24
ARGENTINA	Logistics (GJ)	173,724.90	155,631.60	12,974.00	11,622.50
BRAZIL		391,857.80	252,478.40	29,264.00	18,855.00
SPAIN		1,182,866.20	1,451,889.40	88,336.00	108,426.60
PORTUGAL		203,499.30	173,780.40	15,197.00	12,977.90
TOTAL		1,951,948.20	2,033,779.80	145,771.00	151,882.00
ARGENTINA	Company cars (GJ)	10,767.20	12,173.5	769.00	869.90
BRAZIL		-	-	-	-
SPAIN		12,774.90	12,358.70	953.00	922.20
PORTUGAL		21,220.90	19,987.20	1,585.00	1,492.60
TOTAL		44,763.00	44,519.40	3,307.00	3,284.70

		Energy consumption and refrigeration gases		CO ₂ emissions (Tn CO ₂ eq)	
		2018	2019	2018	2019
ARGENTINA	Refrigeration gases (Kg)	29,274.70	24,046.50	85,762.00	73,044.40
BRAZIL		21,945.20	14,689.00	41,831.00	28,155.40
SPAIN		85,745.50	35,906.90	147,552.00	51,829.10
PORTUGAL		10,118.10	7,143.80	25,310.00	18,397.10
TOTAL		147,083.50	81,786.20	300,455.00	171,426.00
ARGENTINA	Electricity consumption (GJ)	485,090.90	490,841.40	52,552.00	53,174.50
BRAZIL		421,274.80	448,130.20	5,792.60	6,080.30
SPAIN		2,570,308.00	2,472,267.70	198,834.00	199,841.60
PORTUGAL		399,545.40	389,790.40	33,628.40	32,807.40
TOTAL		3,876,219.10	3,801,029.70	290,807.00	291,903.80
ARGENTINA	Business travelling	-	-	-	-
BRAZIL		-	-	-	2,351.20
SPAIN		-	-	-	7,102.30
PORTUGAL		-	-	-	-
TOTAL		-	-	-	9,453.50

Table 35: Energy consumption and CO₂ emission at DIA Group¹⁷. Electricity consumption and the CO₂ footprint for Brazil and Portugal 2018 have been restated.

¹⁷ Company cars data unavailable for Brazil, since the fuel used depends on the market price for the available options; Detail of refrigerant gases reported: R134A, R404A, R407A, R407C, R407F, R410A, R417A, R141B, R422D, R427A, R448A, R449A, R450A, R452A, R453A, R513A, R507 y R22. In terms of CF-11 equivalents, 1,24 tonnes have been produced by gas R-22; Electricity consumption for the last few months of 2019 includes some estimates in Brazil, Spain and Portugal; Scope 3 emissions have only been reported for Spain and Brazil, as business travel for the other countries represented less than 5% of this figure.