Distribuidora Internacional de Alimentación, S.A. and Subsidiaries

Consolidated Annual Accounts

31 December 2015

Consolidated Directors' Report

2015

(With Auditor's Report Thereon)

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

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

Independent Auditor's Report on the Consolidated Annual Accounts

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

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

Report on the consolidated annual accounts

We have audited the accompanying consolidated annual accounts of Distribuidora Internacional de Alimentación, S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position at 31 December 2015 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

Directors' responsibility for the consolidated annual accounts

The Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they present fairly the consolidated equity, consolidated financial position and consolidated financial performance of Distribuidora Internacional de Alimentación, S.A. in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control that they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual accounts taken as a whole.

KPMG Auditores S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

Opinion

In our opinion, the accompanying consolidated annual accounts for 2015 present fairly, in all material respects, the consolidated equity and consolidated financial position of Distribuidora Internacional de Alimentación, S.A. and subsidiaries at 31 December 2015 and their financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and other applicable provisions of the financial reporting framework in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated directors' report for 2015 contains such explanations as the Directors of Distribuidora Internacional de Alimentación, S.A. consider relevant to the situation of the Group, its business performance and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2015. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Distribuidora Internacional de Alimentación, S.A. and subsidiaries.

KPMG Auditores, S.L.

(Signed on the original in Spanish)

Carlos Peregrina García

23 February 2016

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DIA GROUP CONSOLIDATED ANNUAL ACCOUNTS

AT 31 DECEMBER2015

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (I)

at 31 December 2015 and 2014

(Expressed in thousands of Euros)

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

ASSETS	Notes	2015	2014
Property, plant and equipment	6	1,372,010	1,270,356
Goodwill	7.1	558,063	464,642
Other intangible assets	7.2	34,763	32,567
Investments accounted for using the equity method	11	92	-
Non-current financial assets	9.2 and 9.3	118,236	81,162
Consumer loans from financial activities	9.1	458	363
Deferred tax assets	19	271,480	147,890
Non-current assets		**2,355,102**	**1,996,980**
Inventories	13	562,489	553,119
Trade and other receivables	9.2	221,193	244,592
Consumer loans from financial activities	9.1	6,548	6,362
Current tax assets	19	69,474	64,347
Current income tax assets	19	49,663	42,593
Other current financial assets	9.3	15,718	12,144
Other assets	12	7,815	7,836
Cash and cash equivalents	14	154,627	199,004
Non-current assets held for sale	15	-	10
Current assets		**1,087,527**	**1,130,007**
TOTAL ASSETS		**3,442,629**	**3,126,987**

The accompanying notes form an integral part of the consolidated annual accounts for 2015.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (I)

at 31 December 2015 and 2014

(Expressed in thousands of Euros)

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

EQUITY AND LIABILITIES	Notes	2015	2014
Capital	16.1	62,246	65,107
Share premium		-	618,157
Reserves	16.2	87,323	(553,059)
Own shares	16.3	(53,561)	(58,864)
Other own equity instruments	16.3	11,647	22,827
Net profit for the period		299,221	329,229
Traslation differences	16.7	(93,683)	(45,836)
Value adjustments due to cash flow hedges		50	55
Equity attributable to equity holders of the Parent		313,243	377,616
Non-controlling interests	16.6	(18)	(46)
Total Equity		313,225	377,570
Non-current borrowings	17.1	920,951	532,532
Provisions	18	51,503	86,100
Other non-current financial liabilities	17.2	17,906	7,539
Deferred tax liabilities	19	3,193	2,749
Non-current liabilities		993,553	628,920
Current borrowings	17.1	374,279	199,912
Trade and other payables	17.3	1,518,843	1,693,113
Current tax liabilities	19	92,939	82,440
Current income tax liabilities	19	4,111	8,747
Other current financial liabilities	17.4	145,679	136,189
Liabilities directly associated with non-current assets held for sale	15	-	96
Current liabilities		2,135,851	2,120,497
TOTAL EQUITY AND LIABILITIES		3,442,629	3,126,987

The accompanying notes form an integral part of the consolidated annual accounts for 2015.

CONSOLIDATED INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENTS (II)

for the years ended 31 December 2015 and 2014

(Expressed in thousands of Euros)

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

INCOME STATEMENT	Notes	2015	2014
Sales	5	8,925,454	8,010,967
Other income	21.1	96,215	105,250
TOTAL INCOME		9,021,669	8,116,217
Goods and other consumables used	21.2	(7,018,881)	(6,350,654)
Personnel expenses	21.3	(847,233)	(704,940)
Operating expenses	21.4	(644,034)	(535,029)
Amortisation and depreciation	21.5	(214,026)	(184,604)
Impairment	21.5	(11,013)	(5,525)
Losses on disposal of fixed assets	21.6	(12,340)	(11,558)
RESULTS FROM OPERATING ACTIVITIES		274,142	323,907
Finance income	21.7	9,265	16,447
Finance expenses	21.7	(65,291)	(57,259)
Profit of financial instruments		-	103
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		218,116	283,198
Income tax	19	82,610	(74,556)
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		300,726	208,642
Gains net of taxes of discontinued operations	15	(1,477)	120,582
NET PROFIT		299,249	329,224
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITYHOLDERS OF THE PARENT		299,221	329,229
PROFIT FROM CONTINUING OPERATIONS		300,698	208,647
PROFIT FROM DISCONTINUED OPERATIONS		(1,477)	120,582
Losses from continuing operations attributable to non-controlling interests		28	(5)

Basic and diluted earnings per share, in euros		2015	2014
Profit on continuing operations		0.48	0.32
Profit on discontinued operations		-	0.19
Profit for the period		0.48	0.51

The accompanying notes form an integral part of the consolidated annual accounts for 2015.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (III)

for the years ended 31 December 2015 and 2014

(Expressed in thousands of Euros)

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

	2015	2014
Net profit for the period	**299,249**	**329,224**
Other comprehensive income:		
Translation differences of financial statements of foreign operations	**(47,847)**	**(7,927)**
	(47,847)	(7,927)
Value adjustments due to cash flow hedges	**(7)**	**899**
Tax effect	**2**	**(24)**
	(5)	875
Transfers to the consolidated income statement	**(47,852)**	**(7,052)**
Total comprehensive income, net of income tax	**251,397**	**322,172**
Attributed to:		
Equityholders of the Parent	**251,369**	**322,177**
Non-controlling interests (note 16.6)	**28**	**(5)**
	251,397	**322,172**

The accompanying notes form an integral part of the consolidated annual accounts for 2015.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (IV)

for the years ended 31 December 2015 and 2014

(Expressed in thousands of Euros)

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

	Equity attributable to equityholders of the Parent									
	Registered capital	Share premium	Reserves and accumulated earnings	Own shares	Other own equity instruments	Value adjustments due to cash flow hedges	Translation differences	Equity attributable to the Parent	Minority interests	Total equity
At 31st December 2013	**65,107**	**618,157**	**(450,389)**	**(23,319)**	**12,809**	**(820)**	**(37,909)**	**183,636**	**-**	**183,636**
Net profit/(loss) for the period	-	-	329,229	-	-	-	-	329,229	(5)	329,224
Other comprehensive income net of income tax	-	-	-	-	-	875	(7,927)	(7,052)	-	(7,052)
Translation differences of financial statements of foreign operations	-	-	-	-	-	-	(7,927)	(7,927)	-	(7,927)
Value adjustments due to cash flow hedges	-	-	-	-	-	875	-	875	-	875
Total comprehensive income for the period	**-**	**-**	**329,229**	**-**	**-**	**875**	**(7,927)**	**322,177**	**(5)**	**322,172**
Transactions with equityholders or owners	-	-	(102,670)	(35,545)	10,018	-	-	(128,197)	(41)	(128,238)
Distribution of dividends	-	-	(103,281)	-	-	-	-	(103,281)	-	(103,281)
Issuance of share-based payments	-	-	-	-	12,028	-	-	12,028	-	12,028
Transactions with own shares or equity holdings	-	-	611	(35,545)	(2,010)	-	-	(36,944)	-	(36,944)
Business combination	-	-	-	-	-	-	-	-	(41)	(41)
At 31st December 2014	**65,107**	**618,157**	**(223,830)**	**(58,864)**	**22,827**	**55**	**(45,836)**	**377,616**	**(46)**	**377,570**
Net profit for the period	-	-	299,221	-	-	-	-	299,221	28	299,249
Other comprehensive income net of income tax	-	-	-	-	-	(5)	(47,847)	(47,852)	-	(47,852)
Translation differences of financial statements of foreign operations	-	-	-	-	-	-	(47,847)	(47,847)	-	(47,847)
Value adjustments due to cash flow hedges	-	-	-	-	-	(5)	-	(5)	-	(5)
Total comprehensive income for the period	**-**	**-**	**299,221**	**-**	**-**	**(5)**	**(47,847)**	**251,369**	**28**	**251,397**
Transactions with equityholders or owners	(2,861)	(618,157)	311,153	5,303	(11,180)	-	-	(315,742)	-	(315,742)
Capital reduction	(2,861)	(144,844)	(39,567)	187,272	-	-	-	-	-	-
Distribution of dividends	-	-	(112,614)	-	-	-	-	(112,614)	-	(112,614)
Distribution of the profit of 2014	-	(473,313)	473,313	-	-	-	-	-	-	-
Issuance of share-based payments	-	-	-	-	4,249	-	-	4,249	-	4,249
Transactions with own shares or equity holdings	-	-	(9,979)	(181,969)	(15,429)	-	-	(207,377)	-	(207,377)
At 31st December 2015	**62,246**	**-**	**386,544**	**(53,561)**	**11,647**	**50**	**(93,683)**	**313,243**	**(18)**	**313,225**

The accompanying notes form an integral part of the consolidated annual accounts for 2015.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dia %

CONSOLIDATED STATEMENTS OF CASH FLOWS (V)

for the years ended 31 December 2015 and 2014

(Expressed in thousands of Euros)

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

	Notes	2015	2014
Operating activities			
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		218,116	283,198
Loss before tax from discontinued operations		(1,477)	(59,133)
Profit before income tax		*216,639*	*224,065*
Adjustments to Profit and Loss:		*248,782*	*425,493*
Amortisation and depreciation	21.5	214,026	184,604
Impairment	21.5	11,013	5,525
Losses on disposal of fixed assets	21.6	12,340	11,558
Gains on disposal of financial instruments operations		-	(103)
Finance income	21.7	(9,265)	(16,447)
Finance expenses	21.7	65,291	57,259
Net reversals of provisions and grants		(40,374)	30,179
Other adjustments to Profit and Loss		(4,249)	152,918
Adjustments to working capital:		*(214,148)*	*(264,392)*
Changes in trade and other receivables		33,826	(41,481)
Changes in inventories		(9,370)	(66,695)
Changes in trade and other payables		(177,697)	(52,857)
Changes in consumer loan and refinancing commitments		(281)	(472)
Changes in other assets		(5,111)	(24,523)
Changes in other liabilities		1,669	7,098
Changes in assets held for sale and liabilities	15	-	(8,831)
Current income tax paid		(57,184)	(76,631)
Net cash flows from/(used in) operating activities		*251,273*	*385,166*
Investing activities			
Acquisition of intangible assets	7.1 and 7.2	(103,224)	(2,322)
Acquisition of property, plant and equipment	6	(455,116)	(341,874)
Acquisition of financial instruments		(29,229)	(25,989)
Development cost	7.2	(4,911)	(5,212)
Changes in Fixed Assets Suppliers		18,180	19,330
Disposals of property, plant and equipment	21.6	2,854	656
Disposals of financial instruments	15	-	283,200
Payments for other financial assets		15,218	2,714
Interest received		6,243	6,974
Investing flows of discontinued operations	15	-	242
Other adjustments on disposal of subsidiaries		-	(184,229)
Acquisition of subsidiaries net of cash acquired		-	6,464
Net cash flows used in investing activities		*(549,985)*	*(240,046)*
Financing activities			
Dividends distributed to shareholders of the Parent	16.4	(112,614)	(103,281)
Acquisition of own shares	16.3 a)	(200,055)	(37,166)
Borrowings repaid		(53,050)	(534,158)
Borrowings made		598,224	519,942
Payments/(Collections) for other financial liabilities		127	612
Interest paid		(64,593)	(47,905)
Financing flows of discontinued operations	15	-	(13,884)
Net cash flows from financing activities		*168,039*	*(215,840)*
Net changes in cash and cash equivalents		*(130,673)*	*(70,720)*
Net foreign exchange differences		86,296	7,687
Cash and cash equivalents at 1st January	14	*199,004*	*262,037*
Cash and cash equivalents al 31st December	14	*154,627*	*199,004*

The accompanying notes form an integral part of the consolidated annual accounts for 2015.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR 2015

Notes to the Consolidated Annual Accounts for 2015 (VI)

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

1. NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

Distribuidora Internacional de Alimentación, S.A. (hereinafter “the Parent” or “DIA”) was incorporated in Spain on 24 June 1996 as a public limited liability company (“sociedad anónima”). Its registered office is located in Las Rozas, Madrid.

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

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

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

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

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

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

f) The acquisition, ownership, use, management, administration and disposal of equity instruments of companies domiciled in Spain and abroad through the management of human and material resources.

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

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

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

The DIA Group currently trades under the names of DIA Market, DIA Fresh, Fresh by DIA, DIA Maxi, La Plaza de DIA, Max Descuento, Clarel, el Árbol, Cada DIA, Minipreço and Mais Perto.

The Company is the Parent of a group of subsidiaries (hereinafter the DIA Group or the Group) which are all fully consolidated, except for ICDC Services, Sàrl (belonging to DIA World Trade, S.A.), which is equity-accounted.

The following changes to the Group occurred in 2015 and 2014:

- On 30 November 2015 ICDC Services, Sàrl, was incorporated. The company is domiciled in Geneva and its activity consists of negotiations with international suppliers. This company is 50% owned by the DIA and Casino groups.
- On 13 July 2015 DBZ Adminstraçao, Gestao de ativos e Serviços Imobiliarios Ltda was incorporated, which is domiciled in Sao Paulo. Its activity is the administration of buildings owned by DIA Brazil.
- On 1 July 2015 the Parent acquired 100% of the capital of Castanola Investments, S.L. and on 13 July 2015 this company changed its name to DIA ESHOPPING, S.L. Its activity consists of the creation, maintenance and operation of internet web pages and portals for the sale of products and services.
- On 31 May 2015 the merger of Schlecker Portugal (the absorbee) into DIA Portugal (the absorbing company) was signed, with the transfer en bloc of all the assets and liabilities of Schlecker Portugal to DIA Portugal. With effect from that date Schlecker Portugal was wound up.
- On 22 May 2015 a corporate group, CINDIA, was created in Portugal by the companies DIA Portugal and ITMP Alimentar. The statutory activity of this corporate group is to improve the terms and conditions applying to the economic activity of its member companies by negotiating on their behalf with the suppliers that work with both companies the terms for the acquisition of the products needed for their respective

businesses. The group was incorporated without any own capital, with each company holding a 50% interest in its assets and liabilities. Decisions are subject to unanimous agreement. At 31 December 2015 DIA Portugal has included the corresponding proportion of the assets, liabilities, revenues and expenses in the individual financial statements of DIA Portugal, as permitted by IFRS 11.

- Distribuidora Internacional, S.A. was incorporated on 21 August 2014 with registered office in Buenos Aires and engages in service consulting.
- On 2 July 2014 DIA entered into an agreement to purchase 100% of the share capital of Grupo El Árbol Distribución y Supermercados, S.A. ("El Árbol"), which in turn holds a majority interest in Compañía Gallega de Supermercados, S.A. (a 94.24% controlling interest). This transaction was completed on 31 October 2014, the date on which the DIA Group took control. The activity of both companies is the wholesale and retail sale of food (see note 4 (c)).
- At 31 March 2014 the Group classified the assets and liabilities of DIA France SAS and its subsidiaries, which formed a separate business segment (see note 5), as held for sale based on the agreements adopted by the Parent's management for the imminent sale of this subgroup. On 30 November 2014 the Group completed the sale of DIA France and thus on that date lost control of the investees in this segment. The Group classified the different accounts of this business in the consolidated income statement as the net gain of discontinued activities in 2014 (see note 15).
- In 2014 the Group decided to close Beijing DIA Commercial Co. Ltd. At 31 December 2015 the Group has liquidated its net assets and is finalising the local administrative procedures for its dissolution.

Details of the DIA Group's subsidiaries, as well as their activities, registered offices and percentages of ownership at 31 December 2015 and 2014 are as follows:

Name	Location	Activity	% interest 2015	% interest 2014
DIA Portugal Supermercados, Lda.	Lisbon	Wholesale and retail distribution of food products.	100.00	100.00
DIA Argentina, S.A.	Buenos Aires	Wholesale and retail distribution of food products.	100.00	100.00
Distribuidora Internacional, S.A.	Buenos Aires	Services consultancy.	100.00	100.00
DIA Brasil Sociedade Limitada	Sao Paulo	Wholesale and retail distribution of consumer products.	100.00	100.00
DBZ Serv. Inmobiliario LTDA	Sao Paulo	Administration of real estate property of DIA Brasil	100.00	-
Finandia, E.F.C., S.A.	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	100.00
DIA Tian Tian Management Consulting Service & Co. Ltd.	Shanghai	Services consultancy.	100.00	100.00
Shanghai DIA Retail Co. Ltd.	Shanghai	Wholesale and retail distribution of consumer products.	100.00	100.00
Beijing DIA Commercial Co. Ltd.	Beijing	Wholesale and retail distribution of consumer products.	100.00	100.00
Twins Alimentación, S.A.	Madrid	Distribution of food and toiletries through supermarkets.	100.00	100.00
Pe-Tra Servicios a la distribución, S.L.	Madrid	Leasing of business premises.	100.00	100.00
DIA World Trade, S.A.	Geneva	Provision of services to suppliers of DIA Group companies.	100.00	100.00
Schlecker S.A.	Madrid	Distribution of cleaning and toiletry products.	100.00	100.00
Schlecker Portugal, Lda.	Lisbon	Distribution of cleaning and toiletry products.	-	100.00
Grupo El Árbol, Distribución y Supermercados, S.A.	Madrid	Wholesale and retail distribution of food products and others.	100.00	100.00
Compañía Gallega de Supermercados, S.A.	Valladolid	Wholesale and retail distribution of food products and others.	94.24	94.24
ICDC Services Sàrl	Geneva	Dealing with international suppliers.	50.00	-
DIA ESHOOPING, S.L.	Madrid	Creation, maintenance and operation of Internet sites and portals for selling products and services.	100.00	-

2. BASIS OF PRESENTATION

2.1. Basis of preparation of the consolidated annual accounts

The directors of the Parent have prepared these consolidated annual accounts on the basis of the accounting records of Distribuidora Internacional de Alimentación S.A. and consolidated companies and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, to present fairly the consolidated equity and consolidated financial position of Distribuidora Internacional de Alimentación S.A. and subsidiaries at 31 December 2015 and consolidated results of operations and consolidated cash flows and changes in consolidated equity for the year then ended.

On 28 February 2011 the DIA Group authorised for issue the consolidated financial statements for 2010, 2009 and 2008, which were the first consolidated financial statements drawn up by the DIA Group. These consolidated financial statements were prepared in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards, taking 1 January 2008 as the date of first-time adoption. Until 5 July 2011 the DIA Group formed part of the Carrefour Group, which has issued consolidated financial statements in accordance with IFRS-EU since 2005. For the purposes of the consolidated financial statements of the Carrefour Group, DIA and its subsidiaries each prepared a consolidation reporting package under IFRS-EU.

In accordance with IFRS 1, considering the DIA Group as a subsidiary that adopted IFRS-EU for the first time, the assets and liabilities included in DIA's opening statement of financial position were recognised at the carrying amounts of the sub-group headed by DIA in the amount reflected in the consolidated financial statements of the Carrefour Group, eliminating its consolidation adjustments.

Consequently, the DIA Group chose the same exemptions from IFRS 1 as those applied by the Carrefour Group:

- Business combinations: the DIA Group did not re-estimate the business combinations carried out prior to 1 January 2004 (see note 3 (a)).
- Cumulative translation differences: the DIA Group recognised the cumulative translation differences of all foreign businesses prior to 1 January 2004 at zero, and transferred the related balances to reserves at that date (see note 3 (d)).
- Financial instruments: the DIA Group opted to apply IAS 32 and IAS 39 from 1 January 2004.

The 2011 consolidated annual accounts, which were the first consolidated annual accounts prepared by the DIA Group, were filed at the Madrid Mercantile Registry in accordance with Spanish legislation.

These consolidated annual accounts have been prepared on a historical cost basis, except for the following:

- Derivative financial instruments, financial instruments at fair value through profit or loss and available-for-sale financial assets are measured at fair value.
- Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Note 3 includes a summary of all mandatory and significant accounting principles, measurement criteria and alternative options permitted under IFRS.

The Group has opted to present a consolidated income statement separately from the consolidated statement of comprehensive income. The consolidated income statement is reported using the nature of expense method and the consolidated statement of cash flows has been prepared using the indirect method.

The DIA Group's consolidated annual accounts for 2015 were prepared by the board of directors of the Parent on 23 February 2016 and are expected to be approved in their present form by the shareholders of the Parent at their ordinary general meeting.

2.2. Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2015 include comparative figures for 2014, which formed part of the consolidated annual accounts approved by the shareholders of the Parent at the ordinary general meeting held on 24 April 2015.

Law 3/2004 of 29 December 2004 established measures to combat late payment in commercial transactions. This Law was subsequently amended by additional provision three of Law 15/2010 of 5 July 2010, which was itself amended by final provision two of Law 31/2014, which requires all commercial companies to expressly disclose payment terms to suppliers in the notes to the consolidated annual accounts. As permitted by this Law, in this first year of application of this requirement no comparative information is presented in respect of this obligation (see note 17.3).

2.3. Functional and presentation currency

The figures contained in the documents comprising these consolidated annual accounts are expressed in thousands of Euros, unless stated otherwise. The functional and presentation currency of the Parent is the Euro.

2.4. Relevant accounting estimates, assumptions and judgements used when applying accounting principles

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

a) Relevant accounting estimates and assumptions

The Group 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 (see note 3 (k(ii)). The DIA Group calculates impairment on the basis of the strategic plans of the different cash generating units (CGU), i.e. the stores. The Group tests goodwill for impairment on an annual basis. The calculation of the recoverable amount of each CGU or a group of CGUs to which goodwill has been allocated requires the use of estimates by management (see note 3 (k (i)). The recoverable amount is the higher of fair value less costs to sell and value in use. The Group generally uses cash flow discounting methods to calculate these values. Discounted cash flow calculations are based on five-year projections in the budgets approved by management. The cash flows take into consideration past experience and represent management's best estimate of future market performance. From the fifth year cash flows are extrapolated using individual growth rates. The key assumptions employed when determining fair value less costs to sell and value in use include growth rates and the weighted average cost of capital. The estimates, including the methodology used, could have a significant impact on values and impairment.

The Group evaluates the recoverability of deferred tax assets that should be recognised by its subsidiaries based on the business plan of the subsidiary in question or, where the case may be, of the tax group to which that subsidiary belongs, and recognises, where appropriate, the tax effect of tax loss carryforwards, credits and deductible temporary differences whose offset against future tax gains appears probable. In order to determine the amount of the deferred tax assets to be recognised, Parent management estimates the amounts and dates on which future taxable profits are expected to materialise and the reversal period of temporary differences.

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

The Group is undergoing legal proceedings and tax inspections in a number of jurisdictions, some of which have been completed by the taxation authorities and additional tax assessments have been appealed by the Group companies at 31 December 2015. The Group recognises a provision if it is probable that an obligation will exist at year end which will give rise to an outflow of resources embodying economic benefits and the outflow can be reliably measured. As a result, management uses significant judgement when determining whether it is probable that the process will result in an outflow of resources and estimating the amount.

2.5. First-time application of accounting standards

The Group has applied all standards effective as of 1 January 2015. The application of these standards has not required any significant changes in the preparation of this year's consolidated annual accounts.

2.6. Standards and interpretations issued and not applied

At the date of publication of these consolidated annual accounts, the following standards have been issued but have not entered into force. The Group expects to adopt these standards as of 1 January 2018 or thereafter:

- IFRS 9 Financial instruments. Effective for annual periods beginning on or after 1 January 2018. Pending adoption by the EU.

- IFRS 15 Revenue from Contracts with Customers. Effective for annual periods beginning on or after 1 January 2018. Pending adoption by the EU.

- IFRS 16 Leases Effective for annual periods beginning on or after 1 January 2019. Pending adoption by the EU.

The DIA Group is analysing the potential impact of applying these standards and estimates that the impact of applying IFRS 16 will be significant. The Group has no plans for the early adoption of these standards.

2.7. Basis of consolidation

IFRS 10 requires an entity (the parent) that controls one or more other entities (subsidiaries) to present consolidated financial statements and establishes control as the basis for consolidation. An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls

the investee. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if and only if the investor has all the following:

a) power over the investee;

b) exposure, or rights, to variable returns from its involvement with the investee; and

c) the ability to use its power over the investee to affect the amount of the investor's returns.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date control commences. Subsidiaries are excluded from the consolidated Group from the date on which this control is lost. For consolidation purposes the annual accounts of subsidiaries are prepared for the same reporting period as those of the Parent, and applying the same accounting policies. All balances, income and expenses, gains, losses and dividends arising from transactions between Group companies are eliminated in full.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations and goodwill

As permitted by IFRS 1, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition of the Carrefour Group to IFRS-EU, using the acquisition method (see note 2.1). Entities acquired prior to that date were recognised in accordance with the accounting principles applied by the Carrefour Group at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group has applied IFRS 3 Business Combinations, revised in 2014, to all such transactions detailed in these consolidated annual accounts.

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

The consideration transferred in a business combination 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 business acquired.

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

The excess between the consideration given 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 or loss.

b) Joint arrangements

IFRS 11 establishes that a joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

c) Non-controlling interests

Non-controlling interests in subsidiaries acquired prior to 1 January 2004 were recognised at the amount of the Group's share of the subsidiary's equity.

Profit and loss and each component of other comprehensive income are allocated to equity attributable to equity holders of the Parent and to non-controlling interests in proportion to their investment, even if this results in the non-controlling interests having a deficit balance. Agreements entered into between the Group and non-controlling interests are recognised as a separate transaction.

Changes in the Group's percentage ownership of a subsidiary that imply no loss of control are accounted for as equity transactions. When control over a subsidiary is lost, the Group adjusts any residual investment in the entity to fair value at the date on which control is lost.

d) Translation of foreign operations

The Group has applied the exemption permitted by IFRS 1, First-time Adoption of International Financial Reporting Standards, relating to accumulated translation differences. Consequently, translation differences recognised in the consolidated annual accounts generated prior to 1 January 2004 are recognised in retained earnings (see note 2.1). As of that date, foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated into Euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.
- Capital and reserves are translated using historical exchange rates.
- Income and expenses, including comparative amounts, are translated at the exchange rates prevailing at each transaction date.
- All resulting exchange differences are recognised as translation differences in other comprehensive income.

For presentation of the consolidated statement of cash flows, cash flows of the subsidiaries and foreign joint ventures, including comparative balances, are translated into Euros applying the exchange rates prevailing at the transaction date.

Translation differences recognised in other comprehensive income are accounted for in profit or loss as an adjustment to the gain or loss on the sale using the same criteria as for subsidiaries, associates and joint ventures.

e) Foreign currency transactions, balances and cash flows

Transactions in foreign currency are translated at the spot exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Non-monetary assets measured at fair value have been translated into Euros at the exchange rate at the date that the fair value was determined.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates prevailing at the dates the cash flows occur. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognised separately in the statement of cash flows as net exchange differences.

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. However, exchange gains or losses arising on monetary items forming part of the net investment in foreign operations are recognised as translation differences in other comprehensive income.

Exchange gains or losses on monetary financial assets or financial liabilities denominated in foreign currencies are also recognised in profit or loss.

f) Recognition of income and expenses

Income and expenses are recognised in the consolidated income statement on an accruals basis when the actual flow of goods and services they represent takes place, regardless of when the monetary or financial flows derived therefrom arise.

Revenue from the sale of goods or services 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.

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

The Group 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.

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

g) Intangible assets

Intangible assets, except for goodwill (see note 3 (a)), are measured at cost or cost of production, less any accumulated amortisation and accumulated impairment.

The Group assesses whether the useful life of each intangible asset is finite or indefinite. Intangible assets with finite useful lives are amortised systematically over their estimated useful lives and their recoverability is analysed when events or changes occur that indicate that the carrying amount might not be recoverable. Intangible assets with indefinite useful lives, including goodwill are not amortised, but are subject to analysis to determine their recoverability on an annual basis, or more frequently if indications exist that their carrying amount may not be fully recoverable. Management reassesses the indefinite useful life of these assets on a yearly basis.

The amortisation methods and periods applied are reviewed at year end and, where applicable, adjusted prospectively.

Internally generated intangible assets

Development expenses, which mainly relate to computer software and industrial property, are capitalised to the extent that:

- The Group has technical studies that demonstrate the feasibility of the production process.
- The Group has undertaken a commitment to complete production of the asset, to make it available for sale or internal use.
- The asset will generate sufficient future economic benefits.
- The Group has sufficient technical and financial resources to complete development of the asset and has devised budget control and cost accounting systems that enable monitoring of budgetary costs, modifications and the expenditure actually attributable to the different projects.

Expenditure on activities for which costs attributable to the research phase are not clearly distinguishable from costs associated with the development stage of intangible assets are recognised in profit or loss.

Expenditure on activities that contribute to increasing the value of the different businesses in which the Group as a whole operates is recognised as expenses when incurred. Replacements or subsequent costs incurred on intangible assets are generally recognised as an expense, except where they increase the future economic benefits expected to be generated by the assets.

Computer software

Computer software comprises all the programs relating to terminals at points of sale, warehouses and offices, as well as micro-software. Computer software is recognised at cost of acquisition and/or production and is amortised on a straight-line basis over its estimated useful life, usually three years. Computer software maintenance costs are charged as expenses when incurred.

Leaseholds

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

Industrial property

Industrial property comprises the trademarks acquired, which are amortised over 10 years, as well as the investment in business diagnostics and product range development, which is amortised over a period of four years.

h) Property, plant and equipment

Property, plant and equipment are measured at cost or cost of production, less any accumulated depreciation and accumulated impairment. Land is not depreciated.

The cost of acquisition includes external costs plus internal costs for materials consumed, which are recognised as income in the income statement. The cost of acquisition includes, where applicable, the initial estimate of the costs required to dismantle or remove the asset and to restore the site on which it is located, when the Group has the obligation to carry out these measures as a result of the use of the asset.

Since the average period to carry out work on warehouses and stores does not exceed twelve months, there are no significant interest and other finance charges that are considered as an increase in property, plant and equipment.

Non-current investments made in buildings leased by the Group under operating lease contracts are recognised following the same criteria as those used for other property, plant and equipment. Assets are depreciated over the shorter of their useful life and the lease term, taking renewals into account.

Enlargement, modernisation or improvement expenses that lead to an increase in productivity, capacity or efficiency or lengthen the useful life of the assets are capitalised as an increase in the cost of the assets when recognition criteria are met.

Repair and maintenance costs are recognised in the consolidated income statement in the year in which they are incurred.

The DIA Group assesses whether valuation adjustments are necessary to recognise each item of property, plant and equipment at its lowest recoverable amount at each year end, when circumstances or changes indicate that the carrying amount of property, plant and equipment may not be fully recoverable, i.e. that the revenues generated will not be sufficient to cover all costs and expenses. In this case, the lowest measurement is not maintained if the reasons for recognising the valuation adjustment have ceased to exist.

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 (CGU) to which the asset belongs.

The Group companies depreciate their property, plant and equipment from the date on which these assets enter into service. Property, plant and equipment are depreciated by allocating the cost of the assets over the following estimated useful lives, which are calculated in accordance with technical studies, which are reviewed on a regular basis:

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

Estimated residual values and depreciation methods and periods are reviewed at each year end and, where applicable, adjusted prospectively.

i) Leases

Lessee accounting records

Determining whether a contract is, or contains, a lease is based on an analysis of the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset to the DIA Group.

Leases under which the lessor maintains a significant part of the risks and rewards of ownership are classified as operating leases. Operating lease payments are expensed on a straight-line basis over the lease term.

Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of the assets are transferred to the Group. At the commencement of the lease term, the Group recognises the assets, classified in accordance with their nature, and the associated debt, at the lower of fair value of the leased asset and the present value of the minimum lease payments agreed. Lease payments are allocated proportionally between the reduction of the principal of the lease debt and the finance charge, so that a constant rate of interest is obtained on the outstanding balance of the liability. Finance charges are recognised in the consolidated income statement over the life of the contract.

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

Lessor accounting records

The Group has granted the right to use certain spaces within the DIA stores to concessionaires and the right to use leased establishments to franchisees under contracts. The risks and rewards incidental to ownership are not substantially transferred to third parties under these contracts. Operating lease income is taken to the consolidated income statement on a straight-line basis over the lease term. Assets leased to concessionaires are recognised under property, plant and equipment following the same criteria as for other assets of the same nature.

Sale and leaseback transactions

In each sale and leaseback transaction, the Group assesses the classification of finance and operating lease contracts for land and buildings separately for each item, and assumes that land has an indefinite economic life. To determine whether the risks and rewards incidental to ownership of the land and buildings are substantially transferred, the Group considers the present value of minimum future lease payments and the minimum lease period compared with the economic life of the building.

If the Group cannot reliably allocate the lease rights between the two items, the contract is recognised as a finance lease, unless there is evidence that it is an operating lease.

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.

When the leaseback is classed as an operating lease:

- If the transaction is established at fair value, any profit or loss on the sale is recognised immediately in consolidated profit or loss for the year.
- If the sale price is below fair value, any profit or loss is recognised immediately. However, if the loss is compensated for by future lease payments at below market price, it is deferred in proportion to the lease payments over the period for which the asset is to be used.
- If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is to be used.

j) Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held-for-sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A component of the Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group.

The Group discloses the post-tax profit and loss of discontinued operations and the post-tax gain or loss recognised on the measurement at fair value less costs to sell or distribute or on the disposal of the assets or disposal group(s) constituting the discontinued operation on the face of the consolidated income statement.

If the Group ceases to classify a component as a discontinued operation, the results previously disclosed as discontinued operations are reclassified to continuing operations for all years presented.

k) Impairment of non-financial assets

(i) Impairment of goodwill

Pursuant to IAS 36, impairment testing should be performed annually on each CGU or group of CGUs with associated goodwill, to determine whether the carrying amount of these assets exceeds their recoverable amount.

The recoverable amount of the assets is the higher of their fair value less costs to sell and their value in use.

This CGU or group of CGUs should represent the lowest level at which goodwill is monitored for internal management purposes and should not be larger than an operating segment before aggregation determined in accordance with IFRS 8. The DIA Group reviews the allocation of goodwill at company and/or country level. This decision is based on both organisational and strategic criteria and on how implementation decisions are taken.

An asset's value in use is measured based on the future cash flows the Group expects to derive from use of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows associated with the asset.

(ii) Impairment of other non-current assets

At the end of each reporting period, the Group assesses whether there are any indications of possible impairment of non-current assets, including intangible assets. Based on past experience, the Group considers that there are indications of impairment when 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) have been negative for more than two years. All stores are tested for impairment that have impairment recognised. If such indications exist, or when by their nature assets require yearly impairment testing, the Group estimates the recoverable amount of the asset, calculated as the higher of fair value less costs to sell and value in use. Value in use is determined by discounting estimated future cash flows, applying a pre-tax discount rate which reflects the value of money over time, and considering the specific risks associated with the asset. 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 consolidated 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).

The Group calculates impairment on the basis of the strategic plans of the different cash generating units to which the assets are allocated, which are generally for a period of five years. For longer periods, projections based on strategic plans are used as of the fifth year, applying a constant expected growth rate. The assumptions on which the projections are based are fundamentally the result of internal estimates taking into account past performance and extrapolating expected performance. For this purpose, factors are considered which are beyond the control of Group management, such as macroeconomic data and GDP growth, consumer spending, population growth, unemployment and inflation. External market research reports and market shares are also consulted.

The discount rates used are calculated before tax and are adjusted for the corresponding country and business risks.

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 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 is increased to its new recoverable amount, to the limit of the carrying amount this asset 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.

l) Advertising and catalogue expenses

The cost of acquiring advertising material or promotional articles and advertising production costs are recognised as expenses when incurred. However, advertising placement costs that can be identified separately from advertising production costs are accrued and expensed as the advertising is published.

m) Financial instruments – assets

Regular way purchases and sales of financial assets are recognised in the consolidated statement of financial position at the trade date, when the Group undertakes the commitment to purchase or sell the asset. At the date of first recognition, the DIA Group classifies its financial instruments into the following four categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The only significant financial assets are classified under loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are not classified in any other financial asset categories. Assets of this nature are recognised initially at fair value, including transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Results are recognised in the consolidated income statement at the date of settlement or impairment loss, and through amortisation. Trade receivables are initially recognised at fair value and subsequently adjusted where objective evidence exists that the debtor may default on payment. The provision for bad debts is calculated based on the difference between the carrying amount and the recoverable amount of receivables. Current trade balances are not discounted.

Guarantees 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 consolidated profit and loss over the lease term.

All or part of a financial asset is derecognised when one of the following circumstances arises:

- The rights to receive the cash flows associated with the asset have expired.
- The Group has assumed a contractual obligation to pay the cash flows received from the asset to a third party.
- The contractual rights to the cash flows from the asset have been transferred to a third party and all of the risks and rewards of ownership have been transferred.

n) Inventories

Inventories are initially measured at cost of purchase based on the weighted average cost method.

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.

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.

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.

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

Write-downs to net realisable value recognised or reversed on inventories are classified under merchandise and other consumables used.

o) Cash and cash equivalents

Cash and cash equivalents recognised in the consolidated statement of financial position include cash in hand and in bank accounts, demand deposits and other highly liquid investments maturing in less than three months. These items are recognised at historical cost, which does not differ significantly from their realisable value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents reflect items defined in the paragraph above. Any bank overdrafts are recognised in the consolidated statement of financial position as financial liabilities from loans and borrowings.

p) Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration given, less any directly attributable transaction costs. In subsequent periods, these financial liabilities are carried at amortised cost using the effective interest method. Financial liabilities are classified as non-current when their maturity exceeds twelve months or the DIA Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Financial liabilities are derecognised when the corresponding obligation is settled, cancelled or has expired. When a financial liability is substituted by another with substantially different terms, the Group derecognises the original liability and recognises a new liability, taking the difference in the respective carrying amounts to the consolidated income statement.

The Group 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.

The Group has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised under trade and other payables in the consolidated statement of financial position until they have been settled, repaid or have expired.

The amounts paid by the financial institutions as consideration for the acquisition of invoices or payment documents for the trade payables recorded by the Group is recognised under other income in the consolidated statement of income when the invoices or documents are conveyed.

Guarantees received in sublease contracts are measured at nominal amount, since the effect of discounting is immaterial.

Derivative financial products and hedge accounting

Derivative financial instruments are initially recognised using the same criteria as those described for financial assets and financial liabilities. Derivative financial instruments are classified as current or non-current depending on whether their maturity is less or more than twelve months. Derivative instruments that qualify to be treated as

hedging instruments for non-current assets are classified as non-current assets or liabilities, depending on whether their values are positive or negative.

The criteria from recognising gains or losses arising from changes in the fair value of derivatives depend on whether the derivative instrument complies with hedge accounting criteria and, where applicable, on the nature of the hedging relationship.

Changes in the fair value of derivatives that qualify for hedge accounting, have been allocated as cash flow hedges and are highly effective, are recognised in equity. The ineffective portion of the hedging instrument is taken directly to consolidated profit and loss. When the forecast transaction or the firm commitment results in the recognition of a non-financial asset or liability, the gains or losses accumulated in equity are taken to the consolidated income statement during the same period in which the hedging transaction has an impact on net profit and loss.

At the inception of the hedge the Group formally allocates and documents the hedging relationship between the derivative and the hedged item, as well as the objectives and risk management strategies applied on establishing the hedge. This documentation includes the identification of the hedging instrument, the hedged item or transaction and the nature of the hedged risk. The documentation also considers the measures taken to assess the effectiveness of the hedge in terms of covering the exposure to changes in the hedged item, whether with respect to its fair value or attributable cash flows. The effectiveness of the hedge is assessed prospectively and retrospectively, both at the inception of the hedging relationship and systematically over the period of allocation.

Hedge accounting criteria cease to be applied when the hedging instrument expires or is sold, cancelled or settled, or when the hedging relationship no longer complies with the criteria to be accounted for as such, or the instrument is no longer designated as a hedging instrument. In these cases, the accumulated gain or loss on the hedging instrument that has been recognised in equity is not taken to profit or loss until the forecast or committed transaction impacts on the Group’s results. However, if the transaction is no longer considered probable, the accumulated gains or losses recognised in equity are immediately transferred to the consolidated income statement.

The fair value of the Group’s derivatives portfolio reflects estimates based on calculations performed using observable market data and the specific tools used widely among financial institutions to value and manage derivative risk.

q) Parent own shares

The Group’s acquisition of equity instruments of the Parent is recognised separately at cost of acquisition in the consolidated statement of financial position as a reduction in equity, irrespective of the reason for the purchase. Any gains or losses on transactions with own equity instruments are not recognised in consolidated profit and loss.

The subsequent redemption of the Parent 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 reduction in equity, net of any tax effect.

Parent own shares are recognised as a component of consolidated equity at their total cost.

Contracts that oblige the Group to acquire own equity instruments, including non-controlling interests, 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 consolidated profit or loss in line with the redemption conditions. If the Group does not ultimately exercise the contract, the carrying amount of the financial liability is reclassified to reserves.

r) Distributions to shareholders

Dividends, whether in cash or in kind, are recognised as a reduction in equity when approved by the shareholders at their annual general meeting.

s) Employee benefits

Defined benefit plans

The Group 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 consolidated statement of financial position reflect the present value of defined benefit obligations at the reporting date, minus the fair value at that date of plan assets.

In the event that the result of the operations described in the paragraph above is negative, i.e. it results in an asset, the Group measures the resulting asset at the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Economic benefits are available to the Group when they are realisable at some point during the life of the plan or on settlement of plan liabilities, even when not immediately realisable at the reporting date.

Income or expense related to defined benefit plans is recognised as employee benefits expense and is the sum of the net current service cost and the net interest cost of the net defined benefit asset or liability. Remeasurements of the net defined benefit asset or liability are recognised in other comprehensive income, comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability or asset. The costs of managing the plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions are deducted when determining the return on plan assets. Any amounts deferred in other comprehensive income are reclassified to retained earnings in reserves during that year.

The Group recognises the past service cost as an expense for the year at the earlier of when the plan amendment or curtailment occurs and when the Group recognises related restructuring costs or termination benefits.

The present value of defined benefit obligations is calculated annually by independent actuaries using the Projected Unit Credit Method. The discount rate of the net defined benefit asset or liability 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.

The fair value of plan assets is calculated applying the principles of IFRS 13 Fair Value Measurement. In the event that plan assets include insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of the insurance policies is equal to the present value of the related obligations.

The Group only offsets an asset relating to one plan against the liability of another plan provided that it has a legally enforceable right to use a surplus in one plan to settle its obligation under the other plan, and when it intends to settle the obligation on a net basis, or to realise the surplus on one plan and settle its obligation under the other plan simultaneously.

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.

Termination benefits

Termination benefits paid or payable that do not relate to restructuring processes in progress are recognised when the Group is demonstrably committed to terminating the employment of current employees prior to retirement date. The Group is demonstrably committed to terminating the employment of current employees when it has a detailed formal plan and is without realistic possibility of withdrawing or changing the decisions made.

Restructuring-related termination benefits

Restructuring-related termination benefits are recognised when the Group has a constructive obligation, that is, when it has a detailed formal plan for the restructuring and there is valid expectation in those affected that the restructuring will be carried out by starting to implement that plan or announcing its main features to those affected by it.

Employee benefits

The Group recognises the expected cost of short-term 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.

t) Provisions

Provisions are recognised when the Group has a present obligation (legal or implicit) as a result of a past event, the settlement of which requires an outflow of resources which is probable and can be estimated reliably. If it is virtually certain that some or all of a provisioned amount will be reimbursed by a third party, for example through an insurance contract, an asset is recognised in the consolidated statement of financial position and the related expense is recognised in the consolidated income statement, net of the foreseen reimbursement. If the time effect of money is material, the provision is discounted, recognising the increase in the provision due to the time effect of money as a finance cost.

Provisions for onerous contracts are based on the present value of unavoidable costs, determined as the lower of the contract costs, net of any income that could be generated, and any compensation or penalties payable for non-completion.

u) Share-based payments for goods and services

The Group 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 Group 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 Group employees or third parties that supply similar services are measured by reference to the fair value of the equity instruments offered.

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

Share-based payment transactions are recognised as follows:

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

The Group 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 Group estimates the fair value of the consideration payable, to be reviewed on the plan award date itself.

Market vesting conditions and non-vesting conditions are taken into account when estimating the fair value of the instrument. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for services received is based on the number of equity instruments that eventually vest. Consequently, the Group 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 in Spain and other countries in which the Group operates, 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.

v) Grants, donations and bequests

Grants, donations and bequests are recorded as a liability 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.

w) Income taxes

Income tax in the consolidated income statement comprises total debits or credits deriving from income tax paid by Spanish Group companies and those of a similar nature of foreign entities.

The income tax expense for each year comprises current tax and, where applicable, deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities. The tax rates and tax laws used to calculate these amounts are those prevailing at the closing date in each country.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

The Group calculates deferred tax assets and liabilities using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted (or substantially enacted) by the end of the reporting period.

Deferred tax assets and liabilities are not discounted at present value and are classified as non-current irrespective of the reversal date.

At each close the Group analyses the carrying amount of the deferred tax assets recognised and makes the necessary adjustments where doubts exist regarding their future recovery. Deferred tax assets not recognised in the consolidated statement of financial position are also re-evaluated at each accounting close and are recognised when their recovery through future tax profits appears likely, as specified in note 2.4 (a).

The tax effect of items recognised in equity is also recognised directly in equity. The recognition of deferred tax assets and liabilities arising from business combinations affects goodwill.

Deferred tax assets and liabilities are presented at their net amount only when they relate to income taxes levied by the same taxation authority on the same taxable entity, provided that there is a legally enforced right to set off current taxes against assets and liabilities or the intention to realise the assets and settle the liabilities simultaneously.

x) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

y) Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated statement of financial position 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 Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

z) Environmental issues

The Group 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 Group recognises environmental provisions if necessary.

aa) Related party transactions

Sales to and purchases from related parties take place in the same conditions as those existing in transactions between independent parties.

ab) Interest

Interest is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of a financial instrument to the net carrying amount of that financial instrument based on the contractual terms of the instrument and not considering future credit losses.

4. BUSINESS COMBINATIONS

a) Acquisition of Eroski Group stores

On 4 November 2014 the Company entered into a framework agreement with Cecosa Supermercados, S.L.; Supermercados Picabo, S.L. and Caprabo, S.A., entities belonging to the Eroski Group, for the sale and purchase of the assets of a maximum of 160 supermarkets that operated under the commercial names Eroski Center, Eroski City and Caprabo, (hereinafter "the Transaction"). At 2014 year end, completion of the Transaction was subject to authorisation being obtained from the competition authorities, as well as compliance with other terms and conditions usually applicable to this type of acquisition. The agreed maximum price was Euros 146 million and was subject to potential adjustments, depending on the number of establishments finally acquired.

On 9 April 2015 the National Markets and Competition Commission approved the Transaction subject solely to DIA's assumption of several commitments, previously proposed by DIA, related to the obligation to divest three stores, two of which are owned by the Eroski Group and one by the DIA Group. The Parent agreed to assume these commitments. On 17 April 2015 the closing document was signed, which established an initial transaction scope of 144 establishments at a price of Euros 135,348 thousand, the effective acquisition of which took place gradually over the following four months. On 28 July 2015 the conveyance of these 144 establishments was completed and on 7 August 2015 an addendum was signed to the framework agreement whereby the transaction scope was finally confirmed at 147 establishments for a total price of Euros 140,548 thousand.

At 31 December 2015 the DIA Group has paid a total of Euros 140,548 thousand for the transfer of 147 establishments. Stores were conveyed on a weekly basis by each of the selling companies to the two DIA Group companies acquiring them, namely the Parent and Grupo El Árbol, Distribución y Supermercados, S.A. The difference between the price paid by each of the acquiring companies at the time of receiving each establishment and the fair value of the identifiable net assets acquired (land amounting to Euros 11,578 thousand, buildings amounting to Euros 12,921 thousand, and technical installations and machinery amounting to Euros 21,805 thousand) has been recognised as goodwill totalling Euros 94,244 thousand (see note 7.1).

Had the business combination taken place on 1 January 2015, the Group's revenue and profit for the year attributable to equity holders of the Parent would have increased by Euros 177,800 thousand and decreased by Euros 2,400 thousand, respectively.

b) Acquisition of a business from Mobile Dreams Factory Marketing, S.L.

In July 2015 the Group acquired the assets of Mobile Dreams Factory Marketing, S.L. related to the sale of goods over the internet for a fixed price of Euros 750 thousand and a variable amount, up to a maximum of Euros 2,313 thousand, dependent on sales for the period from 1 July 2015 to 30 June 2017. At the time of the acquisition an independent expert valued the variable price at Euros 1,755 thousand and at the reporting date of these annual accounts at Euros 1,890 thousand. This contingent consideration is recognised under non-current provisions in other provisions (see note 18.2 Other Provisions).

Details of the consideration given, the fair value of the net assets acquired and the goodwill on this business combination are as follows:

Thousands of Euros	2015
Price agreed	2,505
Value of the net assets adquired	331
Goodwill (Excess of net assets acquired over the acquisition cost) (note 7.1)	**2,174**

Had the business combination taken place on 1 January 2015, the Group's revenue and profit for the year attributable to equity holders of the Parent would have increased by Euros 1,031 thousand and decreased by Euros 203 thousand, respectively.

c) Acquisition of the El Árbol Group

On 2 July 2014 the Parent entered into an agreement whereby the Group committed to purchasing 100% of the share capital of Grupo El Árbol Distribución y Supermercados, S.A. ("El Árbol") and, indirectly, its subsidiary Compañía Gallega de Supermercados, S.A. (El Árbol held a 94.24% controlling interest), as well as the participating loan extended to most of El Árbol's shareholders (the "Transaction"). Once authorisation had been obtained from the Spanish competition authorities, the final sale and purchase contract was signed on 31 October 2014, which is, therefore, the date on which the Group took control of the acquired businesses (see note 1). The price paid by the DIA Group for all the share capital of El Árbol as well as for the participating loan amounted to a fixed amount of Euros 21,000 thousand and a variable price linked to El Árbol's revenues from 2015-2018, both inclusive, which at the reporting date of the consolidated annual accounts at 31 December 2014 was valued by an independent expert at Euros 15,989 thousand. During 2015 the parties agreed to lower the variable price by indexing it to a loan of Euros 21,400 thousand, resulting in adjustments of Euros 2,727 thousand. Consequently, the contingent consideration has been valued at Euros 13,262 thousand. At the reporting date of these annual accounts the contingent consideration was adjusted based on the valuation of an independent expert (see note 18.2 Other Provisions).

This acquiree generated consolidated revenues of Euros 120,597 thousand and a consolidated loss of Euros 5,931 thousand for the Group between the acquisition date, 31 October 2014, and the 2014 reporting date. Had the acquisition taken place on 1 January 2014, the Group's revenue and profit for the year attributable to equity holders of the Parent would have increased by Euros 597,574 thousand and decreased by Euros 77,499 thousand, respectively.

Details of the consideration given, the fair value of the net assets acquired and the goodwill arising on the El Árbol business combination, as mentioned in the first paragraph, have varied between the amounts presented in the annual accounts for 2014 and for 2015 and are as follows:

Thousands of Euros	2015	2014
Price agreed	34,262	36,989
Value of the net assets adquired	(120,850)	(120,850)
Goodwill (Excess of net assets acquired over the acquisition cost) (note 7.1)	**155,112**	**157,839**

The price paid includes the acquiree's debt with its former shareholder at the acquisition date, which has been assumed by the Group.

The carrying amount of the assets and liabilities acquired from the El Árbol Group at 31 October 2014, excluding the Euros 46,198 thousand of goodwill recognised that was added to the total amount of goodwill, totalled a negative amount of Euros 173,015 thousand. The adjustments that were required to bring their carrying amount into line with their fair value amounted to a negative Euros 293 thousand, net of their tax effect. The aforementioned value of the assets and liabilities included a participating loan, the nominal value and accrued interest of which amounted to Euros 52,458 thousand at 31 October 2014. This amount was not included in the net assets presented in the consolidated annual accounts of the DIA Group at 31 December 2014 because it was an intragroup loan.

Details of the estimated fair value at 31 December 2014 of the assets, liabilities and contingent liabilities acquired in the El Árbol business combination are as follows:

Thousands of Euros	2014
Property, plant and equipment	71,299
Other intangible assets	3,854
Non-current financial assets	5,243
Deferred tax assets	1,273
Non-current assets	**81,669**
Inventories	54,200
Trade and other receivables	8,163
Current tax assets	404
Other current financial assets	1,139
Other assets	30
Cash and cash equivalents	6,464
Current assets	**70,400**
TOTAL ASSETS	**152,069**
Non-controlling interests	(41)
Total Equity	**(41)**
Non-current borrowings	14,933
Provisions	4,481
Deferred tax liabilities	1,147
Non-current liabilities	**20,561**
Deuda financiera corriente	34,280
Trade and other payables	190,184
Current tax liabilities	15,577
Other financial liabilities	12,358
Current liabilities	**252,399**
TOTAL LIABILITIES	**272,919**
TOTAL NET ASSETS	**(120,850)**

At 31 December 2014 the Group recognised Euros 157,839 thousand as provisional goodwill because it did not fulfil the conditions for recognition as a separate asset and reflected the future economic benefits expected to flow to the Group as a result of extending its commercial offer – in a "neighbourhood" format with more competitiveness in purchases and a larger number of points of sale. At 31 December 2015, due to the new agreement described

previously, the definitive amount of goodwill has been adjusted to Euros 155,112 thousand. This goodwill is not tax-deductible.

5. INFORMATION ON OPERATING SEGMENTS

For management purposes the Group is organised into business units, based on the countries in which it operates, and has two reporting segments:

- Iberia (Spain, Portugal and Switzerland).
- Emerging Countries (Brazil, Argentina and China).

Following the sale of the sub-group headed by DIA France on 30 November 2014, the operating segment of France ceased to be part of the DIA Group.

Management monitors the operating results of its business units separately in order to make decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties.

Details of the key indicators expressed by segment are as follows:

Thousands of Euros at 31st December 2015	Segment - Iberia -	Segment - Emerging -	Consolidated
Sales (1)	5,754,673	3,170,781	8,925,454
EBITDA (2)	414,462	97,059	511,521
% of sales	7.2%	3.1%	5.7%
Non-current assets	1,933,945	421,157	2,355,102
Liabilities	2,457,796	671,608	3,129,404
Acquisition of non-current assets	381,996	181,255	563,251
Number of outlets (4)	5,562	2,156	7,718

Thousands of Euros at 31st December 2014	Segment - Iberia -	Segment - France-	Segment - Emerging -	Consolidated
Sales (1)	5,221,558	-	2,789,409	8,010,967
EBITDA (2)	443,883	-	81,711	525,594
% of sales	8.5%	-	2.9%	6.6%
Non-current assets	1,588,409	-	408,571	1,996,980
Assets held for sale (3)	-	-	10	10
Liabilities	2,082,091	-	667,326	2,749,417
Liabilities associated with assets held for sale (3)	-	-	96	96
Acquisition of non-current assets	200,447	4,527	144,434	349,408
Number of outlets (4)	5,415	-	1,891	7,306

(1) Sales eliminations arising from consolidation are included in segment Iberia
(2) EBITDA = operating income before depreciation, amortisation and impairment of tangible and intangible assets, profit/(loss) on changes in fixed assets.
(3) Data related to Beijing DIA Commercial Co. Ltd. is included in the segment Emerging
(4) Number of stores at the closing date.

Details of revenues and non-current assets (except for financial assets and deferred tax assets), by country, are as follows:

	Sales		Tangible and intangible assets	
Thousands of Euros	**2015**	**2014**	**2015**	**2014**
Spain	5,076,646	4,496,878	1,327,307	1,138,194
Portugal	678,027	724,680	267,628	263,126
Argentina	1,532,301	1,096,027	144,990	136,283
Brazil	1,435,627	1,523,741	203,960	214,200
China	202,853	169,641	20,918	15,643
Switzerland	-	-	33	119
Total	**8,925,454**	**8,010,967**	**1,964,836**	**1,767,565**

6. PROPERTY, PLANT AND EQUIPMENT

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

Thousands of Euros	Land	Buildings	Equipment, fixtures and fittings and machinery	Other installations, utensils and furniture	Tangible assets in progress and advances given	Other fixed assets	Total
Cost							
At 1st January 2014	**186,735**	**1,271,665**	**1,735,604**	**98,124**	**50,778**	**121,725**	**3,464,631**
Additions	6,499	83,812	167,694	15,481	59,855	8,533	341,874
Disposals	-	(13,926)	(35,285)	(6,658)	(658)	(3,653)	(60,180)
Reversal	-	-	(1,539)	-	-	-	(1,539)
Transfers	36	34,816	21,338	2,097	(63,261)	3,035	(1,939)
Additions to the consolidated group	1,180	3,002	66,977	22	107	11	71,299
Exits from consolidation perimeter	(54,536)	(269,644)	(668,745)	-	(1,654)	-	(994,579)
Other movements	-	(13)	(149)	(19)	(132)	16	(297)
Translation differences	(734)	(8,101)	(8,851)	519	(512)	(154)	(17,833)
At 31st December 2014	**139,180**	**1,101,611**	**1,277,044**	**109,566**	**44,523**	**129,513**	**2,801,437**
Additions	845	67,372	159,987	22,422	149,722	8,461	408,809
Disposals	(158)	(24,273)	(39,412)	(9,807)	(74)	(6,415)	(80,139)
Transfers	(13)	93,843	1,502	7,100	(101,006)	9,785	11,211
Additions to the consolidated group	11,578	12,921	21,805	3	-	-	46,307
Other movements	-	14,197	(16,475)	(20)	(188)	(8)	(2,494)
Translation differences	(4,593)	(65,352)	(51,923)	(19,904)	(15,755)	(9,208)	(166,735)
At 31st December 2015	**146,839**	**1,200,319**	**1,352,528**	**109,360**	**77,222**	**132,128**	**3,018,396**
Depreciation							
At 1st January 2014	**-**	**(570,975)**	**(1,119,062)**	**(46,626)**	**-**	**(99,940)**	**(1,836,603)**
Amortisation and depreciation (note 21.5)	-	(46,696)	(109,134)	(11,282)	-	(10,633)	(177,745)
Disposals	-	8,279	27,148	6,525	-	3,573	45,525
Transfers	-	(138)	1,210	6	-	4	1,082
Exits from consolidation perimeter	-	70,314	375,104	-	-	-	445,418
Other movements	-	(2,179)	262	21	-	3	(1,893)
Translation differences	-	1,299	3,199	(343)	-	46	4,201
At 31st December 2014	**-**	**(540,096)**	**(821,273)**	**(51,699)**	**-**	**(106,947)**	**(1,520,015)**
Amortisation and depreciation (note 21.5)	-	(58,398)	(122,243)	(12,998)	-	(11,525)	(205,164)
Disposals	-	19,030	30,178	8,402	-	6,160	63,770
Transfers	-	(1,184)	(4,733)	(788)	-	(4,747)	(11,452)
Other movements	-	(8,324)	10,833	(34)	-	7	2,482
Translation differences	-	9,478	21,546	6,504	-	6,528	44,056
At 31st December 2015	**-**	**(579,494)**	**(885,692)**	**(50,613)**	**-**	**(110,524)**	**(1,626,323)**
Impairment							
At 1st January 2014	**(271)**	**(11,473)**	**(14,633)**	**-**	**-**	**-**	**(26,377)**
Allowance (note 21.5)	(341)	(4,317)	(2,026)	-	-	-	(6,684)
Distribution	-	868	764	-	-	-	1,632
Reversals (note 21.5)	-	878	243	-	-	-	1,121
Other movements	-	-	(3)	-	-	-	(3)
Transfers	-	217	579	-	-	-	796
Exits from consolidation perimeter	-	5,449	12,972	-	-	-	18,421
Translation differences	-	45	(17)	-	-	-	28
At 31st December 2014	**(612)**	**(8,333)**	**(2,121)**	**-**	**-**	**-**	**(11,066)**
Allowance (note 21.5)	-	(8,248)	(3,844)	(11)	-	(3)	(12,106)
Distribution	-	1,245	279	-	-	-	1,524
Reversals (note 21.5)	-	569	756	2	-	-	1,327
Other movements	-	(165)	163	-	-	-	(2)
Transfers	-	(3)	47	(23)	-	-	21
Translation differences	-	224	15	-	-	-	239
At 31st December 2015	**(612)**	**(14,711)**	**(4,705)**	**(32)**	**-**	**(3)**	**(20,063)**
Net carrying amount							
At 31st December 2015	**146,227**	**606,114**	**462,131**	**58,715**	**77,222**	**21,601**	**1,372,010**
At 31st December 2014	**138,568**	**553,182**	**453,650**	**57,867**	**44,523**	**22,566**	**1,270,356**

Additions in Spain in 2015 include Euros 243,436 thousand (Euros 154,592 thousand at 31 December 2014) that were the result of the acquisition and refurbishment of the former Eroski Group establishments (see note 4). Ninety-nine of these stores were converted to a new format "La Plaza de DIA" and the remainder were converted to other DIA formats. Also new establishments have been opened. All of these new openings, those coming from the Eroski Group and the others, have led to total investments of Euros 115,263 thousand. Also, an investment of Euros

73,626 thousand has been made in changing store formats in Spain and the remaining investment in Spain was due to improvements and refurbishment work carried out in existing stores. Euros 32,061 thousand of the investments in Portugal in 2015 were due to store openings, format changes and improvements. The adaptation of stores to the new DIA Group formats was the most significant of these investments (Euros 39,200 thousand at 31 December 2014, of which Euros 21,766 thousand was due to the purchase of the Torres Novas warehouse). As in the preceding year, additions in the emerging countries in 2015 were primarily due to opening new establishments and adapting existing ones to the new Group formats. In Brazil these investments amounted to Euros 76,906 thousand (Euros 72,586 thousand at 31 December 2014) and in Argentina to Euros 92,532 thousand (Euros 65,025 thousand at 31 December 2014).

Disposals for 2015 and 2014 primarily comprise items replaced as a result of these improvements and disposals due to store closures. Assets with a total carrying amount of Euros 7,526 thousand were derecognised in Spain in 2015 (Euros 6,161 thousand at 31 December 2014). Other disposals for 2015 and 2014 are related to the adaptation of stores in other countries in which the DIA Group operates.

The Group has written down the assets of certain CGUs to their value in use, with a net impact in Spain of Euros 7,404 thousand in 2015 and Euros 4,635 thousand in 2014.

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

Thousands of Euros	2015	2014
Buildings	264,217	226,386
Equipment, fixtures and fittings and machinery	572,999	480,029
Other installations, utensils and furniture	18,483	17,130
Other fixed assets	85,959	85,514
Total	**941,658**	**809,059**

Buildings include the amount of the Seville warehouse of Twins Alimentación S.A., which is subject to a financing arrangement. Furthermore, as a result of Schlecker's incorporation into the scope of consolidation in 2013, the Group has assumed three new mortgage loans secured on three warehouses in Tarragona, Zaragoza and Cuenca (see note 17.1).

The Group 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.

Finance leases

Finance leases have been arranged for the stores at which the Group's principal activities are carried out. There are also finance leases for technical installations, machinery and other fixed assets.

The Group has acquired the following items of property, plant and equipment under finance leases:

Thousands of Euros	2015	2014
Land	115	115
Cost	115	115
Buildings	316	328
Cost	344	344
Accumulated depreciation	(28)	(16)
Equipment, fixtures and fittings and machinery	26,652	19,304
Cost	40,403	27,706
Accumulated depreciation	(13,751)	(8,402)
Other installations, utensils and furniture	3	-
Cost	4	-
Accumulated depreciation	(1)	-
Net carrying amount	**27,086**	**19,747**

The main variation in the contracts of this nature from 2014 to 2015 in technical installations, machinery and other fixed assets is due primarily to the finance lease agreements arranged by El Árbol, the Parent, Schlecker, S.A. and Shanghai DIA Retail Co. Ltd.

Interest incurred on finance leases totalled Euros 1,589 thousand in 2015 and Euros 1,054 thousand in 2014 (see note 21.7).

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

Thousands of Euros	2015		2014	
	Minimum payments	Present value	Minimum payments	Present value
Less than one year	9,312	7,736	7,002	5,912
Two to five years	21,947	18,191	14,714	12,161
More than 5 years	1,196	994	895	730
Total minimum payments and present value	**32,455**	**26,921**	**22,611**	**18,803**
Less current portion (note 17.1)	(9,312)	(7,736)	(7,002)	(5,912)
Total non-current (note 17.1)	**23,143**	**19,185**	**15,609**	**12,891**

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

Thousands of Euros	2015	2014
Minimum future payments	32,432	22,578
Purchase option	23	33
Unaccrued finance expenses	(5,534)	(3,808)
Present value	**26,921**	**18,803**

7. INTANGIBLE ASSETS

7.1. Goodwill

Details of goodwill by operating segment before aggregation and movement during the period are as follows:

Thousands of Euros	SPAIN	FRANCE	PORTUGAL	TOTAL
Net goodwill at 01/01/2014	**267,075**	**147,559**	**39,754**	**454,388**
Disposals	-	(1,022)	-	(1,022)
Provision for impairment (note 21.5)	(26)	-	-	(26)
Additions to the consolidated group	157,839	-	-	157,839
Exits from consolidation perimeter (note 15)	-	(146,537)	-	(146,537)
Net goodwill at 31/12/2014	**424,888**	**-**	**39,754**	**464,642**
Additions to the consolidated group	93,695	-	-	93,695
Disposals	(274)	-	-	(274)
Net goodwill at 31/12/2015	**518,309**	**-**	**39,754**	**558,063**

The goodwill reported by the Group primarily relates to the following business combinations:

- In 2015 goodwill in Spain has increased by Euros 94,244 thousand due to the acquisition of the Eroski Group stores (see note 4). Also in 2015 after the acquisition of the assets of Mobile Dreams Factory Marketing, S.L (see note 4) goodwill rose by Euros 2,174 thousand. In 2014, goodwill rose by Euros 157,839 thousand due to the acquisition of El Árbol at 31 October 2014. In 2015, as mentioned in note 4, after an adjustment of Euros 2,727 thousand in the acquisition price the related goodwill was also adjusted to Euros 155,112 thousand. Goodwill generated in prior years mainly reflects the business combinations arising from the acquisition of Plus Supermercados S.A. for Euros 160,553 thousand in 2007, the acquisition of Distribuciones Reus, S.A. for Euros 26,480 thousand in 1991 and the acquisition of Schlecker for Euros 48,591 thousand in 2013. Also, in Spain additional goodwill has been generated in the past as a result of the various acquisitions of stores and groups of stores.

- Goodwill generated in France primarily related to the business combinations resulting from the acquisition of Penny Market, S.A in 2005 for Euros 67,948 thousand by DIA France, and Euros 3,501 thousand in respect of another company called Inmmobiliere Erteco, SAS, arising from the acquisition of the company Sonnenglut/Treff

Marché in 2003 for Euros 10,510 thousand. After France's exit from the DIA Group on 30 November 2014, all the related goodwill was derecognised.

- In Portugal, goodwill was generated on the business combination arising from the acquisition of Companhia Portuguesa de Lojas de Desconto, S.A. in 1998.

For impairment testing purposes, goodwill has been allocated to DIA's cash-generating units up to country level.

The recoverable amount of a group of CGUs is determined based on its value in use. These calculations are based on cash flow projections from the financial budgets approved by management over a period of five years. Cash flows beyond this five-year period are extrapolated using the estimated growth rates indicated below. The growth rate should not exceed the average long-term growth rate for the distribution business in which the Group operates.

The following main assumptions are used to calculate value in use:

	Spain		Portugal	
	2015	2014	2015	2014
Sales growth rate (1)	3.00%	6.50%	4.90%	3.40%
Growth rate (2)	2.00%	2.00%	2.00%	2.00%
Discount rate (3)	6.88%	7.41%	7.49%	8.24%

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

The decline in the average growth rate for sales in Spain compared with the prior year is primarily because the sales projections of El Árbol were taken into account in the 2014 projections.

These assumptions have been used to analyse each group of CGUs within the business segment.

The Group determines budgeted weighted average sales growth based on estimated future performance and market forecasts.

Group management considers that the average weighted growth rates for sales over the next five years are consistent with past performance, taking into account expansion plans, store refits to new formats and trends in macroeconomic indicators (population, inflation in food prices, etc.).

According to the assumptions used to forecast cash flows, the gross margin will remain stable throughout the budgeted period.

The weighted average growth rates of cash flows in perpetuity are consistent with the forecasts included in industry reports. The discount rates used are pre-tax values calculated by weighting the cost of equity against the cost of debt using the average industry weighting. The cost of equity in each country is calculated considering the following factors: the risk-free rate of the country, the industry Beta, the market risk differential and the size of the company.

In all cases sensitivity analyses are performed in relation to the discount rate used and the growth rate of cash flows in perpetuity to ensure that reasonable changes in these assumptions would not have an impact on the possible recovery of the goodwill recognised. Specifically, a variation of 200 basis points in the discount rate used, a 0% growth rate of income in perpetuity, a 20bp fall in the EBITDA margin or a 1% reduction in the average growth rate of sales, would not result in the impairment of any of the goodwill recognised, except that of the El Árbol Group.

For all the other countries, the following assumptions are used to calculate value in use of property, plant and equipment and intangible assets:

	Argentina		Brazil	
	2015	2014	2015	2014
Growth rate (2)	2.00%	2.00%	2.00%	2.00%
Discount rate (3)	12.20%	12.60%	8.56%	8.09%

	China	
	2015	2014
Growth rate (2)	2.00%	2.00%
Discount rate (3)	7.25%	7.20%

7.2. Other intangible assets

Details of other intangible assets and movements are as follows:

Thousands of Euros	Development cost	Industrial property	Leaseholds	Computer software	Other intangible assets	Total
Cost						
At 1st January 2014	**5,112**	**3,624**	**41,627**	**37,416**	**14,406**	**102,185**
Additions/Internal development	5,212	-	-	1,939	383	7,534
Disposals	(2)	-	(730)	(6,100)	(198)	(7,030)
Transfers	(2,950)	1,628	-	1,372	11	61
Additions to the consolidated group	-	-	1,267	1,289	1,298	3,854
Exists from consolidation perimeter	(1,207)	-	(14,673)	(9,487)	-	(25,367)
Other movements	(1,032)	-	-	-	-	(1,032)
Translation differences	-	-	-	(44)	(37)	(81)
At 31st December 2014	**5,133**	**5,252**	**27,491**	**26,385**	**15,863**	**80,124**
Additions/Internal development	5,410	40	-	5,810	128	11,388
Disposals	-	-	(389)	(25)	(106)	(520)
Transfers	(5,725)	3,311	-	2,522	82	190
Additions to the consolidated group	-	-	-	328	-	328
Other movements	-	(407)	-	-	(8)	(415)
Translation differences	-	-	-	(836)	(409)	(1,245)
At 31st December 2015	**4,818**	**8,196**	**27,102**	**34,184**	**15,550**	**89,850**
Depreciation						
At 1st January 2014	**-**	**(1,206)**	**(20,769)**	**(28,039)**	**(4,587)**	**(54,601)**
Amortisation and depreciation (note 21.5)	-	(702)	(956)	(4,746)	(455)	(6,859)
Disposals	-	-	386	6,100	-	6,486
Exists from consolidation perimeter	-	-	318	7,607	-	7,925
Other movements	-	-	-	(280)	-	(280)
Translation differences	-	-	-	43	15	58
At 31st December 2014	**-**	**(1,908)**	**(21,021)**	**(19,315)**	**(5,027)**	**(47,271)**
Amortisation and depreciation (note 21.5)	-	(1,396)	(1,143)	(5,814)	(509)	(8,862)
Disposals	-	-	318	25	-	343
Transfers	-	-	(34)	-	64	30
Other movements	-	407	1	(1)	8	415
Translation differences	-	-	-	496	156	652
At 31st December 2015	**-**	**(2,897)**	**(21,879)**	**(24,609)**	**(5,308)**	**(54,693)**
Impairment						
At 1st January 2014	**-**	**-**	**(1,647)**	**-**	**(324)**	**(1,971)**
Allowance (note 21.5)	-	-	-	-	(45)	(45)
Distribution	-	-	133	-	-	133
Reversals (note 21.5)	-	-	-	-	109	109
Transfers	-	-	(17)	-	17	-
Exits from consolidation perimeter	-	-	1,483	-	-	1,483
Translation differences	-	-	-	-	5	5
At 31st December 2014	**-**	**-**	**(48)**	**-**	**(238)**	**(286)**
Allowance (note 21.5)	-	-	(76)	-	(324)	(400)
Distribution	-	-	73	-	30	103
Reversal (note 21.5)	-	-	-	-	166	166
Translation differences	-	-	-	-	23	23
At 31st December 2015	**-**	**-**	**(51)**	**-**	**(343)**	**(394)**
Net carrying amount						
At 31st December 2015	**4,818**	**5,299**	**5,172**	**9,575**	**9,899**	**34,763**
At 31st December 2014	**5,133**	**3,344**	**6,422**	**7,070**	**10,598**	**32,567**

Additions to development costs in 2015 reflect the IT projects developed internally in Spain amounting to Euros 3,426 thousand (Euros 5,212 thousand at 31 December 2014) and the Euros 1,984 investment in business diagnostics and product range development. The Group also acquired computer software in Spain for Euros 4,498 thousand in 2015 (Euros 1,049 thousand at 31 December 2014). Additions in and transfers to industrial property comprise the investment in business diagnostics and product range development.

As indicated in note 7.1, in 2015 and 2014 the DIA Group has recognised impairment losses on its intangible assets. These impairment losses have been included in the income statement under amortisation, depreciation and impairment (see note 21.5).

Details of fully amortised intangible assets at each year end are as follows:

Thousands of Euros	2015	2014
Computer software	15,848	13,968
Leaseholds and other	6,779	5,786
Total	**22,627**	**19,754**

8. OPERATING LEASES

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

The main operating leases are linked to some of its warehouses and the business premises where the Group carries out its principal activity.

Details of the main operating lease contracts in force at 31 December 2015 are as follows:

Warehouse	Country	Minimum lease period	Warehouse	Country	Minimum lease period
Getafe	SPAIN	2,017	Azuqueca	SPAIN	2,018
Mallén	SPAIN	2,023	Albufeira	PORTUGAL	2,016
Manises	SPAIN	2,018	Loures	PORTUGAL	2,017
Mejorada del Campo	SPAIN	2,018	Grijó	PORTUGAL	2,016
Miranda	SPAIN	2,016	Fengshujinda	CHINA	2,016
Orihuela	SPAIN	2,023	Anhanghera	BRAZIL	2,016
Sabadell	SPAIN	2,022	Guarulhos	BRAZIL	2,016
San Antonio	SPAIN	2,023	Americana	BRAZIL	2,016
Tarragona	SPAIN	2,018	Porto Alegre	BRAZIL	2,016
Villanubla	SPAIN	2,019	Ribeirao Preto	BRAZIL	2,018
Villanueva de Gállego	SPAIN	2,023	Belo Horizonte	BRAZIL	2,016
Santander	SPAIN	2,017	Aruja	BRAZIL	2,016
Granda-Siero	SPAIN	2,016	Mauá	BRAZIL	2,016
Almería	SPAIN	2,016	Avellaneda	ARGENTINA	2,016
Salamanca	SPAIN	2,016			

Operating lease payments are recognised in the consolidated income statement as follows:

Thousands of Euros	2015	2014
Minimum lease payments, property (note 21.4)	299,769	246,797
Minimum lease payments, furniture and equipment (note 21.4)	7,045	5,552
Sublease payments (note 21.1)	(23,025)	(45,210)
Total	**283,789**	**207,139**

Sublease revenues comprise the amounts received from the concessionaires to carry out their activities, and in turn improve the Group's commercial offerings to its customers, as well as those received from subleases to franchise holders.

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

Thousands of Euros	2015	2014
Less than one year	100,907	91,112
One to five years	80,458	87,626
Over five years	31,556	31,972
Total	**212,921**	**210,710**

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

Thousands of Euros	2015	2014
Less than one year	4,804	5,017
One to five years	4,720	4,383
Total	**9,526**	**9,400**

9. FINANCIAL ASSETS

Details of financial assets in the consolidated statements of financial position at 31 December are as follows:

Thousands of Euros	2015	2014
Non-current assets		
Non-current financial assets	118,236	81,162
Consumer loans from financing activities	458	363
Current assets		
Trade and other receivables	221,193	244,592
Consumer loans from financing activities	6,548	6,362
Other current financial assets	15,718	12,144
TOTAL	**362,153**	**344,623**

9.1. Current and non-current consumer loans from financing activities

These balances mainly reflect loans granted by FINANDIA, EFC and DIA Argentina to individuals resident in Spain and Argentina, respectively, and are calculated at amortised cost, which does not differ from their fair value.

In 2015, as in the preceding period, in Spain the effective interest rate of credit card receivables ranged from 0% for customers with charge cards to a variable nominal monthly rate of 2.16% for customers making use of revolving credit facilities. These rates may be changed subject to prior individual notification to the customer. In Argentina the nominal annual rate for customers using revolving credit facilities was 46.53% and the annual nominal rate for financing purchases in 2-24 instalments was 38.50%.

Interest and similar income from these assets recognised in the consolidated income statement at 31 December 2015 amounted to Euros 2,087 thousand (Euros 2,075 thousand at 31 December 2014) (see note 21.1).

9.2. Trade and other receivables

Details of current and non-current trade and other receivables are as follows:

Thousands of Euros	2015	2014
Trade receivables	272,483	273,587
Total trade and other receivables	**272,483**	**273,587**
Less current portion	221,193	244,592
Total non-current (note 9.3)	**51,290**	**28,995**

a) Trade receivables

This line item includes balances receivable from suppliers amounting to Euros 114,777 thousand (Euros 149,257 thousand at 31 December 2014).

It also includes trade receivables for sales of merchandise due to the financing extended by the Group to its franchisees. This amount is disclosed at present value, having generated interest of Euros 2,099 thousand in 2015 and Euros 1,698 thousand in 2014, which has been recognised in the consolidated income statement.

b) Impairment

Movements in the provision for impairment of receivables (see other disclosures on credit risk in note 24 (d)) are as follows:

Thousands of Euros	2015	2014
At 1st January	**(32,863)**	**(35,010)**
Charge	(16,483)	(11,241)
Applications	617	608
Reversals	8,688	3,976
Transfers	(1,075)	-
Additions to the consolidated group	-	(3,227)
Exits from consolidation perimeter	-	11,737
Translation differences	4,103	294
At 31st December	**(37,013)**	**(32,863)**

9.3. Other current and non-current financial assets

Details are as follows:

Thousands of Euros	2015	2014
Guarantees	43,289	38,063
Equity instruments	88	80
Loans to personnel	2,934	4,187
Other loans	1,688	2,503
Derivatives (note 10)	8,203	71
Other financial assets	9,862	13,907
Trade receivables > 1 year (note 9.2)	51,290	28,995
Other non-current financial assets	16,600	5,500
Total other financial assets	**133,954**	**93,306**
Less current portion	15,718	12,144
Total non-current	**118,236**	**81,162**

Guarantees are the amounts pledged to lessors to secure lease contracts. These amounts are measured at present value and any difference with their nominal value is recognised under prepayments for current or non-current assets. The interest on these assets included in the consolidated income statement in 2015 amounted to Euros 658 thousand (Euros 650 thousand in 2014).

An asset derived from sales tax in Brazil is the main component of both the current and the non-current balance under other financial assets, totalling Euros 9,862 thousand in 2015 and Euros 13,907 thousand in 2014.

Other financial assets under non-current assets at 31 December 2015 includes the deposits for the Euros 16,600 thousand withheld from the sellers in the acquisition of premises from the Eroski Group described in note 4, which is payable in instalments at 14, 36 and 48 months. In 2014 deposits of this type totalled Euros 5,500 thousand as a result of the acquisition of Schlecker. This amount was settled in June 2015 after the signing of the agreement reached with the seller (see notes 4 and 17.2).

10. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGES

Details of derivative financial instruments at the 2015 and 2014 reporting dates are as follows:

Thousands of Euros	2015	2014
Exchange derivatives - Cash flows hedges (note 9.3)	66	71
Exchange and interest derivatives - Fair value hedges (note 9.3)	8,137	-
Exchange derivatives - Cash flows hedges (note 17.1)	(40)	(757)
Interest rate derivatives - Cash flows hedges (note 17.1)	-	(87)
Total	**8,163**	**(773)**

The DIA Group holds various hedging instruments to mitigate possible adverse effects of exchange rates and interest rates. At 31 December 2015 "exchange rate and interest rate-fair value hedging derivatives" include the derivatives contracted in Brazil to hedge bank loans with third parties.

The effect of these instruments on the consolidated income statements for both periods is not significant.

11. OTHER EQUITY-ACCOUNTED INVESTEES

The balance under equity-accounted investees in 2015 reflects the entry of ICDC Services Sàrl into the consolidated group (see note 1). This company commenced its activities in 2016.

12. OTHER ASSETS

Details of other assets are as follows:

	2015	2014
Thousands of Euros	Current	Current
Prepayments for operating leases	3,339	2,716
Prepayments for guarantees	667	686
Prepayments for insurance contracts	809	951
Other prepayments	3,000	3,483
Total other assets	**7,815**	**7,836**

13. INVENTORIES

Details of inventories are as follows:

Thousands of Euros	2015	2014
Goods for resale	554,276	545,707
Other supplies	8,213	7,412
Total inventories	**562,489**	**553,119**

At 31 December 2015 and 2014 there are no restrictions to the availability of any inventories.

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

14. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents are as follows:

Thousands of Euros	2015	2014
Cash and current account balances	117,642	139,177
Cash equivalents	36,985	59,827
Total	**154,627**	**199,004**

Balances in current accounts earn interest at applicable market rates. Current investments are made for daily, weekly and monthly periods and have generated interest ranging from 0.1% to 0.97% in 2015 and from 0.01% to 0.95% in 2014.

The balance of cash equivalents at 31 December 2015 reflects the deposits maturing at under 3 months in Brazil. At 31 December 2014 this heading mainly included deposits in Brazil and Portugal.

15. DISCONTINUED OPERATIONS

On 20 June 2014 the Parent acquired a put option entailing an exclusivity agreement with Carrefour France SAS (the Option and Exclusivity Rights), whereby Carrefour undertook to purchase all of the share capital of DIA France SAS (DIA France), the company in which all of DIA's activities in France are concentrated (the Transaction), should DIA exercise the Option. As per the Option and Exclusivity Rights, the enterprise value of DIA France was Euros 600 million, and this was used as a basis to determine the ultimate economic terms and conditions of the Transaction by applying certain adjustments relating to the net financial debt and working capital of DIA France that are commonplace in this type of operation. The Transaction was subject to a final agreement being reached following the consultation period with the DIA France workers' committee, and execution thereof would in turn be subject to approval by the pertinent authorities. This transaction was completed on 30 November 2014, on which date the business in France ceased to form part of the DIA Group (see note 1). Following settlement at their carrying amount of the reciprocal payables/receivables between DIA and DIA France, the Parent received Euros 238,885 thousand, net of transaction costs, for the sale of all the share capital of DIA France SAS. After taking into consideration the provisions totalling Euros 20,800 thousand (see note 18.1) in respect of possible risks associated with the disposal of this company, this sale generated capital gains of Euros 260,063 thousand in the consolidated income statement for 2014 of the DIA Group.

In 2014 the Group also decided to wind up Beijing DIA Commercial Co. Ltd. In 2015 the Group has liquidated its net assets, including the cumulative translation differences, at an amount of Euros 1,477 thousand and is finalising the local administrative procedures for its dissolution (see notes 1 and 16.7).

The Group's income and expenses in 2014 from these discontinued operations are as follows:

Thousands of Euros	2014
Income	1,513,851
Amortisation and depreciation	(61,502)
Expenses	(1,577,168)
Gross Margin	**(124,819)**
Financial expenses	(9,385)
Profit of companies accounted for using the equity method	445
Pre-tax gain obteined on the sale of subsidiaries	74,626
Loss before taxes of discontinued operations	**(59,133)**
Income tax related to discontinued operations	186,418
Income tax of the discontinued subsidiaries	(6,703)
Profit of discontinued operations	**120,582**
Net gain obteined on the sale of Group's companies	**260,063**

The impact on cash flows of the operations discontinued by the Group in 2014 was as follows:

Thousands of Euros	2014
Net cash flows from operating activities	(8,831)
Net cash flows used in investing activities	242
Net cash flows used in financing activities	(13,884)
Total cash flows	**(22,473)**

16. EQUITY

16.1. Capital

At 31 December 2014 share capital was Euros 65,107,055.80, represented by 651,070,558 shares of Euros 0.10 par value each, subscribed and fully paid. These shares are freely transferable.

At the Parent's general shareholders' meeting held on 24 April 2015, a share capital decrease was agreed through the redemption of own shares acquired under a share buy-back programme pursuant to Commission Regulation (EC) 2273/2003 of 22 December 2003. The general shareholders' meeting authorised the Board of Directors to approve this decrease, with express powers to delegate this authority. On 27 July 2015 the Parent's board of directors agreed to delegate the powers conferred by the shareholders at their general meeting to specific legal representatives of the Parent, who in exercise of these powers have carried out the capital decrease by redeeming 28,614,045 own shares of DIA held in its portfolio with a par value of Euros 0.10 each that represented 4.39% of the share capital (see note 16.3). On 2 October 2015 the deed of the capital decrease and the change to DIA's articles of association was filed with the Mercantile Registry of Madrid

As a result at 31 December 2015 DIA’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 Euros 184,411 thousand difference between the cost incurred to acquire the own shares used in this capital redemption and their par value has been recognised with a charge of Euros 144,844 thousand to the share premium and Euros 39,567 thousand to reserves. DIA also appropriated an amount equal to the par value of the redeemed shares to a redeemed capital reserve, which will only become available once it meets the conditions for reducing share capital set forth in Article 335.c) of the Spanish Companies Act (see note 16.2).

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

The Parent’s shares are listed on the Spanish stock markets. According to public information filed with the Spanish National Securities Market Commission, the members of the board of directors control approximately 0.171% of the Parent's share capital at the date of authorising these annual accounts for issue.

According to the same public information, the most significant shareholdings at the reporting date of these annual accounts are as follows:

Baillie Gifford & CO	10.488%
Blackrock INC.	4.935%
Black Creek Investment Management INC	3.069%
Ameriprise Financial, INC.	3.054%
Fidelity International Limited	1.017%

On 18 May 2015 Citigroup Global Markets Limited informed the Spanish National Securities Market Commission of the block trade of DIA shares undertaken on behalf of Cervinia Europe, S.à.r.l. and Blue Partners, S.à.r.l. This block trade comprised 55,200,000 DIA shares representing 8.48% of its share capital. On 19 May 2015 the aforementioned company reported the completion of this transaction for a total of Euros 408,480,000, with a price per share of Euros 7.40. This event resulted in the two proprietary directors, Mr. Nicolas Brunel and Mr. Nadra Moussalem, stepping down from the board of directors, having announced their resignation in letters dated 17 June 2015 and received at the Parent's registered office on 18 June 2015. On 15 October 2015 Mr. Juan María Nin Génova joined DIA's board of directors.

The Group manages its capital with the aim of safeguarding its capacity to continue operating as a going concern, so as to continue providing shareholder remuneration and benefiting other stakeholders, while maintaining an optimum capital structure to reduce the cost of capital.

To maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, reimburse capital, issue shares or dispose of assets to reduce debt.

Like other groups in the sector, the DIA Group controls its capital structure on a debt ratio basis. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is the sum of financial debt less cash and other items. Adjusted EBITDA is earnings before depreciation and amortisation, impairment and gains/losses on disposal of fixed assets and other non-current income and expenses.

In view of the ratios for 2015 and 2014, net debt has been calculated as follows:

Thousands of Euros	2015	2014
Total borrowings (note 17)	1,295,230	732,444
Less: cash and cash equivalents (notes 10 and 14)	(162,830)	(199,075)
Net debt	1,132,400	533,369
Adjusted EBITDA	610,162	585,319
Debt ratio	**1,9x**	**0.9x**

16.2. Reserves and retained earnings

Details of reserves and retained earnings are as follows:

Thousands of Euros	2015	2014
Legal reserve	13,021	13,021
Goodwill reserve	12,829	11,058
Capital redemption reserve	5,688	2,827
Other reserves	55,785	(579,965)
Profit attributable to equityholders ot the parent	299,221	329,229
Total	**386,544**	**(223,830)**

The Parent's 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 2015, subsequent to the capital decrease carried out in the year, the Parent has more than the minimum amount required by law in this reserve.

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

An amount equal to the par value of the own shares redeemed in 2015 and 2013 has been appropriated to the redeemed capital reserve. It will only be available once the Parent meets the conditions for reducing share capital set forth in Article 335.c) of the Spanish Companies Act (see note 16.1).

Other reserves include the reserves of the Parent and consolidation reserves, as well as the reserve for the translation of capital into Euros, totalling Euros 62.07. This non-distributable reserve 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.

At 31 December 2015 the Parent's reserves remain negative in an amount of Euros 48,168 thousand, primarily as a result of the share capital decrease. Nonetheless, this situation is temporary and will change when the distribution of 2015 profits proposed in the Parent's annual accounts is approved by the shareholders.

16.3. Other own equity instruments

a) Own shares

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

- The maximum number of own shares that can be acquired is equivalent to 2% of share capital.
- The maximum duration of the programme will be 12 months, unless an amendment to the term is announced in accordance with article 4 of Commission Regulation (EC) No 2273/2003.
- The purpose of the programme is to meet obligations derived from the remuneration plan for board members and from the terms of any share distribution or share option plans approved by the board of directors.
- A financial intermediary will be appointed to manage the programme, in accordance with article 6.3 of Commission Regulation (EC) No 2273/2003.

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

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

As a result, on 21 December 2011 the Parent signed an agreement to acquire 13,586,720 own shares at a reference price of Euros 3.5580 per share. This contract included an option to acquire the shares at the agreed price by settling either in cash or at the difference between this agreed price and the share price on the contract expiry date, 21 January 2013. On expiry of this contract, the Parent agreed an extension, changing the contract settlement terms, leaving only the option of acquiring the shares for a price of Euros 5.1 per share on two expiry dates: 8,086,720 shares for Euros 41,242,272 on 21 July 2013, and the remaining 5,500,000 shares for Euros 28,050,000 on 21 January 2014. On the first of these expiry dates, 21 July 2013, the Parent exercised the option on 8,086,720 shares at the agreed price. On the second expiry date, 21 January 2014, the Parent signed an extension to the contract for the acquisition of 5,500,000 own shares, and undertook to acquire the shares on 21 January 2015. On this date the Parent renewed the contract to acquire these shares in two tranches. Tranche 1 for the purchase of 3,100,000 shares ended on 21 April 2015 and tranche 2 for the purchase of the remaining 2,400,000 shares matured on 21 January 2016. Finally on 23 March 2015 the Parent acquired all of the first tranche and 1,400,000 shares of the second tranche in advance for Euros 22,950,000. The acquisition of 1,000,000 shares at a price of Euros 5.10 per share was therefore pending (see note 17.1). On 21 January 2016 this last tranche was acquired for Euros 5,100,000 thousand.

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

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

On 1 August 2014 the Parent signed an equity swap contract with Société Générale whereby the latter acquired 6,000,000 own shares at a price of Euros 6.1944 per share. The contract was settled on 1 September 2014, when the Parent recognised the shares in its own portfolio for a total of Euros 37,166,400. The 6,000,000 shares were acquired as part of the new long-term Incentives Plan for 2014-2016 (see note 17.1)

On 20 February 2015 the Parent's board of directors agreed to carry out an own share buy-back programme (hereinafter the Buy-back Programme) in accordance with the authorisation conferred on the board of directors on 9 May 2011. The purpose of this Buy-back Programme was to decrease the Parent's share capital, following authorisation of the Programme by the shareholders at the general meeting. The shareholders approved this share capital decrease at the general meeting held on 24 April 2015. The Buy-back Programme carried out over the course of the year and including a total of 28,614,045 shares was applied in full in this share capital decrease (see note 16.1).

Other transactions during 2015 and 2014 include the transfer of 3,324,980 shares and 393,219 shares, respectively, to the Group's directors and management personnel as remuneration, with a charge of Euros 9,979 thousand and a credit of Euros 611 thousand to other reserves at 31 December 2015 and 2014, respectively. In 2013, 2012 and 2011, 398,019, 115,622 shares and 85,736 shares were transferred, respectively, to the Group's directors and management as remuneration.

As a result, at the 2015 reporting date the Parent holds 8,183,782 own shares with an average purchase price of Euros 6.5448 per share, a total amount of Euros 53,560,917.32. These own shares are to be used to meet obligations to deliver shares to executives under the plans described in note 20.

Movement in own shares during 2015 is detailed below:

	Number of shares	Euros/share	Total
31st December 2014	**11,508,762**	**5.1147**	**58,864,185.94**
Purchase of shares	28,614,045	6.9915	200,054,641.83
Delivery of shares	(3,324,980)	5.4394	(18,085,767.45)
Capital reduction	(28,614,045)	6.5448	(187,272,143.00)
31st December 2015	**8,183,782**	**6.5448**	**53,560,917.32**

b) Other own equity instruments

This reserve includes obligations derived from equity-settled share-based payment transactions following the approval by the board of directors and shareholders of the 2011-2014 long-term incentive plan and a multi-year incentive plan for executives. A new 2014-2016 long-term incentive plan (see note 20) was also included.

16.4. Dividends

Details of dividends paid are as follows:

Thousands of Euros	2015	2014
Dividends on ordinary shares	112,614	103,281
Dividend per share (in Euros)	0.18	0.16

Dividends per share (in Euros) are calculated based on the number of shares that entitle the holder to dividends at the distribution date, which in 2015 was 625,632,815 (645,503,860 shares in 2014).

The proposed distribution of the Parent's 2015 profit to be submitted to the shareholders for approval at their ordinary general meeting is as follows:

Basis of distribution	Euros
Profit for the year	216,975,254.59
Total	**216,975,254.59**
Basis of allocation	**Euros**
Dividends (*)	122,854,546.20
Goodwill reserve	2,340,690.06
Other reserves	91,780,018.33
Total	**216,975,254.59**

(*) The directors have proposed that an ordinary dividend of Euros 0.20 (gross) be distributed for each of the shares with the corresponding economic rights. This figure is an estimate based on there being 614,272,731 shares that confer the right to receive this dividend, following any necessary adjustments. This estimate may vary depending on several factors, including the volume of shares held by the Parent.

The distribution of profit for 2014 approved by the shareholders at their ordinary general meeting on 24 April 2015 is as follows:

Basis of distribution	Euros
Share premium	473,313,487.24
Other reserves	35,524,762.75
Total	**508,838,249.99**

Basis of allocation	Euros
Compensation of losses of 2014	391,946,286.18
Dividends	112,613,906.70
Goodwill reserve	1,770,840.53
Other reserves	2,507,216.58
Total	**508,838,249.99**

16.5. Earnings per share

Basic earnings per share are calculated by dividing net profit for the period attributable to the Parent by the weighted average number of ordinary shares in circulation throughout the period, excluding own shares.

The weighted average number of ordinary shares outstanding is determined as follows:

	Weighted average ordinary shares in circulation at 31/12/2015	Ordinary shares at 31/12/2015	Weighted average ordinary shares in circulation at 31/12/2014	Ordinary shares at 31/12/2014
Total shares issued	644,015,040	622,456,513	651,070,558	651,070,558
Own shares	(18,069,243)	(8,183,782)	(7,647,083)	(11,508,762)
Total shares available and diluted	**625,945,797**	**614,272,731**	**643,423,475**	**639,561,796**

Details of the calculation of basic earnings per share are as follows:

Basic and diluted earnings per share	2015	2014
Average number of shares	**625,945,797**	**643,423,475**
Profit for the period in thousands of Euros	299,221	329,229
Profit per share in Euros	0.48	0.51

There are no equity instruments that could have a dilutive effect on earnings per share. Diluted earnings per share are therefore equal to basic earnings per share.

16.6. Non-controlling interests

Non-controlling interests at 31 December 2015 and 2014 refers to the minority interest in Compañía Gallega de Supermercados, S.A.

16.7. Translation differences

Details of translation differences at 31 December 2015 and 2014 are as follows:

Thousands of Euros	2015	2014
Argentina	(33,110)	(22,537)
Brazil	(53,262)	(15,488)
China (*)	(7,311)	(7,811)
Total	**(93,683)**	**(45,836)**

(*) The translation differences relating to Beijing DIA Commercial Co. Ltd., included in China, the assets and liabilities of which have been liquidated at 31 December 2015, have been recognised as gains/losses on discontinued operations at 31 December 2015 (see note 15). At 31 December 2014 the assets and liabilities of this company were classified as held for sale and the translation differences totalled Euros 1,438 thousand.

17. FINANCIAL LIABILITIES

Details of financial liabilities in the consolidated statement of financial position at 31 December are as follows:

Thousands of Euros	2015	2014
Non-current liabilities		
Non-current borrowings	920,951	532,532
Other non-current financial liabilities	17,906	7,539
Current liabilities		
Current borrowings	374,279	199,912
Trade and other payables	1,518,843	1,693,113
Other financial liabilities	145,679	136,189
Total financial liabilities	**2,977,658**	**2,569,285**

17.1. Borrowings

Details of borrowings are as follows:

Thousands of Euros	2015	2014
Debentures and bonds long term	495,862	494,701
Syndicated credits (Revolving credit facilities)	297,580	-
Mortgage loans	4,834	6,964
Other bank loans	95,652	11,277
Finance lease payables (note 6)	19,185	12,891
Guarantees and deposits received	7,838	5,543
Other non-current borrowings	-	1,156
Total non-current borrowings	**920,951**	**532,532**
Debentures and bonds long term	3,500	3,396
Mortgage loans	2,145	2,039
Other bank loans	137,468	4,003
Other financial liabilities	42,266	65,216
Finance lease payables (note 6)	7,736	5,912
Credit facilities drawn down	175,073	93,516
Expired Interests	778	364
Guarantees and deposits received	4,760	5,283
Liabilities derivatives (note 10)	40	844
Other current borrowings	513	19,339
Total current borrowings	**374,279**	**199,912**

On 10 July 2014 the Parent successfully issued bonds amounting to Euros 500 million with a maturity of 5 years, a coupon of 1.50% and an issue price of 99.419%. These bonds were issued on the Irish Stock Exchange. The bonds were issued as part of the Euro Medium-Term Note Programme (EMTN), as approved by the Central Bank of Ireland on 3 July 2014. At 31 December 2015 the bonds were quoted at 101.090%.

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

At 31 December 2014 the Parent had a Euros 400 million syndicated loan from a number of financial entities, which matures in July 2019 and a revolving credit facility of Euros 350 million, which expires in May 2016. At 31 December 2014 these syndicated loans, which accrue interest at market rates, had not been drawn down.

On 21 April 2015 DIA signed a new agreement with various financial entities for a syndicated loan of Euros 300 million, which matures in April 2018 but includes an option to extend the loan for a further two years. Also during 2015, the Parent cancelled the Euros 350 million revolving credit facility. The syndicated loans are used to finance ordinary business and working capital. At 31 December 2015 Euros 300 million had been drawn down on these syndicated loans, which accrue interest at market rates.

At the 2015 close all covenant ratios linked to this financing, as defined in the arrangement (*), and which are calculated based on the DIA Group's consolidated annual accounts, have been met. Details are as follows:

Financial covenant	Syndicated loans in 2014 and 2015
Total net debt (*)/ EBITDA (*)	< 3.50x

Mortgage loans include four contracts for which certain properties owned by the subsidiaries Twins Alimentación, S.A.U. and Schlecker, S.A.U. have been pledged as collateral. These loans fall due in 2018, 2019 and 2020. At 2015 year end the interest rates are between 2.00% and 5.07%. Details of these four mortgage loans at 31 December 2015 and 2014 are as follows:

		2015		2014	
Thousands of Euros	Maturity	Outstanding principal	Net book value	Outstanding principal	Net book value
Warehouse - Dos Hermanas (Sevilla)	2019	2,929	9,476	3,736	9,756
Warehouse - Torredembarra (Tarragona)	2017	1,409	4,973	2,068	4,629
Warehouse - La Almunia de Doña Godina (Zaragoza)	2020	2,027	4,428	2,410	3,545
Warehouse - Sisante (Cuenca)	2018	614	2,502	789	2,405
Total mortgage loans at 31st December		**6,979**	**21,379**	**9,003**	**20,335**

"Other bank loans" comprise bilateral loans arranged by the Parent in December 2015 totalling Euros 180 million that bear interest at market rates and mature as follows:

Thousands of Euros	2016	2017	2018	Total
Other bank loans	90,000	70,000	20,000	**180,000**

"Other bank loans" also include a loan in DIA Brazil, which amounts to Euros 34,294 thousand, bears interest at market rates and falls due in January 2016. This heading also includes Euros 8,000 thousand in drawdowns on current debt instruments defined as "commercial paper" that DIA Portugal has negotiated with the banks.

At 31 December 2015 other current financial liabilities comprise Euros 37,166 thousand of the equity swap financed with Société Generale on 1 September 2014 and renewed upon its maturity with Banco Santander until 30 September 2016 and Euros 5,100 thousand of the equity swap renewed on 21 January 2015 that expires on 21 January 2016, originally arranged on 21 December 2011. In 2015 shares totalling Euros 22,950 thousand were liquidated. At 31 December 2014 other current financial liabilities includes Euros 65,216 thousand of equity swaps arranged at that time (see note 16.3 (a)). The Group has credit facilities with a total limit of Euros 280,074 thousand at 31 December 2015 and Euros 143,560 thousand at 31 December 2014, from which it had drawn down Euros 175,073 thousand and Euros 85,766 thousand, respectively. In addition, in 2015 El Árbol settled a Euros 7,750 thousand revolving credit facility upon its maturity which was fully drawn down at 31 December 2014. At 31 December 2015 the Company has other uncommitted credit facilities, with a limit of Euros 90,000 thousand (Euros 75,000 thousand at 31 December 2014). The credit facilities contracted by the Group in 2015 and 2014 accrue interest at market rates.

The decrease in current borrowings is due to the refund to the buyers of DIA France of the excess amount collected for the sale once the final price adjustments were made.

17.2. Other non-current financial liabilities

Details of other non-current financial liabilities are as follows:

Thousands of Euros	2015	2014
Grants	1,306	2,039
Other non-current financial liabilities	16,600	5,500
Total grants and other non-current financial liabilities	**17,906**	**7,539**

Other non-current financial liabilities at 31 December 2015 include the deposits for the Euros 16,600 thousand withheld from the sellers in the acquisition of premises from the Eroski Group described in note 4, which is payable in instalments at 14, 36 and 48 months. At 31 December 2014 Euros 5,500 thousand consisted of the amount withheld from the seller of Schlecker, S.A. to cover possible contingencies. Although due on 1 February 2018 this amount was settled in June 2015 after the signing of the agreement reached with the seller (see notes 4 and 9.3).

17.3. Trade and other payables

Details are as follows:

Thousands of Euros	2015	2014
Suppliers	1,376,937	1,551,267
Advances received from receivables	1,172	179
Trade payables	140,734	141,667
Total Trade and other payables	**1,518,843**	**1,693,113**

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

Trade and other payables do not bear interest.

The Group has reverse factoring facilities with limits of Euros 673,209 thousand and Euros 756,160 thousand at 31 December 2015 and 2014, respectively. Drawdowns total Euros 286,149 thousand at 31 December 2015 and Euros 327,579 thousand at 31 December 2014.

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

	2015
	Days
Average payment period to suppliers	45
Paid operations ratio	45
Pending payment transactions ratio	40
	Amount (euros)
Total payments made	4,066,913,971
* Total payment pending	366,286,558

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

17.4. Other financial liabilities

Details of other financial liabilities are as follows:

Thousands of Euros	2015	2014
Personnel	65,905	74,730
Suppliers of fixed assets	77,235	59,055
Other current liabilities	2,539	2,404
Total other liabilities	**145,679**	**136,189**

The variation in this balance is mainly due to the rise in payables to fixed asset suppliers in Brazil and the decrease in salaries payable in Spain, Brazil and Argentina.

17.5. Fair value estimates

The fair value of financial assets and liabilities is determined by the amount for which the instrument could be exchanged between willing parties in a normal transaction and not in a forced transaction or liquidation.

The following methods and assumptions were used to estimate the fair values:

- Trade and other receivables, trade and other payables and other current assets and liabilities approximate their carrying amounts, due, largely, to the short-term maturities of these instruments.
- The fair value of unlisted instruments, bank loans, finance lease payables and other non-current financial assets and liabilities is estimated by discounting future cash flows, using the available rates for debts with similar terms, credit risk and maturities, and is very similar to their carrying amount.
- Derivative financial instruments are contracted with financial institutions with sound credit ratings. The fair value of derivatives is calculated using valuation techniques using observable market data for forward contracts.

Assets and liabilities at fair value have been measured using Level 2 inputs.

18. PROVISIONS

Details of provisions are as follows:

Thousands of Euros	Provisions for long-term employee benefits under defined benefit plans	Tax provisions	Social security provisions	Legal contingencies provisions	Other provisions	Total provisions
At 31st December 2013	**8,820**	**39,073**	**10,899**	**11,212**	**2,566**	**72,570**
Translation differences	-	-	(416)	(44)	(133)	**(593)**
Charge	518	13,787	12,330	9,919	18,352	**54,906**
Applications	-	(12,313)	(3,215)	(2,572)	(907)	**(19,007)**
Reversals	(241)	(7,510)	(2,156)	(1,284)	-	**(11,191)**
Additions to the consolidated group	1,104	2,151	-	1,226	-	**4,481**
Exits from conloditanio perimeter	(7,973)	(4,229)	(3,435)	(1,567)	-	**(17,204)**
Other movements	42	2,062	-	-	34	**2,138**
At 31st December 2014	**2,270**	**33,021**	**14,007**	**16,890**	**19,912**	**86,100**
Translation differences	-	(72)	(2,519)	(923)	(97)	**(3,611)**
Charge	486	4,622	5,874	5,245	2,023	**18,250**
Applications	-	(12,820)	(3,068)	(3,680)	(1,349)	**(20,917)**
Reversals	(109)	(848)	(2,430)	(9,168)	(16,188)	**(28,743)**
Transfers	-	60	230	927	(1,217)	**-**
Other movements	53	353	-	-	18	**424**
At 31st December 2015	**2,700**	**24,316**	**12,094**	**9,291**	**3,102**	**51,503**

18.1. Provisions for taxes, legal contingencies and employee benefits

At 31 December 2015 the tax provisions to cover inspection-related risks amount to Euros 24,316 thousand (Euros 33,021 thousand at 31 December 2014). In 2015 the Parent paid Euros 7,020 thousand in respect of income tax for 2005 as a result of tax inspections. The non-current provisions in 2014 primarily comprise Euros 12,219 thousand made by the Parent to cover tax risks derived from the sale of DIA France (see notes 1 and 15). In 2015, the Parent paid Euros 5,800 thousand in respect of this item.

At 31 December 2015 this item includes provisions for lawsuits filed by workers (labour court claims) amounting to Euros 12,094 thousand (Euros 14,007 thousand at 31 December 2014).

Provisions for litigation with third parties amount to Euros 9,291 thousand at 31 December 2015 (Euros 16,890 thousand at 31 December 2014). The non-current provisions in 2014 primarily comprise Euros 4,891 thousand made by the Parent to cover legal risks derived from the sale of DIA France (see notes 1 and 15). In 2015, the Parent released Euros 2,010 thousand from this provision. The use and reversals of this provision include movements in the provision made at 31 December 2014 by the Parent related to the sale of DIA Turkey after the agreement was signed with the buyers on 22 June 2015.

18.2. Other provisions

This item reflects reversals of Euros 16,188 thousand, including the reversal of the variable price arising from the acquisition of El Árbol, considering the appraisal made by an independent expert.

Additionally, the charge to this item primarily reflects the contingent consideration that has been valued by an independent expert in relation to the acquisition of the business from Mobile Dreams Factory Marketing, S.L. by the Group.

19. TAX ASSETS AND LIABILITIES AND INCOME TAX

- **INCOME TAX**

Details of the income tax expense/income are as follows:

Thousands of Euros	2015	2014
Current income taxes		
Current period	50,270	117,845
Prior periods' current income taxes	958	645
Total current income taxes	**51,228**	**118,490**
Deferred taxes		
Source of taxable temporary differences	4,240	(1)
Source of deductible temporary differences	(158,046)	(24,810)
Reversal of taxable temporary differences	(9,658)	(25,699)
Reversal of deductible temporary differences	29,626	6,576
Total deferred taxes	**(133,838)**	**(43,934)**
TOTAL INCOME TAX	**(82,610)**	**74,556**

Due to the different treatment of certain transactions permitted by tax legislation, the accounting profit of each Group company differs from the profit for tax purposes.

A reconciliation of accounting profit for the year with the total taxable income of the Group is as follows:

Thousands of Euros	2015	2014
Profit for the period before tax	218,116	283,198
Tax calculated at the tax rate of each country	58,164	73,901
Unrecognised tax credits	3,577	5,060
Non-taxable income	(3,691)	(759)
Non-deductible expenses	1,654	1,579
Deductions and credits for the current period	(4,647)	(671)
Adjustments for prior periods	958	645
Adjustments for prior periods - deferred taxes	(142,280)	(1,970)
Unrecognised deferred taxes	(1,126)	642
Other adjustments	4,385	(3,073)
Tax rate's change adjustment	396	(798)
Total income tax	**(82,610)**	**74,556**

The tax rates of each of the different countries or jurisdictions in which the Group operates have been taken into account to perform this reconciliation. Details of these rates are as follows:

Spain	28%
DIA Portugal	26.59%
Argentina	35%
Brazil	34%
China	25%
Switzerland	24%

The Spanish companies Distribuidora Internacional de Alimentación, S.A. (Parent) and Twins Alimentación, S.A., Pe-Tra Servicios a la Distribución, S.L., Schlecker, S.A., Grupo El Árbol Distribución y Supermercados S.A. and Compañía Gallega de Supermercados S.A. (subsidiaries) filed consolidated tax returns for the first time in 2015 as part of tax group 487/12, pursuant to Title VII, Chapter VI of the Spanish Corporate Income Tax Law set forth in Royal Legislative Decree 27/2014 of 27 November 2014.

- **TAX ASSETS AND TAX LIABILITIES**

Details of the tax assets and liabilities for 2015 and 2014 recognised in the consolidated statement of financial position at 31 December are as follows:

Thousands of Euros	2015	2014
Deferred tax assets	271,480	147,890
Taxation authorities, VAT	41,160	32,965
Taxation authorities	28,314	31,382
Current income tax assets	49,663	42,593
Total tax assets	**390,617**	**254,830**
Deferred tax liabilities	3,193	2,749
Taxation authorities, VAT	55,475	45,110
Taxation authorities	37,464	37,330
Current income tax liabilities	4,111	8,747
Total tax liabilities	**100,243**	**93,936**

These deferred tax assets and liabilities (before consolidation adjustments) reconcile to the deferred taxes recognised in the consolidated statement of financial position (after consolidation adjustments) as follows:

	2015	2014
Capitalised tax loss carryforwards	240,060	117,648
+ Deferred tax assets	70,253	75,720
Total deferred tax assets	310,313	193,368
Assets offset	(38,833)	(45,478)
Deferred tax assets	**271,480**	**147,890**
Deferred tax liabilities	42,026	48,227
Liabilities offset	(38,833)	(45,478)
Deferred tax liabilities	**3,193**	**2,749**

Details of and movements in the Group's tax assets and liabilities (before consolidation adjustments) are as follows:

DEFERRED TAX ASSETS

				Profit/(loss)		Net Equity						
Thousands of Euros	1 Jan 2014	Adjustments	Adjustments to tax rate	Additions	Disposals	Additions	Disposals	Additions to the consolidated group	Exits from the consolidated group	Others	Exchange gains/losses	31 Dec 2014
Provision	21,119	-	(39)	3,061	(232)	-	-	-	(1,610)	(231)	(1,053)	21,015
Onerous contracts	360	-	3	65	(194)	-	-	-	-	-	-	234
Portfolio provisions	75,662	-	-	401	-	-	-	-	(67,000)	-	-	9,063
Share-based payments	2,885	-	-	1,128	(6)	-	-	-	-	-	-	4,007
Other remuneration	3,072	-	(13)	105	(215)	-	-	-	(2,691)	-	-	258
Loss carryforwards	32,296	-	-	6,249	(5,234)	-	-	-	-	84,332	5	117,648
CVAE tax impact	405	-	-	-	(189)	-	-	-	(216)	-	-	-
Other	30,730	(495)	(360)	14,210	(506)	-	-	1,272	(4,409)	895	(194)	41,143
Total non-curent deferred tax asset	**166,529**	**(495)**	**(409)**	**25,219**	**(6,576)**	**-**	**-**	**1,272**	**(75,926)**	**84,996**	**(1,242)**	**193,368**

Thousands of Euros	1 Jan 2015	Adjustments	Adjustments to tax rate	Profit/(loss) Additions	Profit/(loss) Disposals	Net Equity Additions	Net Equity Disposals	Additions to the consolidated group	Exits from the consolidated group	Others	Exchange gains/losses	31 Dec 2015
Provisions	21,015	-	(145)	12,392	(1)	-	-	-	-	242	(7,440)	26,063
Onerous contracts	234	-	8	450	(176)	-	-	-	-	-	-	516
Portfolio provisions	9,063	-	(156)	1,399	(6,399)	-	-	-	-	-	-	3,907
Share-based payments	4,007	-	229	31	(2,199)	-	-	-	-	174	-	2,242
Other remuneration	258	-	85	332	-	-	-	-	-	-	-	675
Loss carryforwards	117,648	-	(529)	135,190	(12,274)	-	-	-	-	25	-	240,060
Other	41,143	-	147	8,613	(8,577)	-	-	-	-	(441)	(4,035)	36,850
Total non-curent deferred tax asset	**193,368**	**-**	**(361)**	**158,407**	**(29,626)**	**-**	**-**	**-**	**-**	**-**	**(11,475)**	**310,313**

DEFERRED TAX LIABILITIES

Thousands of Euros	1 Jan 2014	Adjustments	Adjustments to tax rate	Profit/(loss) Additions	Profit/(loss) Disposals	Net Equity Additions	Net Equity Disposals	Additions to the consolidated group	Exits from the consolidated group	Others	Exchange gains/losses	31 Dec 2014
Goodwill	68,778	-	(71)	131	-	-	-	-	(67,411)	-	-	1,427
Amortisation and depreciation	50,991	-	(2,673)	1,241	(4,380)	-	-	1,147	(20,269)	964	(51)	26,970
Portfolio provisions	38,711	-	-	-	(18,306)	-	-	-	-	-	-	20,405
CVAE tax impact	1,176	-	-	-	(550)	-	-	-	(626)	-	-	-
Other	7,184	(495)	(6)	1,377	(2,463)	24	-	-	(4,520)	(1,684)	8	(575)
Total non-current deferred tax liabilities	**166,840**	**(495)**	**(2,750)**	**2,749**	**(25,699)**	**24**	**-**	**1,147**	**(92,826)**	**(720)**	**(43)**	**48,227**

Thousands of Euros	1 Jan 2015	Adjustments	Adjustments to tax rate	Profit/(loss) Additions	Profit/(loss) Disposals	Net Equity Additions	Net Equity Disposals	Additions to the consolidated group	Exits from the consolidated group	Others	Exchange gains/losses	31 Dec 2015
Goodwill	1,427	-	(9)	80	(113)	-	-	-	-	-	-	1,385
Amortisation and depreciation	26,970	-	(229)	1,640	(5,337)	-	-	-	-	(28)	(512)	22,504
Portfolio provisions	20,405	-	311	-	(4,183)	-	-	-	-	-	-	16,533
Other	(575)	-	(40)	2,487	(25)	-	(2)	-	-	(242)	1	1,604
Total ID de Pasivo No Corriente	**48,227**	**-**	**33**	**4,207**	**(9,658)**	**-**	**(2)**	**-**	**-**	**(270)**	**(511)**	**42,026**

The Spanish income tax reform approved through Law 27/2014 of 27 November 2014 introduced a reduction in income tax rates (to 28% in 2015 and 25% in 2016 onwards), which had a tax effect on the deferred tax assets and liabilities of the Spanish companies which is recognised under "Adjustments to tax rate".

Based on the tax returns, the companies of the Group have the following accumulated tax losses, deductions and exemptions to be offset in future years amounting to Euros 1,052,391 thousand in 2015 and Euros 1,079,733 thousand in 2014.

Thousands of Euros	Years in which generated	Not subjetc to limitation	limitation period (years) 2016	2017	2018	2019	2020	> 2020	TOTAL	Loss carryforwards activated	Loss carryforwards non-activated
Distribuidora Internacional de Alimentación, S.A.	2014	351,423	-	-	-	-	-	-	351,423	351,423	-
Twins Alimentación, S.A.	2004-2007	146,333	-	-	-	-	-	-	146,333	146,333	-
Pe-Tra Servicios a la distribución, S.L.	1997-1999	18,549	-	-	-	-	-	-	18,549	-	18,549
Schlecker S.A.	2012	945	-	-	-	-	-	-	945	945	-
Grupo El Árbol, Distribución y Supermercados, S.A.	2000-2014	453,780	-	-	-	-	-	-	453,780	453,780	-
Compañía Gallega de Supermercados, S.A.	2001-2014	3,736	-	-	-	-	-	-	3,736	3,736	-
DIA ESHOPPING, S.L.U.	2015	393	-	-	-	-	-	-	393	393	-
Dia Tian Tian Manag. Consulting Service & Co.Ltd.	2010-2012	-	4,018	3,656	-	-	-	-	7,674	-	7,674
Shanghai DIA Retail Co.Ltd.	2010-2015	-	3,572	8,434	17,018	14,971	15,990	-	59,985	-	59,985
Dia Portugal Supermercados S.U., Lda	2009-2014	-	-	753	1,125	-	-	2,941	4,819	3,411	1,408
Total tax loss carryforwards		**975,159**	**7,590**	**12,843**	**18,143**	**14,971**	**15,990**	**2,941**	**1,047,637**	**960,021**	**87,616**

In 2015 the following subsidiaries included in the consolidated tax group of DIA in Spain have recognised tax loss carryforwards generated in years prior to joining the tax group:

- Grupo El Árbol, Distribución y Supermercados S.A: an amount of Euros 113,445 thousand.
- Compañía Gallega de Supermercados S.A: an amount of Euros 933 thousand.
- Twins Alimentación S.A: an amount of Euros 19,793 thousand.

The subsidiary Pe-Tra Servicios a la Distribución, S.L. has derecognised tax loss carryforwards totalling Euros 1,098 thousand that were recognised at 31 December 2014.

The movements in the recognition and derecognition of tax bases in individual companies are the result of applying the new Income Tax Law 27/2014 from 2015 onwards. This Law stipulates that for the purposes of determining the taxable income of the tax group, accounting standards should be followed with regard to eliminations. Thus intragroup income and expenses should be eliminated before calculating the individual taxable income, from which the amount of the pre-consolidation tax losses that can be offset for each of the companies in the year is obtained.

Applying the above, the Group estimates that Grupo El Árbol Distribución y Supermercados S.A., Twins Alimentación S.A. and Compañía Gallega de Supermercados S.A. will be able to offset the amounts recognised in 2015 in the next four years.

For these purposes, the Group's Parent filed a binding consultation to the Directorate-General for Taxation to obtain confirmation of its calculation criterion for the offset of tax loss carryforwards in the Group and the Directorate-General confirmed its criterion.

The directors do not expect that the years open to inspection or the appeals submitted will give rise to any major additional liabilities in relation to the consolidated financial statements taken as a whole.

20. SHARE-BASED PAYMENT TRANSACTIONS

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

Under the share-settled long-term incentive plan, executives (including the executive director) of the Group were entitled to variable remuneration settled though shares in the Parent, receipt of which was dependent on whether the Parent and its Group met certain business targets over the 2011-2014 period, as well as certain indicators relating to the value of these shares. Beneficiaries were also required to remain as employees of or maintain their commercial relationship with the Parent and/or its subsidiaries on the plan reference dates. Settlements are being made at different stages throughout the plan up to 2016.

Under the multi-year variable remuneration plan, executives of the Group were awarded variable remuneration settled though shares in the Parent. Amounts relating to 2011 and 2012 were settled in 2013 and January 2014 and remuneration for 2013 and 2014 were to be settled in 2015 and January 2016, dependent on the Parent and its Group meeting certain business targets. Beneficiaries were also required to remain in the employment of or maintain their commercial relationship with the Parent and/or its subsidiaries on the plan settlement dates.

On 25 April 2014 the shareholders at their general meeting approved a long-term incentive plan for 2014-2016, to be settled with a maximum of 6,981,906 Parent shares, for the current and future executive directors, senior management and other key personnel of DIA and its subsidiaries, as determined by the board of directors. To receive the shares, the personnel who voluntarily join the plan must meet the requirements in its general terms and conditions. The purpose of the plan is to award and pay variable remuneration in DIA shares, based on fulfilment of a business target of the Parent and its Group and total earnings for the Parent's shareholders. At 31 December 2015 the Parent estimates that 5,562,997 shares is the maximum number that will be awarded under this plan.

In 2015 the costs recognised in respect of these plans amount to Euros 4,249 thousand (Euros 12,028 thousand in 2014) and are recognised in personnel expenses in the consolidated income statement. The balancing entry was recognised under other own equity instruments. The payments made in 2015 and 2014 in relation to the long-term incentives plan 2011-2014 amounted to Euros 15,429 thousand and Euros 2,010 thousand respectively, with transfers of 3,242,482 and 328,272 shares, respectively.

21. OTHER INCOME AND EXPENSES

21.1. Other income

Details of other income are as follows:

Thousands of Euros	2015	2014
Fees and interest to finance companies (note 9.1)	2,087	2,075
Service and quality penalties	30,646	24,587
Revenue from lease agreements (note 8)	23,025	45,210
Other revenue from franchises	11,365	11,699
Revenue from commercial fees from concessions	827	647
Other income	28,265	21,032
Total other operating income	**96,215**	**105,250**

Penalties for service and quality include the income obtained by the Group from the collection of penalties charged to suppliers for lack of service or lack of quality in accordance with the agreements established with them.

21.2. Merchandise and other consumables used

This item includes purchases and changes in inventories, the cost of products sold by the finance company, as well as reductions due to volume discounts, other discounts, and exchange differences relating to purchases of this merchandise.

21.3. Personnel expenses

Details of personnel expenses are as follows:

Thousands of Euros	2015	2014
Salaries and wages	653,742	532,499
Social Security	168,739	141,632
Defined contribution plans	324	118
Expenses for share-based payment transactions	4,677	9,955
Other employee benefits expenses	19,751	20,736
Total personnel expenses	**847,233**	**704,940**

21.4. Operating expenses

Details of operating expenses are as follows:

Thousands of Euros	2015	2014
Repairs and maintenance	52,829	41,466
Utilities	86,147	68,921
Fees	23,220	17,399
Advertising	55,055	45,123
Taxes	23,576	18,948
Rentals, property (note 8)	299,769	246,797
Rentals, equipment (note 8)	7,045	5,552
Other general expenses	96,393	90,823
Total operating expenses	**644,034**	**535,029**

21.5. Amortisation, depreciation and impairment

Details are as follows:

Thousands of Euros	2015	2014
Amortisation of intangible assets (note 7.2)	8,862	6,859
Depreciation of property, plant and equipment (note 6)	205,164	177,745
Total amortisation and depreciation	**214,026**	**184,604**
Impairment of intangible assets and goodwill (note 7)	234	(38)
Impairment of property, plant and equipment (note 6)	10,779	5,563
Total impairment	**11,013**	**5,525**

21.6. Gains and losses on the disposal of fixed assets

Net losses of Euros 12,340 thousand and Euros 11,558 thousand were incurred on asset disposals in 2015 and 2014, respectively. In Spain, the net losses totalled Euros 7,230 thousand in 2015 (Euros 4,809 thousand in 2014). In Portugal, net losses recognised in 2015 amounted to Euros 1,087 thousand (Euros 3,264 thousand in 2014). In Argentina, net losses recognised in 2015 amounted to Euros 3,156 thousand (Euros 3,391 thousand in 2014). These losses are mainly due to stores being remodelled to the new DIA Maxi, DIA Market and Clarel formats.

These amounts mainly pertain to property, plant and equipment.

Gains on disposals of property, plant and equipment amounted to Euros 2,855 thousand and Euros 656 thousand in 2015 and 2014, respectively.

21.7. Net finance income

Details of finance income are as follows:

Thousands of Euros	2015	2014
Interest on other loans and receivables (note 9.1)	2,446	1,676
Dividends received	2	-
Exchange gains (note 21.8)	2,791	1,009
Change in fair value of financial instruments	2,768	1,684
Other finance income	1,258	12,078
Total financial income	**9,265**	**16,447**

Details of finance costs are as follows:

Thousands of Euros	2015	2014
Interest on bank loans	14,607	31,717
Intereses on debentures and bonds	8,872	4,027
Finance expenses for finance leases (note 6)	1,589	1,054
Exchange losses (note 21.8)	9,899	2,686
Change in fair value of financial instruments	424	2,024
Other finance expenses	29,900	15,751
Total financial expenses	**65,291**	**57,259**

At 31 December 2015, interest on bank loans includes the finance costs associated with bank loans, primarily in Spain and Brazil. At 31 December 2014 this balance included finance costs associated with the syndicated loan of Euros 24,599 thousand contracted by the Group, which included an amount of Euros 7,435 thousand of deferred finance costs due to the partial and total settlement of the loans arranged in 2011 and 2013.

Interest on bonds includes the accrued interest and costs as a result of the bond issue described in note 17.1.

Other finance costs at 31 December 2015 and 2014 primarily reflect the bank debit and credit interest rates in Argentina linked to its revenues.

21.8. Foreign currency transactions

Details of the exchange differences on foreign currency transactions are as follows:

Thousands of Euros	2015	2014
Currency exchange losses (note 21.7)	(9,899)	(2,686)
Currency exchange gains (note 21.7)	2,791	1,009
Trade exchange losses	(1,167)	(1,618)
Trade exchange gains	888	663
Total	**(7,387)**	**(2,632)**

21.9. Non-current expenses

Details of non-recurring income and expenses classified according to their nature in the consolidated income statement are as follows:

Thousands of Euros	2015	2014
Commercial margin	(6,032)	433
Personnel expenses	76,030	44,658
Operating expenses	28,643	14,633
Total non-current expenses	**98,641**	**59,724**

These expenses comprise non-recurring items such as those associated with the reorganisation of the Group, improvements in the productivity and efficiency of processes, the business combinations carried out and incentive plans.

22. COMMITMENTS AND CONTINGENCIES

a) Commitments

Commitments pledged and received by the Group but not recognised in the consolidated statement of financial position comprise contractual obligations which have not yet been executed. The two types of commitments relate to cash and expansion operations. The Group also has lease contracts that represent future commitments undertaken and received.

Off-balance-sheet cash commitments comprise:

- available credit facilities which were unused at the reporting date;
- credit commitments undertaken by the Group's finance company with customers within the scope of its operations, and banking commitments received.

Expansion operation commitments were undertaken for expansion at Group level.

Finally, commitments relating to lease contracts for property and furniture are described in note 8 Operating Leases.

Itemised details of commitments at 31 December 2015 and 2014 are as follows:

22.1. Pledged:

Thousands of Euros at 31st December 2015	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	27,483	59	625	9,112	37,279
Credit facilities to customers (finance companies)	77,700	-	-	-	77,700
Cash	**105,183**	**59**	**625**	**9,112**	**114,979**
Purchase options	-	9,630	22,626	37,930	70,186
Commitments related to commercial contracts	16,914	3,917	2,784	28	23,643
Other commitments	2,302	2,917	3,487	19,419	28,125
Transactions / properties / expansion	**19,216**	**16,464**	**28,897**	**57,377**	**121,954**
Total	**124,399**	**16,523**	**29,522**	**66,489**	**236,933**

Thousands of Euros at 31st December 2014	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	18,421	-	122	8,174	26,717
Credit facilities to customers (finance companies)	76,164	-	-	-	76,164
Cash	**94,585**	**-**	**122**	**8,174**	**102,881**
Purchase options	-	-	31,356	39,531	70,887
Commitments related to commercial contracts	14,519	3,809	4,306	20	22,654
Other commitments	4,119	4,052	12,184	12,842	33,197
Transactions / properties / expansion	**18,638**	**7,861**	**47,846**	**52,393**	**126,738**
Total	**113,223**	**7,861**	**47,968**	**60,567**	**229,619**

The Parent is the guarantor of the drawdowns on the credit facilities made by its Spanish subsidiaries, which at 31 December 2015 amounted to Euros 1,270 thousand.

22.2. Received:

Thousands of Euros at 31st December 2015	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Available credit facilities	105,000	-	-	-	105,000
Available sindicated revolving credit facilities	400,000	-	-	-	400,000
Available confirming lines	387,060	-	-	-	387,060
Available commercial paper facilities	62,000	-	-	-	62,000
Cash	**954,060**	**-**	**-**	**-**	**954,060**
Guarantees received for commercial contracts	31,611	7,380	20,124	27,300	86,415
Other commitments	-	-	-	163	163
Transactions / properties / expansion	**31,611**	**7,380**	**20,124**	**27,463**	**86,578**
Total	**985,671**	**7,380**	**20,124**	**27,463**	**1,040,638**

Thousands of Euros at 31st December 2014	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Available credit facilities	82,794	-	-	-	82,794
Available revolving credit facilities	750,000	-	-	-	750,000
Available confirming lines	428,581	-	-	-	428,581
Available commercial paper facilities	70,000	-	-	-	70,000
Cash	**1,331,375**	**-**	**-**	**-**	**1,331,375**
Guarantees received for commercial contracts	27,407	6,531	22,486	24,826	81,250
Other commitments	-	-	-	172	172
Transactions / properties / expansion	**27,407**	**6,531**	**22,486**	**24,998**	**81,422**
Total	**1,358,782**	**6,531**	**22,486**	**24,998**	**1,412,797**

The decrease in cash commitments received between 2015 and 2014 is due primarily to the drawdown in full of one of the syndicated loans arranged by the Parent with various financial entities (see note 17.1) and the decrease in reverse factoring lines used above all by the Parent. Additionally, DIA Portugal maintains the commitments undertaken in 2014 in the form of current commercial paper, which are credit facilities negotiated with banks that DIA Portugal may use as a current account overdraft.

b) Contingencies

In 2014 DIA Brazil was inspected by the local taxation authorities, as a result of which it has received two additional tax assessments, one amounting to Euros 9,984 thousand (Brazilian Reais 43,054 thousand) in relation to a discrepancy concerning tax on revenues from discounts received from suppliers, and another amounting to Euros

58,104 thousand (Brazilian Reais 250,551 thousand) in relation to the recognition of movements of goods and the consequent impact on inventories. During 2015 the Group has continued to collaborate with the local authorities to clarify all movements of goods, which are consistent with the criteria followed in the countries in which the DIA Group operates. Given that the risk of loss associated with these lawsuits in both years has been considered remote, based on the analyses of the legal experts advising the Group, no provision has been made in this regard.

23. RELATED PARTIES

Transactions other than ordinary business or under terms differing from market conditions carried out by the directors of the Parent

In 2015 and 2014 the directors of the Parent have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Parent or any other Group company.

Transactions with directors and senior management personnel

Details of remuneration received by the directors and senior management of the Group in 2015 and 2014 are as follows:

Thousands of Euros			
2015		2014	
Directors	Senior management personnel	Directors	Senior management personnel
5,235	10,912	1,875	4,989

In 2015 and 2014 the directors of the Parent earned Euros 1,089 thousand and Euros 978 thousand, respectively, in their capacity as board members.

In 2015 the shares under the first and second stages of the four-year incentive plan for 2011-2014 were awarded and the value of the shares awarded to the chairman and senior management has been recognised in remuneration earned in the year.

Article 39.5 of the Parent's articles of association requires the disclosure of the remuneration earned by each of the present members of the board of directors in 2015 and 2014. Details are as follows:

2015	Thousands of Euros			
Board members	Financial instruments	Fixed remuneration	Variable remuneration	Others
Ms Ana María Llopis Rivas	46.1	123.6	-	-
Mr Ricardo Currás de Don Pablos (*)	1,731.3	667.1	1,831.0	6.8
Mr Julián Díaz González	36.6	80.9	-	-
Mr Richard Golding	31.1	93.0	-	-
Mr. Juan María Nin Génova	6.3	22.9	-	-
Mr. Mariano Martín Mampaso	37.5	85.6	-	-
Mr Pierre Cuilleret	36.6	85.9	-	-
Ms Rosalía Portela de Pablo	26.0	78.8	-	-
Mr Antonio Urcelay Alonso	26.0	79.8	-	-
Mr Nadra Moussalem	17.2	34.3	-	-
Mr Nicolas Brunel	17.2	34.3	-	-
Total	**2,012**	**1,386**	**1,831**	**7**

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

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

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

During 2015 and 2014 the members of the board of directors and senior management personnel of the Group have not carried out operations with the Parent or Group companies other than ordinary operations under market conditions.

In accordance with Article 229 of the Revised Spanish Companies Act in relation to situations of conflicts of interest, the Director Mr. Pierre Cuilleret has stated that his spouse remains an independent Director of the Board of Carrefour Société Anonyme (company that has the same corporate activity as DIA). Additionally, the spouse of Mr. Cuilleret is the owner of 34,580 shares of Carrefour Société Anonyme (0.005% of the capital of the aforementioned company). This information was included for the first time in the Notes to the Consolidated Annual Accounts of DIA Group for 2012, year in which his spouse was appointed as an independent Director of the referred company.

24. FINANCIAL RISK MANAGEMENT: OBJECTIVES AND POLICIES

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

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

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

a) Financial risk factors

The Group'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 Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits. The Group uses derivatives to mitigate certain risks.

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

b) Currency risk

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

In order to control currency risk associated with future commercial transactions and recognised assets and liabilities, Group entities use forward currency contracts negotiated with the Group's Treasury Department. Currency risk arises on future commercial transactions in which the recognised assets and liabilities are presented in a foreign currency other than the Company's functional currency.

In 2015 and 2014 the Group has performed no significant transactions in currencies other than the functional currency of each company. However, the Group has contracted exchange rate insurance policies for non-recurrent transactions in US Dollars.

The hedging transactions carried out in US Dollars during 2015 amounted to US Dollars 5,359 thousand (US dollars 5,862 thousand in 2014). This amount represented 98.38% of the transactions carried out in this currency in 2015 (99.99% in 2014). At 2015 year end, outstanding hedges in this currency total US Dollars 1,284 thousand (US Dollars 1,549 thousand in 2014) and expire in the next eleven months. These transactions are not significant with respect to the Group's total volume of purchases.

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

At 31 December 2015, had the Euro risen/fallen by 10% against the US Dollar, with the other variables remaining constant, consolidated post-tax profit would have been Euros 271 thousand higher/lower (Euros 302 thousand in 2014), mainly as a result of translating trade receivables and debt instruments classified as available-for-sale financial assets.

The translation differences included in other comprehensive income are significant due to the steep devaluations of the Argentinian Peso and the Brazilian Real. Had the exchange rates in the countries where the Group operates that use a currency other than the Euro depreciated/appreciated by 10% the translation differences would have varied by +11.01% / -13.46%, respectively, in the equity of the DIA Group.

The Group's exposure to currency risk at 31 December 2015 and 2014 in respect of the balances outstanding in currencies other than the functional currency of each country is immaterial.

c) Price risk

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

d) Credit risk

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

The Group's exposure to credit risk at 31 December 2015 and 2014 is shown below. The accompanying tables reflect the analysis of financial assets by remaining contractual maturity dates:

Thousands of Euros	Maturity	2015
Guarantees	per contract	42,649
Equity instruments	-	88
Loans to personnel	2017-2019	350
Loans to third parties	2017-2020	531
Trade receivables	2017-2032	51,290
Other non-current financial assets	2017-2020	23,328
Consumer loans from finance companies	2017	458
Non-current assets		**118,694**
Guarantees	2016	640
Loans to personnel	2016	2,584
Other loans	2016	1,157
Other assets	2016	3,134
Trade receivables	2016	221,193
Consumer loans from finance companies	2016	6,548
Current assets		**235,256**

Thousands of Euros	Maturity	2014
Guarantees	per contract	38,002
Equity instruments	-	80
Loans to personnel	2016-2018	445
Loans to third parties	2016-2019	625
Trade receivables	2016-2032	28,995
Other non-current finantial assets	2019	13,015
Consumer loans from finance companies	2016	363
Non-current assets		**81,525**
Guarantees	2015	61
Loans to personnel	2015	3,742
Other loans	2015	1,878
Other assets	2015	6,392
Trade receivables	2015	244,592
Consumer loans from finance companies	2015	6,362
Current assets		**263,027**

The returns on these financial assets totalled Euros 5,109 thousand in 2015 and Euros 4,476 thousand in 2014.

Details of non-current and current trade and other receivables by maturity in 2015 and 2014 are as follows:

	Thousands of Euros					
Current	Total	Unmatured	Between 0 and 1 month	Between 2 and 3 months	Between 4 and 6 months	Between 7 and 12 months
31st December 2015	221,193	166,024	13,046	36,214	3,213	2,696
31st December 2014	244,592	201,052	30,301	9,590	3,000	649

	Thousands of Euros			
Non-current	Total	Between 1 and 2 years	Between 3 and 5 years	Over five years
31st December 2015	51,290	14,552	28,529	8,209
31st December 2014	28,995	9,790	15,180	4,025

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

e) Liquidity risk

The Group 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 Group's Finance Department aims to be flexible with regard to financing through drawdowns on contracted credit facilities.

The Group's exposure to liquidity risk at 31 December 2015 and 2014 is shown below. These tables reflect the analysis of financial liabilities by remaining contractual maturity dates:

Thousands of Euros	Maturity	2015
Debentures and bonds long term	2019	495,862
Syndicated credits (Revolving credit facilities)	2018	297,580
Mortgage loan	2017-2020	4,834
Other bank loans	2017-2018	95,652
Finance lease payables	2017-2027	19,185
Guarantees and deposits received	per contract	7,838
Other non-current financial liabilities	2019	17,906
Total non-current financial liabilities		**938,857**
Debentures and bonds long term	2016	3,500
Mortgage loan	2016	2,145
Other bank loans	2016	137,468
Other financial liabilities	2016	42,266
Finance lease payables	2016	7,736
Credit facilities drawn down	2016	175,073
Expired interest	2016	778
Guarantees and deposits received	2016	4,760
Derivatives	2016	40
Other financial debts	2016	513
Trade and other payables	2016	1,518,843
Suppliers of fixed assets	2016	77,235
Personnel	2016	65,905
Other current liabilities	2016	2,539
Total current financial liabilities		**2,038,801**

Thousands of Euros	Maturity	2014
Debentures and bonds long term	2019	494,701
Mortgage loan	2016-2020	6,964
Other bank loans	2016-2019	11,277
Finance lease payables	2016-2027	12,891
Guarantees and deposits received	per contract	5,543
Other non-current financial debt	2016	1,156
Other non-current financial liabilities	2018	7,539
Total non-current financial liabilities		**540,071**
Debentures and bonds long term	2015	3,396
Mortgage loan	2015	2,039
Other bank loans	2015	4,003
Other financial liabilities	2015	65,216
Finance lease payables	2015	5,912
Credit facilities drawn down	2015	93,516
Expired interest	2015	364
Guarantees and deposits received	2015	5,283
Derivatives	2015	844
Other financial debts	2015	19,339
Trade and other payables	2015	1,693,113
Suppliers of fixed assets	2015	59,055
Personnel	2015	74,730
Other current liabilities	2015	2,404
Total current financial liabilities		**2,029,214**

Details of non-current financial debt by maturity in 2015 and 2014 are as follows:

	Thousands of Euros			
2015	**Total**	**2017**	**2018-2020**	**Over 2021**
Debentures and bonds long term	495,862	-	495,862	-
Syndicated credits (Revolving credit facilities)	297,580	-	297,580	-
Mortgage loan	4,834	2,217	2,617	-
Bank loan	95,652	73,137	22,515	-
Finance lease payables	19,185	7,362	10,830	993
Guarantees and deposits received	7,838	-	-	7,838
Total non-current debt	**920,951**	**82,716**	**829,404**	**8,831**

2014	Thousands of Euros Total	2016	2017-2019	Over 2020
Debentures and bonds long term	494,701	-	494,701	-
Mortgage loan	6,964	2,125	4,442	397
Bank loan	11,277	5,875	5,402	-
Finance lease payables	12,891	4,788	7,372	731
Guarantees and deposits received	5,543	-	-	5,543
Other non-current financial debt	1,156	548	216	392
Total non-current debt	**532,532**	**13,336**	**512,133**	**7,063**

The finance costs accrued on these financial liabilities totalled Euros 25,068 thousand and Euros 36,798 thousand in 2015 and 2014, respectively.

f) Cash flow and fair value interest rate risks

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

The Group contracts different interest rate hedges to mitigate its exposure, in accordance with its risk management policy. At 31 December 2015 there are no outstanding derivatives contracted with external counterparties to hedge the risk of interest rate fluctuations that could affect long-term financing. At 31 December 2014 the nominal amount of derivatives totalled Euros 215 million with maturity in 2015.

During 2015 hedging instruments as a percentage of the volume of average gross debt is 78.70%, compared with 80.32% in the previous year.

Group 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 513 thousand in 2015 (Euros 502 thousand in 2014).

25. OTHER INFORMATION

25.1. Employee Information

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

	2015	2014
Management	206	224
Middle management	1,568	1,823
Other employees	40,850	41,197
Total	**42,624**	**43,244**

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

	2015		2014	
	Female	Male	Female	Male
Board members	2	7	2	8
Senior management	1	8	2	6
Other management	61	140	59	134
Middle management	609	993	577	948
Other employees	29,276	14,635	30,126	14,268
Total	**29,949**	**15,783**	**30,766**	**15,364**

During 2015 the Group employed 1 executive (1 in 2014), 5 junior managers (24 in 2014) and 469 other employees (723 in 2014) with a disability rating of 33% or above (or an equivalent local classification).

25.2. Audit Fees

KPMG Auditores, S.L., the auditors of the annual accounts of the Group and other affiliates of KPMG International have invoiced the following fees for professional services during the years ended 31 December 2015 and 2014:

	2015		
Thousands of Euros	KPMG Auditores, S.L.	Other companies associated with KPMG International	Total
Audit services	410	224	634
Other accounting review services	105	86	191
Tax advisory services	-	62	62
Other services	-	510	510
Total	**515**	**882**	**1,397**

	2014		
Thousands of Euros	KPMG Auditores, S.L.	Other companies associated with KPMG International	Total
Audit services	529	250	779
Other accounting review services	189	225	414
Tax advisory services	-	20	20
Other services	-	31	31
Total	**718**	**526**	**1,244**

The amounts detailed in the above tables include the total fees for services rendered in 2015 and 2014, irrespective of the date of invoice.

25.3. Environmental information

The Group 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 Parent'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 environmental provisions.

26. EVENTS AFTER THE REPORTING PERIOD

At the date of authorising these consolidated annual accounts for issue, the Parent's board of directors has approved the proposal of the Appointment and Remuneration Committee to appoint Ms. Angela Spindler as an independent director of the Parent, thereby filling the vacancy left by the resignation of Mr. Nicolas Brunel on 17 June 2015.

CONSOLIDATED DIRECTORS' REPORT

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

Distribuidora Internacional de Alimentación, S.A. (the company) and subsidiaries (the Group or DIA Group), have prepared this consolidated Directors' Report, following the recommendations included in the guide for the preparation of the Directors' Report for listed companies issued by the CNMV on 29 July 2013.

1. ENTITY PROFILE

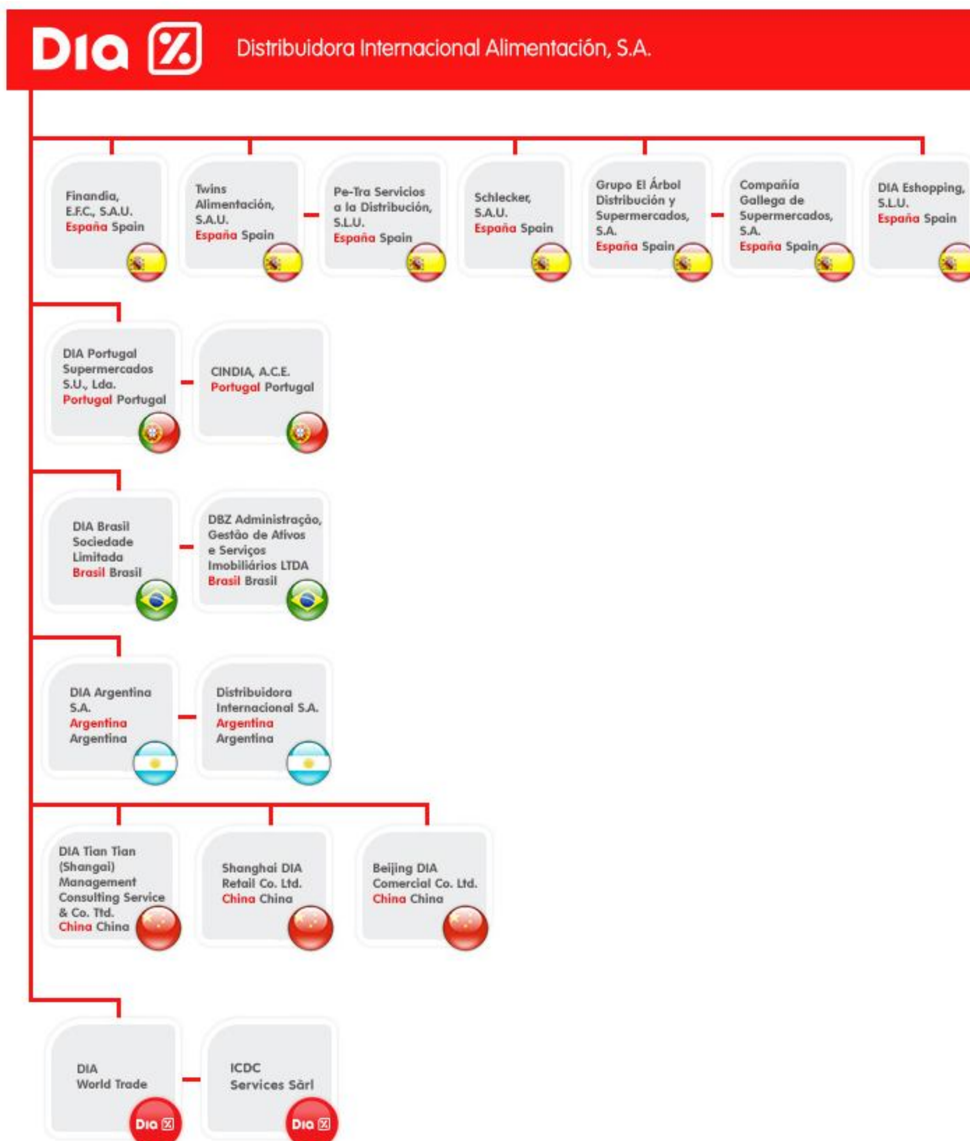
1.1. Organizational Structure

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

1.1.1. Corporate Structure

Distribuidora Internacional de Alimentación, S.A. owns, directly or indirectly, 100% of all its subsidiaries except for Compañía Gallega de Supermercados, S.A., of which it owns 94.24% and ICDC, of which it owns 50%. Likewise, the Company owns 50% of the assets and liabilities of the group of companies called CINDIA, A.C.E.

The companies that make up the DIA Group are as follows:



The DIA Group's main activity is the retail sale of food products and any other consumer products, through owned or franchised stores.

DIA World Trade, S.A. is located in Geneva, Switzerland, and its main activity is the provision of services to suppliers of DIA Group companies.

Finandia E.F.C., S.A.U., is a Spanish credit company that finances customers' commercial transactions in DIA stores in Spain with the "ClubDIA" card.

Distribuidora Internacional, S.A. is located in Buenos Aires, Argentina, and its main activity is services consultancy.

The group of companies CINDIA, A.C.E and the company ICDC have been set up together with the companies Intermarché and Casino respectively to jointly buy goods in Portugal and Geneva, Switzerland.

E-Shopping creates, maintains and operates sites and internet portals for the sale of products and services.

The company DBZ Administraçao, Gestao de ativos e Serviços Imobiliarios Ltda., domiciled in Sao Paulo, is involved in real estate management for DIA Brazil.

1.1.2. Board of Directors

Distribuidora Internacional de Alimentación, S.A., as of 31 December 2015, is managed and governed by a Board of Directors that is made up of nine members, of which seven are independent, one is executive and one is classified as "other external director".

The composition of the Board of Directors, as of 31 December 2015, is as follows:

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

On 17 June 2015, Nadra Moussalem and Nicolas Brunel ceased to be proprietary directors as a consequence of the sale of the stake that their companies had in DIA.

Juan María Nin Génova joined the Board of Directors on 15 October 2015.

The overall function of the Board of Directors is the supervision and consideration of matters of particular importance to the Group. As a general rule, it entrusts the Group's ordinary management to the CEO and Senior Management (see point 1.1.3).

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

(a) approval of the general policies and strategies of the Company and the organisation necessary to implement them, including the following:

  (i) the strategic or business plan, as well as annual management objectives and the budget;
  (ii) the investment and financing policy;
  (iii) the determination of Company's fiscal strategy;
  (iv) the definition of the structure of the corporate group and the coordination, within the legal limits, of the group's general strategy in the interest of the Company and the companies comprising it;
  (v) the corporate governance policy of the Company and its group;
  (vi) the corporate social responsibility policy;

(vii) the supervision of the performance of the board committees and acts carried out by delegated bodies and senior managers;

(viii) the policy for compensation and evaluation of the management team's performance;

(ix) the policy for control and management of risk, including fiscal risks, and the supervision of information and control systems, identifying the Company's main risks and organising the appropriate internal control and reporting systems;

(x) Defining the basis for the corporate organisation, in order to ensure greater efficiency thereof and effective supervision by the board of directors;

(xi) setting and implementing the dividend and treasury share policies, within the framework of the authorisations of the general meeting.

(b) approval of the following operating decisions:

(i) convening the general shareholders meeting and drafting the agenda and the proposals for resolutions;

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

(iii) appointing and renewing internal positions on the board of directors, and the members of and positions of the committees constituted within the board;

(iv) delegating authority to any of its members, under the terms established by law and the articles of association, and revocation thereof;

(v) appointing and removing executive directors and senior managers reporting to the board, as well as establishing the basic conditions of their contracts, including their remuneration;

(vi) granting an authorisation or exemption of the obligations deriving from the duty of loyalty, when the granting of such authorisation lies with the board;

(vii) preparing the financial statements, management report and proposal for application of profits of the Company, as well as the consolidated financial statements and management report, and their submission to the general meeting for approval;

(viii) approving the financial information that the Company, being a listed company, must periodically disclose;

(ix) preparing the annual corporate governance report and the annual report on directors' remuneration, both to be presented to the general meeting and the other reports and documents that must be submitted to it;

(x) approving the amendment of this regulation;

(xi) proposing to the Company's general shareholders meeting the amendments to the regulation of the general shareholders meeting it deems appropriate to ensure the exercise of shareholders' rights of participation;

(xii) decisions concerning the remuneration of board members, in accordance with the articles of association and, if applicable, the remuneration policy as approved by the general meeting;

(xiii) fixing, in the case of inside directors, any additional consideration for their management duties and other terms of their contracts;

(xiv) establishing strategic alliances with industrial, commercial or financial groups, domestic or foreign;

(xv) investments, divestitures or transactions of all kinds (including financing transactions) that, by reason of their high amount or special characteristics, are of a strategic nature or special tax risks, including industrial, commercial and financial transactions of particular importance, unless (i) they have been approved in the annual budget, or (ii) approval thereof corresponds to the general meeting;

(xvi) creating or acquiring shares in special purpose vehicles or entities resident in jurisdictions considered to be tax havens, and any other transactions or operations of a comparable nature the complexity of which might impair the transparency of the Company and its group, after a report from the audit and compliance committee;

(xvii) the powers that the general meeting vested on the board of directors, save for those that the latter has been expressly authorised to subdelegate; and

(xviii) the preparation of any type of report required by law, when the operation to which the report refers cannot be delegated; and

(c) approval of the transactions entered into by the Company or companies of its group with directors, as defined by the Act, or with shareholders who own, individually or jointly, a significant stake, including shareholders represented in the board of directors of the Company or companies of its group or individuals linked to them

("Related Party Transactions"). The directors concerned or who represent or are linked to the relevant shareholders must refrain from participating in the deliberation and voting of the resolution in question.

Nonetheless, transactions that simultaneously satisfy the three following conditions will not require board authorisation:

- those governed by standard contracts applied on an across-the-board basis to a large number of customers;
- those entered into at market prices or rates, generally fixed by the person supplying the goods or services; and
- where the amount of the transaction does not exceed one per cent (1%) of the Company's annual revenues.

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

The main functions of the audit and compliance Committee are as follows:

(i) report to the general shareholders meeting in relation to issues within the scope of its responsibilities;

(ii) supervise and review the preparation process and presentation of the required financial information which, in accordance with article 35 of the Securities Market Act, is to be provided by the board to the markets and their supervisory bodies, and, in general, ensure compliance with the legal requirements in this area, the appropriate delimitation of the scope of consolidation and the proper application of generally accepted accounting principles, as well as report on proposals for changes in accounting principles and standards suggested by management;

(iii) periodically supervise and review the effectiveness of the Company's internal control and financial and non-financial risk management systems, including fiscal risks, verifying the appropriateness and completeness thereof and proposing the selection, appointment, re-election and removal of the responsible therefor; proposing the budget for such services, approving the orientation and working plans, ensuring that the activity is focused mainly on risks relevant to the Company, and verifying that the members of the management team take into account the conclusions and recommendations in its reports; and discussing with the Company's auditors such significant weaknesses in the internal control system as may be discovered in the auditing process;

(iv) coordinate the process for the reporting of non-financial and diversity information, in accordance with applicable regulations and international reference standards;

(v) ensure the independence of the unit that undertakes the internal audit; propose the selection, appointment, re-election and dismissal of the person responsible for the internal audit service; propose the budget for said service; approve the orientation and the working plans of same, ensuring that its activity is focused mainly on risks relevant to the company; receive periodical information about its activities; and verify that senior management takes into account the conclusions and recommendations of its reports;

(vi) submit to the board of directors proposals for the selection, appointment, re-election and substitution of the outside account auditors, as well as the conditions for hiring them, and regularly gather information from them about the auditing plan and its execution, preserving their independence in the exercise of their duties;

(vii) establish the appropriate relationships with the outside auditors and receive information regarding questions that may compromise their independence, for examination by the committee, and those of anyone else involved in the process of auditing accounts, and such other communications as may be contemplated in the legislation regarding auditing and audit standards. In any event, they must receive from the outside auditors an annual declaration of their independence of the entity or entities directly or indirectly related to this one, and information on additional services of any kind provided to these entities and the corresponding fees received by the aforesaid outside auditors, or by persons or entities related thereto, in accordance with the provisions of the legislation governing the auditing of accounts. In the event of resignation of the outside auditor, the committee shall examine the circumstances leading to said resignation. It shall ensure that the Company communicates the change of auditor as a relevant fact to the CNMV and accompanies said notification with a declaration regarding the possible existence of disagreement with the outgoing auditor and, if any, the content of such disagreement;

(viii) annually, prior to the issuing of the audit report, publish a report stating an opinion regarding the independence of the auditors. This report must comprise, in any event, the assessment of the provision of

additional services referred to in the point above, individually and globally considered, different from the legal audit and in relation to the independence system or the legal provisions on auditing;

(ix) serve as a communications channel between the board of directors and the auditors; evaluate the results of each audit and the responses of the management team to its recommendations and mediate in the event of disputes between the former and the latter in relation to the principles and criteria applicable in the preparation of the Financial statements, and examine the circumstances, if any, behind the resignation of the auditor. The committee shall ensure that the outside auditor holds a meeting annually with the entire board of directors to inform it of the work carried out and the evolution of the accounting situation and the risks the company faces;

(x) report to the board beforehand regarding any matters foreseen by law, the articles of association, the board of directors regulations, and, in particular, on:

- the financial information that the Company must periodically disclose,
- the creation or acquisition of shares in entities with special purposes or domiciled in countries or territories that are considered to be tax havens;

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

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

(xiii) review the corporate social responsibility policy, ensuring that it is focused on creating value and monitoring the strategy and practices of corporate social responsibility and evaluating the degree of fulfilment;

(xiv) supervise the communication strategy and relations with shareholders, investors (including small and medium shareholders) and other stakeholders;

(xv) establish an internal mechanism whereby staff can report, confidentially and, if deemed appropriate, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the Company;

(xvi) prepare and update a declaration of ethical values related to the reliability of financial information in compliance with applicable regulations, which will be approved by the board of directors and communicated to all levels within the organisation;

(xvii) establish procedures to ensure that the principles of professional integrity and ethics are respected, as well as measures to identify and correct departures from those values within the organisation;

(xviii) the committee shall be informed of operations planned by the Company which produce structural or corporate modifications for their analysis and for a prior report to the board of directors on their economic conditions, their accounting effect and, especially, on the exchange ratio proposed, if any; and

(xix) any others that may be attributed to it by law and other regulations applicable to the Company.

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The members of the audit and compliance Committee are Richard Golding, chairperson, and Julián Diaz González, Rosalía Portela de Pablo and Juan María Nin Génova as members.

The main functions of the nominating and compensation Committee are as follows:

(i) evaluate the competence, knowledge, and experience required on the board. To this end, the committee will determine the functions and skills required for candidates to cover a vacancy, and will evaluate the precise time and dedication in order to carry out their tasks effectively;

(ii) make proposals to the board of directors of independent directors to be appointed by co-option or for submission to decision by the general meeting, and proposals for re-election and removal of those directors by the general meeting;

(iii) report on proposals for the appointment of other directors to be appointed by co-option or for submission to decision by the general shareholders meeting, and proposals for re-election and removal of those directors by the general meeting;

(iv) report to the board on proposals for the appointment, re-election and removal of internal positions within the board of directors of the Company (chairperson, viceperson, lead coordinator, secretary and vice-secretary, if any);

(v) report on proposals for the appointment and removal of senior managers and the basic conditions of their contracts;

(vi) report to the board on matters of gender diversity and, in particular, seeing to it that procedures for the selection of directors and senior managers do not suffer from an implicit bias preventing the selection of women. In particular, the committee shall set a target for representation on the board for the least represented gender, establishing guidelines to achieve this target;

(vii) propose to the board of directors (i) the remuneration policy for directors and senior managers or any other persons performing senior management duties reporting to the board, the committees or the managing director, (ii) the individual compensation of executive directors and the other terms of their contracts, supervising their implementation, and (iii) the basic terms of senior managers' contracts;

(viii) analyse, formulate and periodically review the compensation policy applied to executive directors and the management team, including share compensation schemes and the application thereof, and guaranteeing that it is proportionate to the compensation paid to other directors and members of the management team and other personnel of the Company;

(ix) oversee compliance with the compensation policy set by the Company;

(x) examine and organise the succession plan for the Company's chairman of the board and the chief executive officer and, if applicable, suggest proposals to the board of directors to ensure a smooth and organised transition;

(xi) generally supervise compliance with the Company's applicable corporate governance rules, including a periodical evaluation of the Company's corporate governance system, such that it achieves its mission of promoting social interest and to takes into account, as appropriate, the legitimate interests of other stakeholders.

(xii) report to the shareholders on the performance of its duties, attending the general shareholders meeting for this purpose; and

(xiii) assist the board in the preparation of the report on directors' compensation policy and send the board any other reports on compensation contemplated in this regulation, verifying the information on compensation paid to directors and senior management contained in the different corporate documents, including the annual report on directors' remuneration.

The members of the nominating and compensation Committee are Mariano Martín Mampaso, chairperson, and Pierre Cuilleret and Antonio Urcelay Alonso as members.

1.1.3. Management Committee

As mentioned in point 1.1.2, the Board of Directors of DIA entrusts CEO Ricardo Currás de Don Pablos as well as the Management Committee, with the ordinary management of the Company, whose members, apart from Ricardo Currás de Don Pablos, are as follows:

- Diego Cavestany de Dalmases: Executive Manager Operations DIA Spain.
- Antonio Coto Gutiérrez: Director Executive Manager for Latin America and Partnerships.
- Juan Cubillo Jordán de Urríes: Business and Merchandise Executive Manager
- Javier La Calle Villalón: Chief Resources Officer and China Executive
- Amando Sánchez Falcón: Chief Services Officer and Portugal Executive

DIA Group is managed by a team with extensive experience in the retail sector and with an average tenure in the DIA Company of more than 20 years.

1.1.4. Segments

For internal management purposes, the Group is organised into business units, based on the countries in which it operates, and has two reporting segments:

Segment 1, Iberia, which includes Spain, Portugal and Switzerland (DWT, ICDC). Spain and Portugal are the oldest countries of the Group and serve as a model for the other countries. They have a very high level of profitability and are very similar. In Switzerland are located DWT, whose principal activity is the provision of services to suppliers of DIA Group companies and ICDC that jointly purchases merchandise with Casino.

Segment 2, Emerging Countries, which includes Brazil, Argentina and China. These countries are characterized by significant potential for expansion.

Management monitors the operating results of its business units separately in order to make decisions on resource allocation and performance assessment.

1.2. Operation

The DIA Group is one of the world's leading food distributors, specializing in the proximity discount segment, and is present in five countries: Spain, Portugal, Brazil, Argentina and China, with 7,718 stores (owned or franchises) across different formats such as DIA Market, DIA Maxi, Clarel, El Árbol, La Plaza de DIA, DIA Fresh, Cada DIA, Minipreço and Mais Perto.

1.2.1. Strategy

DIA Group wants to be the leading distributor in the 2P (Price and Proximity) segment. According to several surveys, price and proximity are the two most important factors for customers when it comes to choosing which store to go to for their food purchases.

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

(a) Leadership in the neighbourhood segment: The DIA Group boasts a unique business model that has allowed it to become the unrivalled specialist in the neighbourhood segment. This model implies the ability to cater to each shopper's everyday grocery requirements without having to travel far, saving money and time for shoppers in the process. Underpinned by the tenets of sustainable mobility and integration in the urban environment, the sales model makes life easier and is environmentally friendly, while helping to preserve existing urban cohesion and the dynamism of the broader retail trade.

More than 86% of the stores operated by DIA Group are in urban and rural areas under the following banners: DIA Market, DIA Fresh, Clarel, El Árbol, La Plaza de DIA, Cada DIA, Minipreço and Mais Perto, and offering the best prices in the area of influence.

To encourage daily shopping, DIA Market, La Plaza de DIA, El Árbol and DIA Fresh stores offer more perishable products as produce quality is of increasing importance to consumers. The DIA Group responds swiftly to its customers' demands, which is why its stores are devoting more shelf space and prominence to produce. The use of light and colour in our stores facilitates the selection of these products. The aim is to be the player to beat in perishables: fruit, vegetables and bakery area offering freshly baked bread and pastries) are the strengths that the DIA Group is actively developing. Furthermore, El Árbol and La Plaza de DIA stores stand out in the assisted sale of meat, cold meats and fish.

(b) Price leadership: Boosting shoppers' purchasing power by offering the best quality at the best price in the market makes the DIA Group aim to continuously improve its efficiency, resulting in its undisputed leadership in prices. Quality food that everyone can afford is a priority for the company. The DIA Group has the best price image in its most important markets: Spain, Portugal, Brazil and Argentina.

(c) A quality own brand: The own brand is essential to achieve a good price image and represent a single link with consumers, helping to make them loyal to our stores. The DIA Group's own brand is constantly evolving to better adapt to customers' needs, providing them with an increasing amount of information, and innovating with the aim of achieving the same quality as the leading product in the market (or even beating it on quality), at an unbeatable price.

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

DIA's private-label catalogue includes 7,500 SKUs. It is an international range (present in five countries) which meets the requirements of a broad customer base with differing tastes and sensitivities.

The company boasts an extensive portfolio of brands. Thanks to these brands, and by offering the most comprehensive ranges at unbeatable prices, shoppers recognise DIA as a genuine specialist in a broad number of product categories.

In addition to the DIA brand, the company sells products under other private-label brands such as Bonté, specialised in personal care and hygiene products, Basic Cosmetics, focused on the make-up and cosmetics segments, BabySmile, devoted to all things baby-related, and AS, the pet food brand.

(d) A single loyalty program: the "ClubDIA" card allows customers to benefit from immediate discounts at the cash desk on more than 300 products. Furthermore, monthly coupons are issued offering additional discounts within a product family, a brand of products or a new product that has recently been launched. The use of these coupons can represent an additional discount of 6% on the ticket purchase value.

This tool is critical for the company's price image and allows it to implement more efficient sales plans with suppliers that are beneficial for all involved.

This program was developed entirely by DIA and is one of the most efficient programs in the sector, and has now been implemented in all countries except Brazil, where it is being set up.

(e) Low-cost operator: process improvement, continuous reviews, and the constant search for excellence, are part of the DIA Group's DNA. Efficiency is the best guarantee of sustainability, allowing the company to offer the most competitive prices.

In order to be efficient while cutting costs, the DIA Group develops all of its strategic software internally, such as the cash desk software, the warehouse management program, and the above-mentioned loyalty program. These programs are designed to better adapt to the characteristics of proximity trade.

Given that efficiency cannot be achieved without an integrated and optimized logistics system, all merchandise for the stores prepared in DIA warehouses is delivered in a single multi-temperature truck that includes all perishable, frozen, dry and 0+ temperature products. Warehouses are managed using cutting-edge technology such as "voice-picking" (voice-transmitted orders) and radio frequency, which has allowed the transition to a paperless process.

Furthermore, in the stores, everything is designed to optimize employees' tasks, starting with product allocation facilitated by packaging and conditioning. At the cash desks, prices are scanned faster and more easily thanks to bioptic scanners, as barcodes are printed in several places on each product and keyboards are optimized by removing unnecessary keys and enlarging the most commonly used ones.

The organisation is focused on efficiency, allowing it to lower costs and offer the best prices to customers.

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

DIA transfers to its franchisees all its internally generated expertise, covering all aspects of the business, allowing its franchisees to develop a profitable and competitive business.

Accordingly, the franchise model is suitable to manage proximity stores and is a key factor to improve and strengthen the company's commercial proposition.

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

However, the DIA Group is not searching for growth at any price; its focus is on profitable growth. This sometimes implies closing unprofitable businesses with little prospect of improvement, as happened with the sale of the activity in Turkey in 2013 and in France in 2014, and the cessation of the activity of DIA Beijing. On the other hand, the purchase of the Plus stores in Spain at the end of 2007 or the more recent acquisitions of Schlecker in early 2013, El Árbol at the end of 2014 and a large number of Eroski stores in 2015, demonstrate the DIA Group's focus on growth, even with the purchase and sale of companies as long as they are done at a reasonable price and offer a perfect fit with the company´s strategy.

As for organic growth, the company is not looking for faster growth that could affect the profitability of the emerging countries as happened in Brazil, where profitable growth is ensured by the opening of a new region each year and a half, whilst looking for alternatives with master franchise contracts.

1.2.2. Business Model

DIA Group manages multiformat stores that operate in three types of business: the discount business, the supermarket business and the Clarel business. Stores are either managed in a proprietary manner (COCO Stores – Company Owned Company Operated), or through franchises (FOFO stores – Franchised Owned Franchised Operated or COFO stores – Company Owned Franchised Operated).

(a) Store formats:

The DIA Group's different store formats are grouped under the following businesses:

(a.1) Discount business:

The discount business is currently the largest unit in terms of volume, representing 78% out of the DIA Group's total stores worldwide. The main discount store formats operated by the company under this business are as follows:

DIA Market: This is the company's neighbourhood store model and its attempt to get as close as possible to shoppers, bringing them a wide range of products that also represent unbeatable value for money.

DIA Market stores have floor space of 400-700m2 and are readily adaptable to local demand.

These stores' focus on perishables sets them apart, and are ideal for everyday shopping, selling about 2,800 products.

DIA Maxi: DIA Maxi stores allow the company to better adapt supply and the level of service offered to customers characterized by making larger and less frequent purchases, even going to the store by car, compared to the neighbourhood segment. This is the DIA Group's largest store format, with floor space of up to 1,000m2. At DIA Maxi stores, consumers can shop for a wide range of around 3,500 SKUs at the best market prices.

DIA Fresh: This commercial model works as a store where fresh products are managed. Within the neighbourhood shopping concept, DIA Fresh is a smaller format, with average floor space of 150m2 and a product offering based on fresh products such as fruit, vegetables and a bakery area (an area offering freshly baked bread and pastries). Another feature of the DIA Fresh store concept is its long opening hours, which allows shoppers to stop by at any time between 09:30am and 9:30pm.

Cada DIA: This retail format targets smaller towns, particularly in rural areas. Under this formula, franchise holders can offer DIA products without having to transform their stores into full-blown DIA stores. This is the town's longstanding store managed by a small shopkeeper.

Minipreço: Minipreço is the brand that DIA operates in Portugal. There are convenience stores in urban centres and larger stores in city suburbs. DIA brand products are offered in these stores.

Mais Perto: is the most rural concept of DIA store in Portugal, equivalent to the Cada DIA stores in Spain. The stores are located in small towns and are managed by local franchisees, allowing greater proximity to customers.

(a.2) Supermarket business:

This unit represents 7% of total DIA Group stores. The main supermarket formats operated under this business are as follows:

El Árbol: DIA Group acquired El Árbol in Spain at the end of October 2014. The stores of El Árbol fall within the concept of proximity and closeness to the customer. With a network of over 400 stores, El Árbol has a strong presence in the regions of Castilla y León, Aragón, Asturias and Galicia. The stores are characterised by their specialisation in fresh products and assisted sales in meat, cold meats and fish.

La Plaza de DIA: La Plaza de DIA represents the concept of a traditional nearby family supermarket in which customers can carry out their daily shopping with a wide range of products, with special importance given to fresh produce. This store provides daily solutions for consumers with a wide range of over 5,000 SKUs.

Max Descuento: This store specialises in providing services to professionals and self-employed workers in the hotel, catering and food industry and to groups, with a range of over 4,000 SKUs with formats aligned with consumption levels in this channel. The service is supplemented by a telephone sales service, orders by email and distribution to customers through a transport network which optimises the processing time of our customers.

(a.3) Clarel Business:

This business represents 15% of total DIA Group stores.

Clarel is a new store concept. The aim is to become the benchmark neighbourhood store for shoppers looking to buy health, beauty, household and personal care items. Clarel stores will carry around 6,000 SKUs.

Clarel was created following the acquisition of Schlecker stores in Spain and Portugal, and these stores have been refurbished and rebranded. The Clarel store image is more modern with more of a neighbourhood feel.

(b) Management models:

The stores are managed either in a proprietary manner (COCO Stores – Company Owned Company Operated), or through franchises (FOFO Stores – Franchised Owned Franchised Operated or COFO Stores – Company Owned Franchised Operated).

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

At the end of 2015, COCO stores represented around 52% of total DIA Group stores.

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

At end-2015, FOFO stores represented around 20% of total DIA Group stores.

COFO Stores (Company Owned Franchised Operated): This management model began to be implemented in Spain in 2006 with isolated tests. Since 2009, it has been implemented in a significant way. The principal advantage of this system is that the DIA Group fits out premises meeting all investment requirements and with all the necessary equipment and they are subsequently transferred to a third party for management and operation,

which allows profitability to be generated for both parties thanks to the franchisee's involvement in the operation of the point of sale.

At the end of 2015, COFO stores represented over 28% of total DIA Group stores.

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

2. DEVELOPMENT AND BUSINESS RESULTS

2.1. Main financial and non-financial indicators

In 2015, gross sales under banner grew by 12.2% to EUR10.5bn (+13.9% in local currency). This sales growth was partly due to the new integration of the El Arbol and Eroski stores that contributed EUR935.5m in the full year. Currency rates reflected a 1.7% negative impact on gross sales growth, namely due to the sharp depreciation of the Brazilian Real. Organic sales growth in 2015 reached 5.4%, of which 1.3% corresponded to same-store sales growth, a ratio that saw a strong and continued improvement throughout the year.

Adjusted EBITDA in 2015 grew by 4.2% to EUR610.1m (5.2% ex-currency), which implies only a 47bps margin decrease to 6.8%. This drop in margins is exclusively attributable to the integration of acquisitions in Spain. As for operating expenses, DIA continued to capture additional efficiencies in personnel, rents, energy and logistics costs, which came on top of the better commercial conditions achieved with the new joint purchase platforms created in Spain and Portugal during the year. With D&A growing slightly ahead of net sales due to the acquisitions, adjusted EBIT decreased by 1.1% in 2015 to EUR396.1m (-0.4% ex-currency).

Net financial expenses amounted to EUR56m in 2015, 37.6% higher than in the same period last year (+36.6% ex-currency). This rise is explained by the higher average volume of bearing net debt but particularly due to the hike in interest rates in Argentina and Brazil.

2015 RESULTS

(EURm)	2014	%	2015	%	INC	INC w/o FX
Gross sales under banner	**9,399.9**		**10,546.7**		**12.2%**	**13.9%**
Net sales	**8,011.0**	**100.0%**	**8,925.5**	**100.0%**	**11.4%**	**13.2%**
Cost of sales & other income	(6,244.8)	-78.0%	(6,927.8)	-77.6%	10.9%	12.9%
Gross profit	**1,766.2**	**22.0%**	**1,997.7**	**22.4%**	**13.1%**	**14.3%**
Labour costs	(660.2)	-8.2%	(770.8)	-8.6%	16.7%	17.7%
Other operating expenses	(277.3)	-3.5%	(326.2)	-3.7%	17.6%	19.8%
Real estate rents	(243.4)	-3.0%	(290.6)	-3.3%	19.4%	20.5%
OPEX	**(1,180.9)**	**-14.7%**	**(1,387.5)**	**-15.5%**	**17.5%**	**18.8%**
Adjusted EBITDA (1)	**585.3**	**7.3%**	**610.1**	**6.8%**	**4.2%**	**5.2%**
D&A	(184.6)	-2.3%	(214.0)	-2.4%	15.9%	17.4%
Adjusted EBIT (1)	**400.7**	**5.0%**	**396.1**	**4.4%**	**-1.1%**	**-0.4%**
Non-recurring items	(76.8)	-1.0%	(122.0)	-1.4%	58.9%	58.3%
EBIT	**323.9**	**4.0%**	**274.1**	**3.1%**	**-15.4%**	**-14.3%**
Net financial income/expenses	(40.7)	-0.5%	(56.0)	-0.6%	37.6%	36.6%
EBT	**283.2**	**3.5%**	**218.1**	**2.4%**	**-23.0%**	**-21.6%**
Income taxes	(74.6)	-0.9%	82.6	0.9%	-210.8%	-210.1%
Consolidated profit	**208.6**	**2.6%**	**300.7**	**3.4%**	**44.1%**	**45.8%**
Discontinuing operations (2)	120.6	1.5%	(1.5)	-0.0%		
Net attributable profit	**329.2**	**4.1%**	**299.2**	**3.4%**	**-9.1%**	**-8.1%**
Underlying net profit	**267.2**	**3.3%**	**254.1**	**2.8%**	**-4.9%**	**-3.8%**

(1) Adjusted by non-recurring items

(2) France and Beijing

In 2015, non-recurring items amounted to EUR122.0m, of which EUR98.6m corresponded to cash items. Non-recurring expenses related to the integration of El Arbol and Eroski stores were totally in line with company plans, but DIA invested more in efficiency projects than expected, mainly the transition from COCO to COFO stores. In 2015, the number of COFO stores increased by 555 to 2,133, doubling the increase seen in 2014. The total amount of non-recurring items held in 2015 by DIA was more than offset by the recognition of an income of EUR140.4m namely related to deferred tax assets from losses carried forward that will be compensated in the next 3 to 5 years. Taking into account this non-recurring tax income, the adjusted amount of non-recurring items would be net income of EUR18.4m. In 2015, a total of EUR4.4m in accrued expenses related to the incentive plans were included in this line, which compares with EUR9.9m in the same period last year.

Thanks to the exceptional tax income, consolidated net profit grew by 44.1% in 2015 to EUR300.7m, while net attributable profit declined by 9.1% in the same period, as in 2014 DIA accounted a EUR120.6m result from the discontinued operations of DIA France.

NON-RECURRING ITEMS 2015

2015 NON-RECURRING ITEMS

(EURm)	2014	%	2015	%	INC
Non-recurring expenses & revenues	(59.7)	-0.7%	(98.6)	-1.1%	65.2%
Impairment	(5.5)	-0.1%	(11.0)	-0.1%	99.4%
Gains & losses on disposal of assets	(11.6)	-0.1%	(12.3)	-0.1%	6.8%
Total non-recurring items	**(76.8)**	**-1.0%**	**(122.0)**	**-1.4%**	**58.9%**
Deferred tax asset	0.0		140.4		
Adjusted non-recurring items	**(76.8)**		**18.4**		

Underlying net profit of 2015 declined by 4.9% to EUR254.1m, down 3.8% ex-currency.

This fall in underlying net profit is explained by the integration of new businesses and the higher interest rates (and financial expenses) seen in Argentina and Brazil.

2015 UNDERLYING NET PROFIT

(EURm)	2014	2015	INC
Net attributable profit	329,2	299,2	-9,1%
Non-recurring items	76,8	122,0	58,9%
Other financials	5,8	2,4	-58,7%
Discontinued operations	(120,6)	1,5	-101,2%
Taxes	(24,1)	(171,0)	610,8%
UNDERLYING NET PROFIT	**267,2**	**254,1**	**-4,9%**

WORKING CAPITAL & NET DEBT

DIA's negative trade working capital fell from EUR895m to EUR735m in the period, which implies a 17.9% decrease. Around EUR87.8m of the EUR160.2m trade working capital deterioration seen in the last twelve months was due to currency depreciation and the integration of the purchasing functions of the El Arbol and Eroski acquisitions explain the remaining deterioration. As of today, the effect related to the integration of purchasing has already reversed, with a subsequent improvement in trade working capital and net debt.

TRADE WORKING CAPITAL

(EURm)	31 Dec 2014	31 Dec 2015	INC
Inventories	553.1	562.5	1.7%
Trade & other receivables	244.6	221.2	-9.6%
Trade & other payables	(1,693.1)	(1,518.8)	-10.3%
Trade working capital	**(895.4)**	**(735.2)**	**-17.9%**

At the end of December 2015, DIA's net debt amounted to EUR1.13bn. The increase in net debt is namely due to the EUR197m acquisition and remodelling investment in the Eroski assets, the execution of the EUR200m share buyback plan and the decrease in negative working capital seen in the fiscal year 2015.

With this net debt value, the financial leverage ratio calculated over adjusted EBITDA increased from 0.9x to 1.9x, or 3.6x on a lease-adjusted basis, below the 4.0x that is generally required for an investment grade rating. In this regard, DIA remains fully committed to keeping its current S&P BBB- and Moody's Baa3 corporate credit ratings and investment grade quality.

NET DEBT

(EURm)	31 Dec 2014	31 Dec 2015	INC
Long-term debt	*532.5*	*921.0*	*72.9%*
Short-term debt	*199.9*	*374.3*	*87.2%*
Total debt	732.4	1,295.2	76.8%
Cash, cash equivalents & other	(199.1)	(162.8)	-18.2%
Net debt	**533.4**	**1,132.4**	**112.3%**
Net debt / Adjusted EBITDA	0.9x	1.9x	
Lease Adj. Net debt / Adjusted EBITDAR[1]	2.6x	3.6x	

(1) DIA Estimate according to Moody's methodology

STORE COUNT AND CAPEX

At the end of December 2015, DIA operated 7,718 stores, with a net addition of 412 stores during the last twelve months, of which 267 net openings and 145 net number of stores integrated from Eroski. At the end of 2015, DIA operated 1,195 stores under the Clarel banner, 48 less than in the same period last year due to the closure of some unprofitable stores at the start of the year. With regards to the El Arbol and La Plaza banners, by the end of 2015 the total store count was 520, but during 2016 around 50 El Arbol stores will be closed down, and another 140 will be transferred to the DIA Market and Maxi formats.

The number of franchised stores is continuing to grow steadily. In 2015, the total number of franchised DIA banner stores (COFO and FOFO) grew by 607, from 3,059 to 3,666 and the weight of franchised stores increased from 54.4% to 61.1% in group terms. During the last twelve months, the penetration rate of the franchised model has firmly grown in Iberia and Emerging Markets, reaching 56.7% in Iberia (from 51.1% in 2014) and 68.8% in Emerging Markets (from 60.9%).

NUMBER OF STORES

	31 December 2014				31 December 2015				
IBERIA	**COCO**	**Franchise**	**TOTAL**	**%**	**COCO**	**Franchise**	**TOTAL**	**%**	**INC**
DIA Market	1,152	1,845	2,997	55.3%	991	2,093	3,084	55.4%	87
DIA Maxi	675	63	738	13.6%	673	90	763	13.7%	25
DIA banner stores	**1,827**	**1,908**	**3,735**	**69.0%**	**1,664**	**2,183**	**3,847**	**69.2%**	**112**
% of DIA banner stores	48.9%	51.1%	100.0%		43.3%	56.7%	100.0%		
El Arbol / La Plaza	437	0	437	8.1%	520	0	520	9.3%	83
Clarel	1,217	26	1,243	23.0%	1,164	31	1,195	21.5%	-48
Total IBERIA stores	**3,481**	**1,934**	**5,415**	**100.0%**	**3,348**	**2,214**	**5,562**	**100.0%**	**147**
% of IBERIA stores	64.3%	35.7%	100.0%		60.2%	39.8%	100.0%		
EMERGING MARKETS	**COCO**	**Franchise**	**TOTAL**	**%**	**COCO**	**Franchise**	**TOTAL**	**%**	**INC**
DIA Market	559	1,086	1,645	87.0%	524	1,391	1,915	88.8%	270
DIA Maxi	181	65	246	13.0%	149	92	241	11.2%	-5
Total EM stores	**740**	**1,151**	**1,891**	**100.0%**	**673**	**1,483**	**2,156**	**100.0%**	**265**
% of EM stores	39.1%	60.9%	100.0%		31.2%	68.8%	100.0%		
DIA GROUP	**COCO**	**Franchise**	**TOTAL**	**%**	**COCO**	**Franchise**	**TOTAL**	**%**	**INC**
DIA Market	1,711	2,931	4,642	63.5%	1,515	3,484	4,999	64.8%	357
DIA Maxi	856	128	984	13.5%	822	182	1,004	13.0%	20
DIA banner stores	**2,567**	**3,059**	**5,626**	**77.0%**	**2,337**	**3,666**	**6,003**	**77.8%**	**377**
% of DIA banner stores	45.6%	54.4%	100.0%		38.9%	61.1%	100.0%		
El Arbol / La Plaza	437	0	437	6.0%	520	0	520	6.7%	83
Clarel	1,217	26	1,243	17.0%	1,164	31	1,195	15.5%	-48
TOTAL DIA GROUP	**4,221**	**3,085**	**7,306**	**100.0%**	**4,021**	**3,697**	**7,718**	**100.0%**	**412**
% of stores	57.8%	42.2%	100.0%		52.1%	47.9%	100.0%		

In 2015, capex ex-acquisitions amounted to EUR366.3m, a touch higher than the average capex seen in recent years. The final capital expenditure for 2015 was above the initially guided EUR330m to EUR340m range, namely due to the higher than initially expected number of openings the company carried out in Emerging Markets, especially in Argentina.

In addition to this recurrent expenditure, DIA made an exceptional investment of EUR197.0m almost entirely related to the acquisition of assets from Eroski, of which EUR140.5m was directly related to the purchase of the assets and EUR54m to the remodelling of the stores, and EUR2.5m to the acquisition of Mobile Dreams SL, owner of the market place www.Oportunidades.DIA.es.

Adjusted by both factors, capex increased by EUR21.4m, 6.2% higher than in the same period last year. Total capex allocated to Brazil and Argentina (markets that represented more than 95% of emerging-market capex) grew by 29.6% in local currency in 2015. Expenditure on openings (ex-Eroski asset deal) increased by 19.1% to EUR165.9m in 2015, representing 45% of the total capex of the year. Investment in remodelling and maintenance fell slightly by 2.6% to EUR200.3m.

CAPEX

BY SEGMENT (EURm)	**2014**	**%**	**2015**	**%**	**INC**
Iberia	200.5	58.1%	185.0	50.5%	-7.7%
Emerging Markets	144.4	41.9%	181.3	49.5%	25.5%
CAPEX ex-acquisitions	**344.9**	**100.0%**	**366.3**	**100.0%**	**6.2%**
Capex related to acquisitions	0.0		197.0		
TOTAL CAPEX	**344.9**		**563.3**		**63.3%**

BY CONCEPT (EURm)	**2014**	**%**	**2015**	**%**	**INC**
Openings	139.3	40.4%	165.9	45.3%	19.1%
Remodelling & Ongoing	205.6	59.6%	200.3	54.7%	-2.6%
CAPEX ex-acquisitions	**344.9**	**100.0%**	**366.3**	**100.0%**	**6.2%**
Capex related to acquisitions	0.0		197.0		
TOTAL CAPEX	**344.9**		**563.3**		**63.3%**

BUSINESS REVIEW BY GEOGRAPHY

In Iberia, gross sales under banner increased by 10.5% in 2015 to EUR6.74bn, of which EUR935.5m (13.9% of Iberian sales) came from the new acquisitions in Spain. Clarel contributed EUR327.6m to gross sales in 2015 (4.9% of Iberian sales).

The solid recovery in like-for-like sales growth in Q3 2015 improved further in Q4 2015. Same-store sales slid by 1.4% in the last quarter of 2015 with a negative calendar effect of 0.5% and a still significant cannibalisation impact from the new integration of El Arbol and Eroski stores. Adjusting both negative effects for reported like-for-like sales growth, clean same-store sales growth in Q4 2015 would have been +0.2%. In total, in the last two quarters of 2015 like-for-like sales growth improved by almost 4 percentage points. This significant change in comparable sales was partly explained by the better price scenario (slight inflation instead of deflation), though volume was the main reason behind the recovery. This improvement was supported by the remodeling of the DIA Maxi stores, and a better performance from the DIA Market format.

In 2015, adjusted EBITDA amounted to EUR501m in Iberia, 0.4% higher than in 2014, with a 6.7% decline in Q4 2015 to EUR143.1m. In 2015, adjusted EBITDA margins fell by 85bps to 8.7%, a smaller decline than initially projected by the company. This was only possible thanks to the better-than-expected performance of the newly acquired stores, the resilience of the DIA format and the ongoing efforts to reduce operating costs. In Spain, total labour costs, energy costs and comparable rents continued in 2015 with its decline in absolute value. In relative terms the cumulated improvement captured in the 2011-15 period of these three relevant cost topics are translated into 90 pb lower operating cost to net sales ratio.

In Spain, the improvements in the commercial proposition are bearing fruit. Thanks to the high growth of volumes and commercial platform agreed with Eroski, DIA's price leadership has been strengthening without any material impact on margins. Additionally, after testing the first DIA online platform in Madrid over the last years, in 2015 it started to extend the service to Barcelona and Malaga and the DIA plans are to cover the largest cities in Spain in a short-term period. Online customers are very happy with the service, as reflected by the outstanding comparable growth rates and big size of the average ticket.

In Portugal, conditions remain highly competitive, and DIA is still losing some sales volumes. We have continued to work on improving our commercial proposition, and the remodelling of the Minipreço proximity and destination stores is generating an even better sales uplift than in Spain. DIA has also implemented a set of pricing initiatives to recover a significant price gap versus competitors. This policy has had a negative impact on the country's operating margins, albeit partly offset by the better terms achieved under CINDIA, the joint negotiating platform with Intermarché in Portugal.

IBERIA

(EURm)	2014	2015	INC
Gross sales under banner	**6,095.5**	**6,738.4**	**10.5%**
of which El Arbol / Eroski	133.5	935.5	600.7%
Net sales	5,221.6	5,754.7	10.2%
Adjusted EBITDA (1)	**498.9**	**501.0**	**0.4%**
Adjusted EBITDA margin	9.6%	8.7%	-85 bps
Adjusted EBIT (1)	**353.7**	**336.3**	**-4.9%**
Adjusted EBIT margin	6.8%	5.8%	-93 bps

(1) Adjusted for non-recurring items

In Emerging Markets, gross sales under banner reached EUR3.81bn in full-year 2015, 15.2% higher in euros and 20.0% more than in 2014 in local currency. Accordingly, the shift in foreign currencies against the euro had a detrimental effect on gross sales under banner of 4.8% in 2015. In spite of the negative translation effect of depreciation, in 2015 emerging markets accounted for 36.1% of DIA's total consolidated gross sales under banner.

In Q4 2015, comparable sales growth was clearly better than in the last two quarters in all the countries of the emerging markets unit. Like-for-like sales growth amounted to 9.3% in Q4 2015, while the figure for 2015 was 9.6%, lower than the 2014 rates due to the sharp decline in inflation seen in Argentina.

In 2015, adjusted EBITDA amounted to EUR109.1m, 26.4% higher than in 2014 (33% ex-currency), which was reflected in a 35bps margin improvement to 3.4%. There was a positive operating margin trend in all countries, due to the ambitious efficiency plan implemented in Brazil, the dynamic organic growth achieved in Argentina and the steady improvement in the Shanghai operations.

EMERGING MARKETS

(EURm)	2014	2015	INC	INC w/o FX
Gross sales under banner	**3,304.5**	**3,808.3**	**15.2%**	**20.0%**
Net sales	2,789.4	3,170.8	13.7%	18.8%
Adjusted EBITDA (1)	**86.4**	**109.1**	**26.4%**	**33.0%**
Adjusted EBITDA margin	3.1%	3.4%	35 bps	
Adjusted EBIT (1)	**46.9**	**59.8**	**27.3%**	**33.8%**
Adjusted EBIT margin	1.7%	1.9%	20 bps	

(1) Adjusted for non-recurring items

GLOSSARY

/ **Gross sales under banner**: total turnover value obtained in stores, including indirect taxes (sales receipt value) in all the company's stores, both owned and franchised.

/ **Net sales**: sum of the net sales generated in our integrated stores and sales to franchises.

/ **Organic sales growth**: growth rate of gross sales under banner at constant currency that includes comparable growth and organic expansion and excludes the contribution of sales from acquisitions made over the last twelve months.

/ LFL sales growth under banner: growth rate of gross sales under banner at constant currency of all DIA stores that have been operating for more than thirteen months.

/ Adjusted EBITDA: operating profit after adding back restructuring costs, impairments, re-estimation of useful life and gains/losses arisen on the disposal of assets and depreciation and amortization of fixed assets.

/ Adjusted EBIT: operating profit after adding back restructuring costs, impairment and re-estimation of useful life and gains/losses arisen on the disposal of assets.

/ Underlying net profit: net income calculated on net profit attributable to the parent company, excluding non-recurring items (restructuring costs, impairment and
re-estimation of useful life, gain/losses on disposal of assets, tax litigations, exceptional financial expenses and equity derivatives), discontinued operations and the corresponding tax impact.

/ Reported EPS: fraction of the company's profit calculated as net attributable profit divided by the weighted average number of shares.

/ Underlying EPS: fraction of the company's profit calculated as underlying net profit divided by the weighted average number of shares.

2.2. Questions related to environment and personnel

2.2.1. Environment

In 2015, DIA strengthened its commitment to the environment and the responsible use of natural resources, with the review, adaptation and subsequent approval in December 2015 of a new Environmental Policy, with the aim of being aligned with the Good Governance recommendations made by the Spanish stock market commission (CNMV) in February 2015.

This rule includes the general operating principles, as well as the responsibilities and how to integrate the protection of the environment into the company's management and planning, integrating sustainable guidelines. As with the rest of the policies that have also been developed and approved, DIA plans to make them public on its corporate website in early 2016.

During 2015, DIA formalised the environmental diagnostic procedure of its logistic platforms internationally and systematised the environmental diagnostics procedure in its logistics platform in Spain, carrying out environmental audits at its 18 warehouses.

Accordingly, DIA has started the environmental diagnostic of its logistic platforms outside Spain and has carried out the first environmental diagnostic of the offices of the Group's headquarters.

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

In terms of its carbon footprint, the availability of a proprietary analytic tool for its calculation in the installations and activities of the company (developed in 2014) allowed DIA to systematize the monitoring of its emissions during 2015. This analytic tool allows the company to monitor its carbon footprint and evaluate the efficacy of various measures in relation to emission reduction.

Based on the framework defined in 2014, in 2015 DIA finished drafting the procedures that form the basis of the Environment Management System.

During the first few months of 2016, DIA will adapt and implement these procedures internationally.

- **Carbon disclosure project**

DIA Group's commitment to reduce its carbon footprint has meant that in recent years the company has worked in this area, promoting various initiatives to reduce its emissions and has developed a proprietary analytic tool that allows it to calculate the carbon footprint of its facilities and activities in all of its regions and operations.

During 2015, DIA took the step of publicly sharing information about its emissions of greenhouse gases and its measure to mitigate them, answering the CDP-climate change questionnaire.

CDP (the Carbon Disclosure Project) is an independent non-profit organization that has the world's largest database of corporate information about climate change, including more than 800 socially responsible investors who manage combined assets worth EUR90bn worldwide.

Through an annual survey of the most important listed companies, the CDP compiles information on risks and opportunities related to climate change, and evaluates companies' degree of transparency from an environmental standpoint, and its degree of efficiency in terms of risk management related to its business impact.

DIA group was awarded the Best Newcomer Award Spain 2015, which the Carbon Disclosure Project (CDP) gives to companies that score the highest number of points of all the companies joining the index in a given year. This index specialises in measuring large companies' strategies and actions related to sustainability and climate change.

- **BPMS**

In recent years, DIA has worked on developing and implementing an online process management system (BPMS – Business Process Management Suite) that includes various blocks related to the development of private-label products (quality, packaging, commercial aspects, etc.).

This system allows DIA to gradually digitalize its documents, with the aim of drastically cutting the amount of paper used in these processes.

During 2015, the DIA Group continued to work on systematic work projects that it has developed in recent years, with the aim of maintaining and improving the sustainable environmental management of its activities and facilities.

- **Ecodesign applied to packaging**

The optimization of the packaging of products ready for sale using ecodesign techniques has allowed DIA to make quantitative and qualitative improvements at this level.

These resource optimization techniques have allowed DIA gets to reduce the size and weight of cardboard sheets (without affecting to the logistic function of the packaging) and simplify the styles and finishes, allowing DIA to eliminate the use of varnishes and reduce the amount of ink used in their packaging.

In the same way, DIA managed to reduce its environmental impact, as the use of single-material packaging allows it to optimise the re-use or recycling of materials and boost the use of cardboard instead of plastic.

In addition, DIA is also working on ensuring that the size of its packaging is aligned with the logistics optimisation, allowing for more efficient transport and thus a reduction in emissions.

Some of these packaging optimization initiatives are included in the biennial plans relating to container and packaging prevention presented to the Ecoembes organization, which audits and validates the measures adopted and the quantitative improvements made.

- **Efficient waste management**

During 2012, integrated waste management was in a testing phase in a warehouse, and in 2013 it was implemented across all of DIA's warehouses in Spain, before being rolled out across Europe during 2014-15.

Once it was rolled out across the board, the process of separating valued fractions allowed the increase of the fractions of waste used for recycling or valuation, and the decrease in the fraction of waste sent to landfill.

2.2.2. Personnel

WORKFORCE

At the end of 2015, DIA Group had 45.724 employees across the five countries in which it operated, and this workforce increased compared to 2014 due to the growth of the business mainly in Spain with the incorporation of El Arbol Supermarkets and a large number of stores from the Eroski-Caprabo Group as well as the creation of La Plaza de DIA, new banner for the company. In Latam, the workforce has been adapted to the current business. In China, DIA maintains its efficiency objective for the Shanghai structure to make the business unit as competitive as possible. Portugal is especially significant in this regard due to the increase in the workforce with the aim of guaranteeing the stability of the Clarel banner and of new supermarkets with fresh products.

DIA's management teams continue to stand out due to their high degree of stability and commitment, which has a significant influence on operational efficiency. This group is growing very moderately, in accordance with the group's philosophy.

The selection and training teams for base and functional personnel have continued to do an excellent job recruiting and developing the workforce across all countries. Of note is the effort made in America, where the company has to deal with an increase in the workforce in the context of a very dynamic labour market, especially in Brazil.

A key element of success, such as the stability of the workforce, is the selection and training system for base and functional personnel, which allows DIA to attract and retain the best professionals. The selection and training of store employees is performed by qualified professionals in the store-schools, where, following a tough selection process, training is provided for store work in a very practical way. Furthermore, the training process in the logistics centres is mainly focused on the efficient use of machinery and tools, as well as to guarantee occupational risk prevention for workers.
54% of career opportunities that arise at the company's headquarters are filled internally through the publication of vacancies on the DIA Portal, thus promoting vertical and horizontal development, maximizing profiles with a greater global and transversal view of the company.

As a result of the company's growth due to the acquisition of Eroski and Caprabo stores in the central and southern regions of Spain, training plans for cashiers, store management and perishables section management took place for about 3,000 employees in around three months to incorporate them into the various store formats.

Likewise, during October 2015, DIA's IT systems were deployed at the El Arbol stores, with over 3,000 employees trained in a month.

COMPANY-EMPLOYEE RELATIONS

2015 has been the year of the consolidation of measures that emerged from The Working Environment Survey for all levels and for all the professional groups, strengthening internal online communication initiatives through the Portal for store and warehouse employees in Spain with more than 200 publications and about 7,000 subscribers. In Argentina, there is a monthly newsletter with both informative content and links to internal vacancies and e-learning. In China, results from The Working Environment Survey and future plans were communicated. Regarding internal communication, the monthly magazine is still being published, and meetings with the store managers and warehouse teams have taken place to improve workplace efficiency and team management.

The countries in which DIA Group operates are implementing a series of meetings between directors and team managers related directly to customer support to stimulate a culture of customer focus and improve customer service procedures in stores. Accordingly, in China the company has implemented initiatives to hold meetings between directors and high-performance store managers to set up a direct line of communication with the stores.

In Argentina, communication spaces with the directors have been institutionalized, with the implementation of sales and logistics meetings. The Human Resources department has worked hard on the commitment of all areas on the big objective of improving the shopping experience.

Likewise, internal communication tools have been intensified with a bimonthly publication, specific for warehouse employees, taking into account logistics information and focusing on the impact of work at stores and how it affects customers. In China, meetings between warehouse team managers are taking place to work on good practices and to solve common problems.

A site for "Warehouse leaders" has also been set up. This is a new place to consult key logistics/business indicators aimed at Supervisors, Shift Managers and Store Managers in Argentina.

HEALTH AND SAFETY AT WORK

Aware of the importance of health and safety for its workforce and within the framework of a responsible Human Resources policy, DIA has encouraged all its employees to participate in several initiatives with the aim of benefiting from healthier lifestyles.

In Brazil, the EAP (Employee Program) has been launched, which provides 24-hour support to intervene in critical situations, improving physical and emotional health and productivity at work.

Aware of the importance of maintaining appropriate conditions to prevent risks, DIA scrupulously complies with the current legislation. Regarding information on workplace accidents, the percentage of hours of work leave related to accidents is 0.39%, a low percentage considering the characteristics of the work in stores and warehouses, and the percentage of hours of work leave for sickness is 3.88%, which can also be considered as a very reasonable rate, both of which are lower than in the previous year.

Our goal during 2015 has again been to achieve a safe and healthy work environment in all areas of the company: offices, stores and warehouses. The Joint Prevention Service is working on reducing the loss ratio and improving worker safety in all of its activities.

In warehouses and stores, there is specific training in occupational risk prevention, and all employees are trained in the use of the specific machinery that they use in their jobs.

This concern for the welfare of our employees implies, for office staff, information and awareness about health and safety in the workplace, which in Spain has led to the creation of a "healthy week".

This year, DIA has taken steps to increase awareness of information security, an increasing risk given the high level of technological connectivity with which professionals work in large companies today.

EDUCATION AND TRAINING

DIA Group provides practical occupational and high-quality training for employees applying for jobs in stores to prepare them for the managing of a sales terminal (cash register), based on DIA's values, the basic concepts of product placement, customer service and teamwork.

In 2015, in Spain and Portugal (due to the extension of the business to supermarkets), it became necessary to train employees working in the fresh product sections: butchers, specialist butchers and fishmongers. These employees have been trained in their trades, with an emphasis on the workplace risks and providing them with preventive measures to observe when carrying out their daily functions.

In DIA's offices, there are two main types of training, language training (mainly English) being the main one, in addition to Spanish, Chinese and French, which are important for negotiations with international suppliers, and for internal communication globally.

The second main type of training is technical, which is given to a large proportion of the workforce, focusing on specific workplace knowledge and with a significant focus on IT tools, which support the company's internal processes, rendering them more efficient.

During 2015 we have promoted e-learning language training (English) and time management training to improve productivity. In addition, we launched a Welcome Manual for the head office. Through an interactive application, employees can find out more about our company, the new office facilities, work tools, the company's rules and the values, etc.

In June 2015, the first International Program of the Director Development of DIA (IPDD) was completed. This program is aimed at Directors with potential across the DIA Group, and in October 2015 the second program started, with a new group of Directors. Both the first and second programs involved 20 people from different areas and countries of the company. This executive training is given in an *in-company* format by a business school of international prestige. This initiative is considered to be a key tool in the development of our management potential.

In Argentina, we included a Trainer Operator in each warehouse, whose role is to welcome, accompany and train new employees, thus standardising this operation. This trainer uses the Logistics Operator Manual and an institutional video that explains warehouse processes (from the receipt of the goods to the delivery of the order).

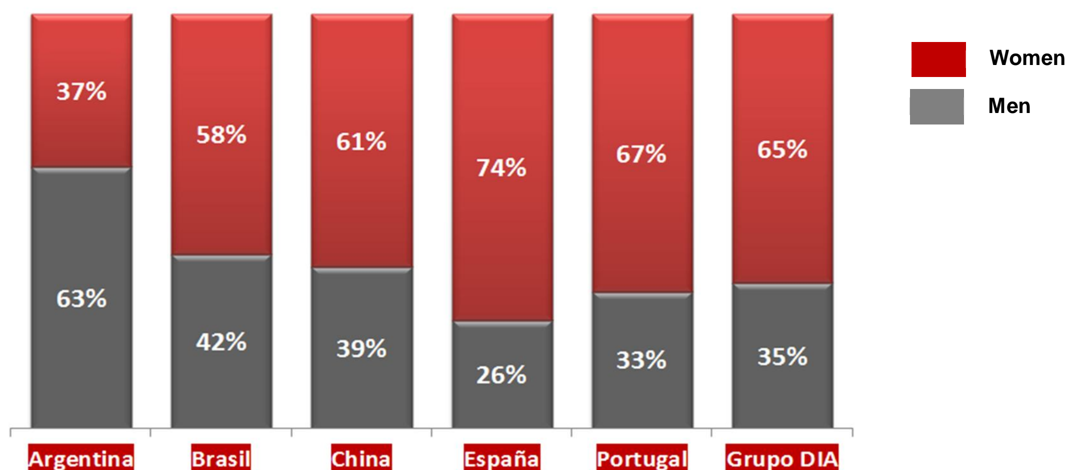
DIVERSITY AND EQUAL OPPORTUNITIES

In 2015, Brazil continued with its policy of hiring disabled people, which guarantees the fulfilment of quotas, and therefore the development of equal opportunities of knowledge and occupational growth inside the company. In our operations in Brazil, DIA currently employs 291 disabled people, working in warehouses, stores and headquarters.

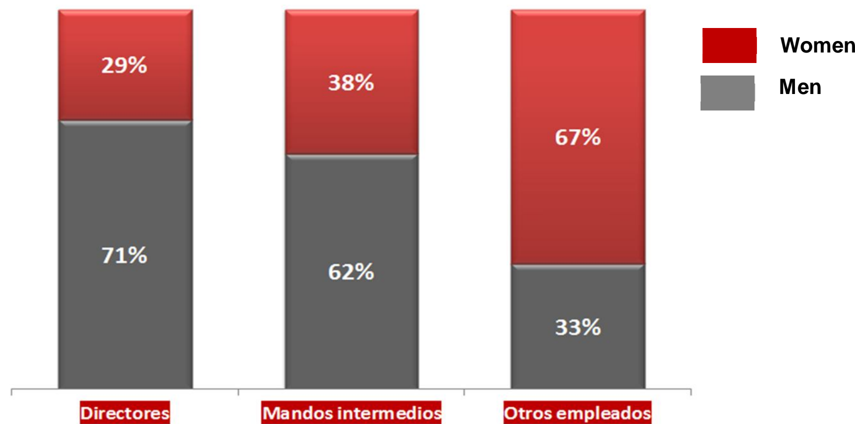
In Spain, for the fourth consecutive year, DIA celebrated on 3 December 2015 the International Day of disabled people, contributing to the integration of the people with various disabilities. DIA works closely with various Foundations and Associations, particularly the ONCE Foundation with which DIA signed a collaboration agreement in 2012 for the integration of people with different disabilities in our company through practices, direct hiring or indirect hiring of goods and services by the Special Employment Centres (companies that have a minimum of 70% of disabled people in their workforce).

DIA Group is committed to equal work opportunities, with a balanced presence of female employees, accounting for 66% of total employees. In management positions, women account for 37% of the workforce at group level, and in some countries like Spain and China, this proportion has reached more than 48%.

The distribution of employees by country in 2014 was as follows:



The distribution by occupational category was as follows:



On 14 July, DIA Spain became a member of the initiative "Companies for a society free of gender violence" promoted by the Department of Health, Social Services and Equality, with the signing of the Agreement of Collaboration in matters of greater awareness of gender violence.

On 25 November, on the Day against gender violence, there were several activities to increase the awareness of DIA employees, such as: the printing and distribution on DIA's plastic store bags of the Department of Health slogan "There is way out of gender violence", the distribution of more than 14,500 badges among the workforce at the headquarters and in the Clarel and DIA store networks, which employees wore during the week from 23 to 29 November. There was also a campaign called "There is way out of social networks", which was on the Employee Portal and Intranet.

PERFORMANCE AND REMUNERATION

The DIA Group has performance evaluation mechanisms for 100% of its employees. Store and warehouse employees are evaluated based on performance, workplace productivity and personal objectives. Office employees have objectives focused on personal performance and aligned with the company's objectives.

During 2015, the DIA Group initiated a process of review and change of performance evaluation systems with the aim of increasing the identification and acknowledgment of talent across the organization, to improve the tool as an instrument for the occupational development of employees and to increase the weight of the DIA Group's values in employees' daily decision-making and the behaviour.

The company continued to develop system its talent management system for the key positions of the organization, with a special emphasis on the development of horizontal careers, coaching and the role of the boss as developer of people. It also implemented a cutting-edge technological solution in the market to support the process and to make it more accessible and productive for users.

The remuneration policy is established by Group Management, in accordance with the market, inflation, trade union agreements and collective bargaining.

DIA's remuneration policy is based on the followings principles:

- Moderation and adaptation to the trends and references in matters of remuneration followed in companies of similar sizes and activity of a local way, aligning them with the best practices in the market.
- Reward of the quality, dedication, responsibility, knowledge of the business and commitment to the Company of employees in key positions and leading the organization.

- Close links between the company's remuneration and results, so that the weight of variable remuneration is adapted to effectively reward the attainment of objectives as well as the contribution of value to the Company and its shareholders.
- Internal equity and external competitiveness.

3. LIQUIDITY AND CAPITAL RESOURCES

3.1. Liquidity

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

As of 31 December 2015, available liquidity amounted to EUR1,204.8m, including cash, cash equivalents and available credit facilities.

Liquidity Analysis (in millons of euro)			
Class	Total	Used	Available
Revolving lines of credit	700,0	300,0	400,0
Credit facilities	280,1	175,1	105,0
Cash and other cash equivalents	154,7	-	154,7
Commercial Paper facilities	70,0	8,0	62,0
TOTAL	**1.204,8**	**483,1**	**721,7**

3.2. Capital Resources

In recent years, the DIA Group has invested close to EUR350m, excluding the acquisitions of shares and a number of stores from competitors. The Group's strategy is focused on investing mainly in markets with higher returns and in store openings. Therefore, between 40% and 50% of the investments are allocated to opening stores and warehouses.

Exceptionally, in 2015 the investment was EUR563m, much higher than the average figure. Adjusting this amount to purchase the Eroski store assets, the investment would have been EUR366m, slightly higher than the average of previous years.

Each business unit prepares an annual investment plan that is submitted to the Group Management through an Investment Committee. At the same time, senior management submits it for approval to the Board of Directors.

In financial terms, return on investment targets are set.

3.3 Contractual obligations and off-balance operations analysis

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

The total commitments acquired by the Group at 2015 closing that can affect its liquidity amount to EUR403.9m (2014: EUR410.2m). The most significant item corresponds to lease contract commitments signed for the premises where the DIA Group carries out its activity.

Lease contract commitments of premises amounted to EUR212.9m as of 31 December 2015 (31 December 2014: EUR210.7m).

The DIA Group has obligations related to furniture and equipment rental (vehicles, equipment, cleaning contracts, etc.) amounting to EUR9.5m as of 31 December 2015 (EUR9.4m as of 31 December 2014).

The rest of the obligations are classified between Treasury and Expansion operations, for an amount of EUR181.5m at 31 December 2015 (EUR190.1m at 31 December 2014).

Treasury operations include open credit facilities for customers in stores amounted to EUR77.7m at 31 December 2015 (EUR76.2m at 31 December 2014). These credit facilities are related to limits granted originally to customers on payment cards.

Commitments related to expansion operations amounted to EUR103.8m at 31 December 2015, and EUR113.9m in the same period in the previous year. These operations include primarily call and put options for properties, mainly warehouses, and obligations related to commercial operations and contracts, mainly with franchisees.

The DIA Group has also received commitments that can involve a future cash inflow for an amount of EUR954.1m (EUR1,331.4m at 31 December 2014). These received commitments are related to Treasury and include the amounts of the credit facilities, revolving credit, commercial paper and confirming credit, granted and unused. The decrease in these commitments between 2015 and 2014 is mainly due to the partial withdrawal of the syndicated credit contract signed by the Parent with some financial entities, and also the decrease of the confirming credit facilities, mainly in the Parent. Additionally, in DIA Portugal the commitments as debt in the short term signed in 2014 remain defined as "Commercial Paper". They are negotiated lines with banks that allow DIA Portugal to use them as an overdraft in the current account.

With these credit facilities, the Group covers its financial needs for the daily operations and does not consider that any circumstance can occur that will affect the granting of these credit facilities by financial institutions.

4. MAIN RISKS AND UNCERTAINTIES

4.1. Operating risks

4.1.1 Risk of liability for defective products

The DIA Group's business is susceptible to personal liability risks inherent in the trade of food and non-food products. Although DIA Group is not the direct producer of any of the products distributed, there is no guarantee that responsibility claims may not be issued against the Group.

Product safety and quality are essential to maintain consumer trust. The loss of optimum conditions of product safety and quality may cause a loss of trust that would lead to a loss of customers and a negative impact on the "DIA" brand and its reputation. All these effects would have an impact on the "sales" account.

To mitigate this risk, DIA Group has implemented a quality management program that includes the following areas:

- Selection of suppliers: During the final selection stage of private-label suppliers, candidates must pass a strict initial homologation audit that guarantees the safety of all the factories where DIA products are manufactured.
  All these audits to private label suppliers follow DIA's own standards or well-recognized standards such as IFS and BRC.
  Thanks to auditing, the general management of activities, space and equipment, and specific conditions of production and quality management system are evaluated.
  Regular supplier audits are also performed once the product is placed in the market, to guarantee quality and safety.

- Product definition and validation: After taking the decision to develop an own-brand product, the product is technically defined using the Technical Sheet. Also, a consumer tasting needs to be passed that evaluates consumer perception of the sensory and design characteristics of the products.

All DIA product tastings are carried out following the UNE 87004:1979, UNE 87023:1995 rules.

- Control of the finished product: once the product is developed and placed in the market, there is a Control Plan through internal analysis carried out in the Quality Laboratories of the warehouses and external analysis in external authorized Laboratories.

- Ensure the quality of the entire chain: Quality audits in warehouses and stores (sanitary, cold chain and cleaning) are carried out in order to allow DIA Group to identify and correct in advance any circumstance that could affect the processes, to guarantee the safety and quality of the products throughout the entire supply chain and to offer customers a safe and quality product.

DIA's Quality Management System has been certified under ISO 9001: 2008 since 2006. As every year, in 2015 DIA successfully passed the external audit that revalidates our certification, which guarantees the correct performance of the Quality Management System.

Moreover, to mitigate risks, DIA Group has a specific insurance policy with appropriate coverage on personal liabilities due to defective products.

4.1.2 Risks associated with provisioning, production and distribution

Products sold by DIA Group are mainly manufactured or sourced in the country where the business is carried out, or in neighbouring countries, which leads to a risky situation in countries that are more exposed to political or economic instability, high labour conflicts and environment disasters.

As some DIA products are perishables, an inaccurate assessment of demand or the impossibility of keeping products in stock may complicate stock management and have a negative impact on the group's operating results.

Regarding product distribution, the Group relies on several transport and distribution contracts (activities entirely carried out by third parties). Any significant interruption in the normal operation of the transport network or the insolvency of suppliers and transporters may cause delays in the distribution of products and eventual stock-outs in stores. Additionally, the failure to fulfill the tax and Social Security obligations by the transport company may result in additional costs for DIA Group when it is considered as the subsidiary responsible in countries where it is required by law.

The non-compliance of the deliveries or tasks, the delay in the deliveries or tasks and any additional cost due to these delays or failures by suppliers or transporters, may lead to additional costs and have a negative impact on DIA's business.

To mitigate the above risks, the Group has several management systems and tools:

- DIA's competitive strategy is based on operating efficiency across the entire value chain, with the use of high technology logistics and information systems.
- In relation to the transport of goods from the DIA Group logistic platforms to stores, a standard contract is used to hire the transport companies that are responsible for the loading, transportation and unloading of goods. This contract establishes the internal rules required for the performance of the service in terms of quality and prevention of workplace risks.
- A strict and ongoing control procedure has been established to ensure the tax and employment obligations of the transporters.
- To reduce risks in case of conflicts with transport companies, DIA Group has a policy of diversification and distribution of the warehouse bulks among a significant number of companies. Thus, a specific problem can be quickly solved by the others or by new companies, reducing the impact on DIA's business.
- Furthermore, DIA has established binding corporate rules to be accomplished by the entire DIA Group to guarantee quality throughout the supply chain, as well as contingency plans and diversification of operations. All these procedures allow to the necessary action plans to be implemented immediately in the event of incidents that pose a risk to DIA's business.

- Logistics platforms and warehouses are provided with software that gives real-time information about the stock and allows a production and transport daily plan to be established.
- For the management of stores, DIA Group has developed an Automatic Order software tool (APT2) which automatically places the store order for each item, according to the stock, sales forecasts, expiration dates and characteristics of implementation in stores. This tool also optimizes truck loading, improving transport cost and is flexible in the event of changes in the service model.

4.1.3. Regulatory Risk

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

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

The DIA Group is responsible for identifying, measuring and minimizing legal risks, continuously observing the applicable regulatory framework and reporting on compliance with legal obligations to the internal operations heads.

To develop and properly fulfil this function, the Company has an organizational structure consisting of Human Resource Management, Financial and Fiscal Management and Legal Departments in all jurisdictions in which it operates, which identify applicable regulations and monitor compliance.

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

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

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

- legislation applicable to the negotiating process of the product: the DIA Group's relationship with its suppliers of services and goods, competitors, regulatory boards, brands, etc.;
- legislation applicable to the logistics activity: to the exercise of the activities of warehousing, distribution and transportation of goods;
- legislation applicable to the wholesale and retail trade;
- legislation applicable to business premises, urban leases, condominiums, local taxes, business hours, etc.;
- legislation applicable to the relationship between DIA and its customers, protection of personal data, consumption, methods of payment, advertising and sales promotion, etc.;
- legislation applicable to the DIA Group, as a listed company, on stock market issues, internal code of conduct, etc.

Those responsible for monitoring are also responsible for informing the rest of the Company on the content and scope of the new and/or regulatory changes, designing and holding training sessions, either in classroom or e-learning mode, when legislative developments have a significant impact on the activity of the DIA Group.

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

2.- Implementation of Regulatory System Compliance.

The DIA Group has established policies and procedures to inform and train employees on certain principles of behaviour and to prevent and detect misconduct. It is worth noting the existence of the DIA Group Code of Ethics and the creation of an Ethics Consultation and Information Channel, as well as the implementation of a plan or model of crime prevention in the Company.

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

The DIA Board of Directors approved the second Code of Ethics (available at www.diacorporate.com), a result of consensus and a reflection of the diversity within the DIA Group. The Company has decided that the Code of Ethics is the best instrument to implement an enforcement policy from the top down, leading by example for employees with certain types of conduct or behaviour. As with the other standards defined by the Company, all employees must comply with the principles of conduct contained in this Code.

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

(ii) Crime Prevention Plan in Spain

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

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

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

(iii) Anti-fraud Program in Spain

DIA has an Anti-fraud program in Spain.

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

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

4.2. Financial risk factors

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

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

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

4.2.1. Market Risk

A- Interest-rate risk

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

In line with its risk management policy, the Group arranges various interest rate hedges to mitigate its risk exposure. At 31 December 2015, there were no outstanding derivatives with external counterparties to hedge the interest rate of long-term financing. At the end of 2014, the nominal value amounted to EUR215m, maturing in 2015.

At the end of 2015, the hedge percentage on the gross debt volume was 78.70% versus a hedge of 80.32% the previous year.

The Group's policy for financial assets is to keep ready cash to use. These balances are held in financial institutions with high credit ratings.

B- Currency risk

- Operational: cash flows

Fluctuations in currencies, other than the local currency, may have a positive or negative impact on the consolidated accounts. The Group seeks to minimize the risk through the negotiation of forward currency contracts managed by the Group's Treasury Department. In 2015, the amount of annual purchases in foreign currencies, mainly in US dollars, was USD5.359m (2014: USD5.862m). The hedged transactions carried out accounting for 99.99% of the hedge in both years. At year-end, outstanding hedges totalled USD1.284m and expire in the next twelve months (2014: USD1.549m).

- Subsidiaries

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

The translation differences included in other comprehensive income are significant due to the significant devaluations of the Argentinian Peso and the Brazilian Real. Had the exchange rates in the countries where the Group operates that use a currency other than the Euro depreciated/appreciated by 10%, the translation differences would have varied by +11,01% / -13,46%, respectively, in the equity of the DIA Group.

C- Risk on financial instruments

With effect from 21 January 2015, the company signed an extension to the Equity Swap contract with expiry date 21 January 2016 of 1,000,000 shares. On 30 September 2015, the Parent renewed another equity swap contract whereby the latter acquired 6,000,000 own shares with expiry date 30 September 2016. Both operations have been performed to meet the payment obligations arising from the LTIP program (Long Term Incentive Plan) to the Group Executives. Details are included in note 16 of the Notes of the Consolidated Annual Accounts. The derivative financial instrument is registered in the consolidated Net Equity.

4.2.2 Credit risk

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

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

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

4.2.3 Liquidity risk

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

5. IMPORTANT EVENTS AFTER THE REPORTING DATE

As of the date of formulation of the annual consolidated accounts and the consolidated management report of this fiscal year, the Board of Directors of DIA informed about the proposal to appoint Ms. Angela Spindler as external independent director on an interim basis, filling the vacancy created by the resignation of Mr. Nicolas Brunel on 17 June 2015. The appointment will be submitted for ratification at the next General Shareholders Meeting..

6. INFORMATION ON THE FORESEEABLE PERFORMANCE OF THE ENTITY

- In 2016, DIA expects gross sales under banner at constant currency to post high-single-digit growth.
- DIA forecasts higher adjusted EBITDA (at constant currency) in 2016 than in 2015, with a positive contribution from Iberia and Emerging Markets.
- The consolidated adjusted EBITDA margin in 2016 is expected to be stable in comparison with 2015.
- DIA expects to deliver a strong cash flow generation in 2016 based on the positive cash inflow from working capital and lower recurrent capex, non-recurring cash items and cash taxes.
- DIA budgets from EUR300m to EUR320m recurrent capex in 2016 at comparable perimeter.
- DIA has set the following targets for the 2015-18 period:
    1. EUR750m of cumulated Cash from Operations (adjusted EBITDA less non-recurring items less capex on an organic basis).
    2. 7% organic sales CAGR (ex-currency).

7. R&D+i 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 the 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 2015 are, as a percentage, smaller compared to the rest of the costs arising from the development of activities aligned with its social objectives.

EUR2.1m was activated during 2015, corresponding to the capitalization of IT developments in Spain, as well as EUR3.3m corresponding to the development of commercial models and assortments (EUR5.21m in 2014).

8. ACQUISITION AND DISPOSAL OF OWN SHARES

As of 31 December 2015, DIA held 8.2 million shares as treasury stock (1.3% of the equity) for the purpose of covering the different remuneration commitments the company has with directors and management.

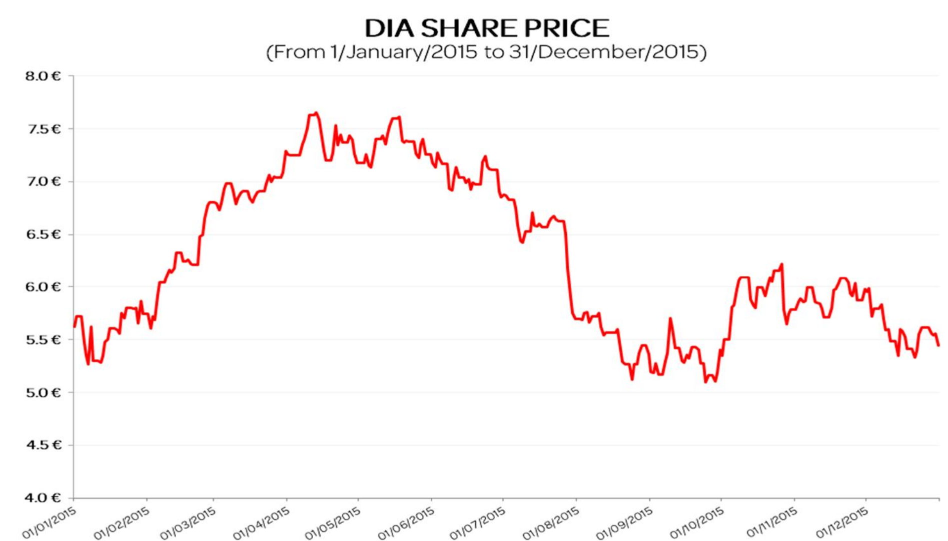
TREASURY STOCK & EPS

(EURm)	2014	2015	INC
Number of shares outstanding at year-end	651,070,558	622,456,513	-4.4%
Average number of treasury shares	7,647,083	18,069,243	136.3%
End of period number of treasury shares	11,508,762	8,183,782	-28.9%
WEIGHTED AVERAGE NUMBER OF SHARES	**643,423,475**	**625,945,797**	**-2.7%**
Reported EPS	€0.512	€0.478	-6.6%
Underlying EPS	€0.415	€0.406	-2.2%

Underlying EPS decreased by 2.2% in 2015 to EUR0.406, while at constant currency it declined by 1.1%. With this 2015 underlying EPS, the total CAGR 2012-15 was 12.2% in current terms and 14.1% ex-currency. These growth rates are well ahead of the double-digit growth (ex-currency) that DIA targeted for the 2012-15 three-year period.

9. OTHER RELEVANT INFORMATION

9.1. Stock market information



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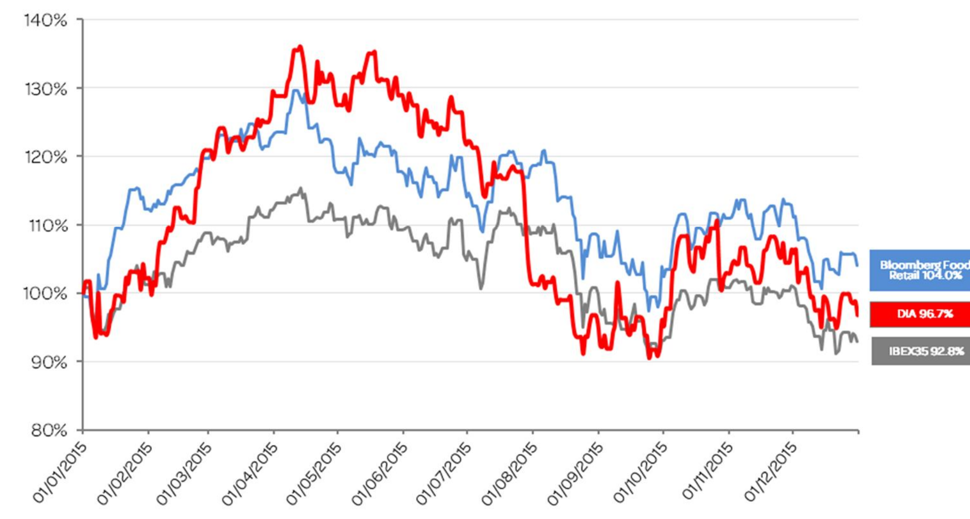
C.I.F. A-28164754 – Sociedad inscrita el 9 de diciembre 1966 en el Registro Mercantil de Madrid al Tomo 2.063 de Sociedades, folio 91, hoja 11.719



During 2015, DIA's share fell by 3.3%, versus the 4% appreciation recorded in the Bloomberg Food Retail Index and outperforming the 7.2% drop recorded by the Ibex 35, the Spanish stock market's main index reference. Deflation in the European food market, especially in the first half of the year, was reflected in a poor stock market performance of all companies in the sector. During 2015, the company set a minimum price of EUR5.095 per share on 24 September and a maximum of EUR7.657 per share on 13 April, closing the year at a price of EUR5.444 per share. During 2015, the liquidity of DIA's shares remained high and with the upward trend maintained since listing, it accumulated a total of 1,594 million shares traded in the year with a total traded value of EUR9.957bn euros.

9.2. Dividend Policy

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

Since Distribuidora Internacional de Alimentación S.A. was listed on the stock market on 5 July 2011, it has distributed four sole ordinary dividends between 2011 and 2014. The cumulated gross amount of these dividends was EUR0.58 per share, at the top of the range of the dividend policy communicated by the Company.

At the AGM in April 2016, the Board of Directors will table a dividend proposal of EUR0.20 per share, 11.1% higher than the EUR0.18 per share paid on 16 July 2015. This amount represents a 49% payout ratio over underlying net profit and will imply the distribution of a maximum amount of EUR124.5m in dividends to shareholders.

This 2015 dividend means that DIA's total shareholder remuneration since listing has now reached EUR808m, of which EUR497m in dividends and EUR311m in share buyback programs committed to capital reduction. This accumulated shareholder remuneration represents 23.8% of the company's market capitalisation at the end of 2015.

9.3. Management of credit rating

Credit rating agencies Standard and Poor's (S&P) and Moody's attributed to DIA a long-term rating of BBB- with stable outlook and Baa3 with positive outlook respectively. The Company aims to keep its corporate rating within "investment grade" range and not achieve financial leverage above 2.0x net debt on adjusted EBITDA.

9.4. Other information

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