Distribuidora Internacional de Alimentación, S.A. and Subsidiaries

Consolidated Annual Accounts and Consolidated Directors' Report

31 December 2019

(With Auditor's Report Thereon)

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

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Distribuidora Internacional de Alimentación, S.A. and Subsidiaries

CONSOLIDATED ANNUAL ACCOUNTS DIA GROUP AT 31 DECEMBER 2019

I Consolidated statements of financial position
II Consolidated income statements
III Consolidated statements of comprehensive income
IV Consolidated statements of changes in equity
V Consolidated statements of cash flows
VI Notes to the consolidated annual accounts

1 Nature, activities and composition of the Group
  1.1. Relevant events occurring during 2019
  1.2. Changes to Group structure
2 Basis of presentation
  2.1. Basis of preparation of the consolidated annual accounts
  2.2. Functional and presentation currency
  2.3. Comparative information
  2.4. Going concern
  2.5. Classification of Argentina as a hyperinflationary country
  2.6. Relevant accounting estimates, assumptions and judgements used when applying accounting principles
  2.7. First-time application of accounting standards
  2.8. Standards, amendments to and interpretations of existing standards that cannot be adopted early or which have not been adopted by the European Union
  2.9. Basis of consolidation
3 Significant accounting policies
  a. Business combinations and goodwill
  b. Non-controlling interests
  c. Translation of foreign operations
  d. Foreign currency transactions, balances and cash flows
  e. Financial information in hyperinflationary economies
  f. Recognition of income and expenses
  g. Intangible assets
  h. Rights of use and lease liabilities (IFRS 16)
  i. Property, plant and equipment
  j. Non-current assets held for sale and discontinued operations
  k. Impairment of non-financial assets
  l. Advertising and catalogue expenses
  m. Trade receivables
  n. Investments and other financial assets
  o. Derivatives and hedging activities
  p. Inventories
  q. Cash and cash equivalents
  r. Trade and other payables
  s. Borrowings
  t. Parent own shares
  u. Distributions to shareholders
  v. Employee benefits
  w. Provisions
  x. Share-based payments
  y. Income tax
  z. Segment reporting
  aa. Classification of assets and liabilities as current and non-current
  ab. Environmental issues
  ac. Related party transactions
  ad. Interest
4 Information on operating segments
5 Property, plant and equipment
6 Intangible assets
7 Financial assets
8 Other equity-accounted investments
9 Other assets
10 Inventories
11 Cash and cash equivalents
12 Disposal groups held for sale and discontinued operations
13 Equity
14 Financial liabilities
15 Provisions
16 Tax assets and liabilities and income tax
17 Share-based payment transactions
18 Revenue
19 Other income and expenses
20 Commitments and contingencies
21 Related parties
22 Financial risk management: objectives and policies
23 Other information
24 Events after the reporting period

DIA

(I) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 31 December 2019

(Expressed in thousands of Euros)

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

ASSETS	Notes	2019 31st December	Restated (*) 2018 31st December
Property, plant and equipment	5	1,055,580	1,328,007
Goodwill	6.1	489,051	503,583
Right of use	6.2	700,037	-
Other intangible assets	6.3	40,593	48,927
Investments accounted for using the equity method	8	551	9,182
Trade and other receivables	7.1	46,010	73,121
Other non-current financial assets	7.2	64,043	77,721
Non-current tax assets	16	52,297	43,888
Deferred tax assets	16	-	74,672
Non-current assets		2,448,162	2,159,101
Inventories	10	496,517	597,355
Trade and other receivables	7.1	110,971	193,469
Consumer loans from financial activities		1,409	20
Current tax assets	16	76,768	38,029
Current income tax assets	16	6,932	10,143
Other current financial assets	7.2	8,706	11,361
Other assets	9	6,418	7,392
Cash and cash equivalents	11	163,550	239,843
		871,271	1,097,612
Non-current assets held for sale	12	-	15,100
Current assets		871,271	1,112,712
TOTAL ASSETS		3,319,433	3,271,813

The accompanying notes form an integral part of the consolidated annual accounts for 2019.
(*) Restated data, (see note 2).

DIA

(I) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At 31 December 2019

(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	Notas	2019 31st December	Restated (*) 2018 31st December
Capital	13.1	66,780	62,246
Share premium	13.2	544,997	-
Reserves	13.3	(93,655)	246,701
Own shares	13.4	(7,252)	(55,861)
Other own equity instruments	13.5 and 17	89	6,820
Net losses for the period	13.3	(790,468)	(352,587)
Translation differences	13.6	(70,993)	(73,394)
Value adjustments due to cash flow hedges		-	13
Equity attributable to equityholders of the Parent		(350,502)	(166,062)
Total Equity		(350,502)	(166,062)
Non-current borrowings	14.1	1,865,716	920,354
Provisions	15	61,306	47,604
Other non-current financial liabilities	14.2	3,806	2,291
Deferred tax liabilities	16	11,440	-
Non-current liabilities		1,942,268	970,249
Current borrowings	14.1	325,536	775,592
Trade and other payables	14.3	1,215,446	1,448,928
Current tax liabilities	16	64,679	76,046
Current income tax liabilities	16	9,151	664
Other current financial liabilities	14.4	111,583	166,396
		1,726,395	2,467,626
Liabilities directly associated with non-current assets held for sale	12	1,272	-
Current liabilities		1,727,667	2,467,626
TOTAL EQUITY AND LIABILITIES		3,319,433	3,271,813

The accompanying notes form an integral part of the consolidated annual accounts for 2019.
(*) Restated data, (see note 2).

DIA

(II) CONSOLIDATED INCOME STATEMENTS

for the year ended 31 December 2019

(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	2019 31st December	Restated (*) 2018 31st December
Sales	4 and 18.1	6,870,435	7,576,087
Other income	19.1	77,156	103,472
TOTAL INCOME		**6,947,591**	**7,679,559**
Goods and other consumables used	19.2	(5,240,748)	(5,606,349)
Personnel expenses	19.3	(934,536)	(916,192)
Operating expenses	19.4	(675,383)	(920,667)
Depreciation and amortization	19.5	(518,366)	(245,767)
Impairment of non-current assets	19.5	(57,509)	(117,609)
Impairment of trade debtors	7.1	(31,327)	(27,150)
Losses on disposal of fixed assets	19.6	(69,968)	11,617
LOSSES FROM OPERATING ACTIVITIES		**(580,246)**	**(142,558)**
Finance income	19.7	41,640	6,781
Finance expenses	19.7	(196,209)	(90,236)
Gain from net monetary positions	19.9	63,705	67,505
Losses from financial instruments	19.10	(6,043)	-
Profit/(losses) of companies accounted for by using the equity method	19.11	196	(1,183)
LOSSES BEFORE TAX FROM CONTINUING OPERATIONS		**(676,957)**	**(159,691)**
Income tax	16	(91,669)	(188,360)
LOSSES AFTER TAX FROM CONTINUING OPERATIONS		**(768,626)**	**(348,051)**
Losses net of taxes of discontinued operations	12	(21,842)	(4,536)
LOSSES		**(790,468)**	**(352,587)**
Atributted to:			
Equityholders of the Parent		(790,468)	(352,587)
Non-controlling interests		-	-
Basic and diluted earnings per share, in euros			
Losses on continuing operations		(0.12)	(0.57)
Losses on discontinued operations		-	(0.01)
Losses for the period		(0.12)	(0.58)

The accompanying notes form an integral part of the consolidated annual accounts for 2019.
(*) Restated data, (see note 2).

(III) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

(Expressed in thousands of Euros)

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

	2019 31st December	Restated (*) 2018 31st December
Net losses for the year	**(790,468)**	**(352,587)**
Other comprehensive income:		
Items not subject reclassificatios to income statement	-	-
Items subject to reclassification to income statement		
Translation differences of financial statements of foreign operations	**2,401**	**(17,795)**
	2,401	(17,795)
Value adjustments due to cash flow hedges	**(18)**	**91**
Tax effect	**5**	**(23)**
	(13)	68
Other comprehensive income, net of income tax	**2,388**	**(17,727)**
Total comprehensive income, net of income tax	**(788,080)**	**(370,314)**
Attributable to:		
Equityholders of the Parent	**(788,080)**	**(370,314)**
	(788,080)	**(370,314)**

The accompanying notes form an integral part of the consolidated annual accounts for 2019.
(*) Restated data, (see note 2).

(IV) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2019

(Expressed in thousands of Euros)

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

	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY								
	Registered capital	Share premium	Reserves and accumulated earnings	Net (losses)/profit	Own shares	Other own equity instruments	Value adjustments due to cash flow hedges	Translation differences	Equity attributable to the Parent
At 1 January 2018	**62,246**	**-**	**244,256**	**101,208**	**(60,359)**	**10,773**	**(55)**	**(100,777)**	**257,292**
Transfer of translation differences to reserves (Argentina)	-	-	(45,178)	-	-	-	-	45,178	-
Argentina hyperinflation adjustments	-	-	55,650	-	-	-	-	-	55,650
Transfer of the (losses)/profit of the previous year	-	-	101,208	(101,208)	-	-	-	-	-
Net losses for the period	-	-	-	(352,587)	-	-	-	-	(352,587)
Other comprehensive income, net of income tax	-	-	-	-	-	-	68	(17,795)	(17,727)
Translation differences of financial statements of foreign operations	-	-	-	-	-	-	-	(17,795)	(17,795)
Value adjustments due to cash flow hedges	-	-	-	-	-	-	68	-	68
Total comprehensive income for the period	**-**	**-**	**-**	**(352,587)**	**-**	**-**	**68**	**(17,795)**	**(370,314)**
Transactions with equityholders or owners	-	-	(109,235)	-	4,498	(3,953)	-	-	(108,690)
Dividends distribution	-	-	(110,324)	-	-	-	-	-	(110,324)
Issuance of share-based payments	-	-	-	-	-	1,602	-	-	1,602
Transactions with own shares or equity holdings	-	-	(134)	-	4,498	(5,555)	-	-	(1,191)
Settlement of subisidiary Compañía Gallega de Supermercados, S.A.	-	-	1,223	-	-	-	-	-	1,223
At 31 December 2018 (restated)	**62,246**	**-**	**246,701**	**(352,587)**	**(55,861)**	**6,820**	**13**	**(73,394)**	**(166,062)**
At 1 January 2019	**62,246**	**-**	**246,701**	**(352,587)**	**(55,861)**	**6,820**	**13**	**(73,394)**	**(166,062)**
Argentina hyperinflation adjustments	-	-	(878)	-	-	-	-	-	(878)
Transfer of the (losses)/profit of the previous year	-	-	(352,587)	352,587	-	-	-	-	-
Net losses for the period	-	-	-	(790,468)	-	-	-	-	(790,468)
Other comprehensive income, net of income tax	-	-	-	-	-	-	(13)	2,401	2,388
Translation differences of financial statements of foreign operations	-	-	-	-	-	-	-	2,401	2,401
Value adjustments due to cash flow hedges	-	-	-	-	-	-	(13)	-	(13)
Total comprehensive income for the period	**-**	**-**	**-**	**(790,468)**	**-**	**-**	**(13)**	**2,401**	**(788,080)**
Transactions with equityholders or owners	4,534	544,997	13,109	-	48,609	(6,731)	-	-	604,518
Capital reduction	(56,021)	-	56,021	-	-	-	-	-	-
Capital increase	60,555	544,997	(6,218)	-	-	-	-	-	599,334
Issuance net share-based payment	-	-	-	-	-	269	-	-	269
Value adjustment share-based payment	-	-	6,018	-	-	(6,018)	-	-	-
Issuance of share-based payments	-	-	(2,073)	-	2,692	(982)	-	-	(363)
Transactions with own shares or equity holdings	-	-	(40,662)	-	45,917	-	-	-	5,255
Other variations in shareholders' equity	-	-	23	-	-	-	-	-	23
At 31 December 2019	**66,780**	**544,997**	**(93,655)**	**(790,468)**	**(7,252)**	**89**	**-**	**(70,993)**	**(350,502)**

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

DIA

(V) CONSOLIDATED STATEMENTS OF CASH FLOWS
for the year ended 31 December 2019
(Expressed in thousands of Euros)

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

	Notes	2019 31st December	Restated (*) 2018 31st December
Operating activities			
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		(676,957)	(159,691)
Loss before tax from discontinued operations		(21,842)	(7,487)
Loss before income tax		*(698,799)*	*(167,178)*
Adjustments to Profit and Loss:		*860,471*	*450,628*
Amortisation and depreciation	19.5	518,366	245,767
Impairment of non current assets	19.5	57,509	117,609
Impairment of trade debtors	7.1	31,327	27,150
Losses on disposal of the non current assets	19.6	69,968	(11,617)
Losses on disposal of financial instruments operations	19.10	6,043	-
Finance income	19.7	(41,640)	(6,781)
Finance expenses	19.7	196,209	90,236
Changes of provisions and grants		7,783	(2,883)
Other adjustments of discontinued operations	12	1,420	-
Other adjustments to Profit and Loss		13,682	(10,036)
Share of (Profit)/loss of companies accounted for by using the equity method net of dividends	8	(196)	1,183
Adjustments to working capital:		*(101,331)*	*(419,419)*
Changes in trade and other receivables		68,069	6,582
Changes in inventories		100,838	11,649
Changes in trade and other payables		(241,600)	(352,103)
Changes in consumer loan and refinancing commitments		(1,389)	1,051
Changes in other assets		(40,997)	(20,658)
Changes in other liabilities		(2,054)	(17,049)
Changes in working capital of discontinued operations	12	15,100	(28,544)
Current income tax paid		702	(20,347)
Net cash flows from/(used in) operating activities		*60,341*	*(135,969)*
Investing activities			
Payments of intangible assets	6.3	(4,770)	(6,151)
Development cost	6.3	(6,011)	(14,958)
Payments of property, plant and equipment	5	(151,705)	(319,906)
Payments of financial instruments		31,048	(21,577)
Disposals of intangible assets		1,147	-
Disposals of property, plant and equipment		13,464	93,926
Collections for other financial assets		3,954	7,081
Interests received		3,403	3,735
Investing flows of discontinued operations	12	-	(10,007)
Acquisition of subsidiaries net of cash acquired		769	-
Net cash flows used in investing activities		*(108,701)*	*(267,857)*
Financing activities			
Capital increase, net of cost	13.1	599,334	-
Dividends paid to the shareholders of the Parent Company		-	(110,325)
Charge for sale of own shares	13.4 a)	5,255	-
Financial lease payments	14.1 c)	(327,522)	-
Borrowings repaid	14.5	(379,756)	(220,619)
Borrowings made	14.5	164,752	646,874
(Payments) /Collections from other financial liabilities		1,697	(2,660)
Interests paid		(92,577)	(83,750)
Net cash flows from financing activities		*(28,817)*	*229,520*
Net changes in cash and cash equivalents		*(77,177)*	*(174,306)*
Net foreign exchange differences		884	67,633
Cash and cash equivalents at 1st January		*239,843*	*346,516*
Cash and cash equivalents at 31th December		*163,550*	*239,843*

The accompanying notes form an integral part of the consolidated annual accounts for 2019.
(*) Restated data, (see note 2).

(VI) Notes to the consolidated annual accounts for 2019

(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 company, the Company or DIA) was incorporated in Spain on 24 June 1966 as a public limited company ("sociedad anónima") for an unlimited period of time. Its registered office is located in Las Rozas, Madrid.

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

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

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

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

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

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

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

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

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

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

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

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

Distribuidora Internacional de Alimentación, S.A. and subsidiaries (hereinafter, the DIA Group) currently trades under the names of DIA Market, DIA Maxi, La Plaza de DIA, Clarel, Minipreço and DIA&go.

The Group comprises the Parent company and its subsidiaries which are all fully consolidated, except for ICDC Services, Sàrl (50% owned by DIA World Trade, S.A.), Red Libra Trading Services S.L. (50% owned by DIA, S.A.) and Horizon International Services Sàrl (25% owned by DIA World Trade, S.A.) which are equity-accounted and CD Supply Innovation, S.L. (50% owned by DIA, S.A.), which is accounted for as a joint venture.

As of 5 July 2011, DIA shares are listed on the Spanish stock exchanges.

1.1 Relevant events occurring during 2019

a) Appointment of a new auditor

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

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

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

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

(i) settlement of the Voluntary Public Takeover Bid (the "Bid" or "PTB") made by L1R Invest1 Holding, S.à.r.l. (hereinafter the "Offeror") on all the DIA shares presented to the CNMV on 21 February 2019 and admitted for processing on 8 March 2019;

(ii) appointment of a majority of DIA Board of Director members proposed by LetterOne; and

(iii) establishment of an agreement with the lenders of DIA's syndicated bank loan, enabling the debt to be restructured or refinanced to guarantee the Group's financial stability.

PTB

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

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

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

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

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

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

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

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

Renewal of the Board of Directors

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

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

(i) Stephan DuCharme was appointed Chairperson of the Board of Directors.

(ii) Karl-Heinz Holland was appointed as CEO.

(iii) Christian Couvreux, Stephan DuCharme and Jaime García-Legaz Ponce were appointed members of the Appointment and Remuneration Committee.

(iv) Sergio Antonio Ferreira Dias and José Wahnon Levy were appointed members of the Audit and Compliance Committee.

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

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

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

Board of Directors:

Chairperson: Stephan DuCharme (external proprietary director).

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

Directors: Michael Joseph Casey (external proprietary director).

Christian Couvreux (independent director).

Sergio Antonio Ferreira Dias (external proprietary director).

Jaime García-Legaz Ponce (independent director).

José Wahnon Levy (independent director).

Audit and Compliance Committee:

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

Jaime García-Legaz Ponce (independent director).

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

Appointments and Remuneration Committee:

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

Stephan DuCharme (external proprietary director).

Jaime García-Legaz Ponce (independent director).

Capital and Financial Structure Committee:

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

Michael Casey (external proprietary director).

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

Christian Couvreux (independent director).

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

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

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

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

Board of Directors:

Chairperson: Stephan DuCharme (external proprietary director).

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

Directors: Christian Couvreux (independent director).

Sergio Antonio Ferreira Dias (external proprietary director).

Jaime García-Legaz Ponce (independent director).

Basola Vallés Cerezuela (independent director).

José Wahnon Levy (independent director).

Agreement with the syndicated loan lenders

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

The main agreements reached include:

i. The terms under which the existing bank loan would be amended and restated, extending the maturity date of the Syndicated Loan to 31 March 2023.

ii. The terms under which the bilateral financing granted by the syndicated lenders or their subsidiaries would be amended, including extending up to 2021 at the earliest the maturity dates of certain financing arrangements.

iii. The possibility of obtaining new secured super senior funding lines, under terms that the Parent company considers satisfactory, for a total amount of up to Euros 380 million, of which binding commitments have been obtained for approximately Euros 270.8 million (see note 14.1(b)).

iv. Proposing to the General Shareholders' Meeting of DIA an increase of Euros 100 million on the total amount of equity initially agreed for injection into the Parent company in the Euros 500 million capital increase agreement passed by the Ordinary General Shareholders' Meeting on 20 March 2019. This would foreseeably increase the Parent company's equity by a cash amount of up to Euros 600 million by the second half of 2019. Regarding this capital increase, LetterOne undertook to vote in favour of this agreement, exercising its pre-emptive subscription rights in proportion to its share capital holding, and partially underwrite (or secure underwriting from one or more financial entities) the capital increase for an amount of up to Euros 500 million.

v. In order for the Parent company to avail of cash funds while the procedures to execute the capital increase were formalised, LetterOne undertook to advance funds to the Parent company, up to a total aggregate amount of Euros 490 million, by means of one or more participating loans and/or pre-fund the capital increase which, in the event that the participating loans could be fully or partially capitalised in the capital increase, and in the event of pre-funding (and also in the case of participating loans in the portion that could not be capitalised in the capital increase) would be repaid to LetterOne with the capital increase funds. This was one of the conditions precedent of the agreement.

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

Approval of the Hive Down imposed by the syndicated lenders

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

(i) New non-operating DIA subsidiaries would be set up or acquired.

(ii) All the business, assets, liabilities and contracts held by DIA will be transferred to one or several subsidiaries indirectly wholly-owned by DIA, with the exception of: a) the European medium-term notes currently issued by the Company; b) any assets, liabilities and contracts that cannot be transferred due to legal or contractual restrictions; c) any assets, liabilities or contracts whose transfer would have a significant adverse effect on the business of the Company or the Company's group; d) any assets, liabilities and contracts whose transfer would incur a cost for the Company's group (including taxes or loss of tax assets) exceeding Euros 5,000,000; and, e) any lease agreements on real estate whose transfer or transmission would entitle the lessor to demand a rent increase or to terminate the lease.

(iii) In particular, as a first milestone and subject to the aforementioned exceptions, the Company must transfer to subsidiaries indirectly wholly-owned by DIA: a) all real estate owned by DIA in Spain; b) certain specific commercial establishments of DIA representing 58% of the Restricted EBITDA (as defined and calculated in the Financing Agreement); and c) the interests held by DIA in the Brazilian, Argentinean and Portuguese subsidiaries, to the extent to which it is viable from the legal, fiscal and regulatory perspective. As further indicated below, this first milestone was agreed with the syndicated lenders to be initiated and start being effective from 1 January 2020 onwards.

(iv) Certain subsidiaries directly or indirectly wholly-owned by DIA, which form part of the Hive Down, will become additional borrowers under the Financing Agreement.

(v) Security will be extended over the shares or participations, bank accounts and receivables of the subsidiaries directly or indirectly wholly-owned by DIA that will form part of the Hive Down, as collateral for the Financing Agreement. Proceeding with the Hive Down is considered convenient and necessary as it is an obligation required by the Syndicated Lenders in the Financing Agreement, and its implementation is expected to contribute to facilitating the access of the Company and its Group to possible future financing or refinancing.

On 26 December 2019, DIA's Board of Directors agreed to commence executing the Hive Down with effect from 1 January 2020, which would mean starting a complex, sequential process entailing several transactions and legal proceedings over the first few months of 2020 to transfer the main business units of the Company to subsidiaries which, at the end of the process, as required by the syndicated lenders in the Financing Agreement, will be directly or indirectly held by different Luxembourg holding companies, which are, in turn, wholly-owned by DIA directly

and/or indirectly. Subject to certain exceptions agreed with the syndicated lenders, the transfer of the Company's main business units will include all assets, liabilities, corporate interests, contracts and personnel comprising the Spanish retail and wholesale business, the overseas business and the central services of DIA. Similarly, as part of the business units transferred in the Hive Down, the debt included under the Financing Agreement will be transferred to certain Spanish subsidiaries wholly-owned by DIA indirectly, and directly and indirectly held by Luxembourg holding companies, also at the request of the syndicated lenders. Lastly, in compliance with the Financing Agreement, the shares or participations, bank accounts and receivables of the directly and indirectly wholly-owned subsidiaries of DIA involved in the Hive Down will be pledged.

Capital reduction and subsequent capital increase of Euros 605.6 million

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

(i) Writing off of losses against reserves and a capital reduction of Euros 56,021,086.17 by reducing the nominal value of the Company's shares by Euros 0.09 per share in order to restore the balance and structure of the Company's equity. The capital reduction was registered at the Mercantile Registry of Madrid on 28 October 2019 and as a result, the Company's new share capital amount is Euros 6,224,565.13, represented by 622,456,513 shares of Euros 0.01 par value each.

(ii) Share capital increase for a nominal amount of Euros 60,555,224.66 by issuing and placing into circulation 6,055,522,466 new ordinary shares of Euros 0.01 par value each, with a share premium of Euros 0.09 and a cash amount of Euros 605,552,246.60 (par value plus share premium).

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

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

c) Other corporate transactions

The Group had classified the assets and liabilities of its Cash & Carry business (Max Descuento stores) as held for sale in the consolidated financial statements and as discontinued activities in the consolidated income statement since June 2018 (see note 12) and has finalised the sale or liquidation of this business in the Spain segment during the second half of 2019. The result of the divestment of this transaction in the consolidated income statement has had an impact of approximately Euros 16.2 million in line with the estimates made.

In December 2018 the Company decided to commence the process to dispose of its interest in the Clarel business (Beauty by Dia, S.A.) and the Group classified this business as held for sale in the consolidated financial statement and as discontinued activities in the consolidated income statement at December 2018. In 2019 the Company decided to reverse this classification, restating the 2018 figures and recording the Clarel business in the consolidated financial statement and as discontinued activities in the consolidated income statement, in line with the nature thereof, as the Company's Board of Directors has agreed to continue managing, developing and remodelling this business.

On 28 June 2018, 50% of the shares of FINANDIA E.F.C., S.A. were sold to CaixaBank Consumer Finance E.F.C., S.A.U. (CaixaBank) for Euros 9,306 thousand. This stake was recorded as an equity-accounted investee at 31 December 2018. After the settlement of the voluntary Public Takeover Bid by LetterOne, the Company has proceeded to acquire 50% of the share held by Caixabank Consumer Finance E.F.C., S.A.U. by virtue of the purchase option it held subject to a change of control of the Parent company. On 19 July 2019, the partners of Finandia, EFC, S.A. decided to reduce the share capital of Finandia. Its current share capital amounts to Euros 3,500,000, represented by 7,000,000 shares of Euros 0.50 par value. On the same date, Distribuidora Internacional de Alimentación, S.A. acquired the 3,500,000-share interest held by Caixabank Payments &Consumer, E.F.C., E.P., S.A.U., rendering it sole shareholder. At 31 December 2019, this company has fully consolidated status. At 31 December 2019, the Group has recognised a loss of Euros 12.5 million for the impact of this operation (see notes 14.4, 19.6 and 19.10): Euros 5.8 million in the caption losses on disposal of financial instruments and Euros 6.7 million under losses on disposal of non-current assets. Moreover, Finandia is no longer classified as a credit institution, and its registered name has been changed to Finandia, S.A.U.

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

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

Within the framework of the Hive Down, on 22 August 2019, the Company acquired 100% of seven Luxembourg companies. In addition, on 2 August 2019, the company DIA FINANCE, S.L. was incorporated (see note 1.2).

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

d) Profit/(loss) evolution during the year

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

1. The significant drop in sales throughout the year but especially during the first six months of 2019, caused by the liquidity difficulties undergone by the Group which saw it carry out its activity in an extraordinarily complicated setting with high levels of stock depletion in warehouses and stores and a significant streamlining of resources in all areas.

2. The process of closing low-profit stores, which has affected a total of 861 stores in 2019 (mainly in Spain and Brazil) and which ultimately resulted in: a drop in sales, derecognition of related assets, increase in operating expenses for expenses related to the transfer of lease agreements and recognition of provisions for bad debts in related franchisees. These closures will have a positive impact due to their negative contribution being eliminated.

3. A major franchise remodelling process aimed at improving the quality of our franchise network, which has affected a total of 385 stores during the year (mainly in Spain and Brazil), leading to an increase in personnel and operating expenses, as well as the recognition of additional provisions in the related accounts receivable.

4. The product selection underwent a streamlining process, which involved a full review of the selections in every country, resulting in a significant reduction in the number of references, in the interest of greater simplification, improved productivity and better quality and value for the customer. This initiative has meant reduced margins being recorded (especially in Brazil) in relation to the corresponding inventory liquidation (particularly during the first semester).

5. The impact of some logistics improvement initiatives, involving the closure or relocation of warehouses to achieve greater efficiency, has meant an increase in logistics costs in the short term, further derecognitions of assets and provisions for amounts payable on real estate leases.

6. The steps taken to streamline and further concentrate the main activity has led to decisions and measures which have increased restructuring and asset impairment costs (e.g. the closure of operations in Bahia and Mini Preço in Brazil or the discontinuation of non-food E-shopping activities in Spain and asset impairment due to the closure of the Cash&Carry business).

7. Other significant extraordinary or exceptional items, such as:
   - The collective redundancy schemes implemented in Spain and other countries (mainly Brazil) to improve productivity in stores, warehouses and headquarters, with the resulting impact on operating costs.
   - The syndicated loan refinancing process, which has been complex and entailed a series of different stages, as well as remodelling work and advisory services relating to the capital increase presented by the previous Board to the General Shareholders' Meeting of the Parent company (which includes financial and corporate advisory and strategic consulting services), impacting both operating costs and financial profits.
   - DIA's repurchasing of 50% of Finandia, which led to the recognition of losses, affecting operating profits and financial results.

1.2 Changes to Group structure

The following changes to the Group occurred in 2019 and 2018:

— **2019**

- The company Horizon International Services, S.à.r.l. was incorporated on 15 February 2019. Its activity consists of negotiating international services with the main suppliers of national brands and DWT holds a 25% shareholding therein.
- On 19 February 2019 the company DISTRIBUIDORA PARAGUAYA DE ALIMENTOS S.A. left the consolidated Group, since the shares held by Dia Paraguay in DISTRIBUIDORA PARAGUAYA DE ALIMENTOS S.A. (equivalent to a 10% stake) were sold on that date.
- On 3 June 2019 a capital increase of Brazilian reals 174,350,000 was carried out, equivalent to Euros 40 million. This increase comprised two tranches: Euros 10 million (Brazilian reals 43,850,000) at 30 May 2019, and Euros 30 million (Brazilian reals 130,500,000) at 3 June 2019. The capital of DIA Brazil went from Brazilian reals 670,950,037 to Brazilian reals 845,300,037. DIA holds 845,300,036 shares and DIA Argentina holds one share in the share capital of DIA Brazil.
- On 19 June 2019 the company DIA AMÉRICA LATINA ESTUDOS, PESQUISAS E TREINAMENTOS LTDA. was incorporated. Its share capital amounts to 100 Brazilian real, represented by 100 shares with a nominal value of 1 Brazilian real. The sole shareholder is Brazilian company DBZ. Its statutory activity consists of rendering services in Latin American countries relating to market research and surveys on the retail sector and holding capital holdings in other companies.
- On 19 July 2019, Distribuidora Internacional de Alimentación, S.A. acquired the 3,500,000 shares held by Caixabank Payments &Consumer, E.F.C., E.P., S.A.U., thereby becoming sole shareholder. At 31 December 2019, this company has returned to fully consolidated status, as explained in note 1.1.c).
- Within the framework of the Hive Down, on 22 August 2019, Distribuidora Internacional de Alimentación, S.A. acquired 100% of seven Luxembourg companies, all of which have a share capital of Euros 12,000 represented by 12,000 shares of Euros 1 par value each and whose sole shareholder is Distribuidora Internacional de Alimentación, S.A. Furthermore, on 2 August 2019, the company DIA FINANCE, S.L. was incorporated, with a share capital of Euros 3,000 represented by 3,000 shares of Euros 1 par value each. Its sole shareholder is Distribuidora Internacional de Alimentación, S.A.

— **2018**

- In June 2018 the DIA Group rolled out a plan to sell the cash & carry line of business, which was traded under the Max Descuento name, classifying this business' assets and liabilities as held for sale and restating cash flows and the income statement for 2017 and 2018 which were presented as discontinued operations. As part of the bank debt refinancing agreement, the Group confirmed its commitment to divest from this business and the Clarel business (see notes 1.1.c) and 12).
- The sale of 50% of the shares in FINANDIA E.F.C., S.A. to CaixaBank Consumer Finance E.F.C., S.A.U. was executed on 28 June 2018 and the remaining stake was recognised using the equity method at 31 December 2018 (see notes 14.4 and 19.6).
- On 10 August 2018, the conditions precedent applicable to the sale of 100% of the shares in the Chinese companies DIA Tian Management Consulting Service & Co. Ltd. and Shanghai DIA Retail Co. Ltd. were met, signalling the DIA Group's exit from the Chinese market (see note 12).
- As required by the bank debt refinancing agreement, on 28 December 2018 the Group made a commitment to sell its Clarel business, which does not form part of its core activity. At 31 December 2018, the assets and liabilities related to Clarel were presented as held for sale and its results and cash flows for 2017 and 2018 were recorded as discontinued operations. However, this classification was reversed at 31 December 2019, as is mentioned in notes 1.1 c) and 12.
- Compañía Gallega de Supermercados, S.A. was in liquidation at 31 December 2018, and its business has been discontinued. The Group is bearing the costs necessary to complete the liquidation process.

Details of the DIA Group's subsidiaries, as well as their activities, registered offices and percentages of ownership at 31 December 2019 are shown below. The country of incorporation is also its main centre of business activities.

Name	Location	Activity	% interest 2019	% interest 2018
DIA Portugal Supermercados, Lda. (*)	Lisbon	Wholesale and retail distribution of food products.	100.00	100.00
DIA Portugal II (*)	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	Consulting services	100.00	100.00
DIA Paraguay, S.A. (*)	Asunción	Wholesale and retail distribution of food products.	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	100.00
DIA América latina estudos, pesquisas e trenamentos, L.T.D.A.	Sao Paulo	Provision of services to Latin American countries related to studies and surveys of the retail market and participation in the capital of other companies	100.00	-
DIA Retail, S.A. (Twins Alimentación, S.A. En 2018) (*)	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
Beauty by DIA, S.A. (*)	Madrid	Distribution of cleaning and toiletry products.	100.00	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. (sociedad en liquidación)	Madrid	Wholesale and retail distribution of food products and others	100.00	100.00
DIA ESHOPPING, S.L.	Madrid	Creation, maintenance and exploitation of web pages and portals for the sale of products and services	100.00	100.00
Finandia, 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	50.00
DIA FINANCE, S.L.	Madrid	The import, export, acquisition, distribution and wholesale and retail sale of food, beverages, household goods and in general other products for domestic use and consumption	100.00	-
Luxembourg Investment Company 317, S.à r.l.	Luxemburg	Share holding company	100.00	-
Luxembourg Investment Company 318, S.à r.l.	Luxemburg	Share holding company	100.00	-
Luxembourg Investment Company 319, S.à r.l.	Luxemburg	Share holding company	100.00	-
Luxembourg Investment Company 320, S.à r.l.	Luxemburg	Share holding company	100.00	-
Luxembourg Investment Company 321, S.à r.l.	Luxemburg	Share holding company	100.00	-
Luxembourg Investment Company 322, S.à r.l.	Luxemburg	Share holding company	100.00	-
Luxembourg Investment Company 323, S.à r.l.	Luxemburg	Share holding company	100.00	-

(*) Audited companies

Details of the DIA Group's associates and joint ventures at 31 December 2019 are as follows:

Name	Location	Activity	% interest 2019	% interest 2018
Distribuidora Paraguaya de Alimentos, S.A.	Asunción	To execute the contract of Master Franchise signed with DIA Paraguay, S.A.	-	10.00
CD Supply Innovation S.L.	Madrid	Financial and supplies services management for own brand.	50.00	50.00
ICDC Services Sàrl	Geneva	Financial and supplies services management for own brand.	50.00	50.00
Red Libra Trading Services, S.L.	Madrid	Negociation with suppliers of distribution brands	50.00	50.00
Horizon International Services, S.a.r.l.	Geneva	Negociation with suppliers of distribution brands	25.00	-

After the settlement of the voluntary Public Takeover Bid by LetterOne, the Company has proceeded to acquire, as of 19 July 2019, 50% of the Finandia, EFC, S,A.'s share, which was held by Caixabank Consumer Finance E.F.C., S.A.U. by virtue of the purchase option it held subject to a change of control of the Parent company (see note 1.1. c). At 31 December 2019, this company has returned to fully consolidated status. Moreover, Finandia is no longer classified as a credit institution, and its registered name has been changed to Finandia, S.A.U.

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

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

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

On 12 April 2018, the agreement between the DIA Group and the EROSKI Group that gave rise to the creation of Red Libra Trading Services S.L. was terminated after the first year and this company became dormant. As from that time the Parent company directly negotiates own brand purchase prices with suppliers.

The joint venture CINDIA, A.C.E. was dissolved on 31 July 2018.

At 31 December 2018, the Group had several master franchise agreements, some of which granted the Group the option, within a specific period, to purchase a percentage of the capital of the franchised business. During 2019 those agreements were terminated and the impact of the cancellation is recognised in the consolidated financial statements for the period.

The basis of consolidation applicable to the subsidiaries, associated and joint arrangements are set forth in note 2.9.

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 give a true and fair view of the consolidated equity and consolidated financial position of Distribuidora Internacional de Alimentación S.A. and subsidiaries at 31 December 2019 and of consolidated results of operations, consolidated cash flows and changes in consolidated equity for the year then ended.

These consolidated annual accounts have been prepared using the historical cost principle, with the exception of derivative financial instruments (see note 14.5). It should be noted that the balances from the Group's Argentinean companies have been expressed at current cost before being included in the DIA Group's consolidated annual accounts, based on IAS 29 "Financial Reporting in Hyperinflationary Economies", since Argentina is considered a hyperinflationary economy (see note 2.5).

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 2019 were authorised for issue by the board of directors of the Parent on 25 March 2020 and are expected to be approved by the shareholders of the Parent at their ordinary general meeting without any changes.

2.2. 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 Parent's functional and presentation currency is the Euro. The items included in the consolidated accounts of each of the Group entities are measured using the currencies of the main economic environments in which the entities operate.

2.3. Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2019 include comparative figures for 2018, which differ from the ones approved by the shareholders of the Parent at the ordinary general meeting held on 20 March 2019.

Figures for the preceding period included in these consolidated annual accounts were revised by the Group's previous auditor, KPMG, Auditores, S.L. These revised figures for the preceding period were restated in accordance with the following:

- The consolidated financial statement at 31 December 2018 has been restated because it did not recognise the Clarel business as held for sale, as described in notes 1.1 c) and 12. Details of the restatement are as follows:

ASSETS	Clarel business (*)
Property, plant and equipment (Note 5)	59,407
Goodwill (Note 6.1)	10,818
Other intangible assets (Note 6.3)	1,630
Trade and other receivables (Note 7.1)	9,815
Other non-current financial assets (Note 7.2)	3,665
Deferred tax assets	1,326
Non-current assets	**86,661**
Inventories (Note 10)	65,691
Trade and other receivables (Note 7.1)	1,191
Current tax assets	(1)
Other current financial assets (Note 7.2)	59
Other assets (Note 9)	37
	66,977
Non-current assets held for sale (Note 12)	(153,638)
Current assets	**(86,661)**
TOTAL ASSETS	**-**

EQUITY AND LIABILITIES	Clarel business (*)
Non-current borrowings (Note 14)	1,284
Provisions (Note 15)	1,696
Non-current liabilities	**2,980**
Current borrowings (Note 14)	3,238
Trade and other payables (Note 14.3)	6,432
Current tax liabilities	1,708
Other current financial liabilities (Note 14.4)	8,749
	20,127
Liabilities directly associated with non-current assets held for sale (Note 12)	(23,107)
Current liabilities	**(2,980)**
TOTAL EQUITY AND LIABILITIES	**-**

(*) Amounts in thousands of Euros

- Below are details of the restatement for the 2018 income statement:

  a) not recognising the Clarel business for Spain and Portugal as a discontinued activity,
  b) presenting the cost of logistics platforms according to their nature, as they were presented as an increase in merchandise and other consumables used, and the correction of CDSI's elimination errors, and
  c) the results generated on the sale of assets to third parties for Euros 28,115 thousand and the sale of 50% of Finandia to Caixa Bank for Euros 9,265 thousand have been reclassified.

INCOME STATEMENT	Restated	Published	Restament (*)	(a) Clarel business Spain	(a) Clarel business Portugal	(b) Logistics and CDSI	(c) Others
Sales	7,576,087	7,288,825	(287,262)	271,032	16,230	-	
Other income	103,472	134,531	31,059	1,443	95	(4,482)	(28,115)
Profit on the sale of subsidiaries	-	9,265	9,265	-	-	-	(9,265)
TOTAL INCOME	**7,679,559**	**7,432,621**	**(246,938)**	**272,475**	**16,325**	**(4,482)**	**(37,380)**
Goods and other consumables used	(5,606,349)	(5,817,011)	(210,662)	(174,002)	(10,327)	394,991	-
Personnel expenses	(916,192)	(713,370)	202,822	(59,719)	(2,871)	(140,232)	-
Operating expenses	(920,667)	(628,429)	292,238	(39,385)	(2,576)	(250,277)	-
Depreciation and amortization	(245,767)	(235,206)	10,561	(9,947)	(614)	-	-
Impairment of non-current assets	(117,609)	(79,937)	37,672	(37,611)	(61)	-	-
Impairment of trade debtors	(27,150)	(27,795)	(645)	645	-	-	-
Losses on disposal of fixed assets	11,617	(25,414)	(37,031)	(336)	(13)	-	37,380
LOSSES FROM OPERATING ACTIVITIES	**(142,558)**	**(94,541)**	**48,017**	**(47,880)**	**(137)**	**-**	**-**
Finance income	6,781	6,480	(301)	413	-	(112)	-
Finance expenses	(90,236)	(90,205)	31	(143)	-	112	-
Gain from net monetary positions	67,505	67,505	-	-	-	-	-
Profit/(losses) of companies accounts for using the equity method	(1,183)	(1,183)	-	-	-	-	-
LOSSES BEFORE TAX FROM CONTINUING OPERATIONS	**(159,691)**	**(111,944)**	**47,747**	**(47,610)**	**(137)**	**-**	**-**
Income tax	(188,360)	(186,924)	1,436	(1,465)	29	-	
LOSSES AFTER TAX FROM CONTINUING OPERATIONS	**(348,051)**	**(298,868)**	**49,183**	**(49,075)**	**(108)**	**-**	**-**
Losses net of taxes of discontinued operations	(4,536)	(53,719)	(49,183)	49,075	108	-	
NET LOSSES	**(352,587)**	**(352,587)**	**-**	**-**	**-**	**-**	**-**

(*) Amounts in thousands of Euros

2.4. Going concern

At 31 December 2019, consolidated equity amounted to a negative amount of Euros 351 million (a negative amount of Euros 166 million at 31 December 2018) and working capital, calculated as current assets less current liabilities, excluding assets and liabilities held for sale, was also negative, amounting to Euros 855 million (a negative amount of Euros 1,370 million at 31 December 2018, once restated). The loss for 2019 amounts to Euros 790 million (loss of

Euros 353 million in 2018) and the net variation in cash and cash equivalents was a negative amount of Euros 77 million (negative amount of Euros 174 million in 2018).

In accordance with the Spanish Companies Act, when losses bring a company's equity to less than half of share capital, unless capital is increased or reduced to a sufficient extent, the company has grounds for dissolution and the Directors must call a general meeting within two months to adopt the dissolution agreement or reach the agreement or agreements deemed necessary to clear the grounds for dissolution.

At 31 December 2019, once the capital increase mentioned in note 1.1 b) had been approved, the Parent company's equity structure has been re-established and the grounds for dissolution removed. The Parent company's equity amounts to Euros 223 million and working capital, calculated as current assets less current liabilities, is also a positive amount of Euros 256 million. The 2019 result amounts to a loss of Euros 282 million.

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

In conclusion, the Parent company's Directors believe that based on the effectiveness of modifying and refinancing the Syndicated Loan, the new lines of funding obtained and the capital increase carried out in November 2019, the Company has cleared the grounds for dissolution due to losses, securing a viable long-term capital structure for the Parent company. The liquidity requirements of the Parent Company and its Group are based on a sustainable capital structure, following the deferral of financial liability payments for the Parent Company and its Group. In this regard, the cash requirements for maintaining the Group's activities are adequately guaranteed for the next twelve months, in accordance with the sources of financing already available, and based on compliance with the Group's Business Plan, to which the Group is fully committed. Furthermore, the Parent company plans to address the maturity of the bonds, which amount to Euros 300 million and mature on 28 April 2021 (see note 14). All of this will enable the Group to continue operating on a going concern basis and to achieve its long-term objectives.

2.5. Classification of Argentina as a hyperinflationary country

In 2018 a series of factors emerged in the Argentinean economy that prompted the DIA Group to reconsider its treatment of the foreign currency translation of its subsidiaries' financial statements, and to recover the financial investments made in Argentina. These factors include the inflation rate recorded in 2018 and the accumulated rate in the last three years and, lastly, the devaluation of the Argentinean Peso in recent months.

Consequently, in accordance with IFRS-EU, Argentina is considered a hyperinflationary economy for accounting purposes for the years ending after 1 July 2018. The application of IAS 29 to the Group's 2019 and 2018 consolidated annual accounts was conducted in accordance with the following criteria:

- Hyperinflation accounting has been applied to all the assets and liabilities of the DIA Argentina subsidiary before translation.
- The historical cost of non-monetary assets and liabilities and the equity items of this Company from their date of acquisition or inclusion in the consolidated statement of financial position to each period-end has been adjusted to reflect changes in the purchasing power of the currency arising from inflation.
- The initial equity recorded in the uniform currency is subject to the accumulated effect of the restatement due to inflation of non-monetary items from the date they were first recognised and the effect of translating these balances to the closing rate at the start of the year. The Group opted to recognise the difference between equity at the closing of the prior year and equity at the start of the current year in reserves, together with the accumulated exchange differences up to that date, 1 January 2018.
- The Group has adjusted the consolidated income statement at 31 December 2019 and 31 December 2018 to reflect the financial profit relating to the impact of inflation on net monetary assets.
- The different items in the consolidated income statement and the consolidated cash flow statement at 31 December 2019 and 31 December 2018 have been adjusted by the inflation rate since their generation, with a balancing entry in financial results and net exchange differences, respectively.

The inflation rate considered for this calculation at 31 December 2019 was 54.51% (47.9% at 31 December 2018). This rate was obtained from the information issued by INDEC (National Statistics and Census Institute), a public body, through the publication of the Consumer Price Index which measures variations in the price of goods and services comprised in domestic consumer spending.

The monthly evolution of the price index was as follows:

Month	Index	Month	Index	Month	Index
Jan-17	1.015859	Jan-18	1.26989	Jan-19	1.89706
Feb-17	1.036859	Feb-18	1.30061	Feb-19	1.96849
Mar-17	1.061476	Mar-18	1.33105	Mar-19	2.06061
Apr-17	1.089667	Apr-18	1.36751	Apr-19	2.13159
May-17	1.105301	May-18	1.39589	May-19	2.19680
Jun-17	1.118477	Jun-18	1.44805	Jun-19	2.25651
Jul-17	1.137852	Jul-18	1.49297	Jul-19	2.30601
Aug-17	1.153819	Aug-18	1.55103	Aug-19	2.39729
Sep-17	1.175719	Sep-18	1.65238	Sep-19	2.53838
Oct-17	1.193528	Oct-18	1.74147	Oct-19	2.62198
Nov-17	1.209940	Nov-18	1.79639	Nov-19	2.73354
Dec-17	1.247956	Dec-18	1.84255	Dec-19	2.84834

The most significant impacts on the consolidated financial statement deriving from inflation in Argentina relate to the revaluation of property, plant and equipment (see note 5) and the corresponding effect on deferred tax assets and liabilities. The impact of inflation on non-monetary items has been included in reserves.

Furthermore, the impact of the change in the net monetary position at 31 December 2019 and 31 December 2018 has been recognised as a financial profit (see note 19.9).

2.6. 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:

- Evaluation of the potential impairment of non-financial assets subject to amortisation or depreciation: see note 3k(ii) and note 5.
- Evaluation of the potential goodwill impairment: see note 3K(i) and note 6.1.
- Evaluation of the recoverability of deferred tax assets (see note 16)
- Analysis of possible contingencies or liabilities linked to processes in progress: (see note 3w and notes 15 and 20).

Estimates and opinions are constantly assessed. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and are considered reasonable under the circumstances.

2.7. First-time application of accounting standards

The accounting standards used to prepare the accompanying consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended 31 December 2018, except for the new standards and interpretations: IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments.

IFRS 16 Leases

IFRS 16 introduces a single accounting model for lessees in the statement of financial position. The lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value assets. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing lease guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The adoption of IFRS 16 is mandatory for annual periods commencing from 1 January 2019. On 1 January 2019 the Group applied IFRS 16 for the first time, putting into place a process for implementation that enables it to quantify the estimated impact of the new standard on the consolidated annual accounts for 2019. The following are the criteria adopted for the transition to IFRS 16:

- Method of transition: The Group has chosen to apply IFRS 16 using the modified retroactive method, recognising the right-of-use asset for an amount equal to the lease liability. In applying this approach, the Group does not restate comparative information.
- Discount rates: the incremental interest rate has been used for the initial lease liability calculation. This represents the interest rate that a lessee would have to pay for borrowing for a similar term, and with a similar guarantee, the funds needed to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The Group has calculated the incremental rate based on the types of bond issues made by companies with similar ratings, including the DIA debt itself, applying these spreads to the risk-free curve of the countries in which each contract is negotiated. Where there were no bond issues for certain periods, the spreads observed were interpolated on a linear basis.
- Lease period for each contract: the period considered for the leases largely depends on whether the lease contract contains a mandatory period or not, as well as unilateral termination and/or renewal clauses that entitle the Group to terminate in advance or extend the contracts. In this regard, to establish the economic interests affecting the determination of the term, the Group has considered the average periods of return on investments for a portfolio of stores at national level and their subsequent investment cycles as a fundamental variable. As a result of this analysis, the Group has determined cycles of duration per country so that the probable end date of each lease will be the first date after 1 January 2019 resulting from applying the established cycle on a recursive basis, from the contract start date. In the case of warehouses and offices, the probable end date is determined based on each specific reasonable vesting period. However, the probable end dates will not be less than the mandatory period of compliance according to the contract.
- Accounting principles applicable during transition: The Group has decided to use the following practical approaches when applying the simplified method for leases previously classified as operating leases under IAS 17 Leases:
    - Not applying IFRS 16 to contracts not previously identified as containing a lease under IAS 17 and IFRIC 4 Determining whether an arrangement contains a lease.
    - Using a single discount rate for store portfolios at country level.
    - Excluding the initial direct costs of the right-of-use asset measurement at the initial application date.
    - Excluding leases whose term ends within 12 months of the first-time application date.
    - Excluding leases with low-value underlying assets.
- The effect of applying this standard to these consolidated annual accounts is detailed in notes 6.2 Rights of Use and 14.1 c) Finance lease payables.

Finally, the Group's activities as lessor are not significant and the new standard does not bring in significant changes to lessor accounting, therefore the Group's consolidated annual accounts have not been impacted significantly.

IFRIC 23 Uncertainty over Income Tax Treatments:

The IFRS Interpretations Committee (IFRIC) issued IFRIC 23, which establishes how to record and measure current and deferred tax assets and liabilities where there is uncertainty regarding tax treatments. An uncertain tax treatment is any tax treatment applied by company where there is uncertainty as to whether this approach will be accepted by the tax authorities. The interpretation analyses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or as a whole, based on the approach that will best predict the resolution of the uncertainty.
- that the company must assume that the tax authorities will examine the uncertain tax treatments and will have full knowledge of all related information, i.e. detection risk must be ignored.
- that the company must show the effect of the uncertainty in its income tax accounting when it is unlikely that the tax authorities will accept the treatment.
- that the impact of the uncertainty should be measured using the most likely amount method or the expected value method, depending on which one best predicts the resolution of the uncertainty, and that the judgements and estimates made must be reassessed whenever circumstances change or new information arises that could affect the judgements.

The interpretation is effective for all periods commencing on or after 1 January 2019. The Group applied the standard for the first time on 1 January 2019 and it led to a reclassification between provisions and current tax liabilities in these consolidated annual accounts.

2.8. Standards, amendments to and interpretations of existing standards that cannot be adopted early or which have not been adopted by the European Union

The Group intends to adopt the standards, interpretations and amendments to the standards issued by the IASB that are not mandatory in the European Union when they come into effect, if applicable. Although the Group is currently analysing their impact, based on the analyses carried out to date, the Group estimates that their initial application will not have a significant impact on the consolidated annual accounts.

2.9. Basis of consolidation

a) Subsidiaries

IFRS 10 requires an entity (the parent) that controls one or more other entities (subsidiaries) to present consolidated annual accounts 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;

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

d) The annual accounts of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent.

Subsidiaries are entities over which the Parent exercises control, either directly or indirectly, through subsidiaries. The Parent controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Parent has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Parent is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date on which the Group effectively takes control. 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of financial position, respectively.

b) Associates

Associates are entities over which the Parent, either directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control or joint control over those policies. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or other entities, are considered when assessing the existence of significant influence.

Investments in associates are initially accounted at cost, y afterwards, using the equity method until the date that significant influence ceases.

c) Joint agreements

Joint agreements are considered to be those in which there exists a contractual agreement to share control of an economic activity, such that decisions regarding significant activities require the unanimous consent of the Group and the rest of the participants or operators. The existence of joint control is evaluated considering the subsidiaries' definition of control.

Joint agreements can be classified as joint ventures or joint operations. The classification depends on each investor's contractual rights and obligations rather than on the legal structure of the joint agreement. The Group's investments in joint ventures are carried using the equity method (see note (2.9(d) below), following initial recognition at cost in the consolidated statement of financial position.

In joint transactions, the Group recognises its assets in the consolidated annual accounts, including its interest in the jointly-controlled assets; its liabilities, including its stake in the liabilities incurred jointly with the other operators; income obtained on the sale of its part of production deriving from the joint agreement, and its expenses, including its portion of joint expenses. The Group only recognises the results from joint agreement purchase transactions when the acquired assets are sold to third parties, unless those acquired assets reflect losses or impairment, in which case the Group recognises its proportional part of the losses in full.

Based on the financial reality of the transactions carried out by CDSI, such as the de facto separation of CDSI from the management of the transactions carried out by each partner and the proximate termination of the agreement (see note 1.2), in 2018 the Group classified the agreement as a joint arrangement and included the relevant assets and liabilities in the consolidated statement of financial position. This company ceased its activities in February 2019. The effect of this at 31 December 2019 was, essentially, the recognition of receivables, cash and payables to suppliers in the amount of Euros 0.7 million, Euros (0.7) million and Euros 0.01 million, respectively (at 31 December 2018 this item essentially consisted of the inclusion of inventories, cash and financial debt in the amount of Euros 40 million, Euros 17 million and Euros 25 million, respectively).

d) Equity method

Under the equity method, investments are adjusted to recognise in the income statement the Group's share of the investee's post-acquisition results, as well as the Group's shares of movements in other comprehensive income. Dividends received or receivable from associates and joint ventures are carried as a reduction in the investment's carrying amount.

When the Group's share of losses on an investment carried under the equity method is equal to or exceeds its shareholding in the entity, including any other unsecured long-term receivable, the Group does not recognise additional losses, unless obligations have been incurred or payments have been made on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Unrealised losses are also eliminated, unless the transaction provides evidence of the impairment of the asset transferred. The accounting policies of equity-consolidated investees are changed when necessary to ensure consistency with the policies adopted by the Group.

e) Changes in ownership interests

The Group reflects transactions with non-controlling interests that do not result in a loss of control as transactions with the Group's equity holders. A change in an ownership interest gives rise to an adjustment to the carrying amounts of controlling and non-controlling interests to reflect their relative shareholdings in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the Group's owners.

When the Group discontinues consolidation or equity consolidation of an investment due to the loss of control, joint control or significant influence, any interest retained in the entity is remeasured to fair value, recognising the change in the carrying amount in the income statement. This fair value then becomes the initial carrying amount for the purposes of the subsequent recognition of the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amount previously recognised in other comprehensive income in relation to the entity concerned is recorded as if the Group had directly disposed of the related assets or liabilities. This could mean that the amounts previously recognised in other comprehensive income are reclassified to the income statement.

If its ownership interest in a joint venture or associate is reduced but joint control or significant influence is retained, only the proportionate part of the amounts previously recognised in other comprehensive income is reclassified to the income statement, if appropriate.

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). (The DIA Group was spun off from the Carrefour Group in 2011.) Entities acquired prior to that date were recognised in accordance with the generally accepted accounting principles applied by the Carrefour Group at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group applies IFRS 3 Business Combinations, revised in 2009, 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 cost of the 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, any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree and any previous equity interest in the subsidiary.

The consideration paid excludes any payments that do not form part of the consideration given in exchange for the acquiree. Acquisition costs are recognised as an expense when incurred.

At the acquisition date the Group recognises the assets acquired, the liabilities assumed and any non-controlling interest at fair value. Non-controlling interests in the acquiree are recognised at the proportional part of the fair value of the net assets acquired. These criteria are only applicable for non-controlling interests which grant entry into economic benefits and entitlement to the proportional part of net assets of the acquiree in the event of liquidation. Otherwise, non-controlling interests are measured at fair value or value based on market conditions.

The excess between: a) the consideration given, (b) the amount of any non-controlling interest in the acquiree and (c) the fair value at the acquisition date of any previous equity interest in the acquiree over the fair value of the assets acquired and liabilities assumed is recognised as goodwill. Any shortfall, after evaluating the consideration given and the identification and measurement of net assets acquired, is recognised in profit and loss.

Note 3k) (i) details the criteria relating to goodwill impairment.

When settlement of any part of the cash consideration is deferred, amounts payable in the future are discounted to present value at the exchange date. The discount rate used is the incremental interest rate on the entity's borrowings, which is the rate at which a similar loan could be obtained from an independent financial institution under comparable terms and conditions.

The contingent consideration is classified as equity or a financial liability. Amounts carried as a financial liability are subsequently remeasured at fair value and fair value changes are recognised in profit and loss.

If the business combination is achieved in stages, the carrying amount on the acquisition date of the equity interest previously held in the entity acquired is remeasured at fair value on the acquisition date, recognising any gain or loss in the income statement.

Moreover, for business combinations without consideration, the excess of the value assigned to non-controlling interests, plus the fair value of the previously held interest in the acquiree, over the net value of the assets acquired and liabilities assumed is recognised as goodwill. Any shortfall is recognised in profit or loss, after assessing the amount of non-controlling interests, the previous interest and the identification and measurement of net assets acquired. If the Group has no previously held interest in the acquiree, the amount allocated to net assets acquired is attributed in full to non-controlling interests and no goodwill or negative goodwill is recognised.

b) Non-controlling interests

Non-controlling interests in subsidiaries are recognised at the amount of the Group's share of the amount of the net assets.

Profit and loss and each component of other comprehensive income are allocated to equity attributable to shareholders 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.

Group investments and, where applicable, non-controlling interests in subsidiaries or associates are calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of subsidiaries and associates.

c) 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 foreign subsidiaries and joint ventures, including comparative balances, are translated into Euros applying the exchange rates prevailing at the transaction date.

On consolidation, the exchange differences arising from the translation of any net investment in foreign operations, and of financial debt and other financial instruments designated as hedges of these investments, are recognised in other comprehensive income. When a foreign operation is sold or any financial debt that forms part of the net investment is paid, the associated exchange differences are reclassified to profit or loss for the year as part of the gain or loss on the sale.

Foreign operations whose functional currency is the currency of a hyperinflationary economy have been translated into Euros as follows:

The results and the financial situation have been converted to Euros based on the criteria detailed below, as the company operates in a hyperinflationary functional currency:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, income and expenses and cash flows, are translated at the closing rate at the most recent balance sheet date;

- The comparative balances are those presented in the previous year's consolidated annual accounts and are not adjusted for subsequent changes in price levels or exchange rates. The effect of the adjustment on the prior year's balances is recognised as a revaluation reserve in other comprehensive income/equity reserves.

d) Foreign currency transactions, balances and cash flows

Transactions in foreign currency are translated into the functional currency at the spot exchange rate prevailing at the date of the transaction. Exchange gains and losses resulting from the settlement of these transactions are generally recognised in the income statement for the year. Exchange gains and losses on borrowings are presented in financial expenses in the income statement. Other exchange gains and losses are presented net in the income statement in other gains/(losses).

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. Lastly, non-monetary items measured at fair value are translated into Euros using the exchange rate prevailing on the date on which this measurement is made. Currency translation differences on assets and liabilities carried at fair value are presented as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity interests carried at fair value through profit or loss are recognised in the income statement for the year as part of the fair value gain or loss and translation differences on non-monetary assets such as equity interests carried at fair value through other comprehensive income are recognised in other comprehensive income.

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 occurred. 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 differences arising on the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. 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.

e) Financial information in hyperinflationary economies

Under IFRS-EU, an assessment must be made as to whether any Group company operates in a hyperinflationary economy. IAS 29 defines this situation as that in which the monetary unit loses purchasing power at such a rate that any comparison between the figures derived from transactions and other events occurring at different moments in time is misleading. Note 2.5 addresses the assessment of Argentina's classification as a hyperinflationary economy and the accounting treatment in the consolidated accounts of the items reflected in the financial statements of the companies in question.

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.

Income is recognised in the amount of the consideration to which the Group expects to be entitled for transferring goods or services to customers, excluding amounts collected on behalf of third parties (e.g. certain sales taxes). The consideration may include fixed or variable amounts, or both. The amount of the consideration may vary due to discounts, refunds, reimbursements, credits, price reductions, incentives, performance bonuses, penalties or other similar items.

Income obtained from contracts with customers is called revenue in these annual accounts.

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, which do not exceed the month in which they are granted. If the discount is applied after the current month, revenue from sales is adjusted based on the probability of occurrence and the relevant liability is generated. When these customer discounts take place through franchised stores, they are paid to the franchisee and, therefore, are also recorded as a reduction in the amount of the sale in the month in which they are applied.

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

g) Intangible assets

Intangible assets, except for goodwill (see note 3 (a)), are measured at acquisition 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 and 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, which is 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 essentially comprises the investment in the development of commercial models and product ranges, amortised over four years.

h) Rights of use and lease liabilities (IFRS 16)

Group as lessee

IFRS 16 introduces a single recognition and measurement model for lessees in the statement of financial position. The lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

IFRS 16 replaces existing lease guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group acts as lessee of buildings where it operates, machinery, vehicles and other equipment. The Group applies a single recognition and measurement model for all leases in which it operates as a lessee and the optional exemptions for short-term leases and leases of low value assets.

- **Discount rate**

The incremental interest rate has been used for the initial lease liability calculation. This represents the interest rate that a lessee would have to pay for borrowing for a similar term, and with a similar guarantee, the funds needed to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The Group has calculated the incremental rate based on the types of bond issues made by companies with similar ratings, including the DIA debt itself, applying these spreads to the risk-free curve of the countries in which each contract is negotiated. Where there were no bond issues for certain periods, the spreads observed were interpolated on a linear basis.

- **Lease term**

The Group calculates the lease term as the non-cancellable period, plus the optional extension periods, if there is reasonable certainty that this option will be exercised. Periods covered by the option to terminate the lease early are also included, if there is reasonable certainty that this option will not be exercised.

The period considered for the leases largely depends on whether the lease contract contains a mandatory period or not, as well as unilateral termination and/or renewal clauses that entitle the Group to terminate in advance or extend the contracts. In this regard, to establish the economic interests affecting the determination of the term, the Group has considered the average periods of return on investments for a portfolio of stores at national level and their subsequent investment cycles as a fundamental variable. As a result of this analysis, the Group has determined cycles of duration per country so that the probable end date of each lease will be the first date after 1 January 2019 resulting from applying the established cycle on a recursive basis, from the contract start date. In the case of warehouses and offices, the probable end date is determined based on each specific reasonable vesting period. However, the probable end dates will not be less than the mandatory period of compliance according to the contract.

- **Short-term and low value leases**

The Group applies the exemption for recognising the short-term leases where the lease term is twelve months or less from the start date and where there is no purchase option. It also applies the low-value asset recognition exemption to leases that are considered low-value. Lease payments under short-term and low-value leases are recognised on a straight-line basis over the term of the lease.

- **Rights-of-use**

The Group recognises the right-of-use at the start of a lease. That is, the date on which the underlying asset is available for use. Rights-of-use are measured at cost, less accumulated amortisation and impairment losses and are adjusted for any changes to the value of associated lease liabilities. The initial cost of the right-of-use includes the recognised lease liabilities, initial direct costs and lease payments made before the start of the lease. Incentives received are deducted from the initial cost.

The right-of-use is amortised on a straight-line basis over the estimated lease term.

Right-of-use is subject to impairment analysis.

The Group's leases do not include decommissioning or restoration obligations.

Rights of use are presented under a separate heading in the balance sheet.

- **Lease liabilities**

At the start of the lease, the Group recognises the lease liabilities at the present value of the payments to be made during the lease term. Lease payments include fixed payments less lease incentives, variable payments depending on an index or rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option if the Group is reasonably certain of exercising this option and lease termination penalty payments if the term of the lease reflects the Group's exercising of the option to terminate the lease. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition that triggers the payment arises.

After the start date, the lease liability amount is increased to reflect the accrual of interest and reduced by the lease payments made. In addition, the lease liability shall be remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, or there is a change in the assessment made for purchasing the underlying asset. The liability also increases if there is a change in future lease payments arising from a change in the index or rate used to calculate these payments

Group as operating lessor

If the agreement does not substantially transfer all the risks and benefits inherent to ownership of the asset, the lease is classified as an operating lease. The income generated by the agreement is recognised on a straight-line basis during the term of the contract and is included as revenue in the income statement to the extent that it is of an operating nature.

The direct costs incurred on the signing of a lease agreement are included as an increase in the value of the leased asset and are amortised over the term of the lease using the same criteria as those applied to income. Contingent payments are recognised as income in the period in which they accrue.

i) Property, plant and equipment

Property, plant and equipment are measured at acquisition 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.

Given that the average period to carry out work on warehouses and stores does not exceed 12 months, there are no significant interest and other finance charges that are considered as an increase in property, plant and equipment.

Non-current investments 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. These investments are depreciated on a straight-line basis 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. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate. The carrying amount of any component accounted for as a separate asset is derecognised when it is replaced.

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

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

	Years
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.

Note 3k) details the criteria relating to impairment of non-current assets subject to amortisation.

j) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) whose carrying amount will be largely recovered through a sale transaction shall be classified as held for sale, instead of recognised at the value in use. In order to classify non-current assets or disposal groups as held for sale, they must be available for disposal in their current condition, exclusively subject to the usual terms and conditions of sale transactions, and the transaction must also be deemed to be highly probable.

Non-current assets (o disposal groups) classified as held for sale are not amortised or depreciated, and are recorded at their carrying amount or fair value, whichever is lower, less costs of retirement or disposal. An impairment loss is recognised for any initial or subsequent reduction in the value of the asset (or disposal group), up to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal group), although this may not exceed the cumulative impairment loss previously recognised. The loss or gain not previously recognised at the date of sale of a non-current asset (or disposal group) is recognised on the date it is written off. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets and disposal group assets classified as held for sale are disclosed separately from the other assets in the consolidated statement of financial position. Disposal group liabilities classified as held for sale are disclosed separately from the other liabilities in the consolidated statement of financial position.

The results of discontinued activities are disclosed separately in the income statement.

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 in profit or loss net of taxes of discontinued operations in the consolidated income statement.

Intragroup balances arising between non-current assets and liabilities held and those classified as held for sale are eliminated on consolidation. Also, the Group eliminated in the consolidated income statement the transactions between continuing operations and discontinued operations.

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

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently in the event of events or changes in circumstances that indicate that they may be impaired. Pursuant to the criteria contained in IAS 36, the Group performs a test annually to assess potential impairment 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 each CGU or group of CGUs is the greater between their fair value less cost of sales and their value in use. Determining this recoverable value and the grouping of cash-generating units to which goodwill has been allocated requires judgement on the part of the management and the use of estimates.

The CGU or group of CGUs to which goodwill has been allocated 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 two levels: a first level for stores with allocated goodwill and a second level on a company basis. This choice is based on both organisational and strategic criteria and how implementation decisions are made.

A CGU's value in use is measured based on the future cash flows post-tax the Group expects to derive from each CGU, 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 assets and other factors that market participants would reflect in pricing the future cash flows associated with the assets.

Note 6.1 contains some of the main assumptions used to measure the value in use of the CGUs to which goodwill is allocated.

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

Pursuant to IAS 36, the Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation at the end of each reporting period to verify whether the carrying amount of these assets exceeds the recoverable amount.

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. For the purposes of assessing impairment, each store relates to a separate cash-generating unit.

The Group tests non-current operating assets for impairment by level. At the first level, potential impairment of the property, plant and equipment and intangible assets is tested for the individual CGU (store). At the second level, potential impairment is analysed by grouping CGUs at the legal entity level and assigning the corporate assets that serve those CGU groups (mainly corporate headquarters, logistics centres and brands), together with the goodwill assigned at the legal entity level.

Based on past experience, the Group considers that there are indications of impairment when the performance of a mature store (one that has been in operation for more than two years) has been negative during the past two years and also those stores where impairment has been recorded. When indications of impairment exist, the Company estimates the recoverable amount of the assets allocated to each cash-generating unit and this is the greater between the fair value deducted by the disposal costs and its value in use. This value in use is determined by discounting estimated future cash flows, applying a post-tax discount rate which reflects the value of money and the specific risks associated with the asset.
The stores that have been assigned individual goodwill are tested annually regardless of whether or not there is any indication of impairment.

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

The Group uses a strategic plan to estimate the recoverable amount. This strategic plan generally covers a five-year period. For longer periods, projections based on the strategic plan are used as of the fifth year, applying a

constant expected growth rate, until the end of its useful life, adding a residual or disposal value of the asset at the end of this useful life in accordance with the accounting standards. Note 5.1 includes some of the main assumptions considered in determining the value in use of the cash-generating units to which the non-current assets are allocated.

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

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).

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

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

(iii) Impairment of rights of use

When a CGU has suffered asset impairment the Group reassesses the reasonable term of its lease agreement and the lease is reclassified to short-term items. The existing right of use is derecognised together with the financial liability associated with that right of use. A provision for an onerous contract is allocated for the costs associated with the termination of the lease agreement, as is mentioned in paragraph w) Provisions.

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) Trade receivables

Trade receivables are initially measured at fair value. The Group applies the simplified approach under IFRS 9, which requires that losses expected over the life of the item are recognised from the initial recognition of the account receivable. The Group recognises trade receivables in order to collect contractual cash flows, so they are subsequently measured at amortised cost using the effective interest method, less impairment adjustments.

The calculation of impairment adjustments is described in note 7.1 (d).

n) Investments and other financial assets

(i) Classification

Since 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those measured at amortised cost, y
- those measured subsequently at fair value (either with changes through profit and loss or in other comprehensive income).

The classification depends on the business model of the entity to manage the financial assets and contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in the income statement or in other comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the Group made an irrevocable choice upon initial recognition to recognise the investment in equity at fair value through changes in other comprehensive income.

The Group only reclassifies investments in debt when its business model for managing these assets changes.

ii) Recognition and derecognition

Conventional purchases and sales of financial assets are recognised at the date of trading, the date on which the Group undertakes to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or are transferred and the Group has transferred substantially all the risks and rewards of ownership.

iii) Measurement

The Group only has financial assets that are measured at amortised cost. Upon initial recognition, the Group measures a financial asset at fair value plus the transaction costs directly attributable to the acquisition of the financial asset.

Debt instruments

The Group's debt instruments comprise contractual cash flows representing only principal and interest payments. These debt instruments are subsequently measured at amortised cost. Income on these financial assets is included in financial income according to the effective interest rate method. Any gain or loss arising when derecognised is taken directly to profit or loss for the year in other gain/(losses) together with exchange gains and losses. Impairment losses are presented as a separate line item in the income statement.

o) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date the derivative contract is signed. They are subsequently remeasured to fair value at each balance sheet date. The accounting for subsequent changes in fair value depends on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item being hedged. The Group designates certain derivatives as:

- fair value hedges of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable expected transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging relationship, the Group documents the economic relationship between the hedging instruments and the hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The Group documents its risk management goal and strategy for undertaking hedging transactions.

The fair values of the financial derivatives designated as hedging instruments are detailed in Note 15.5. The total fair value of a hedging derivative is classified as non-current assets or liabilities if the remaining term of the hedged item is over 12 months, and classified as current when the remaining term is under 12 months. Trading derivatives are classified as current assets and liabilities.

(i) Cash flow hedges that qualify for hedge accounting

The effective part of the gain or loss on the hedging instrument classed as a cash flow hedge is recognised in the cash flow hedge reserve in equity. Gains or losses corresponding to the ineffective part is recognised immediately in other gains/(losses) for the year.

Gains and losses relating to the effective part of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve in equity. Changes in the time value of the option contracts relating to the hedged item (”aligned time value”) are recognised under other comprehensive income in the hedging reserve cost in equity.

When forward contracts are used to hedge planned transactions, the Group generally only designates the change in the fair value of the forward contract related with the cash element as the hedging instrument. Gains and losses corresponding to the effective part of the change in the cash element of the forward contracts are recognised in the cash flow hedge reserve in equity. The change in the forward element of the contract relating to the hedged item (”aligned forward element”) is recognised under other comprehensive income in the hedging cost reserve in equity. In certain cases, gains and losses corresponding to the effective part of the change in the fair value of the forward

contract are recognised in the cash flow hedge reserve in equity.

The amounts accumulated in net equity are reclassified in the years in which the hedged item affects income for the year, as follows:

- When the hedged item subsequently results in the recognition of a non-financial asset (such as inventories), both the deferred hedging gains and losses and the deferred time value or the deferred forward points, if any, are included in the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss for the year as the hedged item affects net income (e.g. through the cost of sales).

- Gains or losses corresponding to the effective part of interest rate swaps hedging variable rate loans is recognised in the income statement under “financial expenses” at the same time as the interest expense on the hedged loans.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any accumulated deferred gain or loss and the deferred costs of the hedge in equity at that time remain in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventories. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred hedging costs that were presented in equity are immediately reclassified to profit or loss for the year.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivatives do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in income and are included in other gains/(losses).

p) 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.

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.

q) Cash and cash equivalents

Cash and cash equivalents recognised in the consolidated statement of financial position comprise cash on hand and in bank accounts, demand deposits and other highly liquid investments with original maturities of three months or less which are readily convertible into determined amounts of cash and which are subject to an insignificant risk of changes in value. 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 the 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.

r) Trade and other payables

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

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

Trade discounts are recognised as a reduction in the cost of inventories when it is probable that the conditions for discounts to be received will be met. Any unallocated discounts are used to reduce the balance of merchandise and other consumables used in the consolidated income statement. The main discounts applied to suppliers are as follows:

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

Negotiations with suppliers take place yearly and are formally documented. At each monthly close, the Group recognises discounts obtained from suppliers. For this purpose, it records the charges/invoices issued for these items to the suppliers and the estimate calculated by the Sales Management. These monthly estimates are based on the approved budget to be achieved with each of the suppliers and on the degree of progress in the negotiations.

s) Borrowings

Financial debt is initially recognised at fair value, net of transaction costs incurred. Subsequently, financial debts are valued at their amortised cost. Any difference between the income obtained (net of transaction costs) and the repayment value is recognised in income over the life of the debt in accordance with the effective interest rate method. Fees paid for obtaining loans are recognised as loan transaction costs insofar as it is probable that part or all of the facility will be available. In this case, the fees are deferred until the drawdown takes place. When there is no evidence that all or part of the credit facility is likely to be available, the fee is capitalised as an advance payment for liquidity services and amortised over the period to which the credit facility availability relates.

The financial debt is written off the statement of financial position when the obligation specified in the contract is discharged or cancelled or expires The difference between the carrying amount of a financial liability cancelled or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss as other financial income or expenses.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, provided that the instruments have substantially different terms. 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.

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

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

The Group recognises exchanges of debt instruments with a lender, provided that the instruments have substantially different conditions, as a cancellation of the original financial liability and subsequent recognition of a new financial liability. Similarly, a substantial change in the terms of an existing financial liability or a portion thereof is accounted for as a cancellation of the original financial liability and subsequent recognition of a new financial liability. The

difference between the carrying amount of the financial liability that has been cancelled and the consideration paid, which includes any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss for the year.

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

t) 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.

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.

The subsequent redemption of the Parent instruments entails a capital reduction equivalent to the par value of the shares and the positive or negative difference between the acquisition price and the nominal value of the shares is charged or credited in reserve accounts.

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.

u) 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, together with the recognition of the relevant provision.

v) 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 recognises the resulting asset up to the limit of 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 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. Termination benefits are measured on the basis of the number of employees expected to accept the offer. Benefits that are not to be paid within the 12 months following the reporting date are discounted to the net present value.

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 on the part of those affected that the restructuring will be carried out because the Group has already started to implement the plan or has announced its main features to those affected by it.

Short-term employee benefits

Wage and salary liabilities, including non-monetary compensation, annual leave and accrued sick leave, that are expected to be settled within the 12 months following the end of the period in which the employees render the related service are recognised in respect of the employees' services until the end of the reporting period and are measured as the amounts expected to be paid when the liabilities are settled. The liabilities are presented in the statement of financial position as current liabilities for employee benefits.

w) 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. No provisions are recognised for future operating losses. 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.

The Group is undergoing legal proceedings and tax inspections in a number of jurisdictions. As a result, management uses significant judgement when determining whether it is probable that the process will result in an outflow of resources and when estimating the amount, so that the relevant provision can be made if necessary. 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 provided that the outflow can be reliably measured.

Assessments of the existence of 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.

x) Share-based payments

(i) Equity-settled share-based payment transactions

The Group recognises personnel expenses for services rendered as they are accrued over the period in which the equity instruments vest, as well as the corresponding increase in equity, under the caption "Other equity instruments" at the fair value of the equity instruments at the award date.

- If the equity instruments granted vest immediately on the grant date, or because their vesting is contemplated due to plan terms linked to changes in control, the services received are recognised in full, with a corresponding increase in equity;
- If the equity instruments granted do not vest until the employees complete a specified period of service, those services are accounted for during the vesting period, with a corresponding increase in equity.

The Group determines the fair value of the instruments granted to employees by reference to the market quotation value at the grant date.

Market conditions and other non-vesting conditions are taken into account when assessing the fair value of the instrument. Other vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for services received is based on the number of equity instruments expected to vest. Consequently, the 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.

The average number of shares expected to be delivered is calculated with the help of an independent expert, who performs the following:

- Regular updating of all relevant information for valuations taking into account the characteristics of the Plan, and information on the variable metrics of DIA and comparable companies.
- Application of a mathematical model, jointly modelling the financial variables using stochastic simulation techniques (Monte Carlo) to obtain the average number of shares expected to be handed over.

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.

Once the services received and the corresponding increase in equity has been recognised, no additional adjustments are made to equity after the vesting date, although any necessary reclassifications in equity may be made.

When the shares are handed over, the difference between the amount at which own shares acquired are booked and the amount recognised as Other equity instruments is taken to reserves. Shares granted to employees are net of withholdings applicable, calculated based on the fair value of the shares at the delivery date.

(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.

y) Income tax

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 current income tax charge is calculated on the basis of the tax laws enacted or about to be enacted at the reporting date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates stances adopted in tax returns with respect to situations in which applicable tax legislation is subject to interpretation. Provisions are posted, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax liabilities reflect income tax payable in future periods in respect of taxable temporary differences. Deferred tax assets reflect income tax recoverable in future periods in respect of deductible temporary differences, tax loss carryforwards pending offset and unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

Deferred tax assets and liabilities are calculated using the liability method on the basis of the temporary differences that arise between the base of assets and liabilities and their carrying amount in the consolidated annual accounts. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income, is also not recognised. The deferred tax is determined by applying tax regulations and rates approved or about to be approved at the reporting date and which are expected to be applied when the corresponding deferred tax asset is realised or the deferred tax liability settled.

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 16.

Deferred tax assets and liabilities are not recognised in respect of temporary differences between the carrying amount and tax base of investments in foreign operations when the entity is not able to control the date on which the temporary differences will reverse and they are not likely to reverse in the foreseeable future.

Current and deferred tax are recognised as income or expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, in other comprehensive income o directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets and liabilities, and when the deferred tax balances relate to the same tax authorities. The Group only offsets tax assets and liabilities if they have a legally enforceable right to offset the recognised amounts and it intends to either settle on a net basis or realise the assets and settle the liabilities simultaneously.

Deferred tax assets and deferred tax liabilities are recognized in the consolidated statement of financial position as non-current assets and non-current liabilities, irrespective of the expected date of recovery or settlement.

z) 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 DIA'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 (see note 4). The Group has identified the Chief Executive Officer as the highest decision-making authority for this purpose.

aa) 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 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

ab) 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.

ac) Related party transactions

Sales to and purchases from related parties are carried out under the same conditions as those existing in transactions between independent parties (see note 21).

ad) 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. INFORMATION ON OPERATING SEGMENTS

Information is provided on the following operating segments:

- Spain (including Swiss operations)
- Portugal
- Brazil
- Argentina (including Paraguayan operations)

The CEO monitors the operating results of its business units separately in order to make decisions on resource allocation and performance assessment. In order to assess the performance of each segment, the Group calculates an underlying operating profit or loss by segment, which the Group refers to as adjusted EBITDA.

This underlying operating profit or loss enables the CEO to analyse the results of the segments, eliminating restructuring costs, the effect of IFRS 16 on leases and the effect of IAS 29 due to hyperinflation, which are lines of the income statement that do not directly depend on the segment’s operations, but are based on Group decisions geared towards improving the operating results of the segment or certain corporate expenses.

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

A breakdown of key segment data is as follows:

Thounsands of Euro at 31st December 2019	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	Consolidated
Sales (1)	4,177,181	593,933	917,268	1,182,052	6,870,435
Adjusted EBITDA	18,157	9,618	12,051	(130,681)	(90,855)
% of sales	0.43%	1.62%	1.31%	(11.06)%	(1.32)%
Non-current assets	1,620,239	257,238	170,003	400,682	2,448,162
Liabilities	2,733,785	218,258	208,405	508,215	3,668,663
Liabilities directly aasociated with non-current assets held for sale	1,272	-	-	-	1,272
Acquisition of non-current assets (2)	33,765	9,242	9,432	40,536	92,975
Number of outlets	4,236	576	934	880	6,626

Thounsands of Euro at 31st December 2018	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	Consolidated
Sales (1)	4,551,526	644,870	970,574	1,409,117	7,576,087
Adjusted EBITDA	252,384	30,723	39,036	54,032	376,175
% of sales	5.55%	4.76%	4.02%	3.83%	4.97%
Non-current assets	1,405,661	209,202	162,943	381,295	2,159,101
Non-current assets held for sale	15,100	-	-	-	15,100
Liabilities	2,612,210	184,532	220,935	420,198	3,437,875
Acquisition of non-current assets	206,955	20,191	29,652	58,480	315,278
Number of outlets	4,684	603	979	1,172	7,438

(1) Sales eliminations arising from consilidation are included in segment Spain

(2) Use of rigth not incluided

The 2018 figures have been restated because they did not recognise the Clarel business as held for sale, as described in notes 1.1 c) and 2.3. A reconciliation between adjusted EBITDA and items in the consolidated income statement is as follows:

Thousands of euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL DECEMBER 2019
Net profit/(losses)	**(443,531)**	**(29,207)**	**(23,660)**	**(294,070)**	**(790,468)**
Net financial expense	76,786	9,602	34,644	33,537	154,569
Losses from financial instruments	5,970	-	73	-	6,043
Income tax	64,515	7,425	(10,853)	30,582	91,669
Depreciation and amortization	345,404	43,564	36,111	93,287	518,366
Losses net of taxes of discontinued operations	21,842	-	-	-	21,842
Gain from net monetary positions	-	-	(63,705)	-	(63,705)
Losses of companies accounts for using the equity method	(196)	-	-	-	(196)
Impairment of non-current assets	32,876	3,524	(163)	21,272	57,509
Losses on disposal of non current assets	18,452	22	16,241	35,253	69,968
Restructuring Cost	**108,966**	**1,169**	**6,855**	**14,119**	**131,109**
Expenses relating to store and warehouses closings	22,578	332	1,103	13,580	37,593
Expenses to efficiency projects	56,211	446	5,752	539	62,948
Other special expenses					
of which "consultory"	30,177	391	-	-	30,568
IFRS 16 leases	(212,928)	(26,481)	(17,355)	(64,660)	(321,424)
NIC 29 hyperinflationary standard effect	-	-	33,863	-	33,863
EBITDA ajustado	**18,156**	**9,618**	**12,051**	**(130,680)**	**(90,855)**

Thousands of euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	CHINA	TOTAL DECEMBER 2018
Net profit/(losses)	**(321,510)**	**(13,582)**	**(8,465)**	**(5,618)**	**(3,412)**	**(352,587)**
Net financial expense	30,488	717	37,634	14,616	-	83,455
Income tax	191,119	(3,740)	3,772	(2,791)	-	188,360
Depreciation and amortization	157,122	22,813	23,310	42,522	-	245,767
Losses net of taxes of discontinued operations	1,124	-	-	-	3,412	4,536
Gain from net monetary positions	-	-	(67,505)	-	-	(67,505)
Losses of companies accounts for using the equity method	377	-	806	-	-	1,183
Impairment of non-current assets	103,064	10,524	1,710	2,311	-	117,609
Losses on disposal of non current assets	(7,792)	(3,079)	7,888	(8,634)	-	(11,617)
Restructuring Cost	**98,392**	**17,070**	**3,620**	**11,626**	**-**	**130,708**
Expenses to store remodeling	17,237	2,935	1,111	1,106	-	22,389
Expenses relating to transfer proprietary stores to franchised stores	9,792	-	-	2,505	-	12,297
Expenses relating to store and warehouses closings	22,695	8,770	-	-	-	31,465
Expenses to efficiency projects	27,810	5,275	1,990	-	-	35,075
Other special expenses						
of which "transportation strike in Brazil"	-	-	-	7,941	-	7,941
of which "consultory"	18,206	-	-	-	-	18,206
Other expenses	1,951	-	318	-	-	2,269
Expenses relating with the share-based payment transactions	701	90	201	74	-	1,066
NIC 29 hyperinflationary standard effect	-	-	36,266	-	-	36,266
EBITDA ajustado	**252,384**	**30,723**	**39,036**	**54,032**	**-**	**376,175**

The breakdown of Restructuring Costs in 2019 relates to:

- Expenses totalling Euros 37.6 million associated with the closing of stores and warehouses, of which Euros 26.2 million is associated with compensation for store leaving, Euros 8.1 million to closing operations with the Master Franchiser of Bahia and other related operating costs in the amount of Euros 3.3 million.
- Expenses for efficiency projects and indemnity payments totalling Euros 62.9 million that accrued on total estimated costs associated with the group layoffs approved in Spain and dismissals in other countries.
- Expenses for advisors and other items totalling Euros 30.6 million, primarily consisting of extraordinary fees relating to: financial and corporate advisory services, auditors, forensic services, legal counsel and strategic consultancy services, as well as the preparation of the Euros 600 million share capital increase presented by the former Board to Shareholders, which included operating costs amounting to Euros 30.1 million and Euros 0.5 million included under other business expenses.

The effect of the initial application of the new IFRS 16 in 2019 (without restating 2018 information for comparison purposes) and IAS 29 is presented separately in the table and this completes the explanation of the evolution of the items excluded from Adjusted EBITDA.

It is important to note that the definition of Adjusted EBITDA was updated in 2019 to: (i) exclude the effect of IAS 29 and IFRS 16 and (ii) include as ordinary operating expenses or income - to be more conservative- those items relating to the remodelling or closing of stores, remuneration and long-term incentive plans, as well as the impairment of receivables from franchisees.

Amortisation/depreciation more than doubled in 2019 (from Euros 245.8 million to Euros 518.4 million) due to the application of the new IFRS 16.

5. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment for 2019 and 2018 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 2018	120,820	1,304,193	1,682,386	126,362	31,229	171,492	3,436,482
Additions	175	74,628	151,299	20,566	34,095	13,406	294,169
Disposals	(23,208)	(77,819)	(33,447)	(6,907)	(441)	(5,795)	(147,617)
Transfers	-	16,620	9,610	1,537	(29,237)	1,032	(438)
Hyperinflation	6,584	75,775	58,623	24,786	8,468	10,047	184,283
Transfers to assets held for sale	(138)	(1,990)	(4,392)	(131)	-	(98)	(6,749)
Translation differences	(1,355)	(53,144)	(51,891)	(15,742)	(7,309)	(7,289)	(136,730)
At 31st December 2018	102,878	1,338,263	1,812,188	150,471	36,805	182,795	3,623,400
Additions	2	27,210	34,587	3,660	10,945	5,790	82,194
Disposals	(2,012)	(95,596)	(129,199)	(9,013)	(3,045)	(10,657)	(249,522)
Transfers	-	7,789	22,300	(14,114)	(21,573)	3,992	(1,606)
Transfers IFRS16	(176)	(527)	(45,466)	-	-	(16,422)	(62,591)
Business combination	-	-	-	16	-	230	246
Hyperinflation	369	37,549	33,891	12,553	(5,407)	5,540	84,495
Transfers to assets held for sale (note 13)	-	(105)	(94)	-	-	-	(199)
Translation differences	(2,555)	(45,520)	(39,357)	(14,789)	(5,882)	(5,697)	(113,800)
At 31st December 2019	98,506	1,269,063	1,688,850	128,784	11,843	165,571	3,362,617
Depreciation							
At 1st January 2018	-	(681,977)	(1,119,241)	(66,533)	-	(128,755)	(1,996,506)
Amortisation and depreciation (note 19.5)	-	(55,824)	(142,032)	(16,924)	-	(18,422)	(233,202)
Disposals	-	28,120	23,169	6,011	-	3,900	61,200
Transfers	-	(746)	1,771	(1,237)	-	64	(148)
Hyperinflation	-	(22,840)	(32,167)	(15,616)	-	(8,947)	(79,570)
Other movements	-	56	94	(20)	-	33	163
Transfers to assets held for sale	-	767	2,048	55	-	54	2,924
Translation differences	-	7,952	20,894	6,529	-	4,381	39,756
At 31st December 2018	-	(724,492)	(1,245,464)	(87,735)	-	(147,692)	(2,205,383)
Amortisation and depreciation (note 19.5)	-	(60,220)	(125,332)	(11,085)	-	(11,857)	(208,494)
Disposals	-	54,689	91,915	7,408	-	9,299	163,311
Transfers	-	(875)	(7,708)	7,585	-	(469)	(1,467)
Transfers IFRS16	-	138	25,338	-	-	7,188	32,664
Business combination	-	-	-	(16)	-	(230)	(246)
Hyperinflation	-	4,797	(21,838)	(9,065)	-	(3,381)	(29,487)
Transfers to assets held for sale (note 13)	-	5	6	-	-	-	11
Translation differences	-	12,300	21,541	8,808	-	4,831	47,480
At 31st December 2019	-	(713,658)	(1,261,542)	(84,100)	-	(142,311)	(2,201,611)
Impairment							
At 1st January 2018	(612)	(19,902)	(8,704)	(10)	-	(9)	(29,237)
Allowance (note 19.5)	-	(53,660)	(13,888)	(3)	-	-	(67,551)
Distribution	-	5,459	1,741	3	-	-	7,203
Reversals (note 19.5)	-	998	167	-	-	6	1,171
Hyperinflation	-	(2,415)	-	-	-	-	(2,415)
Other movements	-	50	-	-	-	-	50
Transfers	341	31	138	-	-	-	510
Transfers to assets held for sale	-	11	31	-	-	-	42
Translation differences	-	217	-	-	-	-	217
At 31st December 2018	(271)	(69,211)	(20,515)	(10)	-	(3)	(90,010)
Allowance (note 19.5)	(9,467)	(41,186)	(10,280)	(169)	-	(11)	(61,113)
Distribution	-	20,279	4,574	2	-	-	24,855
Reversals (note 19.5)	-	13,510	3,063	-	-	-	16,573
Hyperinflation	-	(925)	-	-	-	-	(925)
Other movements	-	(27)	-	-	-	-	(27)
Transfers	-	1,733	1,160	-	-	-	2,893
Transfers IFRS16	-	290	-	-	-	-	290
Transfers to assets held for sale (note 13)	-	18	-	-	-	-	18
Translation differences	-	2,020	-	-	-	-	2,020
At 31st December 2019	(9,738)	(73,499)	(21,998)	(177)	-	(14)	(105,426)
Net carrying amount							
At 31st December 2018	102,607	544,560	546,209	62,726	36,805	35,100	1,328,007
At 1st January 2018	120,208	602,314	554,441	59,819	31,229	42,728	1,410,739
At 31st December 2019	88,768	481,906	405,310	44,507	11,843	23,246	1,055,580
At 1st January 2019	102,607	544,560	546,209	62,726	36,805	35,100	1,328,007

Property, plant and equipment recorded in the consolidated annual accounts at 31 December 2018 at Euros 1,268,000 thousand have been restated by Euros 59,407 thousand, as a result of the decision made in 2019 to reverse the classification of Clarel as held for sale (see notes 1.1 c) and 2.3).

In 2019 additions have been limited due to the Group's financial difficulties. Additions in 2018 were a result of new stores being opened, the refurbishment work carried out and the remodelling to accommodate new formats, as follows:

Thousands of Euro	2019	2018
Spain	24,672	189,764
Switzerland	18	22
Portugal	9,055	19,818
Argentina	8,730	28,202
Brazil	39,719	56,363
Total	**82,194**	**294,169**

Disposals in 2019 mainly include those associated with the remodelling and closure of shops in Brazil and Spain during this period. Disposals in 2018 primarily comprise items replaced as a result of the aforementioned refurbishment work, the sale of DIA Group buildings to third parties, and streamlining of the store network (see note 1d)).

As regards store sale and leaseback transactions, 88 stores and 3 warehouses were sold in 2018 that were subsequently leased back under operating leases. The carrying amount of those items sold and subsequently leased back under operating leases amounted to Euros 64,434 thousand in 2018 and the sales generated a profit of Euros 28,115 thousand. These amounts were recognised under the heading "results on the disposal of non-current assets" in the consolidated income statement (see note 19.6). In 2019, five stores were sold for subsequent leasing in Argentina, generating a profit of Euros 868 thousand relating to the rights transferred to the purchaser-lessor and which therefore do not relate to the right-of-use held by the Group.

The sale and leaseback transactions carried out in 2018 were completed at arm's length and no such transactions took place with related parties.

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

Thousands of Euros at 31 December	2019	2018
Buildings	359,517	298,953
Equipment, fixtures and fittings and machinery	727,534	689,036
Other installations, utensils and furniture	24,358	18,641
Other fixed assets	95,057	88,065
Total	**1,206,466**	**1,094,695**

No interest expense were capitalised in 2019 or 2018.

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.

At 31 December 2019, there were no contractual commitments to purchase fixed assets.

The composition of payments for investments in property, plant and equipment recorded in the cash flow statement is as follows:

Thousands of Euro	2019	2018
Adictions property, plant and equipment	82,194	294,169
Variation suppliers of fixed assets	69,511	25,737
	151,705	**319,906**

5.1 Impairment of property, plant and equipment

As described in Note 2.9 k) (ii), based on past experience, the Group considers that there are indications of impairment when the performance of a mature store (one that has been in operation for more than two years) has been negative during the past two years and also those stores where impairment has been recorded. Also, all stores assigned individual goodwill have been analysed to identify the existence of potential impairment.

The recoverable amount of each store is based on the value in use calculations using discounted future cash flows which require the use of a market participant's assumptions. These calculations are based on cash flow projections from the approved five-year business plan (see note 1.1). Cash flows beyond this projected period are extrapolated using the estimated growth rates indicated below. The growth rate considered from the fifth year should not exceed the average long-term growth rate for the distribution business in which the Group operates.
The business plan used has been drawn up taking past experience into account, as well as forecasts consistent with those included in the specific sector reports. This business plan takes into account significant structural changes and store refurbishments and, hence, the projections include capital expenses to undertake these refurbishments and achieve a boost in sales to recover the market position.

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

	España		Portugal	
	2019	2018	2019	2018
Sales growth rate (1)	8.77%	4.38%	8.73%	2.06%
Growth rate (2)	1.70%	2.00%	1.50%	2.00%
Discount rate (3)	6.90%	7.37%	7.05%	7.76%
Commercial margin (4)	24.15%	25.58%	21.18%	20.72%

	Argentina		Brasil	
	2019	2018	2019	2018
Sales growth rate (1)	5.90%	2.48%	13.13%	8.82%
Growth rate (2)	1.70%	2.00%	0.00%	2.00%
Discount rate (3)	14.29%	12.17%	8.86%	9.96%
Commercial margin (4)	18.67%	18.55%	19.74%	18.34%

(1) Weighted average annual growth rate of sales for the 5-year projected period
(2) Weighted average growth rate used to extrapolate cash flows beyond the budgeted period.
(3) Post-tax discount applied to cash flow projections
(4) Sales margin, average for the 2020-2024 period calculated on net sales less goods used and other income

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

Sales growth rate

The average annual growth rate for the forecast period has been determined on the basis of Management's expectations of market development, the Group's strategic plan, and taking into account the optimization store plans, store remodelling to new formats, and the evolution of macroeconomic indicators (population, food price inflation, etc.). For the purposes of comparing the growth rate of sales between years, it is also necessary to take into account the significant store closing in 2019 with implies a minor potential growth.

Long-term growth rate

The growth rates used to extrapolate flows beyond the initial five-year period have been determined based on the International Monetary Fund's medium and long-term inflation rates.

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

Post-tax discount rate

The discount rates used reflect the specific risks relating to the businesses in the countries in which they operate. The discount rates used are post-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 sector adjusted beta, the market risk differential and the size of the Company.

The hypotheses considered for the calculation of discount rates have been made in euros in all cases.

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

It should specifically be mentioned that for those stores, in Portugal and Brasil, whose sales growth exceeded a determined growth threshold, a higher increased discountl rate has been used, as follow:

	Sales increase Rate	Increased discount rate
Portugal	>8.5%	8.3%
Brazil	>11%	10.4%

Sales margin

The sales margin remains stable throughout the budget period in all countries, with a slight improvement in the cost of logistics.

The impairment test has been carried out in accordance with the criteria set forth in note 3k) ii), as follows:

1) Firstly, the Cash Generating Units (CGUs) with store-level impairment indications (individual CGU) have been identified and the impairment of stores whose recoverable value is less than their carrying value has been analysed.
2) Secondly, CGUs have been aggregated at the country level and the corporate assets that serve those CGU groups (mainly corporate headquarters, logistics centres and brands), together with the goodwill at the legal entity level, have been assigned.

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

The impairment tests performed have resulted in the recognition of net impairment totalling Euros 44,540 thousand relating to property, plant and equipment in 2019. This impairment relates to 410 stores for a total of Euros 34,920 thousand, the estimated closing of 188 stores for a total of Euros 5,484 thousand (including moveable assets), the impairment of four warehouses for a total of Euros 12,949 thousand and the impairment of fruit display furnishings, which will be replaced, for a total of Euros 7,760 thousand. In addition, the impairment of stores in prior years amounting to Euros 16.573 thousand has been reversed. Furthermore, as a result of these impairment tests, Euros 508 thousand of intangible assets have been reversed (see note 19.5) and Euros 13,477 thousand of goodwill have been recognised (see note 6.1).

Impairment totalling Euros 117,609 thousand was recorded in 2018 (Euros 66,380 thousand for property, plant and equipment, Euros 1,683 thousand for intangible assets and Euros 49,546 thousand for goodwill) of which Euros 33,062 thousand related to the full impairment of 365 stores that were expected to be closed or sold, Euros 46,776 thousand related to another 304 stores and Euros 37,771 thousand involved the impairment of the goodwill recorded by Schlecker, S.A. (see note 6.1). Almost all of the impairment related to Spain (Euros 103,125 thousand) and Portugal (Euros 10,463 thousand), and the remaining amount originates in Argentina and Brazil.

Total net impairment by country at 31 December 2019 and 2018 is as follows:

Thousands of Euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL
Total Impairment at 31st December 2019	(32,876)	(3,524)	163	(21,272)	**(57,509)**
Total Impairment at 31st December 2018	(103,125)	(10,463)	(1,710)	(2,311)	**(117,609)**

As mentioned in the preceding paragraphs, the new business plan updated at the end of 2019 envisages the closure/sale of stores in the Group of which only around 188, 168 stores in Spain have been identified to date, relating to the stores expected to be closed or sold in 2020 (365 stores in 2019, 300 in Spain). In addition, for the purposes of the test, since sale values could not be estimated for the stores earmarked for closure or sale, and which are also generating negative cash flows, the full carrying value of their non-moveable assets not expected to be recovered through use in other stores has been impaired. Stores to be closed that have not been individually identified have been analysed using the same methodology applied to stores not expected to close.

The second-level analysis did not result in the need to recognise any impairment whatsoever relating to the corporate headquarters and brands (also see note 6.1).

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

- A reduction in the average sales growth rate of 100 basis points would have led to an additional impairment of Euros 13,445 thousand;
- A decrease of 20 basis points in the sales margin would have led to an additional impairment of Euros 2,833 thousand;

- An increase of 100 basis points in the discount rate would have led to an additional impairment of Euros 5,684 thousand;
- Or a drop in the perpetual growth rate of 100 basis points would have led to an additional impairment of Euros 4,490 thousand.

6. INTANGIBLE ASSETS

6.1. Goodwill

Details of goodwill by legal entity and country and movement during the period are as follows:

Thousands of Euros	Plus Supermercados, S.A. (1)	Grupo El Arbol, S.A. (2)	Acquisitions 148 stores Grupo Eroski (3)	Schlecker, S.A. (4)	Distribuciones Reus, S.A. (5)	Other additional acquisitions	ESPAÑA	Companhia Portuguesa de Lojas de Desconto,S.A. (6)	PORTUGAL	TOTAL
ADQUISITION YEAR	2007	2014	2015	2013	1991	Varios		1998		
Net Goodwill 31/12/2017	**160,553**	**155,114**	**91,695**	**48,591**	**26,480**	**30,942**	**513,375**	**39,754**	**39,754**	**553,129**
Impairment allowance (note 19.5)	-	(670)	(4,738)	(37,771)	-	(6,367)	(49,546)	-	-	(49,546)
Net Goodwill 31/12/2018	**160,553**	**154,444**	**86,957**	**10,820**	**26,480**	**24,575**	**463,829**	**39,754**	**39,754**	**503,583**
Disposals	-	-	(1,000)	-	-	(9)	(1,009)	-	-	(1,009)
Transfers	-	-	(47)	-	-	-	(47)	-	-	(47)
Impairment allowance (note 19.5)	-	-	(9,649)	-	-	(3,828)	(13,477)	-	-	(13,477)
Net Goodwill 31/12/2019	**160,553**	**154,444**	**76,261**	**10,820**	**26,480**	**20,739**	**449,297**	**39,754**	**39,754**	**489,051**

(1) Goodwill arising in the business combination by which the Group acquired Plus Supermercados, S.A., an entity called Twins Alimentación, S.A. in 2018 and currently called Dia Retail España, S.A., which operates under the name of DIA Maxi.
(2) This goodwill arose from the acquisition of Grupo El Árbol, S.A., a business currently operated under the name La Plaza de DIA.
(3) Goodwill associated with the acquisition of 148 Eroski Group stores. The goodwill is assigned to the legal entities DIA, S.A. and Grupo El Árbol, S.A. and the commercial name under which these stores operate is DIA Market and La Plaza de DIA, respectively.
(4) The goodwill for Schlecker, S.A. relates to the entity currently called Beauty by DIA, S.A., which operates under the Clarel brand.
(5) The goodwill associated with Distribuciones Reus, S.A. is assigned to the legal entity DIA, S.A. and relates to stores operated under the brands DIA Maxi and DIA Market.
(6) The goodwill for Companhia Portuguesa de Lojas de Desconto, S.A., relates to the legal entity DIA Portugal II, and refer to stores operated under the Minipreço brand.

Spain's goodwill recorded in the consolidated annual accounts at 31 December 2018 at Euros 453,011 thousand has been restated at Euros 10,820 thousand, as a result of the decision made in 2019 to reverse the classification of Clarel as held for sale (see notes 1.1 c) and 2.3).

The recoverable amount is based on the value in use calculations using discounted future cash flows, having considered the same key variables as indicated in note 5.1. in the case of goodwill of individual stores. In the case of consolidation goodwill, the same variables in note 5.1 have been considered, except for the discount rate, where an increased discount rates have been considered, as follow: Portugal 8,24% and Spain between 7,53% and 10,15%.

The impairment tests performed have resulted in the recognition of an impairment loss totalling Euros 13,477 thousand in 2019 (in 2018: Euros 11,773 thousand) relating to the impairment of goodwill assigned to the stores whose analysis resulted in the need to reflect impairment as is described in note 5.1 and the impairment of the goodwill recognised by the subsidiary Dia Eshopping after the decision to liquidate the company in June 2019, as is mentioned in note 1. The remaining goodwill arising on consolidation, which is tested for impairment at the entity level, has not reflected a need for any impairment.

The elimination of goodwill in 2019 concerns the closing of the Santiago Bernabeu store due to the closing of the centre in which it was located.

Impairment on goodwill in 2018 resulted mainly from the impairment of the goodwill on consolidation arising in 2013 on the acquisition of Schlecker, S.A. (entity currently called Beauty by DIA, S.A. operating under the Clarel brand). Impairment amounting to Euros 37,771 thousand, as mentioned in note 19.5, was recorded and in the accounts published in the prior year it was classified as discontinued operations.

Sensitivity analysis

Sensitivity analyses are carried out in all cases in relation to the sales growth rate, the sales margin, the discount rate used and the perpetual cash flow growth rates, in order to verify that reasonable changes in these assumptions would not have an impact on the possible recovery of the goodwill recorded.

No impacts have been identified in the goodwill impairment test for changes that the Group considers reasonably possible in the variables noted in the preceding paragraph. Finally, the recoverable amount of the groups of CGUs for Spain and Portugal would be equal to their carrying value if the key assumptions, considered each of them individually, were to reach the values shown in the table below:

	Sales growth rate (1)	Growth rate (2)	Discount rate (3)	Commercial margin (4)
Spain				
DIA and Dia Retail España	9,6%	(0,3)%	11,6%	20,9%
Schlecker (Clarel)	3,1%	(12,1)%	17,1%	14,0%
Grupo el Árbol	(0,5)%	(7,5)%	17,1%	24,3%
Portugal	2,9%	(7,5)%	20,5%	13,7%

(1) Weighted average annual growth rate of sales for the 5-year projected period
(2) Weighted average growth rate used to extrapolate cash flows beyond the budgeted period.
(3) Post-tax discount applied to cash flow projections
(4) Sales margin, average for the 2020-2024 period calculated on net sales and other income less goods used

It is estimated that the recoverable amount of the group of CGUs in Spain exceeds the carrying amount of the group of CGUs by Euros 600 million at 31 December 2019 (Euros 1,514 million at 31 December 2018).

It is also estimated that the recoverable value of the group of CGUs in Portugal exceeds the carrying amount by Euros 222 million at 31 December 2019 (Euros 286 million at 31 December 2018).

6.2. Right-of-use

IFRS 16 Leases was adopted for the first time in 2019, as mentioned in note 2.7 First-time application of accounting standards.

The Group has chosen to apply IFRS 16 using the modified retroactive method, recognising the right-of-use asset for an amount equal to the lease liability (see note 14.1 c). In applying this approach, the Group does not restate comparative information.

Details of right-of-use assets and movement during 2019 are as follows:

Thousands of euro	Land and buildings	Equipment, fixtures and fittings and machinery	Other installations, utensils and furniture	Other fixed assets	Total
A 1st January 2019	**738,080**	**-**	**-**	**-**	**738,080**
Additions	247,718	5,784	-	2,317	255,819
Disposals	(91,075)	(9,587)	-	(3,309)	(103,971)
Transfers	-	(419)	77	-	(342)
Transfers IFRS16	703	45,466	-	16,422	62,591
Value update	26,525	-	-	-	26,525
Translation differences	(3,833)	-	-	-	(3,833)
At 31st December 2019	**918,118**	**41,244**	**77**	**15,430**	**974,869**
Depreciation					
A 1st January 2019	**-**	**-**	**-**	**-**	**-**
Amortisation and depreciation (note 18.5)	(280,679)	(7,557)	(12)	(2,966)	(291,214)
Disposals	34,463	8,204	-	2,885	45,552
Transfers	-	184	-	-	184
Transfers IFRS16	(138)	(25,338)	-	(7,188)	(32,664)
Hyperinflation	2,514	-	-	-	2,514
Translation differences	1,086	-	-	-	1,086
At 31st December 2019	**(242,754)**	**(24,507)**	**(12)**	**(7,269)**	**(274,542)**
Impairment					
Transfers IFRS16	(290)	-	-	-	(290)
At 31st December 2019	**(290)**	**-**	**-**	**-**	**(290)**
Net carrying amount					
At 31st December 2019	**675,074**	**16,737**	**65**	**8,161**	**700,037**
At 1st January 2019	**738,080**	**-**	**-**	**-**	**738,080**

The balance at 1 January 2019 relates to the right-of-use amount generated by the initial charge.

Transfers under IFRS 16 for a net amount of Euros 29,637 thousand correspond to the assets recorded in the 2018 consolidated annual accounts as property, plant and equipment under finance leases and comprise certain commercial premises, technical installations, machinery and other property, plant and equipment (vehicles), which have been transferred to this caption as a result of the enforcement of IFRS 16, since they correspond to right-of-use.

Details by segment of additions in 2019 are as follows:

Thousands of Euro	2019
Spain	214,797
Portugal	22,977
Argentina	(7,800)
Brazil	25,845
Total	**255,819**

A reconciliation of the minimum payment commitments recognised in the Consolidated Annual Accounts for 2018 and the finance lease liability recorded at 1 January 2019 is presented below with respect to the initial measurement of the liability.

	Thousands of euro
Operating lease commitments at 31st December 2018	289,038
Average Discount rate at 31st December 2019	9.50%
Operating lease commitments at 31st December 2019	**207,953**
Commitments related to short-term leases	(1,516)
Commitments related to discontinued operations	(1,508)
Commitments related to leases previously classified as financial	30,289
Payments for optional periods not included at 31st December 2018	533,151
Lease liabilities at 31st December 2019	**768,369**
Which:	
Short-term liabilities	240,372
Long-term liabilities	527,997
	768,369

The initial value of right of use assets recognised at 1 January 2019 is equal to the value of the aforementioned finance lease liability.

The effect of applying IFRS 16 at 1 January 2019 was as follows:

ASSETS		EQUITY AND LIABILITIES	
Fixed assets	(29,637)	Financial debt Non-current	507,319
Other intangible assets	767,717	Non-current liabilities	507,319
Non-current assets	738,080		
		Financial debtcurrent	230,761
		Current liabilities	230,761
TOTAL ASSETS	**738,080**	**TOTAL EQUITY AND LIABILITIES**	**738,080**

The Group has approximately 7,250 operating lease contracts in place at 31 December 2019 and 2018. In general terms, the operating leases on stores only establish the payment of a fixed monthly charge which is reviewed annually in line with and index linked to the rate of inflation. Operating leases generally do not include clauses establishing variable amounts such as turnover-based fees, or contingent rent amounts.

Leases on warehouses generally have the same characteristics as for stores. The Group has purchase options on several warehouse leases, which are included under commitments off the statement of financial position (see note 20.1).

In 2018 sale and leaseback contracts were signed for certain warehouses and stores with terms of between 20 and 30 years and a minimum tie-in period of between 2 and 10 years. Some logistics contracts call for the start of other mandatory compliance periods after the minimum commitment periods until the total term of the contracted is fulfilled. These items have not been taken into consideration by the Group when determining the term and the classification of the lease since there is no reasonable certainty of remaining during those additional periods.

Details of the main operating lease contracts in force at 31 December 2019 and 2018 are as follows:

2019					
Warehouse	Country	Minimum lease period	Warehouse	Country	Minimum lease period
Getafe	SPAIN	2026	Almería	SPAIN	2020
Mallén	SPAIN	2023	Salamanca	SPAIN	2020
Mejorada del Campo	SPAIN	2024	Valongo	PORTUGAL	2028
Miranda	SPAIN	2020	Torres Novas	PORTUGAL	2028
Orihuela	SPAIN	2023	Alverca	PORTUGAL	2028
Sabadell	SPAIN	2029	Anhanghera	BRAZIL	2020
San Antonio	SPAIN	2023	Americana	BRAZIL	2020
Villanubla	SPAIN	2022	Ribeirao Preto	BRAZIL	2020
Villanueva de Gállego	SPAIN	2030	Belo Horizonte	BRAZIL	2020
Dos Hermanas	SPAIN	2027	Mauá	BRAZIL	2021
Azuqueca	SPAIN	2020	Nova Santa Rita	BRAZIL	2020
Granda-Siero	SPAIN	2020			
2018					
Warehouse	Country	Minimum lease period	Warehouse	Country	Minimum lease period
Getafe	SPAIN	2026	Almería	SPAIN	2019
Mallén	SPAIN	2023	Salamanca	SPAIN	2019
Manises	SPAIN	2019	Valongo	PORTUGAL	2028
Mejorada del Campo	SPAIN	2024	Torres Novas	PORTUGAL	2028
Miranda	SPAIN	2019	Alverca	PORTUGAL	2028
Orihuela	SPAIN	2023	Anhanghera	BRAZIL	2019
Sabadell	SPAIN	2029	Guarulhos	BRAZIL	2019
San Antonio	SPAIN	2023	Americana	BRAZIL	2019
Villanubla	SPAIN	2019	Porto Alegre	BRAZIL	2019
Villanueva de Gállego	SPAIN	2030	Ribeirao Preto	BRAZIL	2019
Dos Hermanas	SPAIN	2027	Belo Horizonte	BRAZIL	2019
Azuqueca	SPAIN	2020	Mauá	BRAZIL	2021
Granda-Siero	SPAIN	2020	Nova Santa Rita	BRAZIL	2020
			Avellaneda	ARGENTINA	2019

Moreover, minimum payments under non-cancellable leases are as follows:

Thousands of Euros	2019	2018
Less than one year	122	88,775
One to five years	121	124,217
Over five years	-	68,765
Total minimum lease payments, property	**243**	**281,757**
Less than one year	2,171	3,035
One to five years	1,818	4,006
Over five years	4	240
Total minimum lease payments, furniture and equipm	**3,993**	**7,281**

At 31 December 2019, only minimum payments linked to lease agreements not included in the scope of IFRS 16 or which are not provisioned for as onerous contracts are listed.

The majority of the lease contracts for stores signed by the Group contain clauses allowing them to be terminated at any time throughout their useful lives, once the mandatory tie-in period has elapsed, by informing the lessor of this decision with the agreed period of notice, which is generally under three months. The amount of total lease commitments in 2018 was similar to the amount of annual lease expenses in that year, up until the entry into force of IFRS 16. On 1 January 2019, after this standard entered into force, all irrevocable leases were capitalised together with future lease payments, to the extent that a reasonably certain permanence period has been estimated and, therefore, those amounts were capitalised as a right of use, as mentioned at the start of this note.

6.3. Other intangible assets

Details of other intangible assets and movements are as follows:

Thousand of euros	Development cost	Industrial property	Leaseholds	Computer software	Other intangible assets	Total
Cost						
At 1st January 2018	**15,104**	**10,197**	**23,135**	**46,030**	**14,261**	**108,727**
Additions/Internal development	14,958	452	829	4,741	129	21,109
Disposals	47	-	(299)	(1,931)	(976)	(3,159)
Reversals	-	-	-	5	-	5
Transfers	(7,867)	(2,395)	-	10,317	21	76
Hyperinflation	-	-	-	1,280	-	1,280
Other movements	-	-	-	-	(11)	(11)
Translation differences	-	-	-	(1,426)	(616)	(2,042)
At 31st December 2018	**22,242**	**8,254**	**23,665**	**59,016**	**12,808**	**125,985**
Additions/Internal development	6,011	-	11	4,712	47	10,781
Disposals	(339)	(5,567)	(700)	(1,388)	(1,564)	(9,558)
Transfers	(21,047)	-	-	21,436	-	389
Business combination	-	-	-	1,002	-	1,002
Hyperinflation	-	-	358	1,012	417	1,787
Translation differences	-	-	(265)	(1,118)	(172)	(1,555)
At 31st December 2019	**6,867**	**2,687**	**23,069**	**84,672**	**11,536**	**128,831**
Depreciation						
At 1st January 2018	**-**	**(5,844)**	**(19,739)**	**(34,559)**	**(4,283)**	**(64,425)**
Amortisation and depreciation (note 19.5)	-	(1,986)	(953)	(9,049)	(577)	(12,565)
Disposals	-	1,119	266	177	295	1,857
Hyperinflation	-	-	-	(834)	22	(812)
Exits from consolidation perimeter	-	-	-	(662)	-	(662)
Translation differences	-	-	-	1,292	98	1,390
At 31st December 2018	**-**	**(6,711)**	**(20,426)**	**(43,635)**	**(4,445)**	**(75,217)**
Amortisation and depreciation (note 19.5)	-	(618)	(991)	(16,567)	(482)	(18,658)
Disposals	-	5,453	671	807	844	7,775
Transfers	-	-	-	-	(32)	(32)
Business combination	-	-	-	(1,001)	-	(1,001)
Hyperinflation	-	-	(143)	(558)	(173)	(874)
Translation differences	-	-	22	674	42	738
At 31st December 2019	**-**	**(1,876)**	**(20,867)**	**(60,280)**	**(4,246)**	**(87,269)**
Impairment						
At 1st January 2018	**-**	**-**	**(37)**	**-**	**(773)**	**(810)**
Allowance (note 19.5)	-	-	(137)	(39)	(1,507)	(1,683)
Distribution	-	-	13	-	632	645
Other movements	-	-	-	-	7	7
At 31st December 2018	**-**	**-**	**(161)**	**(39)**	**(1,641)**	**(1,841)**
Allowance (note 19.5)	-	-	(2)	(99)	(325)	(426)
Distribution	-	-	28	77	227	332
Reversals (note 19.5)	-	-	105	-	829	934
Transfers	-	-	-	(3)	31	28
Translation differences	-	-	-	6	-	6
At 31st December 2019	**-**	**-**	**(30)**	**(60)**	**(879)**	**(969)**
Net carrying amount						
At 31st December 2018	**22,242**	**1,543**	**3,078**	**15,342**	**6,722**	**48,927**
At 31st December 2019	**6,867**	**811**	**2,172**	**24,332**	**6,411**	**40,593**

Other intangible assets recorded in the consolidated annual accounts at 31 December 2018 at Euros 47,297 thousand have been restated at Euros 1,630 thousand, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1.1 c) and 2.3).

Additions recorded in 2019 and 2018 mainly include development expenses corresponding to in-house IT projects produced in Spain for an amount of Euros 6,011 thousand (Euros 14,958 thousand in 2018), which have chiefly arisen because of updates to the computer software for POS terminals called Vela) and acquisitions of software also in Spain for a total of Euros 4,712 thousand (Euros 4,741 thousand in 2018). Computer software was also acquired. Details are as follows:

Thousands of Euro	2019	2018
Additions of intangible assets	4,770	6,151
Development cost	6,011	14,958
	10,781	**21,109**

Details by segment, are as follows:

Thousands of Euro	2019	2018
Spain	9,075	17,169
Portugal	187	373
Argentina	702	1,450
Brazil	817	2,117
Total	**10,781**	**21,109**

Note 19.5 includes the impairment of intangible assets recorded in 2019 and 2018 under the income statement caption "Amortisation and impairment".

The increase in amortisation with respect to the prior year is due to the transfer of IT projects generated in-house in Spain in 2019, mainly the aforementioned Vela project, from the in-house development caption to the software caption. While in development, these assets are not amortised and when they move into production they are transferred to computer software and start to be amortised.

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

Thousands of Euro	2019	2018
Computer software	36,997	29,654
Leaseholds and other	1,838	4,586
Total	**38,835**	**34,240**

7. FINANCIAL ASSETS

Details of financial assets in the statements of financial position at 31 December 2019 and 2018 are as follows:

Thousands of Euros	2019	2018
Non-current assets		
Trade and other receivables	46,010	73,121
Other Non-current financial assets	64,043	77,721
Current assets		
Trade and other receivables	110,971	193,469
Consumer loans from financing activities	1,409	20
Other current financial assets	8,706	11,361
TOTAL	**231,139**	**355,692**

The financial assets recorded in the consolidated annual accounts at 31 December 2018 at Euros 340,962 thousand have been restated at Euros 14,730 thousand, as a result of the decision made in 2019 to reverse the classification of Clarel as held for sale (see notes 1.1 c) and 2.3).

7.1. Trade and other receivables

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

Thousands of Euros	2019	2018
Trade and other receivables	46,010	73,121
Total non-current	**46,010**	**73,121**
Trade and other receivables	63,458	104,618
Other receivables	8,102	25,524
Receivables from suppliers	33,040	56,510
Advances to suppliers	510	1,540
Receivables from associates companies	5,861	5,277
Total current	**110,971**	**193,469**

The balances of these captions recorded in the consolidated annual accounts at 31 December 2018 at Euros 63,306 thousand in non-current and Euros 192,278 thousand in current, have been restated at Euros 9,815 thousand and Euros 1,191 thousand, respectively, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1.1 c) and 2.3).

Due to the short-term nature of current receivables, their carrying amount is considered to be the same as their fair value.

a) Trade receivables

This balance comprises current and non-current trade receivables for merchandise sales to customers. Details are as follows:

Thousands of Euros	2019	2018
Trade and other receivables non current	46,010	73,121
Trade and other receivables current	119,773	141,174
Total Trade and other receivables	**165,783**	**214,295**
Impairment loss	(56,315)	(36,556)
Total	**109,468**	**177,739**

These trade balances are measured at amortised cost less any impairment allowances and have generated interest of Euros 1,390 thousand in 2019 (Euros 2,855 thousand in 2018), which has been recognised in the consolidated income statement.

b) Receivables from suppliers

This heading includes balances with suppliers that have become receivables and are pending collection.

In 2019 and 2018, the Group entered into agreements to transfer supplier trade receivables without recourse. Costs of Euros 947 thousand were accrued on the transfer of these receivables during this period (Euros 263 thousand in the same period of the prior year) (see note 19.7).

The transferred receivables that had not yet fallen due at 31 December 2019 totalled Euros 14,128 thousand (Euros 126,450 thousand at 31 December 2018) and all were considered to be without recourse. The Group believes that it has retained neither the default risk nor the credit risk on these transfers without recourse, therefore writing off these amounts from receivables from suppliers.

c) Trade debts with other related parties

In 2019 and 2018, transactions have been carried out with the companies ICDC, Horizon, Red Libra and Finandia (see note 21), mainly corresponding to trade operations. Balances at 31 December 2019 and 2018 are shown below:

Thousands of Euros	2019	2018
ICDC	4,760	5,260
Horizon	1,092	-
Red Libra	9	9
Finandia	-	8
Commercial debts with other related parties	**5,861**	**5,277**

d) Impairment

With regard to the new financial asset impairment calculation model based on the model of expected loan losses over the life of the asset, the Group has implemented this new method with no significant differences compared to the previous model at 1 January 2018.

Each Group company posts a provision as a percentage of the total balance outstanding with commercial customers, estimating the percentage based on the segmentation of the customer portfolio. The Group considers that the most relevant customer portfolio provision covers default by franchisees.

Under this approach, the provision (percentage ratio) is calculated in an amount equal to expected credit losses over the asset's life based on internal calculations or scoring using internal historical data or market information (debtor's credit situation, geographical area, maturity, collateral, etc.) which, in management's opinion, facilitates portfolio segmentation on the basis of consistent behaviours. Using this segmentation and historical behaviours, the Group calculates percentages taking into consideration risk exposure to each type of franchisee, with respect to past-due amounts, and the provisioning need is determined by applying the percentage to outstanding risk by type. Movements in the provision for impairment of receivables (see other disclosures on credit risk in note 23.4) were as follows:

Movement in the provision for impairment of receivables is as follows:

2019

Thousands of Euros	Customer for sales (note 7.1 a))	Other debtors	Credits receivable from suppliers	Total
At 1st January	**(36,556)**	**(8,077)**	**(9,063)**	**(53,696)**
Charge	(36,746)	(2,768)	(5,918)	(45,432)
Applications	3,742	2,706	6,485	12,933
Reversals	9,977	863	3,265	14,105
Translation differences	3,268	34	(29)	3,273
At 31st December de 2019	**(56,315)**	**(7,242)**	**(5,260)**	**(68,817)**

2018

Thousands of Euros	Customer for sales (note 7.1 a))	Other debtors	Credits receivable from suppliers	Total
At 1st January	**(34,883)**	**(7,979)**	**(5,917)**	**(48,779)**
Charge	(19,481)	(988)	(7,326)	(27,795)
Applications	10,502	890	4,017	15,409
Reversals	685	-	(40)	645
Translation differences	6,621	-	203	6,824
At 31st December de 2018	**(36,556)**	**(8,077)**	**(9,063)**	**(53,696)**

The balance of current receivables for sales relates, to a large extent, to the deliveries of goods to franchisees whose collection is in a very short period of time. Expected losses are therefore linked essentially to sales to franchisees with longer-term collection conditions, corresponding to the initial order to fill the store, to specific campaigns with a higher volume of sales or to collection efforts linked to sales to end customers.

7.2. Other financial assets

All the Group's financial assets are measured at amortised cost. Details of finance assets at 31 December 2019 and 2018 are as follows:

Thousands of Euros	2019	2018
Equity instruments	1,270	695
Guarantees	62,548	63,794
Other guarantees	-	2,000
Other loans	225	710
Other non-current financial assets	-	10,522
Total non-current	**64,043**	**77,721**
Franchise deposits	2,280	2,790
Credits to personnel	3,014	2,914
Other loans	76	348
Loans on the sale of fixed assets	347	352
Derivates	-	18
Current account with associated companies	-	2,603
Other financial assets	2,989	2,336
Total current	**8,706**	**11,361**

The balance of this caption recorded in the consolidated annual accounts at 31 December 2018 of Euros 74,056 thousand in non-current and Euros 11,302 thousand in current, has been restated by Euros 3,665 thousand and Euros 59 thousand, respectively, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1.1 c and 2.3).

Non-current security and other deposits are the amounts pledged to lessors to secure lease contracts. These amounts are measured at present value and any difference with their nominal value is recognised under prepayments for current or non-current assets. The interest on these assets included in the consolidated income statement in 2019 amounted to Euros 225 thousand (Euros 236 thousand in 2018).

The Group considers the security deposits provided in the lease agreements to be assets with a low credit risk, as in most lease agreements the lessor is obliged to file the security deposit with the relevant public body.

At 31 December 2018, Other non-current guarantees consist of the amount withheld from the sellers in the acquisition of establishments from the Eroski Group, which will be released after five years, in accordance with the addendum to the framework contract signed on 7 August 2015. This guarantee has been used as per its purpose once the store in question was closed in 2019 (see note 14.2).

In both years other loans mainly consisted of loans extended by the Group to employees.

The other non-current financial assets caption, amounting to Euros 10,522 thousand at 31 December 2018, related to ICMS taxes in Brazil and was transferred to non-current tax assets in 2019 (see note 16).

8. OTHER EQUITY-ACCOUNTED INVESTEES

Details of equity-accounted investees at 31 December 2019 and 2018 are as follows:

	2019	2018
ICDC Services Sárl	50%	50%
Horizon International Services Sàrl	25%	-
Finandia, S.A.	-	50%
DIPASA	-	10%
RED LIBRA	50%	50%

The key financial indicators of these companies in 2019 and 2018 are as follows:

Thousands of euro	ICDC Services Sárl		Horizon	Finandia	DIPASA	RED LIBRA	
	At 31 December 2019	At 31 December 2018	At 31 December 2019	At 31 December 2018	At 31 December 2018	At 31 December 2019	At 31 December 2018
Current assets							
Cash and cash equivalents	638	1,991	867	5,810	739	189	-
Other current assets	20,526	18,877	16,369	2,550	2,846	123	203
Total current assets	**21,164**	**20,868**	**17,236**	**8,360**	**3,585**	**312**	**203**
Non current assets	**2**	**21**	**22**	**1,416**	**7,489**	**-**	**134**
Current liabilities							
Financial liabilities (payable accounts excluded)	-	2	-	100	-	-	-
Other current liabilities	20,872	20,494	16,081	1,360	2,630	92	-
Total current liabilities	**20,872**	**20,496**	**16,081**	**1,460**	**2,630**	**92**	**-**
Non-current liabilities							
Financial liabilities (payable accounts excluded)	-	-	-	80	8,359	-	1
Other non-current liabilities	-	-	-	-	-	-	737
Total non-current liabilities	**-**	**-**	**-**	**80**	**8,359**	**-**	**738**
Net assets	**294**	**393**	**1,177**	**8,236**	**85**	**220**	**(401)**
Reconciliation with net carrying amount							
Net assets at 1 January	**393**	**481**	**1,045**	**8,611**	**-**	**(364)**	**118**
Annual profit (losses)	42	154	132	(375)	740	284	(482)
Other comprehensive income	-	-	-	-	-	-	-
Dividends paid	(141)	(242)		-	-	-	-
Shareholder contributions	-	-	-	-	-	300	-
Decreasing of inversion							
Net assets at year end	**294**	**393**	**1,177**	**8,236**	**740**	**220**	**(364)**
Part of group %	50%	50%	25%	50%	10%	50%	50%
Part of the group in thousands of euro	147	197	294	4,118	74	110	(182)
Aded Value/(disbility) from sales of Group's participat	-	-	-	4,975			
Allowance impairment of the invesment							
Net carrying amount	**147**	**197**	**294**	**9,093**	**74**	**110**	**(182)**

9. OTHER ASSETS

Details of other assets are as follows:

Thousands of Euros	2019 Current	2018 Current
Prepayments for operating leases	3,071	3,374
Prepayments for guarantees	353	379
Prepayments for insurance contracts	969	768
Other prepayments	2,025	2,871
Total other assets	**6,418**	**7,392**

The balance of other assets recorded in the consolidated annual accounts at 31 December 2018 at Euros 7,355 thousand as current has been restated at Euros 37 thousand, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1.1 c) and 2.3).

10. INVENTORIES

Details of inventories are as follows:

Thousands of Euros	2019	2018
Goods for resale	490,892	588,955
Other supplies	5,625	8,400
Total inventories	**496,517**	**597,355**

Inventories recorded in the consolidated annual accounts at 31 December 2018 at Euros 531,664 thousand have been restated at Euros 65,691 thousand, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1.1 c) and 2.3).

Reductions in the value of inventories to their net realisable value amount to Euros 4,327 thousand at 31 December 2019 (Euros 7,603 thousand at 31 December 2018, of which Euros 3,836 thousand relate to the Clarel business).

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

11. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents are as follows:

Thousands of Euros	2019	2018
Cash and current account balances	129,968	195,640
Cash equivalents	33,582	44,203
Total	**163,550**	**239,843**

The balance of cash equivalents reflects the deposits maturing under three months, primarily in Brazil.

12. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group has classified the assets and liabilities of its Cash & Carry business (Max Descuento stores) as held for sale in the financial statements and as discontinued activities in the consolidated income statement since June 2018 (see note 1) and has finalised the sale or liquidation of this business in the Spain segment during the second half of 2019.

The Group's business in China was sold for Euros 1 with effect from 10 August 2018. This sale was recorded in profit on discontinued activities in the consolidated income statement at 31 December 2018.

Profit and loss on these activities discontinued by the Group at 31 December 2019 and 2018, after recognising the fair value impairment of assets held for sale, are as follows:

Thousands of Euros	2019	2018	Cash & Carry Bussines	China Bussines
Income	54,109	191,060	95,922	95,138
Amortisation and depreciation	(6)	(454)	(454)	-
Impairment	(4,236)	-	-	-
(Losses)/Gains on disposal of fixed assets	29	(25)	(20)	(5)
Expenses	(71,738)	(202,586)	(104,155)	(98,431)
Gross Margin	**(21,842)**	**(12,005)**	**(8,707)**	**(3,298)**
Financial income	-	601	-	601
Financial expenses	-	(724)	(9)	(715)
Results from net monetary position	-	(3,090)	-	(3,090)
Loss before taxes of discontinued operations	**(21,842)**	**(15,218)**	**(8,716)**	**(6,502)**
Income tax related to discontinued operations	-	2,951	2,178	773
Loss of discontinued operations	**(21,842)**	**(12,267)**	**(6,538)**	**(5,729)**
Net gain obteined on the sale of Group's companies	**-**	**7,731**	**-**	**7,731**

The impact in 2019 of the divestment of the Cash&Carry business has been estimated at Euros 16.2 million, of which Euros 4.2 million are included under impairment of non-current assets and Euros 12 million under the gross loss. In addition, losses of Euros 5.6 million have been incurred as a result of transactions linked to the operating of stores up until their sale or definitive closure.

The effect on the cash flow of the Group's discontinued operations during the same period is as follows:

Thousands of Euros	2019	2,018
Loss before tax from discontinued operations	**(21,842)**	**(7,487)**
Adjustments to Profit and Loss	1,420	-
Changes in working capital	15,100	(28,544)
Net cash flows used in investing activities	-	(10,007)
Total cash flows	**(5,322)**	**(46,038)**

Details of the assets and liabilities of discontinued operations classified as held for sale at 31 December 2019 and 2018 related solely to the Cash & Carry business, as the figures were restated at 31 December 2018 because the Clarel business was not considered as held for sale (see notes 1.1 c) and 2.3). The details are as follows:

Thousands of Euros	2019	2018
Assets		
Tangible fixed assets	-	4,076
Inventories	-	11,024
Non-current assets held for sale	**-**	**15,100**
Liabilities		
Trade and other payables	1,272	-
Liabilities directly associated with non-current assets held for sale	**1,272**	**-**

13. EQUITY

13.1. Capital

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

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

(i) Writing off of losses against reserves and a capital reduction of Euros 56,021,086.17 by reducing the nominal value of the Company's shares by Euros 0.09 per share in order to restore the balance and structure of the Company's equity. The capital reduction was registered at the Mercantile Registry of Madrid on 28 October 2019 and as a result, the Company's new share capital amount is Euros 6,224,565.13, represented by 622,456,513 shares of Euros 0.01 par value each.

(ii) Share capital increase for a nominal amount of Euros 60,555,224.66 by issuing and placing into circulation 6,055,522,466 new ordinary shares of Euros 0.01 par value each, with a share premium of Euros 0.09 and a cash amount of Euros 605,552,246.60 (par value plus share premium).

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

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

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

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

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

13.2. Share premium

As mentioned in note 13.1 above, the capital increase was carried out by issuing 6,055,522,466 new ordinary shares of Euros 0.01 par value each, with a share premium of Euros 0.09, amounting to a share premium total of Euros 544,997,021.94.

13.3. Reserves and retained earnings

Details of reserves and retained earnings are as follows:

Thousands of Euros	2019	2018
Legal reserve	-	13,021
Capital redemption reserve	-	5,688
Other reserves non available	15,170	15,170
Other reserves	(108,825)	212,822
Losses attributable to equity holders ot the parent	(790,468)	(352,587)
Total	**(884,123)**	**(105,886)**

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

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

(i) ***Legal reserve***

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

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

At 31 December 2019, the Company had not recognised this reserve, as it had been fully offset, for an amount of Euros 13,021 thousand, to compensate for losses, as agreed by the Extraordinary General Meeting of Shareholders of 22 October 2019.

(ii) ***Capital redemption reserve***

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

(iii) ***Other non-distributable reserves***

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

(iv) ***Other reserves***

This heading includes the Parent company's distributable reserves (which at 31 December were negative as a result of the costs associated with the capital increase amounting to Euros 6,218 thousand) and consolidated reserves.

13.4. Own shares and other own equity instruments

a) Own shares

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

	Number of shares	Average price	Total
At 31 December 2017	**10,310,633**	**5.8540**	**60,358,696.12**
Delivery of shares as part of the incentive plan 2014-2016 (note 18)	(768,277)		(4,497,512.23)
At 31 December 2018	**9,542,356**	**5.8540**	**55,861,183.89**
Sale of shares	(7,843,729)		(45,917,380.17)
Delivery of shares to Members of Board Director	(94,247)		(551,724.23)
Delivery of shares as part of the incentive plan 2014-2016 (note 18)	(365,590)		(2,140,172.74)
At 31 December 2019	**1,238,790**	**5.8540**	**7,251,906.75**

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

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

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

b) Other own equity instruments

This reserve includes obligations derived from share-based payment transactions to the Parent company's Directors. At 31 December 2018, it also included obligations derived from share-based payment transactions following approval by the Board of Directors and the General Shareholders' Meeting of the 2016-2018 long-term incentive plan. At 31 December 2019, there is no reserve for obligations arising from the long-term incentive plan (see note 17).

13.5. Distribution of profit/(loss)

The proposal for the application of 2019 losses prepared by the Board of Directors for submission to the Annual General Shareholders' Meeting is to take the losses in full for the year totalling Euros 281,543,229.11 to prior-year losses.

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

13.6. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding throughout both years, excluding own shares.

	2019	2018
Average number of shares	**6,669,403,563**	**612,177,367**
Losses for the period in thousands of Euros	(790,468)	(352,587)
Losses per share in Euros	(0.12)	(0.58)

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

	Weighted average ordinary shares in circulations at 31/12/2019	Ordinary shares at 31/12/2019	Weighted average ordinary shares in circulations at 31/12/2018	Ordinary shares at 31/12/2018
Total shares issued	6,677,978,979	6,677,978,979	622,456,513	622,456,513
Own shares	(8,575,416)	(1,238,790)	(10,279,146)	(9,542,356)
Total shares available and diluted	**6,669,403,563**	**6,676,740,189**	**612,177,367**	**612,914,157**

There are no equity instruments that could have a dilutive effect on earnings per share. Therefore, diluted earnings per share are equal to basic earnings per share.

13.7. Translation differences

Details of translation differences at 31 December 2019 and 2018 are as follows:

Thousands of euro	2019	2018
Brazil	(70,993)	(73,394)
Total	**(70,993)**	**(73,394)**

In Argentina, under adoption of IAS 29, the Group has chosen to recognise translation differences generated up to 1 January 2018 against reserves. No translation differences have been generated subsequent to this date.

14. FINANCIAL LIABILITIES

Details of financial liabilities in the consolidated statements of financial position at 31 December 2019 and 2018 are as follows:

Thousands of Euros	2019	2018
Non-current liabilities		
Non-current borrowings	1,865,716	920,354
Other non-current financial liabilities	3,806	2,291
Current liabilities		
Current borrowings	325,536	775,592
Trade and other payables	1,215,446	1,448,928
Other financial liabilities	111,583	166,396
Total financial liabilities	**3,522,087**	**3,313,561**

The balance of this caption recorded in the consolidated annual accounts at 31 December 2018 of Euros 3,293,858 thousand has been restated by Euros 19,703 thousand (Euros 4,522 thousand relate to current and non-current debt, Euros 6,432 thousand to trade and other payables and Euros 8,749 thousand to other financial liabilities, as a result of the decision made in 2019 to reverse the classification of Clarel as held for sale (see notes 1.1 c) and 2.3)).

14.1. Borrowings

Details of current and non-current borrowings are as follows:

At 31st december 2019	Total	Current 1 year	2 years	3 years	4 years	5 years	> 5 years	Non Current Total
Debentures and bonds	**596,892**	**3,980**	299,255	-	293,657	-	-	**592,912**
Syndicated credits (Revolving credit facilities) (*)	**144,560**	**3,153**	-	-	141,407	-	-	**141,407**
Syndicated credits (Term loan)	**377,268**	**-**	-	-	377,268	-	-	**377,268**
Other bank loans	**122,913**	**56,188**	66,725	-	-	-	-	**66,725**
Mortgage loans	**393**	**393**	-	-	-	-	-	**-**
Credit facilities drawn down	**196,001**	**26,049**	-	-	169,952	-	-	**169,952**
Finance lease payables (**)	**732,268**	**225,973**	183,877	147,016	81,804	24,193	69,405	**506,295**
Guarantees and deposits received	**13,397**	**2,688**	-	-	-	-	10,709	**10,709**
Other current borrowings	**7,560**	**7,112**	448	-	-	-	-	**448**
Total non-current borrowings	**2,191,252**	**325,536**	**550,305**	**147,016**	**1,064,088**	**24,193**	**80,114**	**1,865,716**

At 31st december 2018	Total	Current 1 year	2 years	3 years	4 years	5 years	> 5 years	Non Current Total
Debentures and bonds	**901,781**	**311,371**	-	298,696	-	291,714	-	**590,410**
Syndicated credits (Revolving credit facilities)	**378,572**	**124,350**	25,000	-	229,222	-	-	**254,222**
Other bank loans	**134,092**	**119,092**	15,000	-	-	-	-	**15,000**
Mortgage loans	**831**	**438**	393	-	-	-	-	**393**
Credit facilities drawn down	**212,776**	**185,626**	17,065	10,085	-	-	-	**27,150**
Finance lease payables	**30,289**	**9,611**	3,918	16,760	-	-	-	**20,678**
Guarantees and deposits received	**15,607**	**3,491**	-	-	-	-	12,116	**12,116**
Other current borrowings	**21,998**	**21,613**	333	52	-	-	-	**385**
Total current borrowings	**1,695,946**	**775,592**	**61,709**	**325,593**	**229,222**	**291,714**	**12,116**	**920,354**

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

(**) Amount of IFRS16 lease liabilities in 2019: Euros 705,401 thousand (Current Euros 217,226 thousand and Non Current 488,175 thousand).

a) Bonds

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

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

Issuing Company	Issue date	Term (years)	Coupon	Maturity date in thousands of euros 2021	2023
DIA, S.A.	07.04.2017	6	0.875%	-	300,000
DIA, S.A.	28.04.2016	5	1.000%	300,000	-

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

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

b) Loans and borrowings

Multi-product Syndicated Financing Facilities and other credit facilities

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

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

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

During May and June 2019 the Parent company agreed to extend the Financing Agreement with the entities until a new Financing Agreement was signed.

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

In relation to the debt restructuring carried out during 2019, and based on the provisions of IFRS 9, the Group has analysed the derecognition of financial liabilities with the result being that the terms of the new debt are substantially different from the terms of the original debt. As a result, the Company has accounted for it as a cancellation of the original financial liability and has recognised a new financial liability at its fair value, recording the difference between the two amounts in the income statement, as well as the restructuring expenses.

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

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

- Personal obligations (to do and not to do certain things) and the provision of information customary in this type of financing transaction in accordance with the company's current rating.
- Not to distribute Company dividends to shareholders without the agreement of the financing institutions until the debt held with them has been repaid in full.
- To provide a new Company covenant plan no later than 31 December 2019.
- Financial covenants:
  - Leverage Ratio: this ratio will be measured on 30 June and 31 December of each year, with the first measurement taking place on 31 December 2020. Covenant levels are set at 35% headroom to the Adjusted Net Debt / Adjusted EBITDA ratio forecast in the covenant plan, according to the definition of these concepts in the Financing Agreement.

  - Liquidity Ratio: a minimum of Euros 30 million in cash and cash equivalents is fixed, excluding trapped cash, to be verified on and from 31 December 2019 for each quarter on a 12-month look forward basis, up to 31 December 2020.
  - Capital expenditure ratio and restructuring costs: from 31 December 2019 capital expenditure and restructuring costs may not exceed 12.5% and 20%, respectively, of the aggregate total of both items for the period from 31 December 2019 to 31 December 2023 included in the Covenant Plan delivered in December 2019.

- From 31 December 2021 onwards, an annual cash sweep of excess free cash flow will be applied, with the first repayment, if applicable, from the second quarter of 2022 onwards, calculated on the basis of 50% of available cash flow once the investment and restructuring costs provided for in the Covenant Plan have been fully paid. These amounts will be used in early repayment and cancellation of any outstanding amounts in the following order: a) firstly, the Super Senior Supplier Tranche, b) secondly, any other New Super Senior Facilities (if required to do so under the terms of such New Financing Facilities), and c) thirdly, tranches under the Financing Agreement.
- The obligation to repay the facilities under the Financing Agreement does not apply to (a) the funds obtained from the divestment of Max Descuento and Clarel (b) the funds obtained from the proposed capital increase of Euros 600 million (c) any participating loan that LetterOne grants prior to the capital increase.
- At least 80% of the Group's cash must be held in bank accounts subject to security securing the financing and held by Syndicated Lenders (if applicable) providing cash deposit services in the jurisdiction in which the Group company operates.

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

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

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

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

This Hive Down was approved by the General Shareholders' Meeting on 30 August 2019 (see note 1.1b)4)

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

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

The Group has additional credit facilities that are not part of the financing agreements. Below are details of the Financing Agreement and other credit facilities drawn down at 31 December 2019 and 31 December 2018:

At 31st december 2019	Limit	Amount used	Reverse Factoring / Factoring	Amount avaible
Revolving Credit Facility (RCF) - Syndicated Financing	**149,914**	**149,914**	**-**	**-**
Super Senior Supplier Tranche	*3,153*	*3,153*		
Tranche A	*56,155*	*56,155*		
Tranche B	*27,494*	*27,494*		
Tranche D	*38,111*	*38,111*		
Tranche F	*25,000*	*25,000*		
Loan Facility (Term loan) - Syndicated Financing	**377,268**	**377,268**	**-**	**-**
Tranche A	*31,204*	*31,204*		
Tranche B	*101,388*	*101,388*		
Tranche D	*244,676*	*244,676*		
Credit Facility - Syndicated Financing	**233,363**	**169,952**	**10,059**	**53,352**
Credit Lines	***13,500***	***1,915***	**-**	***11,585***
Tranche B	*13,500*	*1,915*	-	*11,585*
Credit Lines which may be utilised as reverse factoring	***165,761***	***124,332***	**-**	***41,429***
Tranche B	*64,761*	*23,977*		*40,784*
Tranche C	*101,000*	*100,355*		*645*
Credit Lines which may be utilised as factoring	***54,102***	***43,705***	***10,059***	***338***
Tranche D	*54,102*	*43,705*	*10,059*	*338*
Reverse Factoring - Syndicated Financing	**212,674**	**-**	**212,249**	**425**
Super Senior Supplier Tranche	*67,640*		*67,281*	*359*
Tranche C	*141,687*	-	*141,628*	*59*
Tranche F	*3,347*		*3,340*	*7*
Total Multiproduct Syndicated Financing	**973,219**	**697,134**	**222,308**	**53,777**
Other Credit lines (not included in syndicated credits)	**26,049**	**26,049**	**-**	**-**

At 31st december 2018	Limit	Amount used	Conf/Fact	Amount avaible
Revolving Credit Facility (RCF) - Syndicated Financing	**471,224**	**378,572**	**-**	**92,652**
Credit Facility - Syndicated Financing	**278,422**	**152,275**	**80,505**	**45,642**
Credit Lines	*5,000*	-	-	*5,000*
Credit Lines may be utilised as reverse factoring	*165,766*	*125,124*	-	*40,642*
Credit Lines may be utilised as factoring	*107,656*	*27,151*	*80,505*	-
Reverse Factoring - Syndicated Financing	**145,034**	**-**	***140,398***	**4,636**
Total Multiproduct Syndicated Financing	**894,680**	**530,847**	**220,903**	**142,930**
Other Credit lines (not included in syndicated credits)	**90,994**	**60,501**	**-**	**30,493**

Credit facilities not included in syndicated loans amounting to Euros 26,049 thousand at 31 December 2019 and Euros 60,501 thousand at 31 December 2018 refer to several credit facilities borrowed by DIA Brasil Sociedade Limitada and DIA Argentina. All of these facilities mature in 2020. At the date on which these accounts were prepared, several of these facilities had already been renewed.

Financial Covenants

- Liquidity ratio:

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

  This will be measured quarterly throughout the established period.

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

- Financial Leverage Ratio:

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

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

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

Thousands of Euros	2020	2021	2022	2023
Covenant Level	1,025.9x	14.2x	5.6x	4.2x

- Investment ratio (capex) and restructuring costs:

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

Debt baskets

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

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

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

  The borrower of the Super Senior Supplier Tranche is the Parent company, however, as part of the Hive Down process, the obligations will be transferred on to DIA Retail España, S.A. (formerly Twins Alimentacion S.A.).

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

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

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

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

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

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

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

Bank loans

Details of the maturity of the Group's mortgages and other bank loans, grouped by type of operation and company, at 31 December 2019 and 31 December 2018 are as follows:

At 31st December 2019

Type	Borrower	Currency	Total	Current 1 year	2 years	Non-Current Total
Loan	DIA	EUR	15,036	15,036	-	-
Loan	DIA Portugal	EUR	8,300	-	8,300	8,300
Loan	DIA Brasil	EUR	99,577	41,152	58,425	58,425
	Other Loans		**122,913**	**56,188**	**66,725**	**66,725**
Mortgage	Beauty by DIA	EUR	393	393	-	-
	Mortgage Loans		**393**	**393**	**-**	**-**

At 31st December 2018

Type	Borrower	Currency	Total	Current 1 year	2 years	Non-Current Total
Loan	DIA	EUR	30,032	15,032	15,000	15,000
Loan	DIA Brasil	EUR	101,281	101,281	-	-
Loan	Grupo El Árbol	EUR	2,002	2,002	-	-
Loan	Dia Argentina	EUR	777	777	-	-
	Other Loans		**134,092**	**119,092**	**15,000**	**15,000**
Mortgage	Beauty by DIA	EUR	831	438	393	393
	Mortgage Loans		**831**	**438**	**393**	**393**

During 2019 the following transactions were carried out:

- On 14 May 2019, the El Arbol Group repaid a bilateral loan at maturity. The outstanding balance at this date was Euros 2,000 thousand and the loan was entered into on 14 May 2009.
- On 14 June 2019 and 16 December 2019, the Parent Company DIA, S.A. repaid the first and second partial maturity on the Liberbank loan amounting to Euros 7,500 thousand in each repayment.

In 2019, DIA Brasil renewed its bilateral loans for a total amount of Euros 99,577 thousand, with the following maturity dates:

- three bilateral loans for Euros 58,425 thousand, maturing in the first quarter of 2021.
- two bilateral loans for Euros 41,152 thousand, maturing in January and February 2020. The Euros 26,867 thousand loan has been renewed until July 2020 and the other loans will be repaid in equal instalments on a monthly basis until January 2022.
- In addition to the Financing Agreement signed on 17 July 2019, the Parent company received a binding commitment that guarantees the availability of additional financing to be granted either by the Company's majority shareholder, L1R Invest1 Holding, S.à.r.l., or by another entity to be procured by this company, by way of a Super Senior Loan for Euros 200,000 thousand. On 31 January 2020, the Parent company's subsidiary, DIA Finance, S.L., entered into a financing agreement with the lender DEA Finance S.à. r.l., for the abovementioned amount, thus fulfilling the obligation of the Company's majority shareholder, L1R Invest1 Holdings S.à r.l., as per their commitment letter. The applicable interest rate is 7% plus Euribor.

c) Finance lease payables

IFRS 16 Leases was adopted for the first time on 1 January 2019, as mentioned in note 2.7 First-time application of accounting standards.

The Group has chosen to apply IFRS 16 using the modified retroactive method, recognising the right-of-use asset for an amount equal to the lease liability (see note 6.2). In applying this approach, the Group does not restate comparative information.

Details of finance lease payables and movement during 2019 are as follows:

	Short-term debt	Long-term debt	Total
At 1st January 2019	**230,761**	**507,319**	**738,080**
Additions	-	257,187	**257,187**
Disposals	-	(58,372)	**(58,372)**
Interest expenses	69,120	-	**69,120**
Transfers	243,601	(243,601)	**-**
Transfers IFRS16	9,611	20,678	**30,289**
Value update	-	26,525	**26,525**
Amounts paid	(326,168)	(1,354)	**(327,522)**
Translation differences	(952)	(2,087)	**(3,039)**
At 31st december 2019	**225,973**	**506,295**	**732,268**

The balance at 1 January 2019 relates to the finance liability amount generated by the initial charge.

The transfers on account of IFRS 16 amounting to Euros 9,611 and Euros 20,678 thousand as current and non-current debt, respectively, correspond to the debt on goods under finance leases already existing at 31 December 2018, which comprise certain commercial premises, technical installations, machinery and other property, plant and equipment (vehicles) (see note 6.2). The debt on goods under finance leases for these elements at 31 December 2019 amounts to Euros 18,120 thousand (non-current) and Euros 8,747 thousand (current).

Details of lease expenses included under the line "Property leases" in the consolidated income statement, which appears in the disclosures in note 19.4, but is excluded from IFRS 16, are as follows:

Thousands of Euros	2019
Shor-term leases	37,949
Low value leases	139
Community Expenses	2,615
Taxes	2,633
Utilities	946
Others	2,068
	46,350

The outflows of cash for the Group's property leases amounted to Euros 373,872 thousand in 2019.

d) Participating loans

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

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

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

At 31 December 2019 both participating loans were cancelled and have accrued joint interest of Euros 3,709 thousand (see note 19.7).

14.2. Other non-current financial liabilities

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

Thousands of Euros	2019	2018
Capital grants	-	291
Other non-current financial liabilities	3,806	2,000
Total grants and other non-current financial liabilities	**3,806**	**2,291**

Other non-current financial liabilities at 31 December 2019 include Euros 3,806 thousand relating to the debt with Caixa Bank for the purchase of 50% of the Finandia subsidiary on 19 July 2019. At 31 December 2018 this heading includes the amount withheld from the sellers, with maturity of five years, in the acquisition of stores from the Eroski Group in 2015, in accordance with the addendum to the framework contract signed on 7 August 2015. This withholding was released in 2019 (see note 7.2).

14.3. Trade and other payables

Details are as follows:

Thousands of Euros	2019	2018
Suppliers	1,039,460	1,287,433
Suppliers, other related parties	1,433	242
Advances received from receivables	2,016	7,421
Trade payables	152,035	147,753
Onerous contracts provisions	20,502	6,079
Total Trade and other payables	**1,215,446**	**1,448,928**

The balance of this caption recorded in the consolidated annual accounts at 31 December 2018 of Euros 1,442,496 thousand has been restated by Euros 6,432 thousand (Euros 1,124 thousand relate to Suppliers and Euros 5,308 thousand to Trade payables), as a result of the decision to reverse the classification of Clarel as held for sale (see notes 1.1 c) and 2.3).

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

Trade and other payables do not bear interest.

At 31 December 2019 the Group has reverse factoring facilities with a limit of Euros 254,237 thousand (31 December 2018: Euros 218,231 thousand) of which Euros 250,304 has been used (31 December 2018: Euros 199,931 thousand).

The Group has recorded the relevant provision for onerous contracts relating to the costs for terminating lease agreements with the stores/warehouses where either expected closure or expected negative cash flows have required an impairment of their assets. For these lease agreements, the right-of-use and the finance lease liability generated by the application of IFRS 16 have been cancelled.

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

	2019	2018
	Days	Days
Average payment period to suppliers	42	48
Paid operations ratio	42	49
Pending payment transactions ratio	39	37
	Amount (euros)	Amount (euros)
Total payments made	3,783,989,845	4,568,147,789
*Total payment pending	410,169,233	335,376,575

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

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

14.4. Other financial liabilities

Details of other financial liabilities are as follows:

Thousands of Euros	2019	2018
Personnel	65,909	56,273
Suppliers of fixed assets	41,456	108,986
Other current liabilities	4,218	1,137
Total other liabilities	**111,583**	**166,396**

The balance of this caption recorded in the consolidated annual accounts at 31 December 2018 of Euros 157,647 thousand has been restated by Euros 8,749 thousand (Euros 4,850 thousand relate to personnel, Euros 3,847 thousand to suppliers and Euros 52 thousand to other current liabilities), as a result of the decision made to reverse the classification of Clarel as held for sale (see notes 1.1 c) and 2.3).

Other current liabilities include Euros 1,500 thousand relating to the debt with Caixa Bank for the purchase of 50% of the Finandia subsidiary on 19 July 2019. In addition, this caption includes security deposits received from franchises amounting to Euros 1,704 thousand.

14.5. 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 Group generally applies the following systematic hierarchy to determine the fair value of financial assets and financial liabilities:

- Level 1: Firstly, the Group applies the quoted prices of the most advantageous active market to which it has immediate access, adjusted where appropriate to reflect any differences in credit risk between instruments traded in that market and the one being valued. The current bid price is used for assets held or liabilities to be issued and the asking price for assets to be acquired or liabilities held. If the Group has assets and liabilities with offsetting market risks, it uses mid-market prices for the offsetting risk positions and applies the bid or asking price to the net position, as appropriate.
- Level 2: When current bid and asking prices are unavailable, the price of the most recent transaction is used, adjusted to reflect changes in economic circumstances.
- Level 3: Otherwise, the Group applies generally accepted valuation techniques using, insofar as is possible, market data and, to a lesser extent, specific Group data.

The carrying amount of financial assets of the Group, based on the different categories, is as follows:

Thousands of Euros	Loans and receivables	
	2019	2018
Financial assets		
Trade and other receivables	156,981	266,590
Other financial assets	72,749	89,082
Consumer loans from financial activities	1,409	20
Total	**231,139**	**355,692**

The carrying amount of the assets classified as loans and receivables does not significantly differ from their fair value.

The carrying amount and the fair value of financial liabilities of the Group, based on the different categories and hierarchy levels, is as follows:

	Carrying amount					
Thousands of Euros	Debts and items payable		Hedge derivatives		Fair value	
	2019	2018	2019	2018	2019	2018
Financial liabilities						
Trade and other payables	1,215,446	1,448,928	-	-	-	-
Debentures and bonds	596,892	901,781	-	-	427,317	576,357
Mortgage Loans	393	831	-	-	-	-
Syndicated credits (Revolving credit facilities)	144,560	378,572	-	-	-	-
Syndicated credits (Term loan)	377,268	-	-	-	-	-
Credit facilities drawn down	196,001	212,776	-	-	-	-
Bank loans and credits	122,913	134,092	-	-	-	-
Finance lease payables	732,268	30,289	-	-	-	-
Guarantees and deposits received	13,397	15,607	-	-	-	-
Other financial liabilities	122,262	184,909	687	5,776	-	4,259
Total	**3,521,400**	**3,307,785**	**687**	**5,776**	**427,317**	**580,616**

The carrying amount of the liabilities classified as loans and payables does not significantly differ from their fair value.

The fair value of current and non-current listed bonds is measured in accordance with their market price (level 1).

Derivative financial instruments are contracted with financial institutions with sound credit ratings. The fair value of derivatives is calculated using valuation techniques based on observable market data for forward contracts (level 2).

The reconciliation between financial liabilities on the consolidated statement of financial position and the cash flows from financing activities is as follows:

Thousands of Euros	Financial debt non current	Financial debt current	TOTAL
At 31st December 2018	**920,354**	**775,592**	**1,695,946**
Net cash flows from financing activities (payments)	-	(379,756)	(379,756)
Net cash flows from financing activities (charges)	160,156	4,596	164,752
Net cash flows from financing activities (lease payments)	-	(327,522)	(327,522)
Changes non-monetarys:			
Reclassification to short term	(184,007)	184,007	-
Exchange differences	(3,463)	(3,891)	(7,354)
Other Change non-monetarys	972,676	72,510	1,045,186
At 31st December 2019	**1,865,716**	**325,536**	**2,191,252**

Thousands of Euros	Financial debt non current	Financial debt current	TOTAL
At 31st December 2017	**961,945**	**330,013**	**1,291,958**
Net cash flows from financing activities (payments)	(2,453)	(218,166)	(220,619)
Net cash flows from financing activities (charges)	292,505	354,369	646,874
Changes non-monetarys:			
Reclassification to short term	(329,992)	329,992	-
Exchange differences	(206)	(28,257)	(28,463)
Other Change non-monetarys	(1,445)	7,641	6,196
At 31st December 2018	**920,354**	**775,592**	**1,695,946**

15. PROVISIONS

Details of provisions under non-current liabilities are as follows:

Thousands of Euro	Provisions for long-term employee benefits under defined benefit plans	Tax provisions	Social provisions	Legal contingencies provisions	Other provisions	Total provisions
At 1 January 2019	**3,077**	**21,418**	**9,452**	**12,493**	**1,164**	**47,604**
Charge	282	9,289	7,091	16,372	149	**33,183**
Applications	-	-	(5,565)	(3,190)	(21)	**(8,776)**
Reversals	(396)	(568)	(2,355)	(6,186)	(21)	**(9,526)**
Other movements	34	30	-	-	7	**71**
Translation differences	-	(103)	(653)	(436)	(58)	**(1,250)**
At 31st December de 2019	**2,997**	**30,066**	**7,970**	**19,053**	**1,220**	**61,306**
At 1 January 2018	**3,054**	**19,625**	**12,521**	**7,384**	**1,473**	**44,057**
Charge	306	12,734	11,908	9,516	60	**34,524**
Applications	-	(7,135)	(9,424)	(1,631)	(73)	**(18,263)**
Reversals	(317)	(3,661)	(3,557)	(1,899)	(79)	**(9,513)**
Other movements	34	(145)	-	-	7	**(104)**
Translation differences	-	-	(1,996)	(877)	(224)	**(3,097)**
At 31st December de 2018	**3,077**	**21,418**	**9,452**	**12,493**	**1,164**	**47,604**

The balance of other assets recorded in the consolidated annual accounts at 31 December 2018 at Euros 45,908 thousand as current has been restated at Euros 1,696 thousand, as a result of the decision made in 2019 to reverse the classification of Clarel as held for sale (see notes 1.1 c) and 2.3).

Tax provisions in 2019 and 2018 arise from estimated provisions for differences in criteria with the authorities in Brazil, Spain and Portugal.

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

Tax reversals in 2019 and 2018 mainly arise from matters resulting from tax inspections that are no longer considered probable.

In 2019 and 2018, charges, applications and reversals of provisions for lawsuits filed by employees (related to social security contributions) include labour contingencies mainly in Brazil and Argentina.

With regard to the most significant legal provisions, in 2019 Euros 7,361 was allocated in Spain (Euros 5,749 thousand in 2018), Euros 5,697 thousand in Brazil (Euros 1,645 thousand in 2018), and Euros 2,898 thousand in Argentina (Euros 708 thousand in 2018) to cover litigation with third parties.

The reversals of these legal provisions in both years were due to litigation risks that did not materialise.

The Group may at any time be party to litigation or a pre-litigation claim arising in the ordinary course of business. They all relate to civil, criminal or tax disputes involving the Group. The most relevant court proceedings to date are summarised below. See details of tax contingencies in note 16.

Arbitration

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

At 31 December 2019, the arbitration proceedings are at an initial stage in which, for technical reasons, the procedural calendar established by the Court has not yet been applied.

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

Administrative proceedings

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

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

Court proceedings in Argentina

In December 2018, the Argentinean Social Security Authorities (Directorate for Social Security Resources), attached to the Federal Administration of Public Revenue (AFIP) brought an economic-criminal proceeding against DIA Argentina SA and certain executives for alleged tax evasion in relation to Social Security payment obligations. Specifically, the AFIP's Social Security department questioned the status of franchisees as employers, given their apparent lack of financial solvency.

Based on AFIP's hypothesis, the franchisees would be Company employees and therefore their Social Security debts could be claimed from DIA Argentina, S.A. This hypothesis is undermined by the Company's defence, based essentially on (i) similar court proceedings resolved in the Company's favour in the past and (ii) favorable resolutions by the National Ministry for Work where the autonomous and independent nature of franchisor and franchisee is recognized.

The AFIP has not yet calculated the amount of the alleged debt, having only mentioned an estimate of ARS 20 million to the Company (approximately Euros 300 thousand).

In addition to the above proceeding, on 18 February 2019 DIA Argentina S.A. became formally involved in the investigation of the Argentinean Association of Entrepreneurs (the "AMEA") in a criminal and economic proceeding. This proceeding is in the preliminary investigation stage. On 16 July 2019, DIA Argentina, S.A. was formally accused of participating in an allegedly unauthorised financial intermediation transaction led by AMEA and was subject to a precautionary lien in the amount of ARS 100 million. This accusation is essentially based on the fact that the Company maintained a commercial relationship with the association at the time of the alleged events. This resolution was appealed and a decision from a superior collegiate court is pending.

Should the final decision be unfavourable for DIA Argentina S.A., the court could impose a total fine of between two and eight times the total amount of the transactions effected with AMEA during the period of time in question, that is ARS 630 million (approximately Euros 9 million).

Criminal proceedings before the Spanish National Court

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

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

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

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

Procedure relating to LetterOne's acquisition of shares in DIA

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

Other procedures

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

16. TAX ASSETS AND LIABILITIES AND INCOME TAX

16.1. Income tax

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

Thousands of Euro	2019	2018
Current income taxes		
Current period	510	3,739
Prior periods' current income taxes	10,190	8,338
Total current income taxes	**10,700**	**12,077**
Total current income taxes of continuining activities	10,700	15,028
Total current income taxes of discontinued operations	-	(2,951)
Deferred taxes		
Source of taxable temporary differences	4,002	20,198
Source of deductible temporary differences	(47,404)	(32,272)
Reversal of taxable temporary differences	(8,019)	(5,789)
Reversal of deductible temporary differences	132,390	191,195
Total deferred taxes	**80,969**	**173,332**
Total deferred taxes of continuining activities	80,969	173,332
Total deferred taxes of discontinued operations	-	-
TOTAL INCOME TAX	**91,669**	**185,409**
Total income tax of continuining activities	91,669	188,360
Total income tax of discontinued operations	-	(2,951)

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

A reconciliation of accounting profit for the year with the total taxable income of the Group (calculated as the sum of the taxable income stated in the tax return of each Group company) is as follows:

Thousands of Euros	2019	2018
Profit for the period before taxes from continuing operations	(676,957)	(159,691)
Share in profit/(loss) for the year of equity accounted investees	(196)	1,183
Profit for the period before tax	(677,153)	(158,508)
Tax calculated at the tax rate of each country	(193,764)	(48,311)
Unrecognised tax credits	161,745	33,578
Non-taxable income	(6,732)	(582)
Non-deductible expenses	10,690	22,433
Unrecognised deferred taxes	28,575	2,946
Deductions and credits for the current period	(5)	(230)
Adjustments for prior periods	(158)	139
Disposals of previous years tax loss carryforwards	53,287	170,188
Disposals of previous years deferred tax assets	27,682	-
Other adjustments	10,349	8,199
Tax rate's change adjustment	91,669	188,360
Total income tax	**91,669**	**188,360**

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	25%
Portugal	21%
Argentina	30%
Brazil	34%
Switzerland	24%
Paraguay	10%

The Spanish companies Distribuidora Internacional de Alimentación, S.A. (parent) and DIA Retail, S.A. (Twins Alimentación, S.A. in 2018), Pe-Tra Servicios a la Distribución, S.L., Beauty by Dia, S.A., Grupo El Árbol Distribución y Supermercados S.A., Compañía Gallega de Supermercados S.A., Dia Eshopping, S.L. and DIA Finance S.L.(subsidiaries) filed consolidated tax returns in 2019 as part of tax group 487/12, pursuant to Title VII, Chapter VI of the Spanish Corporate Income Tax Law 27/2014 of 27 November 2014.

16.2. Tax assets and tax liabilities

Details of the tax assets and liabilities for 2019 and 2018 recognised in the consolidated statement of financial position at 31 December are as follows:

Thousands of Euros	2019	2018
Non-current income tax assets	52,297	43,888
Deferred tax assets	-	74,672
Taxation authorities, VAT	66,972	21,218
Taxation authorities	9,796	16,811
Current income tax assets	6,932	10,143
Total tax assets	**135,997**	**166,732**
Deferred tax liabilities	11,440	-
Taxation authorities, VAT	25,768	32,894
Taxation authorities	38,911	43,152
Current income tax liabilities	9,151	664
Total tax liabilities	**85,270**	**76,710**

Non-current tax assets comprise ICMS, which correspond to tax on the circulation of goods and services, and tax on purchases of property, plant and equipment in Brazil, which is equivalent to VAT in other jurisdictions. Additionally, the Tax receivable, VAT caption includes the current portion of ICMS in Brazil, which amounts to Euros 9,636 thousand (43,513 thousand Brazilian reals) at 31 December 2019.

In relation to the ICMS on circulation of goods, in March 2017 the Supreme Court sentence of October 2016 was ratified, allowing the companies to recover a portion of the ICMS tax paid. This decision was confirmed by the final court ruling of May 2019 in favour of DIA Brazil. At 31 December 2018, Dia Brazil had recorded a non-current asset on its balance sheet on account of ICMS for Euros 43,888 thousand (195,040 thousand Brazilian reals) and Euros 10,522 thousand in the other non-current financial assets caption (see note 7.2). From January to December 2019 an increase of Euros 8,409 thousand was recorded in relation to the 2019 sale and the finance income recognised after the final ruling of May 2019. At 31 December 2019, Dia Brazil has recognised non-current tax assets of Euros 52,297 thousand (236,157 thousand Brazilian reals) on account of ICMS and VAT payable of Euros 9,636 thousand (43,513 thousand Brazilian reals). The entire amount capitalised, amounting to Euros 61,933 thousand (279,670 thousand Brazilian reals) is expected to be recovered over the coming 10 years from the Brazilian tax authorities, offset against future ICMS. The recovery over the 10-year period is based on historic tax collection amounts as well as the growth in sales.

The reconciliation between deferred tax (before consolidation offsets) and deferred tax recognised in the statement of financial position (following consolidation offsets) corresponds to the following:

	2019	2018
Capitalised tax loss carryforwards	-	53,275
+ Deferred tax assets	56,814	99,352
Total deferred tax assets	56,814	152,627
Assets offset	(56,814)	(77,955)
Deferred tax assets	**-**	**74,672**
Deferred tax liabilities	68,254	77,955
Liabilities offset	(56,814)	(77,955)
Deferred tax liabilities	**11,440**	**-**

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

DEFERRED TAX ASSETS

Thousands of Euros	1 Jan 2018	Adjustments to tax rate	Profit/(loss) Additions	Profit/(loss) Disposals	Net Equity Additions	Net Equity Disposals	Others	Exchange gains/losses	31 Dec 2018
Provision	28,184	(365)	22,669	(566)	-	-	(1)	(5,503)	44,418
Onerous contracts	374	-	1,461	(59)	-	-	-	-	1,776
Share-based payments	2,161	(30)	9	(1,027)	-	-	(2)	-	1,111
Other remuneration	763	-	7	(2)	-	-	-	-	768
Loss carryforwards	219,905	(175)	4,149	(170,749)	174	-	22	(51)	53,275
Deductions activation	2,855	-	862	(1)	1,528	-	861	-	6,105
Difference between depretation tax-accounting	39,867	-	2,121	(1,052)	-	-	(128)	(954)	39,854
Restatement	18,366	-	-	(17,353)	-	(933)	-	-	80
Other	5,465	(169)	1,733	(386)	-	-	-	(1,403)	5,240
Total non-curent deferred tax asset	**317,940**	**(739)**	**33,011**	**(191,195)**	**1,702**	**(933)**	**752**	**(7,911)**	**152,627**

Thousands of Euros	1 Jan 2019	Adjustments to tax rate	Profit/(loss) Additions	Profit/(loss) Disposals	Net Equity Additions	Net Equity Disposals	Others	Exchange gains/losses	31 Dec 2019
Provisions	44,418	-	16,656	(5,393)	-	-	499	(2,196)	53,984
Onerous contracts	1,776	-	3,924	(22)	-	-	-	-	5,678
Share-based payments	1,111	-	39	(677)	-	-	1	-	474
Other remuneration	768	-	951	(19)	-	-	1	-	1,701
Loss carryforwards	53,275	-	3,581	(56,868)	-	-	-	12	-
Deductions activation	6,105	-	5,470	(1,363)	-	-	1,008	-	11,220
Difference between depretation tax-accounting	39,854	-	4,438	(322)	-	-	775	(191)	44,554
Restatement	80	-	-	(80)	-	-	-	-	-
NIIF 16- Leases	-	-	3,386	-	-	-	(471)	-	2,915
Other	5,240	(19)	8,978	(151)	-	-	(308)	(1,142)	12,598
Impartment (not incluided impartmen of loss carryforwards)	-	-	-	(67,495)	-	-	(9,727)	912	(76,310)
Total non-curent deferred tax asset	**152,627**	**(19)**	**47,423**	**(132,390)**	**-**	**-**	**(8,222)**	**(2,605)**	**56,814**

The tax assets recognised at 31 December 2018 in the net amount of Euros 74,672 thousand consist of gross assets totalling Euros 152,627 thousand and the gross offsetting liabilities in the amount of Euros 77,955 thousand which, in accordance with IAS 12, are presented at the net amount in each jurisdiction.

Based on the considerations published by the European Securities and Markets Authority (ESMA), the Group has eliminated all capitalised tax bases and has only recognised deferred tax assets to the extent that there are deferred tax liabilities in the same jurisdiction. Consequently, at 31 December 2019 the Group has recognised a net deferred tax liability of Euros 11,440 thousand, consisting of assets in the amount of Euros 56,814 thousand and liabilities totalling Euros 68,254 thousand.

The breakdown of recognized deferred tax liabilities is as follows:

DEFERRED TAX LIABILITIES

Thousands of Euros	1 Jan 2018	Adjustments to tax rate	Profit/(loss) Additions	Profit/(loss) Disposals	Net Equity Additions	Net Equity Disposals	Others	Exchange gains/losses	31 Dec 2018
Goodwill	1,489	-	55	-	-	-	(124)	(1)	1,419
Amortisation and depreciation	30,376	(165)	5,793	(2,199)	-	-	-	(543)	33,262
Portfolio provisions	9,920	-	-	(3,307)	-	-	-	-	6,613
Store Sales	4,604	-	-	(222)	-	-	-	-	4,382
Hyperinflation Adjustment	-	-	4,996	-	13,554	-	3,659	-	22,209
Other	1,408	(238)	9,757	(61)	-	(796)	-	-	10,070
Total non-current deferred tax liabilities	**47,797**	**(403)**	**20,601**	**(5,789)**	**13,554**	**(796)**	**3,535**	**(544)**	**77,955**

Thousands of Euros	1 Jan 2019	Adjustments to tax rate	Profit/(loss) Additions	Profit/(loss) Disposals	Net Equity Additions	Net Equity Disposals	Others	Exchange gains/losses	31 Dec 2019
Goodwill	1,419	-	-	(163)	-	-	-	-	1,256
Amortisation and depreciation	33,261	-	3,011	(683)	-	-	29	(230)	35,388
Portfolio provisions	6,613	-	-	(3,306)	-	-	-	-	3,307
NIIF 16- Leases	-	-	698	-	-	-	-	-	698
Strore sales	4,382	-	-	(919)	-	-	-	-	3,463
Hyperinflation Adjustment	22,209	-	5	(2,947)	-	-	12,319	(7,949)	23,637
Other	10,069	-	288	(1)	-	-	(9,851)	-	505
Total non-current deferred tax liabilities	**77,953**	**-**	**4,002**	**(8,019)**	**-**	**-**	**2,497**	**(8,179)**	**68,254**

Based on the tax returns, the Group companies have the following accumulated tax losses, to be offset in future years amounting to Euros 1,595,716 thousand in 2019 and Euros 1,048,421 thousand in 2018.

Thousands of Euros	Years in which generated	Not subjetc to limitation	Limitation period (years)				TOTAL	Loss carryforwards non-activated
			2022	2023	2024	> 2024		
Distribuidora Internacional de Alimentación, S.A.	2014-2019	624,351	-	-	-	-	624,351	624,351
Finandia E.F.C., S.A.U.	2016-2019	2,627	-	-	-	-	2,627	2,627
DIA Retail, S.A.	2006-2019	128,650	-	-	-	-	128,650	128,650
Pe-Tra Servicios a la distribución, S.L.	1997-1999	18,549	-	-	-	-	18,549	18,549
Beauty by DIA, S.A.	2012-2019	31,736	-	-	-	-	31,736	31,736
Grupo El Árbol, Distribución y Supermercados, S.A.	2000-2019	538,336	-	-	-	-	538,336	538,336
DIA ESHOPPING, S.L.U.	2015-2019	9,002	-	-	-	-	9,002	9,002
Dia Brasil Sociedade Limitada	2018-2019	209,776	-	-	-	-	209,776	209,776
Dia Portugal Supermercados S.U., Lda	2014-2019	-	-	11,978	17,650	2,941	32,569	32,569
DIA Portugal II, S.A.	2017-2018	-	120	-	-	-	120	120
Total negative tax bases		**1,563,027**	**120**	**11,978**	**17,650**	**2,941**	**1,595,716**	**1,595,716**

16.3. Years open to inspection and tax inspections

Subsequent to the reporting date of these accounts, the inspections and investigations being carried out by the Spanish tax authorities on the following items and tax periods in Spain have concluded, without any punishable conduct:

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

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

On 29 January 2019, DIA Brazil received the result of the inspections carried out on the 2014 accounts, resulting in an updated debt of Euros 101,438 thousand (458,066 thousand Brazilian reals) relating to the different items of PIS and COFINS taxes. The company has appealed this ruling through administrative proceedings and, if necessary, will file a court appeal, since it considers that there are sufficient grounds to obtain a favourable outcome. Based on reports drawn up by two legal firms, the company has deemed the risk of loss of the items disputed in this appeal as remote/possible in the most part and has therefore only recorded a provision of Euros 1,294 thousand (5,844 thousand Brazilian reals) at 31 December 2019. Furthermore, approximately 30% of the amount of the ruling corresponds to the discrepancy regarding the tax on income from supplier discounts, which had already been raised in the 2010 inspection.

As a result of the inspections, which were closed in 2014, DIA Brazil received two notifications from the Brazilian tax authorities regarding 2010, one for an updated amount of Euros 17,518 thousand (79,109 thousand Brazilian reals) in relation to the discrepancy regarding the tax on income from supplier discounts, and the other for omission of income from circulation of goods for an updated amount of Euros 83,735 thousand (378,122 thousand Brazilian reals). In relation to the first issue (regarding tax on income from supplier discounts), an unfavourable decision was passed down in the administrative proceedings and the company filed a court appeal in 2016. Based on reports from external lawyers, the company considers that there are sufficient grounds to secure a ruling in favour of DIA Brazil. In relation to the second issue (on circulation of goods), the administrative proceedings resulted in an unfavourable ruling, which was subsequently appealed. As a result, the administrative court of second instance (CARF) recognised deficiencies in the inspection process and ordered another inspection, which concluded in June 2019 with a favourable ruling for DIA Brazil. The administrative court of second instance (CARF) must now analyse the conclusions of the new inspection. The external legal advisors continue to deem the likelihood of losing this case as remote.

The years open to inspection at 31 December 2019 for the main taxes to which the Companies of the various jurisdictions are subject are as follows.

Concept	SPAIN	PORTUGAL	ARGENTINA	BRAZIL
Income Tax	2015 and following	2016 and following	2015 and following	2015 and following
Value Added tax	2016 and following	2016 and following	2015 and following	2015 and following
Personal income tax	2016 and following	2016 and following	2015 and following	2015 and following

The directors do not expect that any major additional liabilities in relation to the consolidated annual accounts taken as a whole will arise as a result of the years open to inspection or the appeals submitted.

17. SHARE-BASED PAYMENT TRANSACTIONS

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

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

The expenses recognised in respect of the long-term incentive plan in force during 2019 amount to Euros 180 thousand (Euros 1,989 thousand in 2018) and are included under Personnel expenses in the income statement with a balancing entry under Other own equity instruments.

The equity instruments granted during 2019 have led to net movement in other equity instruments of Euros 2,782 thousand, reflecting the distribution of 365,590 own shares net of withholdings relating to the 2016-2018 Plan (768,277 own shares net of withholdings were distributed in 2018 totalling Euros 5,347 thousand relating to the 2014-2016 Plan). In addition, these instruments for undelivered shares were derecognised in the amount of Euros 3,984 thousand Furthermore, the April 2019 delivery and the cancellation of the second delivery in January 2020 have had an impact on reserves of Euros 6,018 thousand due to the impact of the non-market condition caused by the difference in the share price taken as the reference. At 31 December 2019 no plan other than the one included in the previous table has been approved.

18. REVENUES

18.1. Revenue from contracts with customers

Revenue corresponds to sales income from the store itself, sales to franchises and online sales from the Group's activity, which is mainly focused in the markets of Spain, Portugal, Brazil and Argentina. At 31 December 2019 and 2018, revenue amounts to Euros 6,870,435 thousand and Euros 7,576,087 thousand, respectively. Its distribution by geographical area is shown as follows:

	2019			2018		
	Ordinary income of the segment	Ordinary income between segments	Ordinary income of external clients	Ordinary income of the segment	Ordinary income between segments	Ordinary income of external clients
Sales in own stores	**4,420,372**	**2,770**	**4,417,602**	**4,533,927**	**4,008**	**4,529,919**
Spain	2,657,760	2,770	2,654,990	2,728,600	4,008	2,724,592
Portugal	304,391	-	304,391	350,989	-	350,989
Brazil	700,023	-	700,023	646,776	-	646,776
Argentina	758,198	-	758,198	807,562	-	807,562
Sales to franchise stores	**2,354,749**	**-**	**2,354,749**	**2,909,952**	**-**	**2,909,952**
Spain	1,437,792	-	1,437,792	1,729,586	-	1,729,586
Portugal	277,834	-	277,834	281,210	-	281,210
Brazil	480,059	-	480,059	736,144	-	736,144
Argentina	159,064	-	159,064	163,012	-	163,012
On line sales	**63,059**	**-**	**63,059**	**70,674**	**-**	**70,674**
Spain	62,066	-	62,066	69,410	-	69,410
Brazil	993	-	993	1,264	-	1,264
Other sales	**35,034**	**9**	**35,025**	**65,677**	**135**	**65,542**
Spain	22,333	-	22,333	27,938	-	27,938
Portugal	11,708	-	11,708	12,680	9	12,671
Brazil	978	-	978	24,933	-	24,933
Argentina	15	9	6	126	126	-
Total	**6,873,214**	**2,779**	**6,870,435**	**7,580,230**	**4,143**	**7,576,087**

18.2. Significant accounting policies

Own store sales:

The Group's own stores sell food and household and personal hygiene products. Sales revenues are recognised when a store sells products to customers. The transaction price is immediately payable when customers purchase and take away products.

The Group has a policy of granting a 15-day return period for products sold. The policy applies to its own store sales and online sales. Although the customer is allowed to return any item, this is not common practice in our stores, so the impact of this was irrelevant in the Group based on the IFRS 15.

Sales to franchisees:

The Group has collaboration agreements with franchisees and recognises revenues for sales when the goods are made available to the franchisee concerned. These agreements establish the payment of an initial charge that is recognised as income at that time by the Group, but is immaterial. The initial order from a franchisee may be financed and, if this takes place, an intrinsic financial component is recognised in the transaction.

Online sales:

The Group sells a range of products through its website. Products are delivered to customers at the postal address they state when the purchase is made or in stores.

In the case of customers that ask for products to be sent to a specific address (not a store), the revenue is recognised when control of the products is transferred. Although customers pay for products at the time of purchase, they have no capacity to use the product until it is received. In such cases, the customer does not have the capacity to change the destination of the delivery and does not have physical possession or accept the products until they are received. Accordingly, control is transferred and revenue is therefore recognised when the customer receives the product. The difference between both these moments in time does not exceed one day in the case of perishable products. The sale of other types of products through this channel is residual.

If customers ask to pick up at a store the products purchased online, DIA recognises the revenue when payment is made online because, although the products have not been delivered to the customer, they have been set aside, are available at the collection point and cannot be used for other customers (criteria that must be fulfilled in order for the customer to have obtained control under bill and hold arrangements).

Sale of goods - customer loyalty programme:

The Group has a loyalty programme whereby customers accumulate points for purchases made that entitle them to discounts on future purchases. Since, in general, the points are exchangeable in the same period the revenue accrued, the Group recognises the reduction in revenue at the transaction date.

The Group has agreements with franchisees whereby the period between the transfer of the goods or services promised to the customer and payment by the customer exceeds one year. In this case, DIA does not adjust transaction prices on account of the time value of money.

19. OTHER INCOME AND EXPENSES

The consolidated income statement for 2018 has been restated as indicated in note 2.3. to these consolidated annual accounts on comparative information. This note contains details and an explanation of the restatements made.

19.1. Other income

Details of other income are as follows:

Thousands of Euros	2019	2018
Fees and interest to finance companies	149	910
Service and quality penalties	21,024	34,234
Revenue from lease agreements	30,154	32,696
Other revenues from franchises	9,407	11,514
Revenue from information services to suppliers	7,861	8,099
Revenue from the sale of packaging	3,841	5,493
Other revenues	4,720	10,526
Total other operating income	**77,156**	**103,472**

Contractual penalties for service refer to the charges made by the Group to its suppliers following quality control processes and service level reviews on goods received.

19.2. Merchandise and other consumables used

This item includes purchases, less volume discounts and other trade discounts and changes in inventories. It also includes the cost of the products sold by the finance company.

Details of the main items are as follows:

Thousands of Euros	2019	2018
Goods and other consumables used	6,192,972	6,906,687
Disccounts	(1,091,086)	(1,285,999)
Inventory variation	94,044	(30,759)
Other sales costs	44,818	16,420
Total consumption of goods and other consumables	**5,240,748**	**5,606,349**

19.3. Personnel expenses

Details of personnel expenses are as follows:

Thousands of Euros	2019	2018
Salaries and wages	653,482	654,771
Seguridad social	177,505	188,000
Severance package	70,576	47,481
Defined contribution plans	7,484	-
Other employee benefits expenses	25,220	24,261
Parcial total personnel expenses	**934,267**	**914,513**
Expenses for share-based payment transactions	269	1,679
Total personnel expenses	**934,536**	**916,192**

The increase in Severance package is mainly due to the costs linked to the redundancy scheme undertaken in 2019 mentioned in note 1.1 d)7.

19.4. Operating expenses

Details of operating expenses are as follows:

Thousands of Euros	2019	2018
Repairs and maintenance	70,861	74,888
Utilities	95,126	93,647
Fees	82,505	66,458
Advertising	55,640	49,686
Taxes	31,669	21,180
Rentals, property	46,350	346,935
Rentals, equipment	5,499	5,119
Tranport	163,012	148,765
Travel expenses	21,780	24,161
Security	29,796	30,861
Other general expenses	73,145	58,967
Total operating expenses	**675,383**	**920,667**

19.5. Amortisation, depreciation and impairment

Details are as follows:

Thousands of Euros	2019	2,018
Amortisation of intangible assets (Note 6.3)	18,658	12,565
Depreciation of property, plant and equipment (Note 5)	208,494	233,202
Depreciation of uses rights (Note 6.2)	291,214	-
Total amortisation and depreciation	**518,366**	**245,767**
Impairment of goodwill (Note 6.1)	13,477	49,546
Impairment of intangible assets (Note 6.3)	(508)	1,683
Impairment of property, plant and equipment (Note 5)	44,540	66,380
Total impairment	**57,509**	**117,609**

The amortisation of rights of use arises from the application of IFRS 16 in 2019, as explained in the accounting policies followed by the Group in note 3 h) (see note 6.2).

Impairment on goodwill in 2018 resulted mainly from the impairment of the goodwill on consolidation arising in 2013 on the acquisition of Schlecker, S.A. (entity currently called Beauty by DIA, S.A. operating under the Clarel brand). Impairment amounting to Euros 37,771 thousand, as mentioned in note 6.1, was recorded and in the accounts published in the prior year it was classified as discontinued operations.

19.6. Gains/(losses) on disposal of non-current assets

Details of gains/(losses) on disposal of non-current assets are as follows:

Thousands of Euros	2019	2018
Losses on disposal of non current assets (notes 5 and 6)	(77,871)	(25,766)
Gains on disposal of fixed assets (note 5)	14,611	28,118
Profit on the sale of subsidiaries	(6,708)	9,265
Total	**(69,968)**	**11,617**

The increased losses recorded in 2019 are mainly due to the remodelling and closure of stores in Brazil during this period.

In 2018, the profit from the sale of warehouses and stores was recorded under the Proceeds from the disposal of fixed assets heading. The majority of these warehouses and stores were subsequently leased.

In 2018 the Group recognised the gain on the sale of 50% of FINANDIA E.F.C., S.A. to Caixabank Consumer Finance E.F.C., S.A.U. under Profit/(loss) on the sale of subsidiaries. On 28 June 2018, 50% of the shares of this company were sold for Euros 9,306 thousand and the Group recognised income on the sale of Euros 4,240 thousand (net of transaction costs). The remaining investment was revalued to its new fair value, giving rise to a gain of Euros 5,025 thousand, which was also recognised under this heading.

On 19 July 2019 the Group once again acquired 50% of the stake as a result of Caixabank Consumer Finance E.F.C., S.A.U. exercising the purchase option it held in the event of a change of control in the Dia Group. As a result of this acquisition, a loss of Euros 12,514 thousand has been recorded, of which Euros 6,708 thousand has been included under Profit/(loss) on the sale of subsidiaries and Euros 5,806 thousand has been included under Profit or loss on financial instruments (see note 19.10).

19.7. Finance income and finance cost

Details of finance income are as follows:

Thousands of Euros	2019	2018
Interest on other loans and receivables	207	482
Exchange gains (note 19.8)	3,343	1,618
Change in fair value of financial instruments	293	1,176
Other finance income	37,797	3,617
Total finance income	**41,640**	**6,893**

The increase in other finance income derives mainly from the financial restatement of assets in Brazil relating to the ICMS tax (see note 16), other taxes and amounts deposited to guarantee contingent liabilities.

Details of finance cost are as follows:

Thousands of Euros	2019	2018
Interest on bank loans	49,962	34,921
Interest on debentures and bonds	11,021	13,466
Finance expenses for finance leases	70,777	2,011
Interest on shareholder's loan (note 14.1 d)	3,706	-
Exchange losses (note 19.8)	17,614	8,873
Change in fair value of financial instruments	-	1,645
Financial expenses assigment of receivables operations (notes 7.1 (b))	947	263
Other finance expenses	42,182	29,169
Total finance expenses	**196,209**	**90,348**

The increase in interest on right-of-use assets is a result of applying IRFS 16 in 2019.

Other finance costs at 31 December 2019 and 2018 reflect the bank debit and credit interest rates in Argentina linked to its revenues. Furthermore, in 2019 costs are recognised for the financial restatement of liabilities in Brazil. In 2019 and 2018, non-incremental costs relating to the refinancing are included for Euros 8,315 thousand and Euros 11,875 thousand, respectively.

19.8. Foreign currency transactions

The transactions in foreign currency carried out by the DIA Group during 2019 and 2018 are not significant. However, details of exchange differences arising on transactions in foreign currency are as follows:

Thousands of Euros	2019	2018
Currency exchange losses (note 19.7)	(17,614)	(8,873)
Currency exchange gains (note 19.7)	3,343	1,618
Trade exchange losses	(1,605)	(4,392)
Trade exchange gains	2,973	1,056
Total	**(12,903)**	**(10,591)**

19.9. Gain or loss on net monetary position

This caption includes the positive financial effect of the impact of inflation on monetary assets, which amounted to Euros 63.7 million in 2019 and Euros 67.5 million in 2018 (see note 2.5). The majority of this amount is generated by trade payables.

In Argentina, the sales margin dropped by 13.1% in 2019 (14.7% in 2018). The sales margin in 2019, before applying IAS 29, was 16.7% (17.9% in 2018). This drop in sales margin in 2018 was largely due to the effect of the restatement due to the inflation of the cost of goods sold. The method of restating this item is based on the

measurement of the initial inventories at the rate corresponding to the period immediately prior to the start of the year, in this case December 2018. This is considered an average inventory turnover of 30 days. This methodology means that the restatement adjustment has a greater effect on the cost of goods sold than the rest of the lines in the income statement. In 2019 the margin also decreased, but it was due to other causes, such as the market downturn as a result of the crisis in the country.

19.10. Profit or loss on financial instruments

This heading mainly includes an amount of Euros 5,806 thousand for the negative adjustment to the measurement of the investment in Finandia linked to the purchase of 50% of this company (see note 19.6).

19.11. Profit/(loss) of equity-accounted investees

This heading includes the profit/(loss) attributable to equity-accounted companies amounting to Euros 196 thousand (see notes 1.2, 2.9 d) and 8).

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

Expansion operation commitments were undertaken for expansion at Group level.

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

20.1. Pledged:

Thousands of Euros - 31st December 2019	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	3,014	97	201	18,398	21,710
Credit facilities to customers (finance companies)	80,862	-	-	-	80,862
Cash	**83,876**	**97**	**201**	**18,398**	**102,572**
Purchase options	18,985	-	-	25,827	44,812
Commitments related to commercial contracts	10,367	5,323	2,839	1,625	20,154
Other commitments	-	-	-	9,285	9,285
Transactions / properties / expansion	**29,352**	**5,323**	**2,839**	**36,737**	**74,251**
Total	**113,228**	**5,420**	**3,040**	**55,135**	**176,823**

Thousands of Euros - 31st December 2018	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	1,152	2,722	272	14,762	18,908
Cash	**1,152**	**2,722**	**272**	**14,762**	**18,908**
Purchase options	23,730	-	18,628	27,422	69,780
Commitments related to commercial contracts	5,294	2,352	3,846	2,738	14,230
Other commitments	239	194	7,959	23,450	31,842
Transactions / properties / expansion	**29,263**	**2,546**	**30,433**	**53,610**	**115,852**
Total	**30,415**	**5,268**	**30,705**	**68,372**	**134,760**

The Parent company is the guarantor of the drawdowns on the credit facilities made by its Spanish subsidiaries, which at 31 December 2019 amounted to Euros 4,643 thousand (Euros 2,989 thousand in 2018).

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

Purchase options include options over warehouses amounting to Euros 44,262 thousand (Euros 45,786 thousand in 2018).

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

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

- JP Morgan guarantee for a maximum amount of USD 31,000 thousand with maturity in January 2020, which has been renewed until July 2020.
- Societè Generale guarantee for a maximum amount of Euros 27,170 thousand with maturity in July 2019, which has been renewed until March 2021.
- Societè Generale guarantee for a maximum amount of Euros 13,585 thousand with maturity in August 2019, which has been renewed until March 2021.

20.2. Received:

Thousands of Euros at 31st December 2019	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Available credit facilities	53,352	-	-	-	53,352
Avaible loans may be balanced with reverse factoring	425	-	-	-	425
Available confirming lines(not included in syndicated credits)	3,508	-	-	-	3,508
Cash	**57,285**	**-**	**-**	**-**	**57,285**
Guarantees received for commercial contracts	16,960	6,540	4,506	53,644	81,650
Other commitments	-	49	35	201	285
Transactions/ properties/ expansion	**16,960**	**6,589**	**4,541**	**53,845**	**81,935**
Total	**74,245**	**6,589**	**4,541**	**53,845**	**139,220**

Thousands of Euros at 31st December 2018	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Available revolving credit facilities (Tranche A)	92,652	-	-	-	92,652
Available credit facilities (Tranche B)	5,000	-	-	-	5,000
Available loans may be balanced with reverse factoring (Tranche B)	40,642	-	-	-	40,642
Available credit facilities (not included in syndicated credits)	30,493	-	-	-	30,493
Available reverse factoring lines (Tranche F)	189	-	-	-	189
Available reverse factoring lines(Tranche C)	4,447	-	-	-	4,447
Available reverse factoring lines (not included in syndicated credits)	13,664	-	-	-	13,664
Cash	**187,087**	**-**	**-**	**-**	**187,087**
Guarantees received for commercial contracts	21,293	5,142	15,131	58,058	99,624
Other commitments	1,650	159	84	201	2,094
Transactions/ properties/ expansion	**22,943**	**5,301**	**15,215**	**58,259**	**101,718**
Total	**210,030**	**5,301**	**15,215**	**58,259**	**288,805**

At 31 December 2019, within the framework of the financing agreement signed on 17 July 2019, the Super Senior Suplier reverse factoring of Euros 67,640 thousand is established as the amount granted under the Super Senior Supplier Tranche. On 31 January 2020, the Parent company's subsidiary, DIA Finance, S.L., entered into a financing agreement with the lender DEA Finance S.à r.l. in an amount of up to Euros 200,000 thousand, replacing the existing L1R Invest1 Holding, S.à r.l. commitment (see note 14.1 b).

b) Contingencies

The Group is undergoing legal proceedings and tax inspections in a number of jurisdictions, some of which have been completed by the taxation authorities at 31 December 2019 and appealed by Group companies (see note 16). 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 when estimating the amount.

Note 15 contains details of legal contingencies and note 16 includes details of tax contingencies.

21. RELATED PARTIES

Details of related party balances and transactions are as follows:

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

In 2019 and 2018 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 and balances with associates

During 2019 and 2018 the Group has carried out the following related party transactions: ICDC, HIS, Red Libra and Finandia, mainly relating to commercial transactions. The trade payables balance at 31 December 2019 and 2018 is shown in notes 6.1 and 13.3. The transactions carried out with related parties during both periods are as follows:

Thousands of Euros	2019	2018
ICDC	15,470	24,724
HIS	2,021	-
Red Libra	(163)	(731)
LetterOne	(6,748)	-
Finandia	(200)	(406)
Total transactions	**10,380**	**23,587**

Transactions with directors and senior management personnel

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

Thousands of Euros			
2019		2018	
Members of Board Director	Senior managment	Members of Board Director	Senior managment
3,246	8,299	3,972	4,581

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

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

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

2019			Thousands of euro				
Members of Board Directors	From	To	Financial instruments	Fixed salary	Compensation	No competence	Others (Ret.Kind)
D. Richard Golding	01/01/2019	21/05/2019	2.4	48.4	-	-	-
D. Mariano Martín Mampaso	01/01/2019	20/03/2019	3.0	51.0	-	-	-
D. Antonio Urcelay Alonso	01/01/2019	21/05/2019	2.4	48.4	-	-	-
D. Borja de la Cierva Sotomayor (*)	01/01/2019	21/05/2019	1.8	299.4	-	353.9	5.9
D. Julián Díaz González	01/01/2019	21/05/2019	2.8	41.0	-	-	-
Dª Angela Lesley Spindler	01/01/2019	21/05/2019	2.9	44.8	-	-	-
Dª María Luisa Garaña Corces	01/01/2019	21/05/2019	2.4	44.4	-	-	-
D. Miguel Ángel Iglesias Peinado (*)	01/01/2019	21/05/2019	1.0	76.9	-	-	2.6
D. Crhistian Couvreaux	21/05/2019	31/12/2019	2.3	94.2	-	-	-
D. Jose Wahnon Levy	21/05/2019	31/12/2019	1.9	94.4	-	-	-
D. Jaime Garcia Legaz	01/01/2019	31/12/2019	4.4	154.8	-	-	-
D. Karl-Heinz Holland (*)	21/05/2019	31/12/2019	-	1,841.7	-	-	17.7
Total			**27**	**2,839**	**-**	**354**	**26**

(*) Remuneration as senior management and as director

2018			Thousands of euro				
Members of Board Directors	From	To	Financial instruments	Fixed salary	Compensation	No competence	Others
Dª Ana María Llopis Rivas	01/01/2018	31/12/2018	5.7	109.5	-	-	-
D. Ricardo Currás de Don Pablos (*)	01/01/2018	24/08/2018	0.0	496.8	1,951.5	202.0	10.0
D. Julián Díaz González	01/01/2018	31/12/2018	4.3	68.4	-	-	-
D. Juan Maria Nin Genova	01/01/2018	22/06/2018	1.9	35.9	-	-	-
D. Richard Golding	01/01/2018	31/12/2018	4.3	105.4	-	-	-
D. Mariano Martín Mampaso	01/01/2018	31/12/2018	5.6	115.8	-	-	-
D. Antonio Urcelay Alonso	01/01/2018	31/12/2018	4.4	109.8	-	-	-
Dª Angela Lesley Spindler	01/01/2018	31/12/2018	5.0	96.5	-	-	-
D. Borja de la Cierva Sotomayor	01/01/2018	31/12/2018	4.8	118.4	-	-	-
Dª María Luisa Garaña Corces	01/01/2018	31/12/2018	4.0	95.5	-	-	-
D. Stephan DuCharme	20/04/2018	04/12/2018	3.7	66.4	-	-	-
D. Antonio Coto Gutiérrez (*)	24/08/2018	28/12/2018	1.3	248.3	-	-	10.6
D. Karl-Heinz Holland	20/04/2018	18/12/2018	2.9	58.0	-	-	-
D. Sergio Ferreira Dias	15/10/2018	18/12/2018	0.9	24.2	-	-	-
D. Miguel Ángel Iglesias Peinado	28/12/2018	31/12/2018	-	0.4	-	-	-
Total			**49**	**1,749**	**1,951**	**202**	**21**

(*) Remuneration as senior management and as director

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

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

During 2019 and 2018 the members of the board of directors and senior management personnel of the Group have not carried out transactions other than ordinary business or applying terms that differ from market conditions with the Parent or Group companies.

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

Situations of conflicts of interest of the directors

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

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

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

22. 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:

22.1. 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.

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

In 2019 and 2018 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 2019 amounted to US Dollars 605 thousand (US Dollars 7,046 thousand in 2018). This amount represented 13.47% of the transactions carried out in this currency in 2019 (68.68% in 2018). At the end of 2019, there were no hedges in place in dollars (US Dollars 954 thousand in 2018). These transactions are not significant with respect to the Company'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 Argentinean Pesos and Brazilian Reals is mitigated primarily through borrowings in the corresponding foreign currencies.

The translation differences included in other comprehensive income are significant due to the major depreciation of the Brazilian Real in 2018. The devaluation effects of the Argentinean Peso are detailed in note 2.5. Changes in translation differences, if the Brazilian real had been devalued/appreciated by 10%, would have been +/- 31.18%, respectively. Likewise, changes in reserves if the Argentine peso had been devalued/appreciated by 10% would have been +/- 9.72%, respectively.

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

Changes in exchange rates at 31 December 2019 and 2018 due to outstanding balances in currencies other than the functional currencies of each country would not have a material impact on the consolidated income statements.

22.3. Price risk

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

22.4. Credit risk

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

The Group does not have significant concentrations of credit risk. The risk of concentration is minimised through diversification, managing and combining various areas of impact. Firstly, the customer base is distributed geographically at the international level and secondly there are different types of customers such as franchisees and retailers.

The 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 transactions are only arranged with financial institutions that have a high credit rating so as to mitigate credit risk. The Group has policies to limit the amount of risk with any one financial institution.

The credit risk presented by the Group is attributable to the transactions it carries out with the majority of its franchisees and is mitigated through the bank and other guarantees received, which are described in note 20. Details are as follows:

Thousands of euros	2019	2018
Trade and other receivables non current (note 7.1 a))	46,010	73,121
Trade and other receivables current (note 7.1 a))	119,773	141,174
Franchise deposits (note 7.2)	2,280	2,790
Guarantees recevied (note 20.2)	(81,650)	(99,624)
	86,413	**117,461**

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

In 2019 the Group entered into agreements to transfer supplier trade payables without recourse (see notes 3 and 7.1 (b)). The accrued cost of the transfer of these receivables amounted to Euros 947 thousand in 2019 (Euros 263 thousand in 2018) (see note 19.7). Undue balances at 31 December 2019 amount to Euros 14,128 thousand (Euros 126,450 thousand at 31 December 2018), all of which are without recourse.

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

Thousands of euros	Maturity	2019
Guarantees	per contract	62,548
Equity instruments	-	1,270
Other loans	2021-2021	225
Trade and other receivables	2021-2036	46,010
Non current assets		**110,053**
Franchise deposits (note 7.2)	2020	2,280
Credits to personnel	2020	3,014
Other loans	2020	76
Loans on the sale of fixed assets	2020	347
Other finantial assets	2020	2,989
Trade and other receivables	2020	105,110
Receivables form group companies	2020	5,861
Consumer loans from finance companies	2020	1,409
Current assets		**121,086**

Thousands of euros	Maturity	2018
Guarantees	per contract	63,794
Other guarantees	2020	2,000
Equity instruments	-	695
Other loans	2010-2021	710
Trade and other receivables	2020-2035	73,121
Other non current financial assets	2020-2024	10,522
Non current assets		**150,842**
Franchise deposits (note 7.2)	2019	2,790
Credits to personnel	2019	2,914
Other loans	2019	348
Loans on the sale of fixed assets	2019	352
Other assets from group companies	2019	2,603
Other finantial assets	2019	2,336
Trade and other receivables	2019	188,192
Receivables form group companies	2019	5,277
Consumer loans from finance companies	2019	20
Current assets		**204,832**

The Group has taken out credit insurance policies to ensure the collectability of certain trade receivables for sales. The trade receivables covered by these policies totalled Euros 115 thousand at 31 December 2019 (Euros 4,332 thousand at 31 December 2018).

The returns on these financial assets totalled Euros 1,829 thousand in 2019 and Euros 4,068 thousand in 2018.

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

	Thousands of euro					
Current	Total	Unmatured	Between 0 and 1 month	Between 2 and 3 month	Between 4 and 6 month	Between 7 and 12 month
At 31 december 2019	110,971	58,835	20,121	30,672	1,014	329
At 31 december 2018	193,469	96,772	17,823	67,490	5,044	6,340

	Thousands of euro			
Non current	Total	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
At 31 december 2019	46,010	11,775	22,120	12,115
At 31 december 2018	73,121	16,710	37,964	18,447

Details of the impairment policy can be found in note 7.

22.5. Liquidity risk

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

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

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

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

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

Thousands of euro	Maturity	2019
Debentures and bonds long term	2021 y 2023	592,912
Syndicated credits (Revolving credit facilities)	2023	141,407
Syndicated credits (Term loan)	2023	377,268
Other bank loans	2021	66,725
Finance lease payables	2021-2031	506,295
Credit facilities drawn down	2023	169,952
Guarantees and deposits received	per contract	10,709
Other non-current borrowings	2021	448
Other non current financial liabilities	2022	3,806
Total non current financial liabilities		**1,869,522**
Debentures and bonds short term	2020	3,980
Mortgage loans	2020	393
Other bank loans	2020	56,188
Finance lease payables	2020	225,973
Syndicated credits (Revolving credit facilities)	2020	3,153
Credit facilities drawn down	2020	26,049
Expired Interests	2020	2,429
Guarantees and deposits received	2020	2,688
Liabilities derivatives	2020	687
Other payables to group companies	2020	90
Other current borrowings	2020	3,906
Trade and other payables	2020	1,215,446
Suppliers of fixed assets	2020	41,456
Personnel	2020	65,909
Other current liabilities	2020	4,218
Total current financial liabilities		**1,652,565**

Thousands of euro	Maturity	2018
Debentures and bonds short term	2020-2023	590,410
Syndicated credits (Revolving credit facilities)	2020-2022	254,222
Mortgage loans	-	393
Other bank loans	2,020	15,000
Finance lease payables	2020-2025	20,678
Credit facilities drawn down	2020-2022	27,150
Guarantees and deposits received	per contract	12,116
Other non-current borrowings	2020-2021	385
Other non current financial liabilities	2020	2,291
Total non current financial liabilities		**922,645**
Debentures and bonds short term	2019	311,371
Other bank loans	2019	119,092
Mortgage loans	2019	438
Other current financial liabilities (note 15.1 c))	2019	4,532
Finance lease payables	2019	9,611
Syndicated credits (Revolving credit facilities)	2019	124,350
Credit facilities drawn down	2019	185,626
Expired Interests	2019	7,243
Guarantees and deposits received	2019	3,491
Liabilities derivatives	2019	5,776
Other payables to group companies	2019	513
Other current borrowings	2019	3,549
Trade and other payables	2019	1,448,928
Suppliers of fixed assets	2019	108,986
Personnel	2019	56,273
Other current liabilities	2019	1,137
Total current financial liabilities		**2,390,916**

The finance costs accrued on these financial liabilities totalled Euros 131,760 thousand and Euros 50,398 thousand in 2019 and 2018, respectively. This increase in expenses is mainly due to the expenses for rights of use recorded in 2019 following the application of IFRS 16.

22.6. 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 2019 and 2018 there were no outstanding derivatives contracted with external counterparties to hedge interest rate risk related to long-term financing.

During 2019 fixed-rate debt as a percentage of the volume of average gross debt totalled 41.25%, compared with 73% 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 the interest rates relating to all terms would have led to a variation in profit after tax of Euros 1,349 thousand in 2019 (Euros 303.1 thousand in 2018).

23. OTHER INFORMATION

Employee information

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

	2019	2018
Directivos	175	183
Mandos intermedios	1,613	1,652
Otros empleados	38,000	38,549
Total	**39,788**	**40,384**

The average headcount in 2019 includes 182 employees in the Cash & Carry business (221 in 2018). Personnel expenses for these employees are recorded under discontinued operations in the income statement.

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

	2019		2018	
	Female	Male	Female	Male
Board members	-	6	2	7
Senior management	2	8	1	5
Other management	47	99	47	122
Middle management	606	878	641	1,015
Other employees	25,282	12,451	27,518	14,336
Total	**25,937**	**13,442**	**28,209**	**15,485**

The employee figures at year-end include 227 employees for the Cash & Carry business in 2018 (192 men and 35 women).

During 2019 the Group employed an average of one executive (one in 2018), four middle management personnel (three in 2018) and 535 other employees (535 in 2018) with a disability rating of 33% or above (or an equivalent local classification).

Audit fees

The audit firm Ernst & Young, S.L. , the audit firm KPMG Auditores, S.L., and other audit firms worked as auditors of the annual accounts of the Group, and other international affiliates of the aforementioned firms have invoiced the following fees for professional services during the years ended 31 December 2019 and 2018:

	2019			
Thousands of Euros	Ernst & Young, S.L.	Other companies associated with EY International	Other audited entities	Total
Audit services	730	327	-	1,057
Other services relating to audit	585	109	43	737
Tax advisory services	-	135	-	135
Other services	680	217	-	897
Total	**1,995**	**788**	**43**	**2,826**

	2018		
Thousands of Euros	KPMG Auditores, S.L.	Otras entidades afiliadas a KPMG International	Total
Audit services	914	440	1,354
Other services relating to audit	75	52	127
Tax advisory services	-	22	22
Other services	5	36	41
Total	**994**	**550**	**1,544**

Other audit-related services and other services invoiced by these audit firms comprise limited reviews of six-monthly financial statements, comfort letters relating to securities issues and agreed financial information procedures services rendered to DIA, S.A. and its subsidiaries during the year ended 31 December 2019 and 2018.

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

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.

24. EVENTS AFTER THE REPORTING PERIOD

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

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

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

The hive down process described in note 1.2 was initiated on 1 January 2020, as required by the syndicated lenders. This entails a complex sequence of many operations and legal steps in the first few months of 2020 to transfer the Company's main business units to certain subsidiaries that will be directly or indirectly owned by other intermediate companies in Luxembourg, wholly owned, directly or indirectly by DIA.

Impact of Coronavirus COVID-19

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

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

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

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

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

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

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

In accordance with the foregoing, on the basis of the best information currently available, the Company considers that this is a circumstantial situation that, according to the most current details and the Treasury position of the Company does not compromise the application of the going concern basis (Note 2.4).

CONSOLIDATED DIRECTOR'S REPORT 2019

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

2019 HIGHLIGHTS

The Group has been operating in a highly disrupted and volatile business, financial and corporate context which, despite having a positive final resolution at mid-year, has nevertheless taken a substantial toll and affected the operating performance during the year.

The sequence of relevant facts in 2019 is as follows:

• 20 May 2019, the public tender offer proposed by LetterOne was successfully completed and an agreement in principle with the syndicate lenders was announced. LetterOne became the controlling shareholder with 69.76% of the share capital of DIA.

• 21 May 2019 a new Board of Directors and CEO were appointed.

• 25 June 2019 a new financing agreement with the syndicated facility lenders was reached, and it became effective on 18 July 2019.

• 19 July 2019 the Parent entered into participating loans with LetterOne totalling Euros 490 million, which were fully funded.

• 22 July 2019 the Parent fully repaid Euros 306 million Medium Term Notes on maturity.

• 22 October 2019 the Extraordinary Shareholders' Meeting approved a Share Capital Increase in the Parent for Euros 606 million.

• 20 November 2019 the Capital Increase settled, leaving the new share capital of the Parent at Euros 66,779,789.79 (divided into 6,677,978,979 shares of Euros 0.01 of nominal value each). LetterOne increased its stake to 74.82%.

THE RECAPITALIZATION

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

THE TRANSFORMATION

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

• Investing in capabilities to drive the transformation: word-class specialists in food retail, building an efficient organisation and developing best-in-class operating standards.

• Rebuilding DIA's culture and trust, fostering long-term relationship with all key stakeholders, and creating a new performance-based culture and principles-oriented leadership.

• Transforming DIA's Customer Value Proposition based on a new assortment, improving the fresh offer and private brand, adapting pricing and promotions, investing in the network of stores and re-inventing the franchise model.

In advance of the transformation, a series of decisions have been taken during 2019 with the objective of cleaning the bad legacy from the past. Those measures have included: (i) sizable headcount reduction initiatives (mostly in Brazil and Spain) to improve productivity, (ii) the closure of 861 unprofitable stores with permanent negative contribution, (iii) transferring poorly-run franchised stores to wholly-owned (COFO to COCO) affecting 385 stores, (iv) an assortment optimization initiative to achieve a manageable minimum common offer among the formats and improve operations, (v) the discontinuation of non-core activities (i.e.: E-shopping, Bahia masterfranchise or Mini Preço in Brazil) to reduce complexity and improve efficiency and focus, and (vi) the recognition of accruals, losses, impairments or write-offs in connection with certain receivables, investments, tax credits, risks and liabilities.

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

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

EARLY SIGNS OF RECOVERY

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

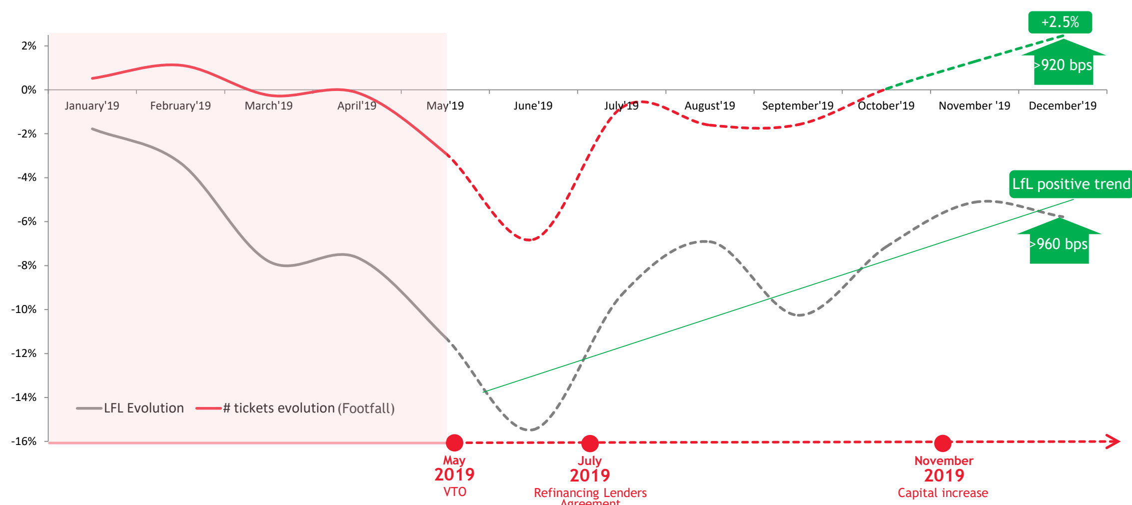
The disruption in the first half of the year and the actions linked to the preparation for transforming DIA have caused an unavoidable significant negative impact in the 2019 P&L.

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

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

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

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



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

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

GROUP PERFORMANCE[1]

Financial summary (€m)	2019	2018(*)	Change (%)	Change (% ex-FX)
Net sales	6,870.5	7,576.0	-9.3%	-2.2%
Adjusted EBITDA (ex one-offs)	34.1	376.2		
Losses from operating activities	(580.2)	(142.6)		
Losses	(790.5)	(352.6)		

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

During 2019, Gross Sales Under Banner fell by 19.5% to Euros 8,675 million (9.2% down ex-currency with a strong FX impact of 10.3%). Comparable (Like-for-Like) sales decreased 7.6% for the Group compared to a negative 3.5% in the same period of 2018, showing a negative trend and the sharp deterioration caused by the out-of-stock levels in our warehouses and stores resulting from the business disruption context suffered during 2019.

Net attributable loss amounted Euros 790.5 million, compared to the Euros 352.6 million losses shown in the same period of 2018, as a result of the strongly negative earnings impact related to the sharp sales decline and also to the exceptional one-off effects registered in the period in connection with the different measures implemented to set the right basis for the long term turnaround of the Group, which will translate into visible positive effects on sales and profitability only in the medium to long-term, as explained further in this report.

Also, a detailed risk and recoverability analysis has resulted in the recognition of previously not addressed write-offs, losses, and provisions for risks associated to the business.

The main items affecting the Group's negative performance in 2019, include:

1. The sharp sales deterioration caused by the extraordinary out-of-stock levels and business disruption context described above.
2. The closure of poorly-performing stores which has affected a total of 861 stores during 2019 (mostly in Spain and Brazil), which ultimately translated into: lower sales, the write-off of related assets, an increase in Opex due to the expenses related to the handover of the leases and the recognition of provisions in respect of doubtful accounts receivables from related franchisees. These closings will have a positive impact derived from the elimination of their negative margin contribution.
3. A strong de-franchising process aimed at improving the quality of our franchisee network, which has affected a total of 385 stores during 2019 (mostly in Spain and Brazil), resulting in higher labour and opex expenses, and the recognition of additional provisions on related accounts receivables.
4. An initial commercial assortment rationalization process carried out, in all regions resulting in a meaningful reduction in SKUs, seeking greater simplification, productivity improvement and best value-for-money proposition for customers. This initiative led to the recognition of significant losses (especially in Brazil) related to the corresponding stock liquidation (impacting negatively Cost of Goods Sold).
5. The impact of some logistic improvement initiatives implying the closing of warehouses to seek greater efficiency, which translated in the short term into higher logistic costs, additional write-offs of assets and provisions for committed lease payments to the owners.
6. The increased focus on our core business, which led to decisions/actions (i.e.: the closing of the operations in Bahia and Mini Preço in Brazil, or the discontinuation of the non-food e-commerce activities in Spain through e-Shopping) which have increased the restructuring costs and the losses on impairment of assets.

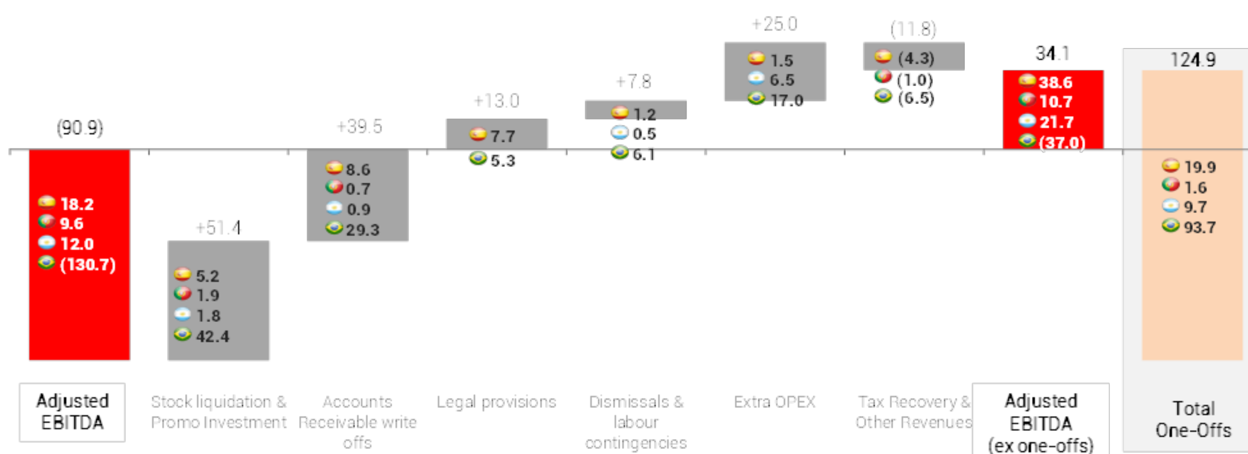
[1] The Group has decided to keep its Clarel business and to strengthen it with the appointment of a new CEO and a dedicated management team who will work on reformulating its customer value proposition. Accordingly, the financial information and the comparable data for 2018 includes Clarel figures fully consolidated as continued operations.

7. Other substantial extraordinary and one-off items such as:

   - The Collective Dismissal process implemented in Spain together with other headcount reduction decisions taken in other countries (mainly Brazil) to improve productivity in the stores, warehouses and head offices, impacting Restructuring Costs.
   - The complex and multi-phased syndicated debt refinancing process and advisory work related to the capital increase presented by the former board in the Annual General Shareholders' Meeting (including financial and corporate advice, auditors, forensic services, legal advice and strategy consultants), impacting Restructuring Costs and Financial Results.
   - The repurchase by DIA of the 50% of Finandia due to change of control which triggered the recognition of losses impacting in Financial Results.

8. The recognition of additional accruals in connection with certain legal and tax risks and liabilities identified that needed to be provisioned and write offs and others.

The following chart shows the one-off impacts included in Adjusted EBITDA, totalling Euros (124.9) million, which are mainly concentrated in Brazil Euros (93.7) million and Spain Euros (19.9) million. The largest impacts in Adjusted EBITDA relate to stock liquidation efforts and to accounts receivable write-offs.



These impacts are recorded in the consolidated income statement, in line with the nature thereof, in particular:

- Allocations for the insolvency of franchises during the first six months in Brazil are recorded in Impairment of receivables, recognising their impact chiefly under the heading Impairment of trade receivables.
- The costs relating to the closure of businesses and the termination of contracts are recorded in Legal provisions under Operating costs, and specifically, Other general costs.
- Costs relating to compensation and litigation with employees, particularly in Brazil, are recorded in Termination benefits under the heading Personnel expenses.
- Taxes, repair and maintenance expenses and other general costs in Brazil are recorded in Extra opex.
- Various headings in the Recovery of taxes and other caption in the income statement are affected, such as purchases, sales and other operating expenses with a positive net effect.
- Lastly, liquidation of inventory (specifically due to the aforementioned streamlining of product selection) not only includes the impact of the provision for obsolescence of inventories recorded under Merchandise and other consumables used, but also the lower than standard sales price absorbed indirectly in the income statement as loss of profit and reflected in the lower turnover figure.

FY 2019 RESULTS

(€m)	2019	%	2018(*)	%	Change (%)	Change (% ex-FX)
Net sales	**6,870.5**	**100.0%**	**7,576.0**	**100.0%**	**-9.3%**	**-2.2%**
Cost of goods sold & other income	(5,552.0)	-80.8%	(5,909.0)	-78.0%	-6.0%	1.9%
Gross profit	**1,318.5**	**19.2%**	**1,667.0**	**22.0%**	**-20.9%**	**-16.7%**
Labour costs	(741.0)	-10.8%	(703.1)	-9.3%	5.4%	10.6%
Other operating expenses	(362.0)	-5.3%	(319.8)	-4.2%	13.2%	24.6%
Leased property expenses	(18.8)	-0.3%	(304.3)	-4.0%	-93.8%	-92.8%
Restructuring costs	(131.1)	-1.9%	(130.7)	-1.7%	0.3%	0.3%
EBITDA	**65.6**	**1.0%**	**209.2**	**2.8%**	**-68.6%**	**-12.5%**
D&A	(518.4)	-7.5%	(245.8)	-3.2%	110.9%	
Impairment	(57.5)	-0.8%	(117.6)	-1.6%	-51.1%	
Write-offs	(70.0)	-1.0%	11.6	0.2%	-703.4%	
EBIT	**(580.2)**	**-8.4%**	**(142.6)**	**-1.9%**	**307.0%**	
Net financial results	(96.7)	-1.4%	(17.1)	-0.2%	465.5%	
EBT	**(677.0)**	**-9.9%**	**(159.7)**	**-2.1%**	**323.9%**	
Income taxes	(91.7)	-1.3%	(188.4)	-2.5%	-51.3%	
Consolidated profit	**(768.6)**	**-11.2%**	**(348.0)**	**-4.6%**	**120.8%**	
Discontinuing operations	(21.8)	-0.3%	(4.5)	-0.1%	384.4%	
Net attributable profit	**(790.5)**	**-11.5%**	**(352.6)**	**-4.7%**	**124.2%**	

(*) 2018 figures include Clarel as a continued activity

The reconciliation between the EBITDA indicated in the intermediate financial states and the one indicated in the preceding table, due to the assignment due to the nature of the logistical costs attributed to the stores and the restructuring cost for 2019 and 2018, is explained in the next table:

(€m)	Income statement	Logistics cost	Restructuring cost	Total 2019
Net sales	**6,870.5**	**-**	**-**	**6,870.5**
Cost of goods sold & other income	**(5,194.9)**	**(365.1)**	**8.1**	**(5,552.0)**
Goods and other consumables used	(5,240.8)	(365.1)	0.3	(5,605.6)
Other income	77.2	-	-	77.2
Impairment of trade debtors	(31.3)	-	7.8	(23.5)
Gross profit	**1,675.6**	**(365.1)**	**8.1**	**1,318.5**
Labour costs	(934.5)	130.1	63.4	(741.0)
Other operating expenses	(629.0)	233.6	33.4	(362.0)
Leased property expenses	(46.4)	1.4	26.2	(18.8)
Restructuring costs	-	-	(131.1)	(131.1)
EBITDA	**65.6**	**-**	**-**	**65.6**

(€m)	Income statement	Logistics cost	Restructuring cost	Total 2018 (*)
Net sales	**7,576.0**	**-**	**-**	**7,576.0**
Cost of goods sold & other income	**(5,530.0)**	**(386.5)**	**7.5**	**(5,909.0)**
Goods and other consumables used	(5,606.3)	(386.5)	-	(5,992.8)
Other income	103.5	-	-	103.5
Impairment of trade debtors	(27.2)	-	7.5	(19.7)
Gross profit	**2,046.0**	**(386.5)**	**7.5**	**1,667.0**
Labour costs	(916.2)	139.2	73.9	(703.1)
Other operating expenses	(573.8)	216.5	37.5	(319.8)
Leased property expenses	(346.9)	30.8	11.8	(304.3)
Restructuring costs	-	-	(130.7)	(130.7)
EBITDA	**209.2**	**-**	**-**	**209.2**

(*) 2018 figures include Clarel as a continued activity

During 2019, the DIA Group's Net Sales decreased by 9.3% to Euros 6,870.5 million but were down only by 2.2% in local currency. This sales performance reflected a 7.1% negative effect from currencies due to the 40.8% and 2.7% depreciation of the Argentinean Peso and Brazilian Real, respectively, in the period.

Comparable Sales (Like-for-Like) in 2019 was negative -7.6% but driven by a -0.7% in the number of tickets and a -7.0% decline in the average basket, showing the strong resilience of our customer base despite the difficult context of the Group.

The monthly evolution of Like-for-Like (see table attached) shows two different phases, with the first one characterized by a progressive and accelerating deterioration during the first six months of the year (peaking in June with -15.5% driven by the negative impact caused by the uncertainty surrounding the Group's financial situation and the supplier tightening resulting from it), and the second one showing a gradual recovery of the business from July until December, which is especially noteworthy considering that it is happening despite having discontinued in 2019 certain commercial practices which were used in 2018 to unsustainably boost sales (like the Day-without-VAT promotions in Spain, or the wholesale sales and the push sales to franchisees made in Brazil).

LxL (*)	Jan	Feb	March	April	May	Jun
DIA Group	-1.6%	-3.2%	-7.7%	-7.5%	-11.1%	-15.5%
LxL (*)	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**
DIA Group	-9.1%	-6.9%	-10.0%	-7.1%	-5.1%	-5.8%

(*) With Clarel

Gross Profit (as a percentage of Net Sales) decreased in 2019 to 19.2% (versus 22.0% in 2018) reflecting principally the negative impact of the stock liquidation initiatives referred to above, write-off of receivables related to franchisees, and also some erosion caused by the supplier tightening.

Adjusted EBITDA[2] amounted to negative Euros 90.9 million in 2019, compared to the Euros 376.2 million in the same period last year, as a result of the negative earnings impact related to the sales decline and to the exceptional one-off effects of Euros -124.9 million registered in the period mainly related to stock liquidation and write-off of accounts receivables in Spain and Brazil. Also, the Group has adopted a new more conservative definition of Adjusted EBITDA in 2019 which does not exclude certain cost items.

EBITDA in 2019 fell to Euros 65.6 million compared to positive Euros 209.2 million in the same period of last year. In addition to the negative operational impacts already described above, the negative impact from one-off restructuring items of Euros -131.1 million and the additional Impairment of Euros -57.5 million were more than offset by the sizeable Euros 321.4 million positive effect resulting from the application of IFRS 16.

[2] The adjusted EBITDA definition has been updated in 2019 (see "Definition of APMs") to: (i) exclude the effect of IAS 29 negatively impacting EBITDA and IFRS 16 positively impacting by transferring rental expenses to Depreciation and Amortization, and (ii) include as ordinary operational expenses or revenues -to be more conservative- those related to store remodelling and closings, long-term incentive programs (LTIP), and write-offs of account receivables related to franchisees.

The following table further explains the Adjusted EBITDA performance during the period:

EBITDA to Adjusted EBITDA reconciliation

(€m)	2019	2018(*)	Change
EBITDA	**65.6**	**209.2**	**(143.6)**
Restructuring costs	**131.1**	**130.7**	**0.4**
Store remodellings	-	22.4	(22.4)
COCO to COFO transfers	-	12.3	(12.3)
Store closings	13.4	30.4	(17.0)
DC closings	24.2	1.1	23.1
Efficiency projects & severance packages	62.9	35.1	27.8
Advisory fees & other special items	30.6	28.5	2.1
LTIP share based payments	-	1.0	(1.0)
IFRS 16 lease effect	**(321.4)**	**-**	**(321.4)**
IAS 29 hyperinflation effect	**33.9**	**36.3**	**(2.4)**
Adjusted EBITDA	**(90.9)**	**376.2**	**(467.0)**

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

The Restructuring Costs in 2019 are primarily resulting from:

- Euros 37.6 million costs incurred in connection with the exceptional closing of stores and warehouses executed in the period, of which Euros 26.2 million related to compensation for store leaving, Euros 8.1 million for the close of business with the Bahia Master Franchise and other operating expenses for Euros 3.3 million
- Euros 62.9 million provision accrued for the total estimated costs related to the Collective Dismissal approved in Spain and dismissals in other countries
- Euros 30.6 million of exceptional one-off fees related to: financial and corporate advice, auditors, forensic services, legal advice, strategy consultants, and the preparation of the Euros 600 million capital increase presented at the Annual Shareholders' Meeting, including cost as operating expenses for Euros 30.1 million and Euros 0.5 million and other social expenses

The effect of the initial application in 2019 of new IFRS 16 (without restating 2018 for comparative purposes), and that of IAS 29 is shown separately in the table and complete the explanation of the evolution of the items excluded from Adjusted EBITDA.

It is important to note that the Adjusted EBITDA definition has been updated in 2019 to: (i) exclude the effect of IAS 29 and IFRS 16, and (ii) include –to be more conservative– as ordinary operational expenses or revenues, those related to store remodellings and closings, long-term incentive programmes (LTIP) and write-offs of account receivables related to franchisees.

Depreciation and amortisation almost doubled during 2019 (from Euros 245.8 million to Euros 518.4 million) due to the new application of IFRS 16.

Financial Results

(€m)	2019	2018(*)	Change
Finance income	38.3	5.2	33.1
Interest expense	(65.6)	(48.7)	(16.9)
Other financial expenses	(33.9)	(17.2)	(16.7)
Refinancing costs	(8.3)	(11.9)	3.6
FX differences	(14.3)	(7.3)	(7.0)
IFRS 16 related financial costs	(70.8)	(2.0)	(68.8)
Gains from net monetary position (IAS 29)	63.7	67.5	(3.8)
Change in fair value of financial instruments	-	(1.6)	1.6
Results from financial instruments	(6.0)	-	(6.0)
P&L from companies accounted under equity method	0.2	(1.2)	1.4
Net financial results	**(96.7)**	**(17.1)**	**(79.6)**

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

In terms of financial results, in 2019, the Group's net financial expenses amounted to Euros 96.7 million, which compares with Euros 17.1 million expenses during last year. This Euros 79.6 million increase is firstly due to the new application of IFRS 16 in 2019, which had a Euros 68.8 million impact on the financial results.

Other financial expenses at 31 de December in 2019 and 2018 include the bank credit rate in Argentina related to sales. Furthermore in 2019 expenses are recorded for financial updating of liabilities in Brazil. Also, in 2019 and 2018 included costs related to the refinancing process for Euros 8,315 thousand and Euros 11,875 thousand respectively.

On the other hand, the financial income increased mainly due to the activation related to ICMS tax of Brazil, other taxes and for deposits delivered in guarantee of contingent liabilities.

INFORMATION BY COUNTRY

DIA GROUP (€m)	2019	%	2018(*)	%	Change (%)	Change (% ex-FX)
Gross sales under banner	8,675.3		10,772.5		-19.5%	-9.2%
Like-for-like sales growth	-7.6%		-3.5%			
Net sales	6,870.5	100.0%	7,576.0	100.0%	-9.3%	-2.2%
Adjusted EBITDA ex one-offs	34.1	0.5%	376.2	5.0%	-90.9%	

SPAIN (€m)	2019	%	2018(*)	%	Change (%)
Gross sales under banner	5,023.0		5,491.3		-8.5%
Like-for-like sales growth	-6.4%		-2.1%		
Net sales	4,177.2	60.8%	4,551.4	60.1%	-8.2%
Adjusted EBITDA ex one-offs	38.6	0.9%	252.4	5.5%	-84.7%

PORTUGAL (€m)	2019	%	2018(*)	%	Change (%)
Gross sales under banner	767.9		828.0		-7.3%
Like-for-like sales growth	-4.6%		-4.4%		
Net sales	593.9	8.6%	644.9	8.5%	-7.9%
Adjusted EBITDA ex one-offs	10.7	1.8%	30.7	4.8%	-65.1%

ARGENTINA (€m)	2019	%	2018(*)	%	Change (%)	Change (% ex-FX)
Gross sales under banner	1,540.5		2,813.5		-45.2%	-7.5%
Like-for-like sales growth	-10.2%		-2.8%			
Net sales	917.3	13.4%	970.6	12.8%	-5.5%	47.2%
Adjusted EBITDA ex one-offs	21.7	2.4%	39.0	4.0%	-44.4%	

BRAZIL (€m)	2019	%	2018(*)	%	Change (%)	Change (% ex-FX)
Gross sales under banner	1,344.0		1,639.6		-18.0%	-15.6%
Like-for-like sales growth	-8.8%		-8.1%			
Net sales	1,182.1	17.2%	1,409.1	18.6%	-16.1%	-14.1%
Adjusted EBITDA ex one-offs	(37.0)	-3.1%	54.0	3.8%	-168.5%	

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

Gross Sales Under Banner in Spain declined by 8.5% in 2019 to Euros 5,023 million, while Net Sales also went down 8.2% during the period to Euros 4,177.2 million, very affected by the out of stock situation, the negative media environment around the Group and substantially lesser promotion investment. This negative performance was driven by the negative 6.4% Comparable Sales, while the store selling area during the period was reduced 9.3%.

The Adjusted EBITDA ex one-offs generated in the country decreased by 84.7% to EUR 38.6 million, reflecting 460bps margin erosion to 0.9% strongly impacted by one-off impacts amounting to Euros -19.9 million.

With regards to Portugal, Gross Sales Under Banner contracted by 7.3% in 2019 to Euros 767.9 million, while Net Sales decreased by 7.9% during the same period to Euros 593.9 million. This negative performance was due to the negative Comparable Sales of 4.6% and the contraction of the commercial space by 5.3%. Adjusted EBITDA ex one-offs went down by 65.1% to Euros 10.7 million, a 300bps margin erosion to 1.8%.

In Argentina, Gross Sales Under Banner declined by 45.2% (in local currency) to Euros 1,540.5m and by 7.5% in constant currency. Net sales decreased by 5.5% to Euros 917.3 million after applying IAS 29, but down 11.6% before IAS 29 (up 47.2% in constant currency), affected by the challenging macroeconomic environment and the sharp decline in private consumption related to the high inflation and the severe currency depreciation, business in local currency performed relatively well in 2019. The volume of Comparable Sales declined by 10.2%. Adjusted EBITDA ex one-offs in 2019 was Euros 21.7 million, reflecting a 160 bps decline in the Adjusted EBITDA ex one-offs margin to 2.4%.

In Brazil, Gross Sales Under Banner fell by 18.0% to Euros 1,344.0 million (-15.6% in local currency) with Comparable Sales down by 8.8%. The Adjusted EBITDA ex one-offs of the period declined to Euros -37.0 million highly impacted by one-off adjustments of Euros -93.7 million related mainly to stock liquidation and accounts receivables write-offs associated to the de-franchising process. The actions taken by the Group in Brazil to improve its operations and the commercial proposition, and to clean-up the store network and the legacy, have enabled a substantial recovery with Like-for-Like Sales reaching levels of -9.3% in December after having an all-time low level in June of -29.1%.

BALANCE SHEET

Balance Sheet

(€m)	2019	2018(*)
Non-current assets	2,448.2	2,159.1
Inventories	496.5	597.4
Trade & Other receivables	111.0	193.5
Other current assets	100.2	66.9
Cash & Cash equivalents	163.6	239.8
Non-current assets held for sale	-	15.1
Total assets	**3,319.4**	**3,271.8**
Total equty	(350.5)	(166.1)
Long-term debt	1,865.7	920.4
Short-term debt	325.5	775.6
Trade & Otherpayables	1,215.4	1,448.9
Provisions & Other	262.0	293.0
Liabilities associated with assets held for sale	1.3	-
Total equity & liabilities	**3,319.4**	**3,271.8**

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

The application in 2019 of the new IFRS 16 has resulted in an incremental impact of Euros 705.4 million on the Group's consolidated balance sheet (mostly in the Non-current Assets, and the Long & Short-term Debt captions).

At 31 December 2019, the shareholders' equity balance in the individual financial statements of the Parent Company (which are those who are used for the purpose of computing the legal dissolution or capital increase obligation) amount to Euros 222.7 million, thereby providing a sufficient equity buffer.

NET DEBT

(€m)	2019	2018(*)
Net financial debt	1,322.2	1,456.0
Other net debt (IFRS 16)	705.4	-
Total net debt	**2,027.7**	**1,456.0**

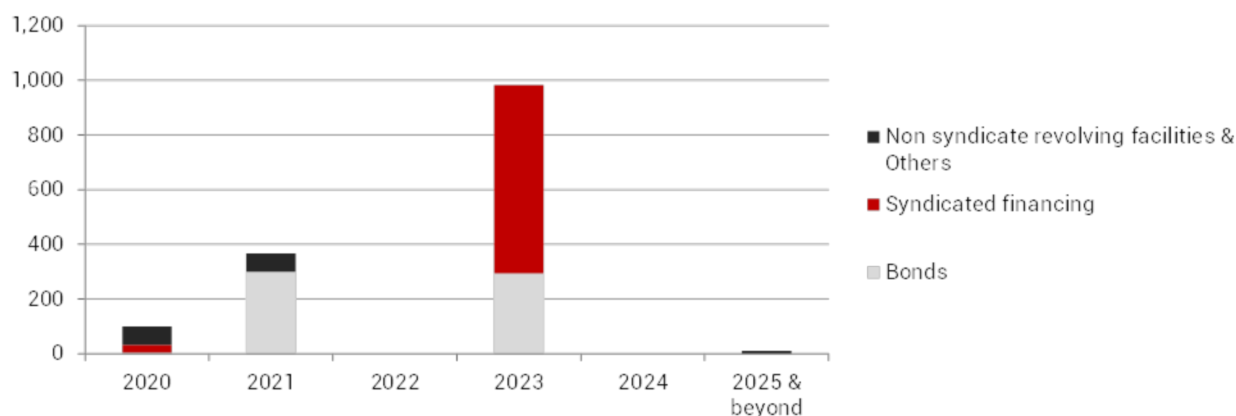
(*)2018 figures include Clarel as a continued activity.

Total Net Debt at the end of 2019 amounted to Euros 2,027.7 million, of which Euros 705.4 million corresponded to the application of the new accounting standard IFRS 16. Therefore, Net Financial Debt was Euros 1,322.2 million at the end of 2019, Euros 133.8 million less than at year-end 2018.

The Debt maturity profile has been significantly enhanced after the long-term refinancing agreement signed and the bond repayment in July. We highlight the following maturities: (i) Non-Syndicated Revolving Facilities & Others: Euros 96.1 million by 2020, Euros 0.5 million by 2021 and Euros 10.7 million from 2025 onwards, (ii) Bonds: Euros 299.3 million in April 2021 and Euros 293.7 million in April

2023, and (iii) syndicated financing: Euros 3.5 million by 2020 and Euros 66.7 million in 2021 and Euros 688.6 million in 2023.

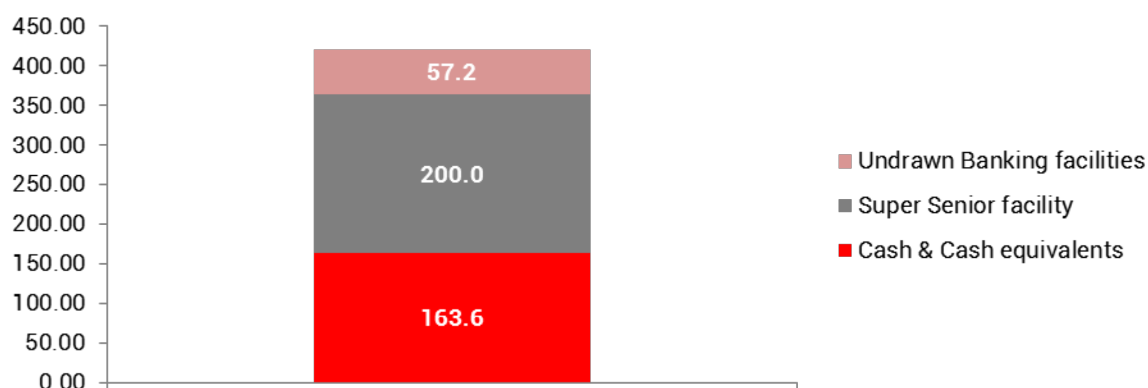
Actual Gross Debt Maturity Profile as of 31 December 2019 (€1.460m disposed)



(*)Not including lease payments (IFRS 16)

Available Liquidity

At 31st December 2019, the Group had Euros 420.8 million of liquidity available as detailed below:



TRADE WORKING CAPITAL

(€m)	2019	2018(*)	Change
Non recourse factoring	14.1	126.5	(112.3)
Inventories (A)	496.5	597.4	(100.8)
Trade & other receivables (B)	111.0	193.5	(82.5)
Trade & other payables (C)	1,215.4	1,448.9	(233.5)
Total working capital (1)	**(608.0)**	**(658.1)**	**50.1**

(1) Trade working capital defined as (A+B-C)

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

From December 2018 to December 2019, DIA's negative Trade Working Capital declined by 7.6% to Euros 608 million. This Euros 50.1 million decrease in the value of negative Trade Working Capital is attributable to:

I. The declining volume of sales in the period, both related to the underlying performance of the business.

II. The shorter payment period to suppliers in 2019, linked to the financial disruption occurred in the first half of the year.

III. The lower volume of commercial financing (non-recourse factoring).

IV. Continued depreciation of currencies in Argentina in 2019.

The value of inventories declined by 16.9% versus December 2018, Euros 100.8 million down to Euros 496.5 million due to a more efficient management of stock in stores and distribution centres and the stock liquidation measures activated by the Group, as part of the stock optimization process.

Trade and other receivables decreased by 42.6% compared to year-end 2018. This Euros 82.5 million decline in the value of debtors is due to the declining volume of activity with franchisees.

The value of Trade & other payables decreased by 16.1%, from Euros 1,448.9 million to Euros 1,215.4 million. This decline of Euros 233.5 million relates to stock liquidation strategy and the decrease on the volume of sales (and therefore in the volume of purchase), that have taken place in 2019.

Non-recourse factoring from receivables from our suppliers amounted to Euros 14.1 million by the end of the year, having a material impact in the evolution of Trade Working Capital figures, which compares with Euros 126.5 million at the end of 2018.

As of December 2019, Confirming increased to Euros 250.3 million compared to Euros 199.9 million as of December 2018.

CAPEX

(€m)	2019	%	2018(*)	%	Change (%)
Spain	33.8	36.3%	207.0	65.6%	-83.7%
Portugal	9.2	9.9%	20.3	6.4%	-54.4%
Argentina	9.4	10.1%	29.7	9.4%	-68.2%
Brazil	40.5	43.6%	58.5	18.5%	-30.7%
Total Capex	**93.0**	**100.1%**	**315.3**	**100.0%**	**-70.5%**

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

DIA decreased its investment activity to Euros 93.0 million in 2019 (of which 56.8% were related to on-going and maintenance investments), Euros 222.3 million less than in the same period of last year (a 70.5% decrease), which reflects the Group´s tight control with respect to new investments.

STORE COUNT

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

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

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

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

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

SUMMARY OF STORES

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

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

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

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

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

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

EVENTS FOLLOWING THE CLOSE OF THE PERIOD

On 17 February 2020, DIA Group has appointed Marcelo Maia as Executive Chairman for DIA Brazil.

On 11 February 2020, DIA Group has appointed Ricardo Álvarez as new CEO for DIA Spain.

On 15 January 2020, the Board of Directors approved the appointment by co-optation of Ms. Basola Vallés Cerezuela as independent director of the Company. Additionally, with effect as of 14 January 2020, Mr. Michael Casey handed in his resignation from his position as member of the Board of Directors of the Company and, therefore, also as member of the Finance and Capital Structure Committee.

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

Impact of Coronavirus COVID-19

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

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

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

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

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

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

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

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

DEFINITION OF APMs

In the preparation of the financial information that is reported internally and externally, the Directors of DIA have adopted a series of Alternative Performance Measures (APMs) to gain a better understanding of the business performance. These APMs have been chosen according to the Company's activity profile and taking into account the information of business performance commonly published by other international peers. Nevertheless, these APMs may or may not be totally comparable with those of other companies in the same industry. In all cases, APMs should be considered as data that are not intended to replace (or be superior to) IFRS measurements.

PURPOSE

The purpose of these APMs is to assist in the understanding of the business performance by providing additional useful information about the underlying performance of the activity and financial position of the Company.

APMs are also used to enhance the comparability of information between reporting periods and geographical units by adjusting for other cost and revenue items or uncontrollable factors that affect IFRS measures. APMs are therefore used by Directors and management for performance analysis, planning, reporting, and incentive-setting purposes.

CHANGES TO APMs

The Adjusted EBITDA definition has been updated in 2019 to:

I. Exclude the effect of IAS 29 and IFRS 16,

II. Include as ordinary operational expenses or revenues –to be more conservative – those related to store remodellings and closings, long-term incentive programs (LTIP), and write-off of account receivables related to franchisees.

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 TO GROSS SALES UNDER BANNER RECONCILIATION

(€m)	2019	2018(*)	Change (%)
Net sales	6,870.5	7,576.0	-9.3%
VAT and other	1,804.8	3,196.5	-43.5%
Total Gross sales under banner	**8,675.3**	**10,772.5**	**-19.5%**

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

LFL growth of Gross Sales Under Banner: Growth rate of gross sales under banner at constant currency of the stores that have been operating for more than thirteen months under the same conditions.

To be more conservative in applying this definition, LFL figures reported in this document exclude from the comparison base of calculation only those stores that have been closed for significant remodelling activities or severely impacted by external objective reasons. Additionally, the LFL figures corresponding to Argentina have been deflated using internal inflation to reflect volume LFL, avoiding hyperinflationary misleading nominal calculations.

Adjusted EBITDA: Operating profit that is calculated after adding back to EBIT depreciation and amortisation (including amortization related to the closing of stores and impairment of fixed assets), losses on the write-down of fixed assets, impairment of fixed assets, restructuring costs, gain and losses on disposal of fixed assets and the effect related to the application of IAS 29 and IFRS 16.

OPERATING PROFIT TO ADJUSTED EBITDA RECONCILIATION

(€m)	2019	2018(*)	Change
Operating profit (EBIT)	(580.2)	(142.6)	(437.7)
Depreciation & Amortization	518.4	245.8	272.6
Losses on write-down of fixed assets	70.0	(11.6)	81.6
Impairment of fixed assets	57.5	117.6	(60.1)
Gross operating profit (EBITDA)	**65.6**	**209.2**	**(143.6)**
Restructuring costs	131.1	130.7	0.4
IFRS 16 lease effect	(321.4)	-	(321.4)
IAS 29 hyperinflation effect	33.9	36.3	(2.4)
Adjusted EBITDA	**(90.9)**	**376.2**	**(467.0)**

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

Net Financial Debt: Is the result of subtracting from the total value of the Group's short-term and long-term debt, the total value of its cash, cash equivalents, and other liquid assets and the debt related effect from the application of IFRS 16. All the information necessary to calculate the Group's net debt is included in the balance sheet.

NET DEBT RECONCILIATION

(€m)	2019	2018(*)	Change
Long-term debt	1,377.5	920.4	457.2
Short-term debt	108.3	775.6	(667.3)
Cash & Cash equivalents	163.6	239.8	(76.3)
Total net debt	**1,322.2**	**1,456.0**	**(133.8)**
IFRS 16 related debt effect	705.4	-	705.4
Net financial debt	**2,027.7**	**1,456.0**	**571.6**

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

INFORMATION ABOUT THE FORESEEABLE EVOLUTION OF THE ENTITY

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

This strategic plan focuses on three main objectives:

- Investing in capabilities to drive the transformation: during the last six months of 2019, the Company started a process to attract specific retail industry talent which, together with the talent existing at the Company, will lead the transformation. A matrix organisational structure has been defined in this context, in which the headquarters are at the core and where the chief executives in each country are responsible for their own profit and loss accounts while reinforcing financial controls.

- Rebuilding DIA's culture and trust: a change in culture that will be the engine behind the repositioning of DIA. DIA's basic principles revolve around:

    - Customers, which are the central focal point of our business.
    - We collaborate with respect, mutual confidence and transparency with employees, franchisees and our business partners.
    - Zero tolerance of corruption.
    - Constant improvement in all areas in which the Company operates.
    - Encouraging a culture of permanent innovation and creative solutions in which we understand that making mistakes is part of the innovation process.
    - Operational excellence is the Company's cornerstone.
    - Reducing complexity and following the principle of simplicity when operating our business.
    - Cost controls, process efficiency and swift decision-making are key elements of achieving success.

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

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

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

RESEARCH, DEVELOPMENT AND INNOVATION ACTIVITIES

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

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

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

Euros 6.01 million was activated during 2019, corresponding to the capitalization of IT developments (Euros 14.96 million in 2018).

TREASURY STOCK AND EARNINGS PER SHARE

TREASURY STOCK

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

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

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

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

At 31 December 2019 the Company holds 1,238,790 own shares of the Parent with an average purchase price of Euros 5.8540 per share, representing a total amount of Euros 7,251,906.77.

EARNINGS/LOSSES PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding throughout both years, excluding own shares.

Basic and diluted earnings per share

	2019	2018
Average number of shares	**6,669,403,563**	**612,177,367**
Losses for the period in thousands of Euros	(790,468)	(352,587)
Losses per share in Euros	(0.12)	(0.58)

There are no equity instruments that could have a dilutive effect on earnings per share. Therefore, diluted earnings per share are equal to basic earnings per share.

AVERAGE PAYMENT PERIOD TO SUPPLIERS

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

	2019	2018
	Days	Days
Average payment period to suppliers	42	48
Paid operations ratio	42	49
Pending payment transactions ratio	39	37
	Amount (euros)	Amount (euros)
Total payments made	3,783,989,845	4,568,147,789
*Total payment pending	410,169,233	335,376,575

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

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

LIQUIDITY

The 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.

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

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

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

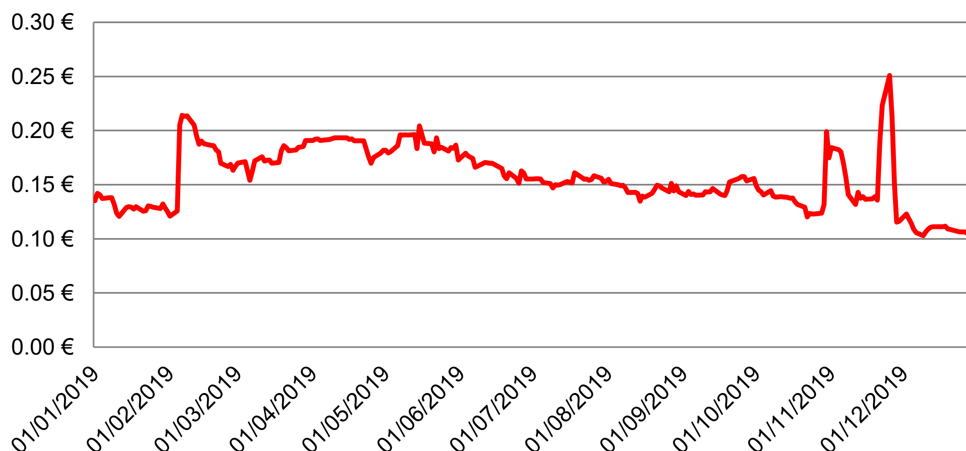
The Group's exposure to liquidity risk at 31 December 2019 and 2018 is shown below. These tables reflect the analysis of financial liabilities by remaining contractual maturity dates:

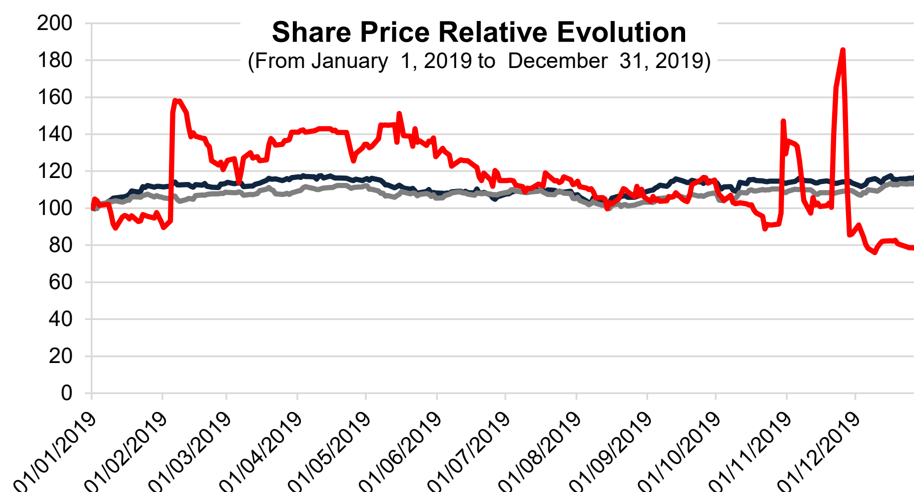
Thousands of Euros	Maturity	2019
Debentures and bonds long term	2021 and 2023	592,912
Syndicated credits (Revolving credit facilities)	2023	141,407
Syndicated loan (Term Loan)	2023	377,268
Other bank loans	2021	66,725
Finance lease payables	2021-2031	506,295
Credit facilities drawn down	2023	169,952
Guarantees and deposits received	per contract	10,709
Other non-current financial debt	2021	448
Other non-current financial liabilities	2022	3,806
Total non-current financial liabilities		**1,869,522**
Debentures and bonds long term	2020	3,980
Mortgage loan	2020	393
Other bank loans	2020	56,188
Finance lease payables	2020	225,973
Syndicated credits (Revolving credit facilities)	2020	3,153
Credit facilities drawn down	2020	26,049
Expired interest	2020	2,429
Guarantees and deposits received	2020	2,688
Derivatives	2020	687
Other debt with group companies	2020	90
Other financial debts	2020	3,906
Trade and other payables	2020	1,215,446
Suppliers of fixed assets	2020	41,456
Personnel	2020	65,909
Other current liabilities	2020	4,218
Total current financial liabilities		**1,652,565**

Thousands of Euros	Maturity	2018
Debentures and bonds long term	2020-203	590,410
Syndicated credits (Revolving credit facilities)	2020-2022	254,222
Mortgage loan	-	393
Other bank loans	2020	15,000
Finance lease payables	2020-2025	20,678
Credit facilities drawn down	2020-2022	27,150
Guarantees and deposits received	per contract	12,116
Other non-current financial debt	2020-2021	385
Other non-current financial liabilities	2020	2,291
Total non-current financial liabilities		**922,645**
Debentures and bonds long term	2019	311,371
Other bank loans	2019	119,092
Mortgage loan	2019	438
Other financial liabilities (note 15.1 c))	2019	4,532
Finance lease payables	2019	9,611
Syndicated credits (Revolving credit facilities)	2019	124,350
Credit facilities drawn down	2019	185,626
Expired interest	2019	7,243
Guarantees and deposits received	2019	3,491
Derivatives	2019	5,776
Other debt with group companies	2019	513
Other financial debts	2019	3,549
Trade and other payables	2019	1,448,928
Suppliers of fixed assets	2019	108,986
Personnel	2019	56,273
Other current liabilities	2019	1,137
Total current financial liabilities		**2,390,916**

The financial expenses accrued on these financial liabilities totalled Euros 131,760 thousand and Euros 50,398 thousand in 2019 and 2018, respectively. The increase in these expenses is mainly due to the rights of use recorded in 2019 as a result of applying IFRS 16.

STOCK EXCHANGE INFORMATION





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

CREDIT RATING

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

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

DIVIDEND POLICY

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

OTHER INFORMATION

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

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

CHANGE IN CURRENCY RATES

Period	€/Argentinean Peso	€/Brazilian Real
FY 2018 average	0.0321	0.2329
FY 2019 average	0.0190	0.2267
FY 2019 change (1)	**-40.8%**	**-2.7%**

(1) Bloomberg average currency rates (a negative change in exchange rates implies a depreciation versus the Euro)

CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT 2019

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

CONTENTS

1

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

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

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

The Consolidated Non-Financial Information Statement (hereinafter NFIS) of DIA S.A. and Subsidiaries comprising the Group (hereinafter DIA or the Group) is issued annually and includes consolidated data from the Company overall[1] for all of 2019. The information has been prepared in accordance with prevailing commercial legislation for the issues that were considered material for the Group. The different indicators are presented following Global Reporting Initiative (GRI) standards and show the Company's performance for 2019 and comparative figures for the previous year. The annex provides information in greater detail for certain indicators included in this report.

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

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

2. COMPANY PRESENTATION

Distribuidora Internacional de Alimentación S.A. (the "Company", and together with its subsidiaries, the "Group" or "DIA") is a leading convenience grocery retailer with an average of 2.9 million tickets per day and over 20 million active members worldwide. Based in Madrid, Spain, and listed on the Spanish stock exchanges, the Group is the Spanish grocery retailer with the largest network of stores in the country, the highest rate of penetration in small municipalities and the third-largest market share in Spain in 2019[2]. As at December 31, 2019, the Group operated 6,626 stores across Spain, Portugal, Brazil and Argentina (including franchised stores and *Clarel,* and excluding *Max Descuento*) and had 39,379 employees.

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

2.1. Corporate structure

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

[2] Kantar Worldpanel "Informe Cliente DIA".
[3] TWINS Alimentación, S.A.U. in 2018.

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

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

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

2.2. Shareholding structure

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

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

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

3. BUSINESS MODEL

The Group operates grocery retail stores under the convenience model through its network, which it manages either directly or under franchise agreements. As at December 31, 2019, 44% of stores were franchises, making the Group the largest Spanish grocery retail franchiser among main competitors. Moreover, it is the fourth-largest franchiser in Europe and it is in the top 25 franchiser worldwide, according to the most recent studies[4].

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

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

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

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

The Group's business model is underpinned by a time-tested supply chain system. The Group operates its own fully-integrated logistics system based around 29 warehouses that match the Group's geographic footprint across its primary jurisdictions, with a total aggregate storage space of approximately 676,670 m^2 as at December 31, 2019 and the support of third-party transportation companies.

[4] Kantar Worldpanel; Franchise Direct 2018 Ranking.

3.1. Recent action and new business strategy

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

- DIA store reduction and defranchising process (turning franchised stores into DIA own stores).

- A template adjustment process, mainly in Brazil and Spain, with the aim of improving the efficiency and productivity of the Group.

- Discontinuation of non-core business activities (for example, DIA Opportunities, Bahia and Mini preço in Brazil).

- Implementation of an Action Plan for the continuous review and improvement of the areas of Compliance and Internal Control at the Group level.

Business strengths

- Customer proximity and capillarity: the Group has a leading distribution network[5] of over 6,600 stores focused on convenience. This allows it to exploit favorable consumption trends: approximately 63% of respondents in a 2017 study indicated that proximity, convenience and ease were the most important factors when choosing a grocery store, an increase of 18% compared to 2010[6].

- Value for money uplift potential from its private label: the Group was the first company to introduce private label products in Spain over 40 years ago. The Group can develop high-quality private label products and offer them at competitive prices because of the Group's sales volumes, its extensive expertise and the strong relationship it has with suppliers, and savings resulting from reduced marketing and advertising expenses.

- Differential business model with around 50% of the network franchised: this model has allowed the Group to scale its operations and enhance its capillarity and recognition in a cost-efficient way, saving the Group time and resources while boosting store returns and margins and allowing for great flexibility in both management and operation. The Group has 30 years of experience with, and achieved a high level of recognition for, its franchise business model. As at December 31, 2019, the Group is the largest Spanish grocery retail franchiser among main competitors, it is in the top 5 in Europe and in the top 25 franchiser worldwide[7].

- Large, loyal and data-rich customer base: the Group's ClubDIA loyalty program, which was established over 21 years ago, had over 20 million active members at 2019. More than 70% of sales are made using the ClubDIA loyalty card and the average basket size of a customer using the loyalty program is higher than the basket size of a customer that did not.

[5] Among leading retailers in Spain in terms of market share, DIA has the largest store network in the market with 3,476 points of sale (PoS) as at June 30, 2019, followed by Mercadona with 1,628 PoS and Eroski with 1,321 PoS.32.
[6] Observatorio Cetelem, Consumo Europa 2017; MAPAMA; Kantar Worldpanel.
[7] Franchise Direct 2018; Kantar Worldpanel.

Transformation process

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

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

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

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

4. CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

Board Commissions

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

Audit and Compliance Commission
José Wahnon Levy (Independent Chairman)
Sergio Dias (External Proprietary Member)
Jaime García-Legaz Ponce (Independent Member)

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

Appointments and Remunerations Commission
Christian Couvreux (Independent Chairman)
Jaime García-Legaz Ponce (Independent Member)
Stephan DuCharme (External Proprietary Member)

Finance and Capital Structure Commission
Jaime García-Legaz Ponce (Independent Chairman)
Christian Couvreux (Independent Member)
Michael Casey (External Proprietary Member)
Sergio Dias (External Proprietary Member)

Directors' remuneration

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

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

- Commitment and attraction and retaining of talent: the aim of the remuneration policy will be to reward quality, dedication, responsibility, knowledge of the business and commitment to the Company and to the people who are in key positions and lead the organization.

- External and internal equity: the external competitive environment and internal equity will be taken into account when setting remuneration.

- Transparency.

- Promotion of the creation of long-term value for the Company and its shareholders.

- Proprietary directors will not have any remuneration as directors.

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

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

4.2. Corporate policies

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

- Corporate Social Responsibility Policy.

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

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

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

4.3. Risk management at DIA Group

Risk monitoring and management systems

The Group uses the COSO II methodology (Enterprise Risk Management) as a reference for its risk management system, ensuring a systematic and detailed approach is undertaken with the aim of identifying events, and assessing, prioritizing and responding to risks related to the achievement of the Group's strategy and business objectives.

The Company's Management (Executive Committee), the Board of Directors and the Audit and Compliance Commission (ACC) are responsible for the design and proper functioning of the Risk Management Model (RMM):

- The Board of Directors is responsible for approving the Enterprise Risk Management Policy and the Executive Committee is responsible for establishing risk tolerance levels which is ultimately approved by the Board of Directors.
- DIA Management (the Executive Committee) is responsible for the design, implementation and establishment of the strategy, culture, people, processes and technology that make up the Risk Management Model.
- The Audit and Compliance Commission is responsible for monitoring and periodically reviewing the effectiveness of DIA Internal Control procedures, Internal Audit and Risk Management Systems, and for verifying the adequacy and completeness of them.

In order to manage the Risk Management Model, the Group has established a Risk Committee and has designated a Risk Coordinator for each country as well as at the corporate level. The Risk Coordinator communicates and coordinates meetings, collects information and prepares the minutes of each Commission meeting. In addition to the foregoing responsibilities, the Corporate Risk Coordinator (CRC) also acts as country intermediary at the corporate level and reports to the Audit and Compliance Commission. The Risk Committee comprises the Risk Coordinator and the person responsible for each of the functional lines (Area Directors). The Area Director is responsible for preventing and managing risks

appropriately, as well as adequately implementing the necessary mechanisms in order to minimize the impact of a risk to the greatest extent possible. The Risk Committee evaluates the overall process of risk management and assesses the need for new or different controls and response mechanisms. There is also an annual review of both, financial and non-financial risks, included in the risk map.

The main Risk Committee's responsibilities include company context (external and internal) and new project analysis, establishing recommendations for the development and/or continuation of specific action plans, and permanently monitoring the risks identified using the risk map (particularly risks that could impact on the Group's strategy, customers, franchises and suppliers).

DIA's Internal Audit Department assesses the overall functioning of the risk monitoring and management system, the performance of the management bodies and the effectiveness of the monitoring activities established, and reports to the Audit and Compliance Commission. As a result of organizational changes and the company's new strategy, this function is currently in a process of reviewing its role and scope of work.

Materialization of non-financial risks

In 2019, important risks inherent in the business model arose. These DIA specific, non-financial risks for the Company and its primary stakeholders[9] have been specified in each of the following chapters.

All of these risks have been duly analyzed and diverse action plans have been put into place to address them. In this regard, it should be noted that, as of the date of this report, a plan for the continuous review and improvement of the group's risk management model is being carried out for adaptation to the new DIA management model.

4.4. Compliance and ethics management

The DIA Group's ethics and compliance model, which is managed by the Company's Board of Directors, aims to encourage conduct that embodies the Company's values, including the prevention and eradication of behaviors associated with criminal actions. This model is based on the principle of due control, since it is based on the following criteria:

- Compliance risks are regularly analyzed.
- Expected behaviors are carefully defined in different regulations, which are shared and actively communicated to all employees.
- There is an independent prevention and compliance body that has the resources to assess the effectiveness of the model, reporting directly to the Audit and Compliance Commission and the Board of Directors.
- There is an enabled channel in place to anonymously and confidentially report any irregularities.

Regulations and procedures for compliance at DIA Group

The Ethics Code probably forms the cornerstone of this compliance system: all company employees, managers and directors must comply with it. This is a high-level set of rules that defines what is desirable conduct and what is unacceptable conduct (including conduct that is potentially associated with criminal actions such as corruption and money laundering). Suppliers, franchisees and contractors are all proactively informed about the existence of the Ethics Code and the reporting and consultation channel is also available to them with the same assurances as any other employee.

[9] Common sectorial risks or those more closely linked to the success of the business model, such as an increase in commodity prices or high competition risk, have not been included in the NFIS.

The DIA Group Ethics Committee, which heads up the Ethics Committees in the different countries, is responsible for implementing the Code of Ethics. The Board of Directors, which receives a regular report from the Group Ethics Committee, is responsible for assessing the effectiveness of the code and issuing any modifications that it believes are appropriate for achieving the objectives sought.

The DIA Group uses a further four control programs to identify and prevent fraud, which reinforce the implementation of the Code of Ethics.

- DIA Group companies based in Spain have implemented a Crime Prevention Model that identifies and evaluates the risks of committing crimes that could give rise to criminal liability for the legal entity, as well as the corresponding rules, procedures and controls to identify and prevent those crimes from being committed. A manager to lead the crime prevention function has been appointed within the Company, permanently reporting to and assisting the Compliance Officer and the Ethics Committee at a corporate level and who is responsible for the maintenance and correct functioning of the prevention model.

- In all the jurisdictions in which the Group operates, DIA Group companies have an Anti-Fraud and Anti-Corruption program that identifies and evaluates the risks of corruption and fraud in their activities. Each country has appointed an anti-fraud prevention officer, and, in Spain, this resource is also the crime prevention officer.

- The Corporate Information Security Policy is also an important part of the compliance system. It includes the strategy of information protection in relation to information access, user responsibilities, security in communications and operations, incident management, business continuity and compliance. It defines the criteria to mitigate the risks that affect confidentiality, integrity and availability of the Company's information. This policy and its associated control framework are based on the ISO 27000 international standards.

- Lastly, the Company has an internal control system relating to the financial information (SCIIF) that defines the objectives, the roles and responsibilities concerning the reporting of financial data. This system manages the risks associated with financial information and sets up internal control procedures to minimize these risks. Its objective is to provide reasonable assurance regarding the reliability of the financial information provided.

In terms of money laundering, as DIA is not subject to the effects of Law 10/2010, specific money laundering prevention policy has not been drawn up within the Anti-Fraud Program. However, the Company has control and restriction systems established in order to manage related issues: supplier of goods and service payments pass through authorization platforms and cash payments are highly limited within the Company (as a general rule, cash payments are not allowed and, if exceptionally needed, they are duly registered and documented under the mandatory controls). Furthermore, like all other risks related to the prevention of crimes for which the legal entity may be responsible, they are regularly reviewed and reported.

Regarding contributions to foundations and non-profit organizations, there is no financial donation.

Irregularities and disciplinary measures

Within the context of the Group's review of its profit outlook for the year ended December 31, 2018, which revealed the existence of irregular accounting practices in Spain and Brazil and which led to the restatement of the Group's financial statements for the years ended December 31, 2017 and 2016, the Group appointed an external firm of advisors to carry out a forensic investigation to establish the causes of such irregularities and to identify the people responsible for them. The investigations, both in Spain and Brazil, have been completed and final reports were brought to the attention of the Anti-Corruption Prosecutor's Office in 2019.

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
Ethics Committee activity	2018	2019	2018	2019	2018	2019	2018	2019
No. Reports - employees	10	13	47	41	3	12	8	8
No. Reports - external (suppliers, franchisees)	8	4	1	0	1	1	0	0
No. Reports - anonymous	0	5	3	25	3	13	0	1
Total no. of reports	**18**	**22**	**51**	**66**	**7**	**26**	**8**	**9**
Total no. of reports resolved	16	19	39	37	4	12	1	7
Total no. of reports in progress	2	3	12	29	3	14	7	2
No. Consultations - employees	1	2	15	27	11	2	5	17
No. Consultations - external (suppliers, franchisees)	3	5	0	4	2	0	0	0
No. Consultations - anonymous	0	1	0	6	0	0	0	1
Total no. Consultations	**4**	**8**	**15**	**37**	**13**	**2**	**5**	**18**
Total no. of consultations resolved	2	8	15	35	10	1	3	17
Total no. consultations in progress	2	0	0	2	3	1	2	1

Table 4: Ethics Committee activity in 2018 and 2019 by nature of report/consultation. Spain includes those communications managed from the corporate division.

During 2019, 188 communications have been received through the ethical channel, of which 123 are complaints of non-compliance (compared to 84 the previous year) and 65 are consultations (compared to 37 the previous year). Following the investigation of the allegations, of the 75 communications closed in 2019, a complaint has been confirmed as sexual harassment, which has led to the dismissal of the employees involved; no allegations of corruption or discrimination have been confirmed (in 2018 a case of corruption was confirmed). The Ethics Committee has confirmed a total of 6 complaints that have ended in employee layoffs for non-compliance of any of the principles of the Code of Ethics. All other complaints have either been dismissed after the investigation, or other corrective measures have been implemented (training, change of functions, provisional discharge, etc.).

No additional communications of corruption have been confirmed through court ruling in 2019.

Strengthening the business ethics culture

The Company is implementing a plan to review and continuously improve its internal control model that encompasses the control of financial information, control of compliance and activity-related (operations).

One of the first steps has been to include, and communicate, in all of the company's new corporate values, a zero-tolerance policy towards behaviors that are not governed by the Corporate Code of Ethics. Commitment to this value has been a key part of the personal message launched by the CEO and top management to Group employees. In 2019, 3,388 employees were proactively trained in anticorruption policies or the Ethics Code (157 of them were executives), compared with 375 employees in 2018. Furthermore, recent reinforcement of the whistle blowing channel, via an externally managed platform and telephone line, show the Company's strong commitment to fostering a culture of robust ethics.

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
Training in anti-corruption policies/Code of Ethics	2018	2019	2018	2019	2018	2019	2018	2019
Directors	0	0	0	0	0	0	0	0
Executives	0	7	0	9	0	140	11	1
Managers	0	3	0	58	0	336	82	3
Employees	0	0	0	0	0	367	282	2,464

Table 5: Employees proactively trained in anti-corruption policies or the Ethics Code in 2019, by professional category. This includes classroom learning and e-learning platforms.

5. CORPORATE SOCIAL RESPONSIBILITY MANAGEMENT AT DIA

Governance of Corporate Social Responsibility (CSR)

CSR issues are ultimately the responsibility of DIA's Board of Directors, through its Audit and Compliance Commission. This Commission is responsible for ensuring that the Company's CSR strategy and practices address its non-financial risks and fulfill its stakeholders' expectations, as well as for approving and assessing the General CSR Policy's level of compliance.

Furthermore, the Board of Directors, through this Commission, coordinates and approves the non-financial reporting process in accordance with the latest applicable regulations. At the level of senior management, the Department of External Relations and RSC, which reports directly to the CEO and the Audit and Compliance Commission, analyses and identifies risks and trends, based on their knowledge of the business and dialogue with stakeholders, and also manages that the requirements for non-financial reporting are included in the company's information and control systems. Finally, as explained, there is also an Ethics Committee composed of managers from different departments that reports directly to the Audit and Compliance Commission and also collaborates in the management of compliance control of the Social Responsibility.

Dialogue with interest groups

The DIA Group identifies and engages with its traditional stakeholders (customers, the investor community, employees, franchisees and suppliers) as an integral part of the Company's day-to-day activities, in a process that involves diverse areas across the whole of the Company's value chain.

Furthermore, the External Relations and CSR Department identifies, consults and responds to other interested parties that are also important to the business (regulators and public administrations, industry and professional associations, the media, NGOs and members of the local community). This department's reporting line ensures that important matters that are identified are known by the Company's principal governing bodies.

Material CSR issues

DIA's materiality matrix was developed in 2016 by the Company's Management and it was reviewed in 2017. This matrix incorporates a study of the relevance of different proposed issues (based on their representativeness for the leading organisms CSR influencers, such as the Dow Jones Sustainability Index, the Global Reporting Initiative sector report, Vigeo, Sustainalytics, Carbon Disclosure Project, the National Securities Market Commission, press analysis or the "Behind the Brands" report), and their historical relevance in the sector at a national and international level (based on a study commissioned by DIA of companies in the sector). This analysis was supplemented with the inclusion of an internal relevance factor for each issue.

The indicators and the information to be reported on performance in non-financial matters have been defined taking into account both this materiality analysis and the requirements of applicable law.

DIA Group material issues
Governance System
Ethics and compliance
Transparency and investor relations
Tax practices
Development of human capital

DIA Group material issues
Workplace practices
Gender Equality
Health and Safety
Quality and food safety
Franchise relations
Digital Transformation
Eco-efficiency
Food waste
Consumer information and protection

Table 6: DIA Group material issues in the corporate social responsibility context.

Justification of the non-materiality of other matters required by law and not material for DIA, for which no information is provided in this report:

- Water consumption: water is exclusively used for cleaning purposes and not for production activities. Nevertheless, the company supports and encourages its responsible consumption with internal communication actions.

- The impact of the Company's activities on biodiversity: as the Group's facilities and activities are located or carried out in urban areas, the impact on biodiversity is small.

- Light and noise pollution: the impact produced is considered not relevant because lights in stores are fully switched off when closed and logistics centers are not located in residential areas.

In addition to the above mentioned, there are other matters not material in DIA, but for which the information is provided. The equivalence table at the end of this report provides guidance on these cases.

Next steps in CSR management

The new business model towards sustainable value creation includes within its objectives a more integrated and strategic CSC supported by the Board of Directors and its Audit and Compliance Commission, as well as from the Executive Committee. In this regard, CSR priorities and objectives are being reviewed to define a 2020 Master Plan. The objective of this Plan will be to identify the risks of key RSC for the Company, integrating its management into the daily operation and improving the control and reporting system thereof.

6. CUSTOMERS

As already mentioned, DIA Group has an average of 2.9 million tickets per day and over 20 million active members worldwide. Understanding and addressing the needs of these and other, potential customers is the Company's cornerstone.

Main communication channels with this stakeholder

The Group connects with and listens to its customers using different channels:

- The requested surveys, which ClubDIA customers receive after each purchase in their email and where they are invited to quickly rate their shopping experience.

- The CLUB DIA APP, from where the customer can voluntarily evaluate their shopping experience, the App itself or contact the Group directly to transmit their queries or suggestions.

- The online purchase website www.dia.es and its corresponding APP (DIA online) where the customer can evaluate the products and fill out the contact form with customer support.

- Anonymous communities of clients to know their opinion about the Company, its establishments and its own brand.

- Consumer panels, which allow the Group to evaluate the organoleptic characteristics of the products. This year, 3,662 panels have been made.

- Social networks for the Group's commercial and corporate operations. The Group has profiles on the most used platforms in all the countries in which it operates, including Facebook, Twitter, Instagram and YouTube.

- Customer Support Services: This year, more than 250,000 inquiries, complaints and suggestions related to issues related to stores, products, opening hours, online services, etc. have been assigned to a manager, attended, analyzed and analyzed Answered. This year, more than 90,000 complaints or complaints have been received, with those related to discounts and promotions being the most frequent.

Main risks associated with this stakeholder

The most relevant risks identified are not being able to meet the customer's needs and possible non-compliance with internal food safety requirements and standards. These risks could also lead to loss of reputation and brand value, especially if incidents related to the quality of home-branded products, unreliable customer service, poorly maintained stores or poor data management adverse advertising, government investigations or even litigation. The company's new management believes that the risk of not meeting customer demands has materialized and, therefore, concrete action plans have been defined in this regard.

Main policies governing relations with this stakeholder and performance

- Corporate Quality and Food Safety Policy: The Company's Corporate Quality and Food Safety Policy aims to develop a relationship with its consumers based on trust through a system that rigorously guarantees the proper production, processing and management of all the products the Company offers.

  The Company keeps control of product quality and safety across the supply chain, monitoring storage, transport and sales processes. As a pre-requisite to product validation, private label products and corresponding suppliers are evaluated by the Group in terms of quality and safety. This process consists of conducting systematic quality audits at suppliers' production centers. As at December 31, 2019, the Group had a total of 33 in-house laboratories that had conducted 603,366 internal analyses (910,015 in 2018) as part of its control program. The Group works with approved external laboratories where additional analyses are carried out in addition to the internal

checks. This year, the number rose to 21,352 analyses in addition to the internal checks (compared to 23,153 analyses in 2018). Finally, the Group's Quality Control Department carries out ongoing checks and periodical audits of warehouses and stores, where they supervise and evaluate aspects such as tidiness and cleanliness, the management of expired products, and the cold chain, guaranteeing compliance with the defined standards.

The company has managed two health alerts relating to sardine and tuna products in 2019. In both cases, the measures adopted went beyond legal requirements and a precautionary approach was always taken, focusing on customer safety. On this basis, the batches of allegedly affected products were voluntarily and successfully withdrawn from stores, all customer queries were promptly responded to, and appropriate investigations, in collaboration with the health authorities, were carried out to identify potential weaknesses, if any, in the control systems. In the end, both cases were closed by the relevant authorities without responsibility being assigned to the company. In this regard, there were no incidents arising from non-compliance with health and safety regulations leading to a fine or material sanction in 2019.

- Corporate Marketing and Client Communication Policy: The Company's Corporate Marketing and Client Communication Policy bases its guidelines on respecting the commitments undertaken with clients; honesty in both verbal and written communications; and integrity in all of the Company's professional actions in this context. Accordingly, the guidelines in relation to communication with clients are based on the general principles of transparency, proximity, equality and quality.

- Corporate Information Security Policy: The purpose of this policy is to define the guidelines aimed at ensuring the confidentiality, integrity and availability of information and it has to be met by employees, external staff and external collaborators who have to access the Company's information systems.

Beyond the corporate marketing strategy, the current Board of Directors and management team deem DIA's commercial value proposition to be insufficient to create value for customers, the most important of the stakeholders. As a result, a new business strategy is being drawn up, based on the six transformation pillars already presented in the business model chapter. This new commercial proposition includes changes to the assortment, categories and private labels, and a new pricing and promotion strategy. The ultimate goal is to develop an outstanding private label and become a leader in the fresh food and customer experience.

In addition, a new operational store model has been designed to achieve excellence. This model is based on three pillars: optimizing store processes, becoming a benchmark in terms of fresh products and excelling at customer service. These objectives will be supported by a new logistics distribution model.

7. EMPLOYEES

DIA Group has a diverse workforce of 39,379 employees at 2019 year end, distributed in four countries: Spain, Portugal, Brazil and Argentina. Of all employees working in DIA, 72% work in Europe and 28% in Latin America.

			Workforce by status, gender and age at December 31					
			Executives		Managers		Employees	
			2018	2019	2018	2019	2018	2019
ARGENTINA	Men	<30 years	-	-	36	31	1,203	997
		30-50 years	14	10	356	293	1,160	1,119
		>50 years	3	1	33	27	21	20
	Women	<30 years	-	-	22	29	646	555
		30-50 years	1	1	141	127	844	804
		>50 years	-	-	4	5	18	20
	TOTAL		**18**	**12**	**592**	**512**	**3,892**	**3,515**
BRAZIL	Men	<30 years	-	-	10	9	2,263	1,716
		30-50 years	16	15	124	98	1,336	1,072
		>50 years	3	-	9	9	75	69
	Women	<30 years	-	-	4	4	2,767	2,143
		30-50 years	1	3	76	63	2,176	1,832
		>50 years	1	-	3	3	59	52
	TOTAL		**21**	**18**	**226**	**186**	**8,676**	**6,884**
SPAIN	Men	<30 years	-	-	10	12	1,996	1,618
		30-50 years	42	52	285	260	4,144	3,732
		>50 years	43	25	96	97	961	979
	Women	<30 years	-	-	13	10	2,703	2,331
		30-50 years	16	19	272	246	13,437	12,342
		>50 years	22	20	58	77	2,597	2,929
	TOTAL		**123**	**116**	**734**	**702**	**25,838**	**23,931**
PORTUGAL	Men	<30 years	-	-	2	-	464	401
		30-50 years	3	4	38	25	619	634
		>50 years	3	1	15	17	94	94
	Women	<30 years	-	-	-	-	730	702
		30-50 years	7	6	46	40	1,436	1,443
		>50 years	-	-	2	2	105	129
	TOTAL		**13**	**11**	**103**	**84**	**3,448**	**3,403**

Table 7: Total number and distribution of employees by gender, age, country and professional classification[10]. 2018 figures in Spain have been restated to include two employees from Switzerland. Directors have not been included in this breakdown.

Main communication channels with this stakeholder

There are different communication channels with employees, most of them promoting two-way communication. Below are the most relevant:

- Corporate Portal for employees: a space for promoting communication with employees, for generating professional knowledge, sharing free time and disseminating corporate information.

[10] Executives include the 5 higher category levels at the company; Managers include the following 3 category levels in the hierarchy; employees include the other categories. Directors have not been included in this breakdown.

- Newsletters: weekly issue for sharing good practice and progress on the business strategy among all Group employees. In addition, operational teams also receive daily and weekly newsletter updates on the projects they are involved in.

- DIA also conducts regular surveys to evaluate employees' feedback on different issues (from specific initiatives carried out to general corporate culture assessments). These communication channels, regardless of whether they are run internally or through a third party, guarantee total anonymity and privacy with regards the answers given by employees.

- Face-to-face communication between top management and employees has also been strengthened in 2019.

Main risks associated with this stakeholder

The most relevant risks identified are labor conflict, inadequate talent structure and inadequate compliance with labor regulations. The inadequate talent structure is considered to have materialized and therefore, changes have already been made as stated in the chapter "Composition and changes to the Board of Directors and Leadership Team".

Main policies governing relations with this stakeholder and performance

- Corporate Human Resources Policy: This includes DIA Group's commitment to creating jobs and developing professionals within the context of the Company's corporate values. This policy also aims to promote the Company's long-term commitment to generating pride and a sense of belonging, adapting to the different cultural, labor and business contexts in every country in which it operates.

  With regards diversity, training and disconnect from work policies, the DIA Group does not define these independently. However, most of these HR-related issues are addressed from the general Human Resources policy.

  As a result of the Human Resources Policy and 2019's operational and financial priorities, the key areas in human resources management for this year are: the collective dismissal process in Spain, the roll out of new corporate principles and efforts to bring employees closer to daily store operations.

7.1 Employment and social dialogue

A considerable part of the DIA workforce operates under permanent and full-time contracts, as shown in the tables below.

	Total employees by contract type and type of workday at December 31	
	2018	2019
Permanent	38,772	35,057
Temporary	4,912	4,317
TOTAL	**43,684**	**39,374**
Full-time	34,469	31,209
Part-time	9,215	8,165
TOTAL	**43,684**	**39,374**

Table 8: Total number and distribution of employment contract type. Temporary contracts in 2018 have been restated adding internships. Permanent and full-time contracts in Spain are also restated for 2018 to include two employees from Switzerland. Directors have not been included in this breakdown.

	Average annual contracts per gender (number)			
	2018		2019	
	Men	Women	Men	Women
Permanent	13,355	24,576	12,869	24,106
Temporary	2,152	3,464	1,837	3,371
Full-time	14,354	19,703	13,715	19,667
Part-time	1,154	8,337	991	7,811

	Average annual contracts per age (number)					
	2018			2019		
	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years
Permanent	9,800	24,341	3,791	9,150	23,641	4,183
Temporary	3,051	2,251	314	2,795	2,108	305
Full-time	10,559	20,380	3,118	10,005	19,934	3,442
Part-time	2,293	6,212	986	1,941	5,815	1,046

	Average annual contracts per status (number)					
	2018			2019		
	Executives	Managers	Employees	Executives	Managers	Employees
Permanent	182	1,659	36,091	171	1,601	35,203
Temporary	1	8	5,608	1	9	5,198
Full-time	0	39	9,451	172	1,569	31,640
Part-time	182	1,628	32,247	0	41	8,760

Tables 9, 10, 11: Average annual number of contracts by type of contract, gender, age and professional category. Directors have not been included in this breakdown.

The 100% of employees in Brazil, Spain and Portugal are protected by a collective labor agreement, either at company or industry level (in Argentina, this figure accounts for 69% of the workforce), and the Company has 1,176 trade union representatives worldwide (compared to 1,115 in 2018). Given the countries in which DIA Group operates and the significant trade union representation in place, there is no perceived risk of violation of basic human and labor rights (such as child labor, slave labor, freedom of association or the right to collective bargaining) at in-house operations. The DIA's Ethics Code and the Group's Ethics Channel were set up to manage this area and also to help safeguard the DIA Group's commitment to respecting these values.

With regards remuneration, DIA's salaries are in line with market rates and labor agreements. Merit is the main driver behind salary growth and the DIA Group has performance evaluation mechanisms in place for its workforce. Store and warehouse employees are assessed on their performance and productivity, both on an individual level and in their workplace. At the offices, the personal objectives are focused on individual performance and values, and aligned with the Company's results.

		Average compensation paid (euros)					
		<30 years		30-50 years		>50 years	
		2018	2019	2018	2019	2018	2019
Executives	Men	-	-	118,608.73	151,437.85	136,807.99	179,959.82
	Women	-	-	90,805.68	115,417.88	118,641.04	80,305.65
Managers	Men	22,477.81	23,199.15	35,609.93	33,582.27	51,353.79	40,775.24
	Women	20,413.24	20,529.71	36,151.92	33,515.13	53,007.63	44,966.90
Employees	Men	11,627.00	10,322.89	16,749.71	16,152.44	23,166.66	18,914.79
	Women	11,098.49	9,379.70	15,171.12	15,682.78	18,144.52	15,520.54

Table 12: Average compensation paid[11] by category, gender and age (euros).

As a consequence of the Company's difficult financial situation and in line with new operational and commercial priorities, DIA has undertaken several collective dismissal processes at Spanish subsidiaries (DIA Retail España, S.A.U., before TWINS Alimentación, S.A.U., and Grupo El Árbol Distribución y Supermercados, S.A.U.) that have affected 1,468 employees. In addition, dismissals have also taken place in the rest of the Group's countries, mainly due to the closure of stores and warehouses and due to management team renovations.

		Number of terminations							
		2018				2019			
		<30 years	30-50 years	>50 years	TOTAL	<30 years	30-50 years	>50 years	TOTAL
Executives	Men	-	5	11	16	-	24	30	54
	Women	-	1	2	3	-	6	11	17
Managers	Men	3	40	13	56	8	151	29	188
	Women	1	19	5	25	6	63	3	72
Employees	Men	1,120	858	86	2,064	1,012	1,040	94	2,146
	Women	1,057	1,577	181	2,815	1,094	1,851	94	3,039
TOTAL		**2,181**	**2,500**	**298**	**4,979**	**2,120**	**3,135**	**261**	**5,516**

Table 13: Number of terminations by category, gender and age.

7.2 Health and safety in the workplace

DIA is aware of the importance of maintaining suitable prevention conditions. It therefore strictly abides by prevailing legislation and the collective agreements governing its labor relations contain specific points regarding employee health and safety. Along the same strategic lines, DIA has included procedures in its Global Prevention Plan to detect the repercussions of working conditions on employees' health, identifying employees who are particularly exposed to such risks so as to adapt their workplaces to the needs of each person. Beyond the collective agreements, there are no records of additional, specific health and safety agreements with trade unions.

In order to improve the well-being and work-life balance of store personnel, rest days are established taking into account the preferences of the worker whenever this is possible. There are also additional company benefits when it comes to child and dependent care. At the same time, employees at the headquarters have flexible in and out hours and intensive, compact working days during summer (in

[11] Everything received by employees throughout the year is considered here, except for payment in kind. This includes fixed pay actually processed and paid, additional payments dependent on the working day, productivity and performance bonuses and the distribution of profits. Executives category includes CEO.

Spain). Workers' right to disconnect from work has not been identified as a priority issue in the conversations held with employees and employees' representatives so far.

The next table shows company performance with regards the main health and safety indicators.

	Absenteeism and main health and safety indicators			
	Men		Women	
	2018	2019	2018	2019
Hours of absenteeism	1,909,199.4	1,754,311.0	5,193,002.7	5,216,606.0
Number of workplace accidents	1,024.0	1,127.0	1,389.0	1,442.0
Injury frequency rate	33.1	38.8	28.5	30.6
Serious accidents	10.0	36.0	17.0	21.0
Professional illnesses	10.0	2.0	24.0	22.0
Fatalities	0	0	0	0

Table 14: Absenteeism and main health and safety indicators. Hours of absenteeism include all possible causes (leave due to illness, accidents and other causes). Injury frequency rate is been restated for 2018 due to changes in the methodology (current rate represents the number of injuries per 1,000,000 employee-hours worked).

Absenteeism is an important indicator not only because of its impact on the Company's productivity, but also because it could negatively affect the work environment. There are several actions carried out to reduce this indicator, such as the individualized follow-up of cases, disease prevention campaigns/ promotion of healthy lifestyle habits or the active replacement of temporary or long-term leaves. The impact of these measures is still under study.

7.3 Equal opportunities

DIA is committed to respecting the principle of equality and condemns any type of discrimination, in any form, directly or indirectly, and for any reason: sex, marital status, age, race, social status, religion, political affiliation, etc. The general Human Resources Policy and the Ethics Code are the instruments that ensure compliance with this concept.

During 2019, one sexual harassment complaint has been received through the Ethics Channel, which led to the dismissal of two employees. No discrimination complaints have been proved this year. In relation to this topic, in 2018, a study by a third party was completed in Spain with the aim of confirming that there was no discrimination bias in the procedures used by the Company.

In Spain, the Group has had an Equality Program in place since 2012. This plan includes measures aimed at each of the following areas: access to the Company and selection; hiring; promotion; training; pay; reconciliation of personal, family, work and working time; occupational health; sexual harassment; gender violence; company culture, communication and awareness. The plan is preventive, in other words, it intends to eliminate any possibility of future discrimination based on sex. The existence of an Equality Agent, the implementation of different anti-harassment and gender-based violence protocols, discrimination prevention systems (access, promotion, compensation, language) and specific awareness campaigns are some of the best practices linked with this program.

DIA carries out a policy of equal pay in all its professional categories. The following table shows the gross pay gap by country for the different categories. It should be noted that the gross pay gap is the difference between the average total compensation for women and the average total compensation for men in an organization. This calculation does not take into account these key factors that allow comparability as a professional category, functional area, performance, knowledge or professional experience and that can significantly influence the final data.

	Gender pay gap	
	2018	2019
Executives	83.48	61.80
Managers	99.71	100.81
Employees	94.96	99.00

Table 15: Gender pay gap (ratio calculated as the average pay for women among men for each category). All concepts, except retribution in kind, are taken into account for calculation.

The DIA Group also works to integrate groups with disabilities in all countries in which it operates. In total, among DIA's workforce at the end of 2019, there were 497 people with some type of physical or intellectual disability. Despite the efforts made by different countries of the Group, this global figure has decreased in comparison to the previous year along with the contraction of the global workforce figure.

		Disabled employees in the workforce at December 31					
		<30 years		30-50 years		>50 years	
		2018	2019	2018	2019	2018	2019
Executives	Men	0	0	1	1	0	0
	Women	0	0	0	0	0	0
Managers	Men	0	1	0	0	1	1
	Women	0	0	2	2	0	0
Employees	Men	105	76	180	164	24	26
	Women	54	41	160	138	45	47
TOTAL		**159**	**118**	**343**	**305**	**70**	**74**

Table 16: Disabled employees in the workforce, by professional category, gender and age, at December 31.

Moreover, during 2017, an independent assessment of store accessibility was completed in 10 locations across the Spanish network. This assessment will serve as a basis for addressing appropriate accessibility improvements in the future.

7.4 Employee training

DIA Group maintains an active policy in terms of retaining and training talent. In addition to external training, the DIA Group has more than 30 in-house training centers for employees and franchisees who work in stores. These centers are involved in training sales people at all levels to carry out functions such as checkout operations, new services, and more specific tasks such as the running of the meat and fish sections. The Company also runs specific training programs at its logistics centers.

In 2019, employee training and communication programs have been built around four priorities:

- Promote the new Company's values:
    - Customers are at the center of everything we do.
    - Cooperation with our employees, franchise and business partners is based on fairness and mutual respect.
    - Dedication and strong engagement of all employees and franchise partners is vital for the long-term success of our company.
    - We adopt a zero tolerance policy in relation to corruption.

- We strive for permanent improvement in all areas of the business.
- We foster a culture of change, permanent innovation and creative solutions. A culture of "allowed failure" is an integral part of that.
- We strive for Operational Excellence in all parts of the Company.
- We reduce complexity and follow the principle of "Keep it Simple".
- Cost consciousness, efficient workflow and short decision making processes are key for future success.

- Zero tolerance for corruption and unethical behavior: as shown in the compliance and ethics chapter, a total of 3,388 people have been trained on this (compared to the 2018 figure of 375). This includes 157 people within top management and face-to-face training sessions executed by the CEO and other company leaders.

- New store operations model. Simplifying and standardizing procedures, as well as focusing on the customer are cornerstones not only for the new DIA values, but also for the new store operations model. Implementing it has required an in-depth review of the Company's operations and everybody's roles and responsibilities and it has been supported by the whole organization, including HR and its training and communications program.

- Focus on store operations and the client. With the objective of better supporting the stores in giving customers the best shopping experience, a training program has been designed to bring office employees closer to the store network. This program, which at this date runs in Argentina and Spain, will enable employees to spend one day per semester working in the stores. In addition, any new recruits, regardless of their status, will undergo an induction period of two weeks, working in one or more of the stores. The final objective is that the whole organization understands the day to day reality of the stores and the client, and creates a closer and more effective relationship.

		Training					
		Executives		Managers		Employees	
		2018	2019	2018	2019	2018	2019
Men	Training hours	882.0	1,102.0	8,808.2	7,947.0	89,610.2	87,476.5
	Average training hours	6.8	9.4	8.6	8.3	6.2	6.4
Women	Training hours	773.0	436.0	7,746.1	5,469.0	175,523.9	143,628.0
	Average training hours	14.9	8.0	12.1	8.5	6.4	5.4
TOTAL		**1,655.0**	**1,538.0**	**16,554.3**	**13,416.0**	**265,134.1**	**231,104.5**

Table 17: Annual training hours and average training hours per professional category and gender.

8. FRANCHISEES

Almost 30 years of experience in developing the franchise model has seen the DIA Group become the number one ranked franchiser in Spain and fourth-largest franchiser in Europe in the food distribution sector, according to the international ranking carried out by consulting firm Franchise Direct, which is based on parameters that take into account financial issues, innovation capacity, environmental action and franchisee support, among other aspects.

At 2019 year end, the number of franchise stores in the Group came to 2,901, which is 44% of total stores overall. This number is made up of two types of store and contractual relationship:

- COFO (company owned franchise operated) model: stores are transferred to the franchisee for management and operation. The Group retains a portion of the revenues and the ownership of a potentially strategic point of sale.

- FOFO (franchised owned franchise operated) model: all personnel and operating costs, including establishment opening and improvement costs (investments), are borne by the franchisee.

In both types, the Company provides its historical knowledge of the sector and the strength of its brand and logistical developments, while the franchisee contributes their sales vocation and local market knowledge, which is key to developing the model of proximity and approachability.

This relationship of trust between the DIA Group and the entrepreneurs also creates value and wealth in the communities in which the franchises are set up. During 2019, DIA franchise business generated over 20,500 estimated direct jobs.

	Franchised stores December 31		Number of franchise employees	
	2018	2019	2018	2019
ARGENTINA	681	611	4,256	4,147
BRAZIL	686	347	9,576	5,611
SPAIN	2,069	1,665	7,469	6,793
PORTUGAL	309	278	2,179	1,969
TOTAL	3,745	2,901	23,832	20,539

Table 18: Franchised stores and estimated number of employees for the franchise network. Data for 2018 have been restated to include Clarel franchised stores and estimated employees.

<u>Main communication channels with this stakeholder</u>

- The Group closely monitors its franchisee relationship by conducting annual surveys prepared by Nielsen, an independent consultant. With this anonymous and confidential survey, you obtain information from franchisees about what aspects they consider to be eligible for improvement and what their levels of satisfaction are.

- The Franchise Portal, an online platform where entrepreneurs can access databases of their own and comparative information and can use the message servicing system to contact the Group directly.

- Regular discussion forums within the "Franchise Week" series and existing local assistance programs, such as "*Atención al Socio Estratégico*" in Spain, "*El Defensor del Franquiciado*" in Argentina and "*DIA te escucha*" in Brazil.

- Franchise newsletter in all the countries the Group operates in, with important information about the Group.

Main risks associated with this stakeholder

Conflict and potential loss of partners could affect the associated with the DIA brand and the success of the Group's business model, as it largely depends on its ability to maintain contractual relationships with profitable franchisees. The Company's new management considers that this risk has materialized and therefore concrete action plans have been defined to improve the relationship.

Main policies governing relations with this stakeholder and performance

- Corporate Franchise Policy: establishes the guidelines relating to franchisees, ensuring that each country's legislation is respected, the information provided is accurate, and that agreements with entrepreneurs who decide to manage a DIA store through the franchise model are fulfilled.

  The Group has established several support programs through which franchisees can develop a closer relationship, resources to meet their specific needs and contribute to their success. As described above, there is a strong focus on improving communications between franchisees and the Group. In addition, Argentina and Brazil also organize an integration day with franchisees. The "DIA Academy" is a professional training school in Argentina to provide guidance to aspiring entrepreneurs on how to run a business. In 2017, Brazil set up the "DIA Experts Committee" with a group of franchisees. The aim of this initiative is to share issues, ideas, and suggestions on which it can subsequently implement improvement plans.

  From an operational perspective, regional centers in Spain have been supplied with a franchise analyst for their team, in charge of providing franchisees with financial and economic advice, which allows such franchisees to leverage the profitability of their business. There is also a logistics contact person who deals with all order requests and any other logistics issues faced by franchisees. Although the Group does not have a formal commitment to financially assist franchisees, it has a financing committee that analyses cases where franchisees are undergoing financial difficulties to determine whether and how to assist them.

  It has to be noted that all changes made at the operational and commercial level to improve the Company's business model benefit both company owned stores and franchisee stores. Treating franchisee stores with the same management criteria is a basic principle and an important commitment from the DIA Group.

  In addition, one of the strategic objectives of the new management is a sustainable franchise model in the long term. To this end, several measures have been analyzed and tested this year that provide the franchise network with more liquidity and profitability and simplify operations. The objectives of this new model are to incentivize sales and attract highly professional franchisees, thus raising the strategic value of the franchise network for the DIA business model.

9. SUPPLIERS

DIA Group has numerous supply and supply agreements developed for all its products, which it acquires from suppliers of own brands and suppliers of national brands from all over the world. Supplier size varies, from large multinational groups to national suppliers and small local or regional suppliers. Most purchases are made directly to your suppliers, without intermediaries. At the same time, DIA Group continues to participate in the international trading platform Horizon International Services, together with Auchan Retail, The Casino Group and Metro Group to negotiate international services with domestic brand suppliers. The other purchasing plants in which DIA participated (CD Supply Innovation, S.L., Red Libra Trading Services, S.L.) do not have activity at the end of the year.

Main communication channels with this stakeholder

- Suppliers portal is an online platform where suppliers can access historical databases, the invoicing system and, in some cases, stock status.

- Suppliers annual/regular meetings, where suppliers are informed about the corporate priorities and situations and can exchange ideas with top management.

Main risks associated with this stakeholder

Non-compliance with applicable regulations and/or unethical conduct by suppliers. This risk did not materialize in 2019.

Main policies governing relations with this stakeholder and performance

- Corporate Quality and Food Safety Policy: The Company's Corporate Quality and Food Safety Policy aims to create a relationship with its consumers based on trust through a system that rigorously guarantees the proper production, processing and management of all the products the Company offers. Accordingly, the Company keeps control of product quality and safety throughout the supply chain, monitoring storage, transport and sales processes.

  DIA Group selects its suppliers based on criteria related to competence, process efficiency and the highest quality of the products. The Group does not have a procurement policy as such that includes social and environmental principles applicable to its relations with suppliers. However, all suppliers have been proactively informed of the launch of the new DIA Group complaints and consultation channel as well as the new gift and hospitality policy, and have been encouraged to use the Canal in the event that the channel is detected some non-compliance situation.

  Although a proactive process to detect non-compliance with human or labor rights has not been carried out to date, commercial and ethical channels have not detected any misconduct within the DIA supply chain. Since human rights management along the supply chain has gained relevance in the last years, its inclusion as a material issue will be reassessed in the near future to include it. In fact, in February 2020, an International Sanctions Policy is been approved. This policy will ensure that the Company does not carry out commercial relations with third parties (companies or people that provide any good or service) that have some kind of direct or indirect link with countries, organizations, groups and / or individuals. that are sanctioned for reasons of terrorism, drug trafficking, breach of human rights, among others, by international entities (UN, European Union, USA, etc.).

	Number of local suppliers		Proportion of spending on local suppliers (%)	
	2018	2019	2018	2019
ARGENTINA	472	456	96.41	96.68
BRAZIL	993	397	98.75	99.83
SPAIN	1,481	1,415	94.80	95.35
PORTUGAL	440	431	82.48	83.25

Table 19: Local suppliers and proportion of spending on local suppliers.

Together with the shared objective of guaranteeing product safety and quality (already explained in the Customer chapter), the Company will also foster a new and collaborative relationship with suppliers in the coming years. The objective of this new supplier relationship model will be to create symbiotic, fair and enduring partnerships with a shared focus on achieving long-term growth rather than short-term margin targets. This will not only enable us to achieve a new business model, but also better management of supplier compliance with DIA's values.

10. INVESTORS

The investment community is arguably one of the most important stakeholders for a listed company. This is true not only for companies with an important free float, as DIA has been until recently (LetterOne Investment Group held a 74.82% share as of December 31, 2019), since most of them need to call on financial markets for the development of their activity.

Main communication channels with this stakeholder

Shareholders and investors have a number of available communication channels where they are provided with detailed information about the Company's stock market and businesses, thus maintaining effective and transparent communication. Beyond the information regularly provided by corporate reports and the investor relations team, the department organized 151 different information activities across different platforms, including two roadshows, one-to-one meetings, webcasts and conference calls. All of them with the aim of providing the market and shareholders with the most up-to-date and accurate information, beyond the legal information that publicly traded companies are required to provide.

Main risks associated with this stakeholder

Any failure, insufficiency or breakdown in the Group's internal controls over financial reporting could have a material adverse effect on the Group's business, operating results, financial condition or prospects (materialized in 2019); The Group's ability to pay dividends to its shareholders is uncertain and may be restricted; protecting the interests of minority shareholders from the controlling shareholder.

Main policies governing relations with this stakeholder and performance

- Corporate Investor Relations Policy**:** The investor relations policy establishes the guidelines for the department that deals with the stock markets, based on transparency, truthfulness, responsiveness and permanent communication, in accordance with the applicable law, the Internal Code of Conduct and the rest of the Company's internal regulations. Those responsible for investor relations base their actions on these principles, reaching out to the necessary people so that shareholders, institutional investors and voting advisors have access to clearly identified contact people, as well as regular and simple access to the Company's information.

  As already stated in the Compliance and Ethics chapter, by the end of 2018, the Group identified irregular accounting practices in Spain and Brazil, which led to the restatement of the Group's financial statements for the years ended December 31, 2017 and 2016. In 2019, the Group appointed a firm of advisors to carry out a forensic investigation to establish the causes of such irregularities and to identify the people responsible. The investigations, both in Spain and in Brazil, are complete and the final reports have been brought to the attention of the Anti-Corruption Prosecutor's Office (Fiscalía Anticorrupción). These investigations could adversely affect the Group's business or lead to the commencement of legal proceedings against the Group, which could have an adverse material effect on the Group's business, operating results, financial condition or prospects. At the same time, this fact, together with other relevant events (like the capital reduction) resulted in a significant fall in the Company's share price in 2018 and 2019.

  A SCIIF Manual has been approved with the objective of specifying and developing the functions of the responsible identified in the previous Policy, as well as the methodology for the development of the internal control function. Additionally, Internal Control Committees (Corporate and countries) have been set up with the objective of creating a common area for joint knowledge and analysis of the issues related to the operation of the internal control system of DIA, with the final objective of channeling solutions to potential contingencies.

11. ENVIRONMENT

Since the environment could easily fit in the definition of stakeholder as someone who can affect or is affected by the Company's activity, it is treated here as one of the DIA Group's primary stakeholders. In addition to this, it can easily be incorporated into stakeholder management processes, bringing a more holistic approach to stakeholder management.

Main communication channels with this stakeholder

One-to-one personal meetings with environmental NGOs and active listening channels for legislative changes are the main communication channels with this stakeholder. This activity is also reinforced by the institutional agenda kept, mainly, through the industry organizations the Company belongs to.

Main risks associated with the environment

The most relevant risks identified are the inadequate compliance of environmental regulations and the risk of natural disasters. None of these risks have formally materialized in the Company reports, although the flooding in Alicante and Murcia, Spain, in September 2019 caused significant economic damage at the Company's facilities.

Main policies governing relations with this stakeholders and performance

The DIA Group's commitment to the environment is defined in its Environmental Policy, endorsed by the Board of Directors in 2016. This policy sets forth the objectives both in terms of operations and the organizational culture guiding the Company's activities. Performance attained in each of the policy objectives is set forth below:

11.1 Complying with existing regulations

Abiding by the law is the first mainstay upon which the DIA Group's work for the environment is based.

Moreover, no significant fines have been imposed for breach of regulations during this year[12]. The Company considers that no significant contingencies exist concerning the protection and improvement of the environment and, accordingly, no provision has been made in this regard.

In addition to this and despite the fact that DIA Group's activities do not pose a serious environmental risk, due to their nature, any incidents that could arise in this regard are identified and monitored by the Company's risks map.

11.2 Promoting the responsible use of resources

In line with the regulatory developments, DIA Spain has reduced the environmental impact of using plastic bags. The offer of reusable, rigid bags made from up to 70% recycled plastic has been streamlined and different tests with FSC bags, both for rigid bags and sectioned bags, have been run.

Beyond regulatory requirements, the environmental performance of packaging has also been substantially improved in the fresh category, where bulk vegetable selling has increased 70% compared to last year, eliminating plastic from more than 1,000 tonnes of vegetables. The fruit and vegetable offering strategies are now made on the basis of bulk products, so the expectation is that this results in an important reduction in tonnes of plastic in a near future.

[12] The significance thresholds for reporting sanctions are: 0 euros for issues relating to competition; 30,000 euros for issues relating to the environment and 50,000 euros for all other issues.

The table below outlines usage of the different materials at DIA Group (packaging used in private label not included here). In 2019 there is a strong decrease in the consumption of paper and cardboard, mainly due to different streamlining projects carried out in the marketing departments in all countries.

Materials consumed, by major groups (Kg)	2018	2019
Paper and cardboard	11,762,246.0	9,481,420.3
Plastics	1,658,600.0	1,530,919.2
Others	286.4	0.0

Table 20: Materials consumed by major groups (Kg).

11.3 Managing waste following the waste hierarchy model

The policy's objective in this regard is managing waste by following the waste hierarchy model, prioritizing waste prevention and avoiding waste disposal where possible. The following table shows waste generated by the DIA Group, which in the case of non-hazardous waste has decreased by more than 900 tonnes with respect to the prior year.

	Non-hazardous waste generated (Kg)	
	2018	2019
Toner	21,595.0	1,847.7
Organic material	2,057,580.0	7,747,637.0
Scrap metal	1,289,473.0	2,942,471.8
Plastics	5,044,527.0	4,732,532.0
Wood	2,378,274.0	2,066,833.0
Paper/Cardboard	64,265,748.0	59,473,253.0
RAEE	35,787.0	23,473.0
Indiferentiated	47,738,822.0	44,929,791.0
TOTAL	**122,831,806.0**	**121,917,838.5**

Non-hazardous waste					
% Recycled		% Reused		% Landfill	
2018	2019	2018	2019	2018	2019
58.86	61.32	2.00	0.10	39.34	38.58

Tables 21, 22: Non-hazardous waste and its processing destination.

	Hazardous waste generated (Kg)	
	2018	2019
Batteries	64,796.0	71,531.4
Fluorescent bulbs	181.0	237.0
TOTAL	**64,977.0**	**71,768.4**

Hazardous waste					
% Recycled		% Reused		% Landfill	
2018	2019	2018	2019	2018	2019
99.92	100	0.00	0.00	0.08	0.00

Table 23, 24: Hazardous waste (Kg) and its processing destination.

During 2019, DIA Group continued working to minimize food waste, concentrating its efforts on the following lines of action:

- Ordering more effectively and managing stock properly: the frequency distribution of fresh products has been increased and the product portfolio has been optimized, therefore reducing the fresh stock at stores and the possibility of food waste. In addition, each section manager has been given specific responsibility over fresh stock management. This improvement has reduced food waste in Spain by over 7,000 tonnes in 2019.

- Selling products with short use-by dates at low prices: bargains on products that need to be consumed quickly at low prices.

- Raising public awareness: raising public awareness, in collaboration with AECOC, among different stakeholders, with a particular focus on the customer.

- Donation of unsold stock to people and families on very low incomes. This is done through authorized partners, making sure that the food products are stored and transported in the right conditions.

- Waste recycling: if in spite of these measures there is still organic waste at the Company's facilities, the first option is to recycle it as pet food, compost or biogas.

11.4 Adopting measures to reduce the emission of greenhouse gases

Product distribution and sales activity calls for the consumption of significant energy resources in stores, warehouses and transportation and the resulting greenhouse gas emissions.

		Energy and refrigeration gases consumption		CO_2 emissions (Tn CO_2 eq)	
		2018	2019	2018	2019
Scope 1	Stationary sources (GJ)	8,413.8	8,195.6	533.3	513.2
	Logistics (GJ)	1,951,948.2	2,033,779.8	145,771.0	151,882.0
	Company cars (GJ)	44,763.0	44,519.4	3,307.0	3,284.7
	Refrigeration gases (Kg)	147,083.5	81,786.2	300,455.0	171,426.0

		Energy and refrigeration gases consumption		CO_2 emissions (Tn CO_2 eq)	
		2018	2019	2018	2019
Scope 2	Electricity consumption (GJ)	3,876,219.1	3,801,029.7	290,807.0	291,903.8
Scope	Business travel	-	-	-	9,453.5

Table 25: Energy consumption and CO_2 emission at DIA Group[13]. Electricity consumption and the CO_2 footprint for Brazil and Portugal 2018 have been restated.

The 2019 has been a year of change at DIA Group in terms of management and financial structure, culture and operations. Against this backdrop, the defining of reduction targets and the implementation of eco-efficiency measures has been put on standby. DIA Group's carbon footprint of 628,463 CO_2 equivalent tonnes in 2019 (a 16% reduction compared to previous year) is mainly explained through the introduction of new operational projects:

- While the logistics footprint has increased in some countries because of the significant increase in distribution frequency (greater distribution frequency will translate into better stock management and fresher products for the customer), it has decreased in some countries due to the closure of stores.

- The refrigeration systems footprint has halved due to various factors: store closures, reduced renovations and the extended use of less pollutant gases over the last few years. These gases not only have lower global warming potential, but they also work at a lower pressure (which also helps to reduce leaks).

- The decreased used of renewable energies in 2019 (from approximately 62 million kWh used in 2018 to 35 million kWh in 2019) has been cancelled out by decreased electricity consumption due to store closures. As a result, scope 2 emissions from electricity consumption have increased by 0.01% compared to 2018.

11.5 Actively working on identifying improvement opportunities

The Group has set up an Environmental Management system designed to generate continuous improvement and minimize the environmental impact of the Group's activity. The environmental auditing of facilities and activities carried out regularly by the Environmental area enables DIA to assess the level of regulatory compliance (with legislation and in-house standards), as well as to identify improvement opportunities.

11.6. Encouraging staff through training and awareness initiatives

The most important information and training initiatives have been set up in 2019 around the following issues:

- Streamline use of resources: posters in workspaces to raise awareness of the importance of reducing the use of water, energy and material resources (paper, cling film, etc.).

[13] Detail of refrigerant gases reported: R134A, R404A, R407A, R407C, R407F, R410A, R417A, R141B, R422D, R427A, R448A, R449A, R450A, R452A, R453A, R513A, R507 y R22. In terms of CF-11 equivalents, 1,24 tonnes have been produced by gas R-22; Electricity consumption for the last few months of 2019 includes some estimates in Brazil, Spain and Portugal; Scope 3 emissions have only been reported for Spain and Brazil, as business travel for the other countries represented less than 5% of this figure.

- Adequate waste management: training sessions geared towards warehouse and store staff to promote the separation of reusable, recyclable and recoverable waste components at source.

12. SOCIETY

DIA is very aware that the greatest impact it can have on society is the one that derives from its core business: successfully supplying products that meet all their customers' needs and making them accessible to everyone, creating quality jobs and entrepreneurship opportunities and, lastly, generating wealth through local business and supplier development. This is why the foregoing sections show DIA Group's relations with its main stakeholders and how these relations are managed by the Company.

DIA also recognizes its accountability towards other stakeholders that could be catalogued in the society group (general public, public administrations, media, etc.). Accountability to this group is fundamentally understood to be based on two pillars: a) ensuring strict compliance with the law and transparent and reliable information and b) tax responsibility, understood as strong tax governance procedures and tax discipline. With regards the first pillar, it should be noted that the Company has not received any fines for non-compliance with social or economic legislation in 2019[14], other than the ones related to tax payments. In terms of tax responsibility, a specific section is included herein to describe the Company's policy in this regard.

Main communication channels with this stakeholder

Very diverse: from a dedicated team for external relations to corporate reports, official email channels and indirect participation in sectorial platforms.

Main risks associated with this stakeholder

The most relevant risk identified is the inadequate compliance with regulations, which could also lead to associated reputation risk erosion if it results in adverse publicity.

The application of tax laws, rules and regulations to the Group's business is subject to interpretation by the competent tax authorities. The Group relies on generally available interpretations of tax laws and regulations in the jurisdictions in which it operates, and it believes that it is in material compliance with applicable tax laws. However, there can be no assurance that tax authorities may not take the view that the Group's interpretations are not accurate.

Main policies governing relations with this stakeholder and performance

- Corporate Tax Policy (or Tax Strategy): The DIA Group's tax policy establishes the necessary scope of action to responsibly comply with tax regulations while ensuring that the Company's interests are covered, always supporting the Company's business strategy. Accordingly, DIA seeks to create a climate of compliance, good faith, transparency, collaboration and reciprocity in its relationships with the tax authorities, in accordance with the law, while defending its legitimate interests.

- Corporate External Relations Policy: The aim of the Corporate External Relations Policy is to promote transparent and accessible relations based on mutual respect with the media, regulatory bodies and associations. This policy focuses on achieving the Company's objectives outlined in its strategic plan and better positioning the Company in the market.

12.1. Tax governance, control and risk management

DIA Corporate Tax Strategy was approved by the Board of Directors in 2015 and its main aim is to ensure compliance with tax regulations while safeguarding the Company's interests. The tax principles and good practices comprising the DIA Tax Strategy should guide decision making at all levels.

As part of the good tax practices guiding DIA's activity, the Tax Strategy establishes that DIA does not use opaque corporate structures of any kind or companies located in tax havens for the purposes of concealing relevant information from the tax authorities. The Company is also part of the "Código de

[14] The significance thresholds for reporting sanctions are: 0 euros for issues relating to competition; 30,000 euros for issues relating to the environment and 50,000 euros for all other issues.

Buenas Prácticas Tributarias"[15]. In this regard, it should be noted that the transfer of assets from Spanish to Luxembourg subsidiaries is only for the purposes of the financial agreement reached with the syndicated lenders, as already explained, and not for tax purposes.

DIA Group is also committed to complying with the OECD Guidelines for Multinational Enterprises and OECD BEPS reports on tax matters.

As a result of DIA Group's Tax Strategy, DIA has designed a System for the Control and Management of Tax Risks, even where the legal standards do not strictly require it. The aim of this system is to identify the main tax risks in order to evaluate and prevent them. For these purposes:

- Controls are defined within the different tax processes that are documented through risk matrices and controls (more than 90% of the controls defined are key controls).

- The controls established are assessed annually, using SAP GRC.

- In addition to the obligatory mention of control and tax risk management in the Annual Corporate Governance Report, the results of the annual review of the Tax Risk Management and Control System are reported to the Board of Directors' Audit and Compliance Commission.

	Profits generated before taxes (thousand euros)		Tax paid (thousand euros)	
	2018	2019	2018	2019
ARGENTINA	-4,694	-34,513	-7,610	-479
BRAZIL	-8,408	-263,488	-1,694	-505
SPAIN	-129,267	-357,174	-7,753	328
PORTUGAL	-17,322	-21,782	-3,290	1,358

Table 26: Profits generated before taxes and tax paid in 2019, in thousand euros. Profit and tax figures from Paraguay (-197 and -15, respectively) included as part of Argentina; profit and tax figures from Switzerland (63 and -10 euros, respectively) and Luxemburg (-117 and 0, respectively) included as part of Spain. Data for 2018 have been restated.

More information about tax management, including litigations and periods open to inspection can be found in 16 note of the Consolidated Annual Accounts, 2019.

With regards other transactions with public bodies, it should be noted that, unlike the 63,389.18 euros received in Spain in 2018, no public grants[16] have been received this year.

12.2. Partnerships and sponsorship actions

In addition to these two main aspects in relation to "the society", DIA also works with various non-profit entities and associations to develop charitable actions (main ones are summarized in the table below). As in many other areas of the Company, the approach towards philanthropic activities is being reviewed. In this regards, it is important to highlight that the sponsorship program with the Spanish Basketball Federation has been cancelled, as well as other historic projects the Group had been supporting.

[15] https://www.agenciatributaria.es/AEAT.internet/Inicio/_Segmentos_/Empresas_y_profesionales/Foro_Grandes_Empresas/Codigo_de_Buenas_Practicas_Tributarias/Adhesiones_al_Codigo_de_Buenas_Practicas_Tributarias.shtml

[16] Public grants are defined as any economic contribution paid by a public body to the company to carry out a specific activity. Social security bonuses received for training or other concepts are not included here.

ARGENTINA	BRAZIL	SPAIN	PORTUGAL
UNICEFF race support Employees support to renovate the School Home "The Ark of Children"	Corporate volunteering Natal Solidario Organizational support of Autism Walk in Sao Paulo	Afternoon snacks together with the Red Cross in Extremadura for children at risk of exclusion 9th Race against Rare Diseases in Madrid	Support of “Futebol de rua da CAIS” social inclusion project Support of the Association - Entrepreneurs For Social Inclusion fellowship programme

Table 27: Main philanthropic activities carried out by DIA Group in 2019.

This type of collaboration can only be carried out by means of a written agreement that clearly states the recipient of the benefit, the purpose of the sponsorship, the type and value of the contribution and reasonable consideration agreed upon.

The DIA Group's dialogue and collaboration with third parties always respects DIA’s Ethics Code and the spirit of the Corporate External Relations Policy. Although DIA has its own institutional agenda, it is aware that many of the global challenges faced by the sector and society as a whole require the different players to participate in a coordinated manner. For the sake of transparency, below are the main sector associations with which the DIA Group is involved worldwide:

- Eurocommerce: DIA is present in this European distribution union through its participation in ASEDAS.
- ASEDAS (Asociación Española de Distribuidores de Autoservicio y Supermercados - Spanish Association of Distributors, Self-service Chains, and Supermarkets).
- Ecoembes.
- AECOC: (Asociación Española de Fabricantes y Distribuidores - Spanish Association of Manufacturers and Distributors).
- CEL (Centro Español de Logística - Spanish Logistics Centre).
- PACKNET (Plataforma Tecnológica Española de Envase y Embalaje - Spanish Technological Platform of Containers and Packaging).
- AEA (Agencia Española de Anunciantes - Spanish Advertisers’ Agency).
- AGERS (Asociación Española de Gerencia de Riesgos y Seguros - Spanish Association of Risk Management and Insurance).
- IGREA (Iniciativa de Gerentes de Riesgos Españoles Asociados - Initiative of Associated Spanish Risk Managers).
- Asociación Española de Franquiciadores (Spanish Franchisers’ Association).
- ISMS FORUM (La Asociación Española para el Fomento de la Seguridad de la Información - Spanish Association for the Advancement of Information Security).
- ISACA (Information Systems Audit and Control Association).
- APED (Associação Portuguesa de Empresas de Distribuição - Portuguese Association of Distribution Companies).

- APF (Associação Portuguesa de Franchising - Portuguese Franchising Association).

- ASU (Asociación de Supermercados Unidos - Association of United Supermarkets).

The DIA Group is adequately registered as a business lobby for its interaction with the European Union, although in 2017 this activity only took place through its unions in Spain and Portugal.

13. GLOBAL REPORTING STANDARD EQUIVALENCE INDEX OF ACT 11/2018

Act 11/2018 requirements	GRI	Material for DIA	Scope	NFIS Chapter
GENERAL INFORMATION				
Business model				
Description of the business model, business environment, organization and structure.	102-2; 102-5	Yes	Global	2. Company presentation; 3.Business model;
Markets in which the company operates	102-6	Yes	Global	2.Company presentation
Objectives and strategies	102-15	Yes	Global	3.1.Recent actions and business strategy
Key factors and trends that may affect the company's future development	102-15	Yes	Global	3.1.Recent actions and business strategy
Description of policies, including due diligence procedures and verification and control procedures, including what measures have been taken	GRI 103: Economic, environmental and social performance factor	Yes	Global	4.2.Corporate policies; 6.Customers; 7.Employees; 8.Franchises; 9.Suppliers; 10.Investors; 11.Environment; 12.Society
The results of these policies and associated KPIs (these KPs should enable the assessment of progress and comparability between companies and sectors, in accordance with national, European or international benchmark frameworks used for each area)	GRI 103: Economic, environmental and social performance factor	Yes	Global	6.Customers; 7.Employees; 8.Franchises; 9.Suppliers; 10.Investors; 11.Environment; 12.Society
Main risks identified, risk management model and materialization of risks.	102-15	Yes	Global	4.3.Risk Management at DIA Group; 6.Customers; 7.Employees; 8.Franchises; 9.Suppliers; 10.Investors; 11.Environment; 12.Society
ENVIRONMENTAL ISSUES				
General information about environmental performance				
Current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety	GRI 103: Environmental focus; 102-15	Yes (Eco-efficiency)	Global	11. Environment
Environmental assessment or certification procedures	GRI 103: Environmental focus	Yes (Eco-efficiency)	Global	11.5 Actively working on identifying improvement opportunities
Resources dedicated to environmental risk prevention	GRI 103: Environmental focus	Yes (Eco-efficiency)	Global	11. Environment
Application of the principle of precaution	102-11	Yes (Eco-efficiency)	Global	11.1 Complying with existing regulations
The amount of provisions and guarantees for environmental risks	307-1	Yes (Eco-efficiency)	Global	11.1 Complying with existing regulations
Pollution				

Act 11/2018 requirements	GRI	Material for DIA	Scope	NFIS Chapter
Measures for preventing, reducing or offsetting carbon emissions that seriously affect the environment; Taking into account any kind of atmospheric pollution specific to an activity, including sound and light contamination.	GRI 103: Emissions management approach; 305-1; 305-2; 305-3; 305-5; 305-6	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases; 5.Corporate Social Responsibility Management at DIA Group
Circular economy and waste prevention				
Waste: Measures for prevention, recycling, reusing, other forms of recovery and waste elimination;	GRI 103: Effluents and waste management approach; 306-2	Yes (Eco-efficiency)	Global	11.3 Managing waste following the waste hierarchy model
Actions to combat food waste	GRI 103: effluents and waste management approach	Yes (Food waste)	Global	11.3 Managing waste following the waste hierarchy model
Sustainable use of resources				
Water consumption and water supply according to local limitations;	not reported	No material		5.Corporate Social Responsibility Management at DIA Group
Consumption of raw materials and measures adopted to improve efficiency of use;	301-1	Yes (Eco-efficiency)	Global	11.2 Promoting the responsible use of resources
Direct and indirect consumption of energy, measures adopted to improve energy efficiency and use of renewable energies.	GRI 103: Energy management approach; 302-1; 302-2; 302-4	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
Climate Change				
Significant elements of greenhouse gas emissions generated as a result of Company activity, including the use of goods and services it produces;	305-1; 305-2; 305-3; 305-5;	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
The measures adopted to adapt to the consequences of climate change	GRI 103: Emissions and energy management approach	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
Medium and long-term voluntary reduction targets for greenhouse gas emissions and the measures implemented for this purpose.	GRI 103: Emissions and energy management approach	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
Biodiversity protection				
Measures adopted to preserve or restore biodiversity;	not reported	No material	Global	5.Corporate Social Responsibility Management at DIA Group
Impacts caused by activities or operations in protected areas.	not reported	No material	Global	5.Corporate Social Responsibility Management at DIA Group
SOCIAL AND EMPLOYEES ISSUES				
Employment				

Act 11/2018 requirements	GRI	Material for DIA	Scope	NFIS Chapter
Total number of employees by gender, age, country and professional category;	102-8 ; 405-1	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Total number of employees by type of contract;	102-8	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Average annual number of permanent contracts, temporary, full and part-time contracts by gender, age and professional category;	102-8	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Number of terminations by gender, age and professional category;	401-1	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Average remuneration and evolution by gender, age and professional category or equivalent value;	405-2	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Wage gap, remuneration of equal jobs or company averages;	405-2	Yes (Gender equality)	Global	7.3. Equal opportunities
Average remuneration of board members and executives, including variable remuneration, allowances, indemnities, payment of long-term savings plans and any other benefit, broken down by gender;	GRI 103: Diversity management approach	Yes (Gender equality)	Global	7.1. Employment and Social Dialogue
Implementation of policies safeguarding employees' right to disconnect;	GRI 103: Employment management approach	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Employees with disabilities.	405-1	Yes (Labour practices)	Global	7.3. Equal opportunities
Work organisation				
Organisation of work time.	GRI 103: Employment management approach	Yes (Labour practices)	Global	7.2. Health and Safety in the workplace
Hours of absenteeism.	403-2	Yes (Labour practices)	Global	7.2. Health and Safety in the workplace
Measures adopted to facilitate work - life balance and promote shared responsibility among couples.	GRI 103: Employment management approach	Yes (Gender equality)	Global	7.2. Health and Safety in the workplace
Health and safety				
Health and safety conditions in the workplace;	GRI 103: Health and safety management approach	Yes (Health and safety)	Global	7.2. Health and Safety in the workplace
Workplace accidents, specifying accident rates and seriousness.	403-2	Yes (Health and safety)	Global	7.2. Health and Safety in the workplace
Professional illnesses; by gender.	403-3	Yes (Health and safety)	Global	7.2. Health and Safety in the workplace
Social Relations				

Act 11/2018 requirements	GRI	Material for DIA	Scope	NFIS Chapter
Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff;	GRI 103: Employment management approach	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Percentage of employees covered by a collective agreement, by country;	102-41	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Balance of collective agreements, particularly in the area of health and safety in the workplace.	403-1	Yes (Labour practices)	Global	7.1. Employment and Social Dialogue
Training				
Policies implemented in the area of training;	GRI 103: Training and education management approach	Yes (Develop. of human capital)	Global	7.Employees
Total hours of training by professional category.	404-1	Yes (Develop. of human capital)	Global	7.Employee training
Universal accessibility for people with disabilities	GRI 103: Diversity and equal opportunities approach	Yes (Labour practices)	Global	7.3. Equal opportunities
Equality				
Measures adopted to promote equal opportunities for and treatment of men and women;	GRI 103: Diversity and equal opportunities approach	Yes (Gender equality)	Global	7.3. Equal opportunities
Equality plans, measures taken to promote employment, protocols against sexual and gender-based harassment	GRI 103: Diversity and equal opportunities approach	Yes (Gender equality)	Global	7.3. Equal opportunities
Measures taken to promote the integration and universal accessibility of people with disabilities.	405-1	Yes (Labour practices)	Global	7.3. Equal opportunities
Policy against all types of discrimination and, if applicable, diversity management.	GRI 103: Diversity and equal opportunities approach	Yes (Ethics and compl.)	Global	7.3. Equal opportunities
HUMAN RIGHTS				
Application of due diligence procedures with regard to human rights;	102-16	Yes for internal operations (Ethics and compl.); No material in the supply chain.	Global	4.4. Compliance and Ethics Management; 7.1. Employment and Social Dialogue; 9.Suppliers
Prevention of risks of violation of human rights and, if applicable, measures to mitigate, manage and address possible abuses committed;	102-16	Yes for internal operations (Ethics and compl.); No material in the supply chain.	Global	4.4. Compliance and Ethics Management; 7.1. Employment and Social Dialogue; 9.Suppliers
Cases of human rights violations reported;	102-15; 102-17	Yes for internal operations (Ethics and compl.); No material in the supply chain.	Global	4.4. Compliance and Ethics Management; 7.1. Employment and Social Dialogue; 9.Suppliers

Act 11/2018 requirements	GRI	Material for DIA	Scope	NFIS Chapter
Promotion and compliance with the provisions of the core agreements of the International Labour Organisation relating to respect for freedom of association and the right to collective negotiation;	102-16; 102-41	Yes for internal operations (Ethics and compl.); No material in the supply chain.	Global	4.4. Compliance and Ethics Management; 7.1. Employment and Social Dialogue; 9.Suppliers
Elimination of workplace job discrimination;	406-1	Yes for internal operations (Ethics and compl.); No material in the supply chain.	Global	4.4. Compliance and Ethics Management; 7.1. Employment and Social Dialogue; 9.Suppliers
Elimination of forced labour;	102-16; 102-17; 409-1	Yes for internal operations (Ethics and compl.); No material in the supply chain.	Global	4.4. Compliance and Ethics Management; 7.1. Employment and Social Dialogue; 9.Suppliers
Abolishment of child labour.	102-16; 102-17; 408-1	Yes for internal operations (Ethics and compl.); No material in the supply chain.	Global	4.4. Compliance and Ethics Management; 7.1. Employment and Social Dialogue; 9.Suppliers
CORRUPTION AND BRIBERY				
Measures adopted to prevent corruption and bribery;	GRI 103: Anti-corruption management approach; 102-16; 205-2; 205-3 (incidents of corruption)	Yes (Ethics and compl.)	Global	4.4.Compliance and Ethics Management
Anti-money laundering measures.	102-16; 205-2	No material	Global	4.4.Compliance and Ethics Management
Contributions to foundations and non-profits.	102-12	No material	Global	12.2. Partnerships and sponsorship actions
SOCIETY				
Commitments to sustainable development				
Impact of the company's activity on local jobs and development;	GRI 103: Employment management approach, Procurement practices; 102-8; 204-1	Yes (Labour practices)	Global	9.Suppliers; 12.Society
Impact of the company's activity on local towns and the region;	GRI 103: Employment management approach; Socioeconomic compliance approach;	Yes (Ethics and compl.; Labour practices)	Global	9.Suppliers; 12.Society
Relations with local community players and types of dialogue with these;	102-43	Material (stakeholder listening as mandatory process to define material issues)	Global	5.Corporate Social Responsibility Management at DIA Group; Society
Association activities and sponsorship	102-12; 102-13	No material	Global	12.Society
Outsourcing and suppliers				

Act 11/2018 requirements	GRI	Material for DIA	Scope	NFIS Chapter
Social issues, gender equality and environmental issues in the procurement policy; consideration in the relationships with suppliers and subcontractors of their social and environmental responsibility	GRI 103: Management approach Environmental and social assessment of suppliers; 102-9	No material	Global	Suppliers
Supervision and auditing systems and the results thereof.	308-1; 414-1	No material	Global	8.Suppliers
Consumers				
Measures for health and safety of consumers;	GRI 103: Customer health and safety Management approach	Yes (Quality and food safety)	Global	6.Customers
Claims and complaints systems and resolution.	416-1; 416-2	Yes (Consumer information and protection)	Global	6.Customers
Tax information				
Profits earned by country	GRI 103: Economic performance management approach	Yes (Tax practices)	Global	12.Society
Taxes paid on profits	GRI 103: Economic performance management approach	Yes (Tax practices)	Global	12.Society
Public grants received	201-4	No material	Global	12.Society
ADDITIONAL INFORMATION				
Other information about the organizational profile	102-1 to 102-10	No material	Global	2.Company Presentation; 7.Employees; 9.Suppliers;
Corporate Governance	102-18	Yes (Govern. System)	Global	4.Corporate Governance
Stakeholder participation	102-40 to 102-44	Yes (Transp. and Investors Relations; Franch. relation)	Global	5.Corporate Social Responsibility Management at DIA Group
Other information about the report profile	102-45 to 102-53; 102-56	No material	Global	1. Basis of preparation for the Consolidated Non-Financial Statement; 5.Corporate Social Responsibility Management at DIA Group

14. ANNEX: REGIONAL INFORMATION ON SOME IMPORTANT INDICATORS

		Total employees by contract type at December 31	
		2018	2019
ARGENTINA	Permanent	4,304	3,985
	Temporary	198	54
BRAZIL	Permanent	8,904	7,062
	Temporary	19	26
SPAIN	Permanent	22,599	21,005
	Temporary	4,096	3,744
PORTUGAL	Permanent	2,965	3,005
	Temporary	599	493
TOTAL		**43,684**	**39,374**

Table 28: Country distribution of employment contract type. Temporary contracts 2018 have been restated in Argentina and Brazil adding internships. Permanent contracts in Spain are also restated for 2018 to include two employees from Switzerland. Directors have not been included in this breakdown.

		Total employees by type of workday at December 31	
		2018	2019
ARGENTINA	Full-time	3,923	3,603
	Part-time	579	436
BRAZIL	Full-time	8,736	6,845
	Part-time	187	243
SPAIN	Full-time	18,492	17,524
	Part-time	8,203	7,225
PORTUGAL	Full-time	3,318	3,237
	Part-time	246	261
TOTAL		**43,684**	**39,374**

Table 29: Country distribution of employment workday type. Full-time contracts in Spain are restated for 2018 to include two employees from Switzerland. Directors have not been included in this breakdown.

		Absenteeism and main health and safety indicators			
		Men		Women	
		2018	2019	2018	2019
Hours of absenteeism	ARGENTINA	157,865.0	117,265.6	171,319.3	151,330.2
	BRAZIL	925,797.4	590,720.3	1,634,249.5	1,423,094.3
	SPAIN	667,367.2	878,946.9	2,696,485.2	2,893,347.6
	PORTUGAL	158,169.8	167,378.1	690,948.7	748,833.6

		Absenteeism and main health and safety indicators			
		Men		Women	
		2018	2019	2018	2019
Number of workplace accidents	ARGENTINA	79.0	72.0	19.0	26.0
	BRAZIL	65.0	73.0	62.0	117.0
	SPAIN	743.0	857.0	1,057.0	1,086.0
	PORTUGAL	137.0	125.0	251.0	213.0
Injury frequency rate	ARGENTINA	12.2	11.9	5.4	7.6
	BRAZIL	7.8	10.1	5.5	11.4
	SPAIN	53.9	62.1	35.7	36.9
	PORTUGAL	56.7	55.1	58.7	53.0
Serious accidents	ARGENTINA	0.0	15.0	0.0	5.0
	BRAZIL	10.0	18.0	12.0	16.0
	SPAIN	0.0	2.0	3.0	0.0
	PORTUGAL	0.0	1.0	2.0	0.0
Professional illnesses	ARGENTINA	2.0	1.0	1.0	1.0
	BRAZIL	0.0	0.0	1.0	1.0
	SPAIN	8.0	1.0	15.0	20.0
	PORTUGAL	0.0	0.0	7.0	0.0
Fatalities	ARGENTINA	0.0	0.0	0.0	0.0
	BRAZIL	0.0	0.0	0.0	0.0
	SPAIN	0.0	0.0	0.0	0.0
	PORTUGAL	0.0	0.0	0.0	0.0

Table 30: Absenteeism and main health and safety indicators, by country. Hours of absenteeism include all possible causes (leave due to illness, accidents and other causes). Injury frequency rate represents the number of injuries per 1,000,000 employee-hours worked.

		Disabled employees at December 31 2018							Disabled employees at December 31 2019						
		Men			Women			Total	Men			Women			Total
		<30	30-50	>50	<30	30-50	>50		<30	30-50	>50	<30	30-50	>50	
ARGENTINA	Executives	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Managers	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Employees	0	3	0	1	0	0	4	1	2	0	1	1	0	5
BRAZIL	Executives	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Managers	0	0	0	0	0	0	0	1	0	0	0	0	0	1
	Employees	100	119	6	50	75	7	357	73	104	8	37	65	6	293
SPAIN	Executives	0	1	0	0	0	0	1	0	1	0	0	0	0	1
	Managers	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Employees	5	53	16	3	74	33	184	2	52	14	3	62	35	168
PORTUGAL	Executives	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Managers	0	0	1	0	2	0	3	0	0	1	0	2	0	3

		Disabled employees at December 31 2018							Disabled employees at December 31 2019						
		Men			Women			Total	Men			Women			Total
		<30	30-50	>50	<30	30-50	>50		<30	30-50	>50	<30	30-50	>50	
PORTUGAL	Employees	0	5	2	0	11	5	23	0	6	4	0	10	6	26
TOTAL		**105**	**181**	**25**	**54**	**162**	**45**	**572**	**77**	**165**	**27**	**41**	**140**	**47**	**497**

Table 31: Country distribution of disabled employees in the workforce, by professional category, gender and age, at December 31.

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
	2018	2019	2018	2019	2018	2019	2018	2019
Paper and cardboard	918,850.00	811,567.00	3,597,482.00	1,948,714.23	6,201,960.00	5,949,586.95	1,043,954.00	771,552.09
Plastics	867,910.00	783,998.00	99,964.00	70,555.00	657,000.00	556,404.16	33,726.00	119,962.05
Others	286.40	-	-	-	-	-	-	-

Table 32: Materials consumed by major groups (Kg).

		Non-hazardous waste							
		Generated (Kg)		% Recycled		% Reused		% Landfill	
		2018	2019	2018	2019	2018	2019	2018	2019
ARGENTINA	Toner	-	-	-	-	-	-	-	-
	Organic material	-	1,110,000.00	-	0		0		100
	Scrap metal	-	-	-	-	-	-	-	-
	Plastics	602,100.00	476,183.00	100	100	-	0	-	0
	Wood	-	-	-		-	-	-	-
	Paper/Cardboard	2,727,681.00	2,165,040.00	100	100	-	0	-	0
	RAEE	-	-	-	-	-	-	-	-
	Others	1,733,970.00	1,272,880.00	0	0	0	0	100	100
	TOTAL	**5,063,751.00**	**5,024,103.00**	65.8	52.6	0	0	34.2	47.4
BRAZIL	Toner	1,038.00	-	100	-	0	-	0	-
	Organic material	-	374,900.00	-	100	-	0	-	0
	Scrap metal	488,703.00	1,365,598.00	100	100	0	0	0	0
	Plastics	827,087.00	889,779.00	100	100	0	0	0	0
	Wood	1,542.00	-	0		100	-	0	-
	Paper/Cardboard	4,560,027.00	5,280,888.00	100	100	0	0	0	0
	RAEE	-	-	-		-	-	-	-
	Others	12,126,572.00	9,976,556.00	0	0	0	0	100	100
	TOTAL	**18,004,969.00**	**17,887,721.00**	32.6	44.2	0	0	67.4	55.8
SPAIN	Toner	20,557.00	1,847.70	-	54	30.3	-	69.7	46
	Organic material	-	2,662,010.00	-	0	-	0	-	100
	Scrap metal	733,010.00	1,322,620.00	100	100	0	0	0	0
	Plastics	3,132,670.00	2,874,630.00	100	100	0	0	0	0
	Wood	2,003,610.00	1,775,310.00	0	0	100	100	0	0
	Paper/Cardboard	49,495,780.00	45,238,260.00	100	100	0	0	0	0
	RAEE	35,787.00	23,473.00	100	100	0	0	0	0
	Others	27,851,820.00	29,784,260.00	0.6	0	0	0	99.4	100
	TOTAL	**83,273,234.00**	**83,682,410.70**	64.3	61.2	2.4	0	33.3	38.8

		Non-hazardous waste							
		Generated (Kg)		% Recycled		% Reused		% Landfill	
		2018	2019	2018	2019	2018	2019	2018	2019
PORTUGAL	Toner	-	-	-	-	-	-	-	-
	Organic material	2,057,580.00	3,600,727.00	76.6	88.1	0	0	23.4	11.9
	Scrap metal	67,760.00	254,253.80	0	0	100	0	0	0
	Plastics	482,670.00	491,940.00	100	100	0	79.7	0	0
	Wood	373,122.00	291,523.00	0	38.3	100	41.4	0	20.3
	Paper/Cardboard	7,482,260.00	6,789,065.00	100	100	0	0	0	0
	RAEE	-	-	-	-	-	-	-	-
	Others	6,026,460.00	3,896,095.00	-	55.2	-	0	100	44.8
	TOTAL	**16,489,852.00**	**11,722,876.80**	57.9	84.6	2.7	0.8	39.5	14.6
DIA Group	**TOTAL**	**122,831,806.00**	**121,917,838.50**	58.9	61.3	2	0.2	39.1	38.4

Table 33: Non-hazardous waste and its processing destination, by country. Script data is not available.

		Hazardous waste							
		Generated (Kg)		% Recycled		% Reused		% Landfill	
		2018	2019	2018	2019	2018	2019	2018	2019
ARGENTINA	Batteries	-	-	-	-	-	-	-	-
	Fluorescent	50.0	-	0.00	-	0.00	-	100	-
	TOTAL	**50.0**	-	0.00	-	0.00	-	100	-
BRAZIL	Batteries	-	-	-	-	-	-	-	-
	Fluorescent	-	-	-	-	-	-	-	-
	TOTAL	**-**	-	-	-	-	-	-	-
SPAIN	Batteries	61,976.0	68,143.9	100	100	0.00	0.00	0.00	0.00
	Fluorescent	131.0	237.0	100	100	0.00	0.00	0.00	0.00
	TOTAL	**62,107.0**	**68.380,94**	100	100	0.00	0.00	0.00	0.00
PORTUGAL	Batteries	2,820.0	3.387,5	100	100	0.00	0.00	0.00	0.00
	Fluorescent	-	-	-	-	-	-		-
	TOTAL	**2,820.0**	**3,387.5**	100	100	0.00	0.00	0.00	0.00
DIA Group	**TOTAL**	**64,977.0**	**71,768.40**	**99.92**	**100**	**0.00**	**0.00**	**0.08**	**0.00**

Table 34: Hazardous waste and its processing destination, by country. Some hazardous waste management is not recorded in Argentina, Brazil and Portugal because it is included in general service contracts.

	Energy consumption and refrigeration gases			CO_2 emissions (Tn CO_2 eq)	
		2018	2019	2018	2019
ARGENTINA	Stationary sources (GJ)	0.0	0.0	0.0	0.0
BRAZIL		7,920.10	6,835.40	505.90	436.60
SPAIN		0.0	0.0	0.0	0.0
PORTUGAL		493.70	1,360.20	27.40	76,64
TOTAL		**8,413.80**	**8,195.60**	**533.30**	**513.24**
ARGENTINA	Logistics (GJ)	173,724.90	155,631.60	12,974.00	11,622.50
BRAZIL		391,857.80	252,478.40	29,264.00	18,855.00
SPAIN		1,182,866.20	1,451,889.40	88,336.00	108,426.60
PORTUGAL		203,499.30	173,780.40	15,197.00	12,977.90
TOTAL		**1,951,948.20**	**2,033,779.80**	**145,771.00**	**151,882.00**
ARGENTINA	Company cars (GJ)	10,767.20	12,173.5	769.00	869.90
BRAZIL		-	-	-	-
SPAIN		12,774.90	12,358.70	953.00	922.20
PORTUGAL		21,220.90	19,987.20	1,585.00	1,492.60
TOTAL		**44,763.00**	**44,519.40**	**3,307.00**	**3,284.70**

		Energy consumption and refrigeration gases		CO_2 emissions (Tn CO_2 eq)	
		2018	2019	2018	2019
ARGENTINA	Refrigeration gases (Kg)	29,274.70	24,046.50	85,762.00	73,044.40
BRAZIL		21,945.20	14,689.00	41,831.00	28,155.40
SPAIN		85,745.50	35,906.90	147,552.00	51,829.10
PORTUGAL		10,118.10	7,143.80	25,310.00	18,397.10
TOTAL		**147,083.50**	**81,786.20**	**300,455.00**	**171,426.00**
ARGENTINA	Electricity consumption (GJ)	485,090.90	490,841.40	52,552.00	53,174.50
BRAZIL		421,274.80	448,130.20	5,792.60	6,080.30
SPAIN		2,570,308.00	2,472,267.70	198,834.00	199,841.60
PORTUGAL		399,545.40	389,790.40	33,628.40	32,807.40
TOTAL		**3,876,219.10**	**3,801,029.70**	**290,807.00**	**291,903.80**
ARGENTINA	Business travelling	-	-	-	-
BRAZIL		-	-	-	2,351.20
SPAIN		-	-	-	7,102.30
PORTUGAL		-	-	-	-
TOTAL		-	-	-	**9,453.50**

Table 35: Energy consumption and CO_2 emission at DIA Group[17]. Electricity consumption and the CO_2 footprint for Brazil and Portugal 2018 have been restated.

[17] Company cars data unavailable for Brazil, since the fuel used depends on the market price for the available options; Detail of refrigerant gases reported: R134A, R404A, R407A, R407C, R407F, R410A, R417A, R141B, R422D, R427A, R448A, R449A, R450A, R452A, R453A, R513A, R507 y R22. In terms of CF-11 equivalents, 1,24 tonnes have been produced by gas R-22; Electricity consumption for the last few months of 2019 includes some estimates in Brazil, Spain and Portugal; Scope 3 emissions have only been reported for Spain and Brazil, as business travel for the other countries represented less than 5% of this figure.