Audit Report on the Interim Balance Sheet
issued by an Independent Auditor

DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.
Interim Balance Sheet at June 30, 2019

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INDEPENDENT AUDIT REPORT ON THE INTERIM BALANCE SHEET ISSED BY AN INDEPENDENT AUDITOR

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

To the shareholders of Distribuidora Internacional de Alimentación, S.A.
at the request of the Directors

Report on the interim balance sheet

Qualified opinion

We have audited the interim balance sheet of Distribuidora Internacional de Alimentación, S.A. (the Company) at June 30, 2019, as well as the explanatory notes thereto, which include a summary of significant policies (referred to together as "the interim balance sheet").

In our opinion, except for the possible effects of the matter described in *"Basis for a qualified opinion,"* the accompanying interim balance sheet gives a true and fair view, in all material respects, of the equity and financial position of the Company as at June 30, 2019, in accordance with the regulatory financial reporting framework applicable to the preparation of this type of financial statement in Spain (identified in Note 2 to the accompanying explanatory notes) and, specifically, the accounting principles and policies contained therein.

Basis of qualified opinion

Given that we were engaged to audit the accompanying interim balance sheet subsequent to June 30, 2019, we were not able to perform a physical stock count of inventories at that date, nor were we able to carry out other alternative procedures that would enable us to conclude on the physical volume of stocks at June 30, 2019. In addition, at the issue date of this report, we have not been able to obtain adequate and sufficient evidence regarding the valuation of inventories at June 30, 2019. Consequently, we have not been able to verify the reasonableness of the amount included in "Inventories" on the interim balance sheet at June 30, 2019, amounting to 175,562 thousand euros, nor were we able determine the impact that this fact might have on the amount of "Profit for the year" that is likewise shown on the accompanying interim balance sheet.

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

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

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

Key audit matters

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

In addition to the matter discussed under *Basis of qualified opinion*, we determined that the risks described below would require disclosure in our audit report.

Going concern principle

Description

Notes 1 and 2 b) to the interim balance sheet describe the current status of the measures adopted by the General Shareholders' Meeting and the Board of Directors to ensure that the going concern principle is correctly applied.

The notes to the 2018 financial statements outlined the measures that the Company's directors had taken to restore equity, as well as the process implemented to reach a refinancing agreement with its principal financial institutions to ensure that its debt structure is adequate for meeting its liquidity needs and payment commitments in the normal course of business based on the latest business plan approved by the Board of Directors on January 30, 2019.

The audit report on the Company's 2018 financial statements issued by the predecessor auditor included a material uncertainty regarding its capacity to continue as a going concern, due primarily to its deteriorated equity and financial position as at December 31, 2018, and the significant losses incurred in that year.

This matter is crucial in the context of our audit in view of the relevance of the success of the actions taken by the Company's directors to guarantee the continuity of operations.

Our response

Our audit procedures related to this matter included the following:

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

- Obtaining and analyzing the documentation supporting, at the date of our audit report, compliance with the conditions required by the Company's majority shareholder to execute the abovementioned capital increase.
- Obtaining and analyzing the terms of the financing agreement signed between the Company and its financial creditors on July 18, 2019, which is explained in Note 19 b) to the accompanying interim balance sheet.
- Obtaining and analyzing the terms of the participating loan agreement signed between the Company and its current majority shareholder on May 29 and June 26, 2019, which is described in Note 19 b) to the accompanying interim financial statements.
- Verifying that management's assessment of the Company's capacity to continue as a going concern, after considering the significant measures adopted to restore its equity and financial position. This verification included the review of the Company's expected financial performance over the next twelve months.
- Assessing whether the information reported in the notes to the accompanying interim balance sheet related to applying the principle of going concern meets the requirements established in the regulatory financial reporting framework applicable to the Company.

Irregularities and misstatements identified in 2018

Description

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

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

Following the detection of these events, the Company's Board of Directors restated the comparative figures for 2017 included in the 2018 financial statements in order to correct the effects of the aforementioned misstatements. Note 1 to the 2018 financial statements explained the source and nature of the adjustments made to the comparative figures for 2016 so that they agree with those included in the 2017 financial statements originally authorized for issue by the Company.

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

Our response

Our audit procedures related to this matter included the following:

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

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

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

Description

As explained in notes 4, 5, 10 y 11 to the accompanying interim balance sheet, at June 30, 2019, the Company recorded property, plant, and equipment amounting to 467,032 thousand euros, goodwill amounting to 32,147 thousand euros related to equity instruments, as well as loans and current accounts granted to group companies amounting to 759,328 thousand euros and 436,863 thousand euros, respectively.

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

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

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

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

Our response

Our audit procedures related to this matter included the following:

- Understanding the Company's analysis and evaluation process in the current context in order to identify the stores showing indications of impairment.
- Evaluating the reasonableness of the methodology used to calculate the recoverable amount of the assets at stores and investments in group companies, as well as the principal hypotheses applied.
- Comparing the consistency applied in projecting future profit used as a basis for calculating the recoverable amount of both stores and investments in group companies with those applied in the group's latest business plan approved by the Board of Directors on January 30, 2019.
- Comparing the projections for 2019 in the latest approved business plan with the actual results for the first half of this year and with the latest estimates updated by management for the twelve-month period ending December 31, 2019. Analyzing, with the involvement of valuation specialists, the sensitivity of certain hypotheses used in the model to future changes that could be considered reasonable, as well as certain matters having a specific impact on the first half of 2019.
- Assessing whether the information reported in the notes to the accompanying interim balance sheet related to the impairment of non-current assets meets the requirements established in the regulatory financial reporting framework applicable to the Company.

Other matters

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

Responsibilities of the directors and the audit committee for the interim balance sheet

The directors are responsible for the preparation the interim balance sheet so that it gives a true and fair value of the equity and financial position of DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A., in accordance with the regulatory financial reporting framework applicable to the preparation of this type of financial statement in Spain, identified in Note 2 to the accompany explanatory notes, and for such internal control as they determine necessary to enable the preparation of an interim balance sheet that is free from material misstatement, whether due to fraud or error.

In preparing the interim balance sheet, the directors are responsible for assessing the Company's capacity to continue as a going concern, reporting, where applicable, the matters linked to going concern and using the accounting principle of a going concern, except where the directors intend to liquidate the company or cease operations, or where there is no other realistic alternative.

The audit committee is responsible for overseeing the preparation and presentation of the interim balance sheet.

Auditor's responsibilities for the audit of the interim balance sheet

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

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

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

- Identify and assess the risks of material misstatement in the interim balance sheet, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the management company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to point this out in our audit report on the corresponding information disclosed in the interim balance sheet or if said disclosures are not adequate, to express a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the interim balance sheet and its explanatory notes and whether the interim balance sheet represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Included in the matters that have been subject to communication with the company's audit committee, we determine which were the most significant in our audit of the interim balance sheet and which are, subsequently, the key audit matters.

We describe these matters in our auditor's report unless legal or regulatory provisions preclude public disclosure about the matter.

Report on other legally stipulated disclosure requirements

Term of engagement

The ordinary general shareholders' meeting held on March 20, 2019 appointed us as auditors for three years, commencing on December 31, 2019.

ERNST & YOUNG, S.L.
(Inscrita en el Registro Oficial de Auditores
de Cuentas con el Nº S0530)

(Signed on the original version in Spanish)

José Luis Ruiz
(Inscrito en el Registro Oficial de Auditores
de Cuentas con el Nº 5217)

September, 19 2019

Distribuidora Internacional de Alimentación, S.A.

Interim balance sheet and explanatory notes

ended 30 June 2019

(With Auditor's Report Thereon)

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

INTERIM BALANCE at 30 June 2019 and
BALANCE at 31 December 2018
(Expressed in thousands of Euro)

ASSETS	Notes	2019 30 June	Restated (*) 2018 31 December
Intangible assets	4	**65,532**	**70,765**
Development		3,638	22,112
Concessions		103	107
Patents, licences, trademarks and similar rights		1,579	1,614
Goodwill		32,147	35,689
Computer software		27,007	10,086
Other intangible assets		1,058	1,157
Property, plant and equipment	5	**467,032**	**508,224**
Land and buildings		228,873	238,138
Technical installations, machinery, equipment, furniture and other items		235,918	266,619
Under construction and advances		2,241	3,467
Non-current investments in group companies and associates		**866,328**	**728,331**
Equity instruments	10	759,328	720,331
Loans to companies	11 (a)	107,000	8,000
Non-curent investments	11 (b)	**23,756**	**25,831**
Equity instruments		36	36
Loans to third parties		138	206
Other financial assets		23,582	25,589
Trade and other receivables		**45,929**	**52,345**
Trade receivables (exceeding operating cycle)	11 (c)	45,929	52,345
Non-current prepayments	13	**1,239**	**1,229**
Deferred tax assets	20	**36,081**	**38,347**
Total non-current assets		**1,505,897**	**1,425,072**
Inventories	12	**175,562**	**221,644**
Goods for resale		169,334	212,574
Raw materials and other supplies		5,511	7,558
Advances to suppliers		717	1,512
Trade and other receivables	11 (c)	**298,183**	**410,754**
Current trade receivables	9 (d)	30,721	45,556
Trade receivables from group companies and associates		254,228	315,639
Other receivables		8,366	45,918
Personnel		1,051	786
Current tax assets	20	3,758	2,757
Public entities, other	20	59	98
Current investments in group companies and associates	11 (a)	**329,863**	**375,013**
Loans to companies		106,500	65,000
Other financial assets		223,363	310,013
Current investments	11 (b)	**2,584**	**2,816**
Loans		16	23
Derivatives		-	18
Other financial assets		2,568	2,775
Prepayments for current assets	13	**1,407**	**385**
Cash and cash equivalents	14	**54,021**	**69,067**
Cash		54,021	69,067
Total current assets		**861,620**	**1,079,679**
TOTAL ASSETS		**2,367,517**	**2,504,751**

The accompanying notes form an integral part of the interim balance sheet at 30 June 2019.

(*) Restated data (note 2.b)

INTERIM BALANCE at 30 June 2019 and BALANCE at 31 December 2018

(Expressed in thousands of Euro)

EQUITY AND LIABILITIES	Notes	2019 30 June	Restated (*) 2018 31 December
Capital and reserves without valuation adjustments	15	**(250,942)**	**(99,113)**
Capital		**62,246**	**62,246**
Registered capital		62,246	62,246
Reserves		**38,697**	**78,956**
Legal and statutory reserves		13,021	13,021
Other reserves		25,676	65,935
(Own shares)		**(7,252)**	**(55,861)**
Retained earnings		**(191,274)**	**-**
Profit for the year		**(157,629)**	**(191,274)**
Other equity instruments		**4,270**	**6,820**
Valuation adjustments		**(2)**	**13**
Hedging transactions		(2)	13
Grants, donations and bequests received	16	**196**	**272**
Total equity		**(250,748)**	**(98,828)**
Non-current provisions	17	**28,804**	**28,356**
Long-term employee benefits		1,697	1,660
Other provisions		27,107	26,696
Non-current payables	19 (b)	**772,963**	**918,075**
Bonds and other securities		591,661	590,410
Debt with financial institutions		151,118	296,374
Finance lease payables	6	18,547	17,260
Other financial liabilities		11,637	14,031
Deferred tax liabilities	20	**15,647**	**17,659**
Total non-current liabilities		**817,414**	**964,090**
Current provisions		**11,859**	**4,344**
Current payables	19 (b)	**1,007,865**	**640,915**
Bonds and other securities		310,809	311,371
Debt with financial institutions		541,357	275,552
Participating loans		128,589	-
Finance lease payables	6	7,317	7,671
Derivatives		3	-
Other financial liabilities		19,790	46,321
Group companies and associates, current	19 (a)	**20,737**	**65,040**
Trade and other payables	19 (c)	**759,864**	**928,602**
Current suppliers		603,229	563,785
Suppliers, group companies and associates, current		2,280	232,760
Other payables		73,715	73,282
Personnel (salaries payable)		42,218	22,341
Public entities, other	20	36,997	35,235
Advances to customers		1,425	1,199
Current accruals		**526**	**588**
Total current liabilities		**1,800,851**	**1,639,489**
TOTAL EQUITY AND LIABILITIES		**2,367,517**	**2,504,751**

The accompanying notes form an integral part of the interim balance sheet at 30 June 2019.

(*) Restated data (note 2.b)

EXPLANATORY NOTES TO THE INTERIM BALANCE SHEET AT 30 JUNE 2019

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

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

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

Its principal activity is the retail sale of food products through owned or franchised self-service stores under the DIA Market, DIA Maxi, Clarel and Cada DIA brand names. The Company opened its first establishment in Madrid in 1979.

The Company holds interests in subsidiaries. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. Details of investments in Group companies are provided in explanatory note 10.

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

On 13 September 2019 the directors of the Company authorised the issue of the condensed interim consolidated financial statements of Distribuidora Internacional de Alimentación, S.A. and subsidiaries for the six-month period ended 30 June 2019 in accordance with the International Financial Reporting Standards endorsed by the European Union ("IFRS-EU") and other applicable financial reporting regulations. These financial statements present consolidated loss attributable to the Parent of Euros 418,675 thousand and consolidated negative equity attributable to the Parent of Euros 566,209 thousand.

Relevant events during the first half of 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) Approval of the Company's capital increase

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

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

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

(ii) establishment of an agreement with the lenders of DIA's syndicated bank loan, enabling the debt to be restructured or refinanced to guarantee the Company's financial stability; and

(iii) appointment of a majority of DIA Board of Director members proposed by LetterOne.

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 its being accepted by the shareholders 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 Company's share capital, which together with those held by the Offeror, would enable them to reach a minimum stake of 64.50%. On 9 April 2019, the Board of Directors issued its mandatory report expressing a favourable opinion regarding the Bid and underlining the negative trend that was affecting the business' performance, mainly as a result of the negative impact caused by the uncertainty regarding the Company's financial situation.

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

On 30 April 2019 LetterOne presented the CNMV with an application to modify the initial Bid to acquire shares 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 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 proprietary 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. As a result of the above, the Board of Directors of the Company and its committees are currently 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.*

Appointment 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).

On 29 May 2019 the Audit and Compliance Committee approved the appointment of José Wahnon Levy as Chairperson of this Committee.

On 12 June 2019 the Appointment and Remuneration Committee approved the appointment of Christian Couvreux as Chairperson of this Committee.

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 Suspensive Conditions, 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 will be amended and refunded.

(ii) The terms under which the bilateral financing granted by the syndicated lenders or their subsidiaries are 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 company considers satisfactory, for a total amount of up to Euros 280 million, of which binding commitments have been obtained for approximately Euros 270.8 million (see note 19(b)).

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

(v) In order for the Company to avail of cash funds while the procedures to execute the capital increase are being formalised, LetterOne undertook to advance funds to the Company, up to a total aggregate amount of Euros 490 million, by means of one or more participating loans and/or pre-fund the capital increase which, in the event that the participating loans can 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 cannot be capitalised in the capital increase) will be repaid to LetterOne with the capital increase funds. This is one of the Suspensive Conditions of the agreement.

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

The Board of Directors considers that amending and refunding the Syndicated Loan in the agreed terms, as well as securing the aforementioned binding commitments for the new lines of funding and planned capital increase will ensure a viable long-term capital structure for DIA, consolidate the clearing of the grounds for dissolution due to losses and constitute a solution to the Company's cash flow needs.

c) <u>The following events should be noted with regards the Company's investments:</u>

- On 28 June 2018, 50% of the shares of FINANDIA E.F.C., S.A. were sold to CaixaBank Consumer Finance E.F.C., S.A.U. (CaixaBank) for Euros 9,306 thousand. During the first half of 2019 CaixaBank notified its intention to exercise the change of control option set forth in the sale document, thereby obliging DIA to acquire 50% of this company which was sold during the prior year. At 30 June 2019, the Company has recorded a financial expense of Euros 7.1 million to register the amount payable to La Caixa to purchase the 50% it still holds, less the carrying value of Finandia at 30 June 2019.

- In December 2018 the Company decided to dispose of its interest in the business Clarel (Beauty by Dia, S.A.) and recognise it as held for sale in the 2018 annual accounts, recording an impairment of Euros 51,732 thousand to adjust it to its recoverable value. In the first half of 2019 the Company decided to reverse this classification, restating the 2018 figures as the Company's Board of Directors has agreed to continue managing, developing and remodelling this business.

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

- On 3 June 2019 a capital increase of Brazilian Reals 174,350,000 was carried out at Dia Brazil, equivalent to Euros 40 million. This capital increase was conducted in two tranches: Euros 10 million (Brazilian Reals 43,850,000) at 30 May 2019, and Euros 30 million (Brazilian Reals130,500,000) at 3 June 2019. The capital of DIA Brazil went from Brazilian Reals 670,950,037 to Brazilian Reals 845,300,037. The Company holds 845,300,036 shares and DIA Argentina holds 1 share in the share capital of DIA Brazil.

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

d) <u>Profit evolution during the six-month period:</u>

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

1. The sharp sales deterioration caused by the extraordinary out-of-stock levels and business disruption context.

2. The closure process of poorly-performing stores which has affected a total of 300 stores in first half of 2019, which ultimately translated into: lower sales, the write-off of related assets, an increase in operating expenses 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. The positive impact of these closings (derived from the elimination of their negative margin contribution), will start on the second half of 2019 onwards.

3. A strong de-franchising process aimed at improving the quality of our franchisee network, which has affected a total of 154 stores during first half of 2019, resulting in higher personnel and operating expenses, and the recognition of additional provisions on related accounts receivables.

4. A commercial assortment rationalization initial process carried out, resulting in a meaningful SKUs reduction, seeking greater simplification, productivity improvement and best value-for-money proposition for customers. This initiative led to the recognition of significant losses related to the corresponding stock liquidation (impacting 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. Refinancing complexity and increasing focus on its core business, which led to decisions/actions which increased operating expenses and impairment of assets.

7. Other substantial extraordinary and one-off items such as:

    - The Collective Dismissal implemented to improve productivity in the stores, warehouses and head offices, impacting operating expenses.

    - The complex and multi-phased syndicated debt refinancing process and the readiness 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 operational expenses and financial results.

    - The repurchase by DIA of the 50% of Finandia, due to the change of control of the company, which triggered the recognition of losses impacting in Financial Results.

(2) Reason for preparing Interim Balance Sheet and Basis of Presentation

The accompanying interim balance sheet was prepared by the Company's Board of Directors on 13 September 2019 in the context of the redressing of the balance and structure of the Company's equity by the majority shareholder, as described in note 1. This restructuring is expected to be completed before 31 December 2019.

The interim balance sheet has been prepared on the basis of the Company's accounting records and presented in accordance with prevailing legislation and the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 and the amendments made thereto by Royal Decrees 1159/2010 and 602/2016, to give a true and fair view of the equity and financial situation.

The accompanying interim balance sheet at 30 June 2019 has been prepared applying the accounting principles and measurement criteria described in note 4 to the 2018 annual accounts.

The significant accounting policies used are described in note 3.

(a) Comparative information

The accompanying balance sheet at 30 June 2019 is presented for comparative purposes together with the balance sheet at 31 December 2018. The balance sheet at 31 December 2018 has been obtained based on the balance sheet included in the Company's 2018 annual accounts and includes certain reclassifications for comparative purposes, as described below.

The balance sheet at 31 December 2018 has been restated as the Clarel business is no longer considered as a non-current asset held for sale (see note 1(c)). Details of the restatement are as follows:

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

(b) Going concern

This interim balance sheet at 30 June 2019 has been prepared by the Company on a going concern basis.

At 31 December 2018, equity amounted to a negative amount of Euros 98,828 thousand and working capital, calculated as current assets less current liabilities, excluding assets and liabilities held for sale, was also negative, amounting to Euros 560,837 thousand. Results for 2018 amounted to a loss of Euros 191,274 thousand and the net variation in cash and cash equivalents was a negative amount of Euros 89,544 thousand.

In accordance with the Spanish Companies Act, when losses bring the 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.

The Company's Board of Directors approved a business plan on 30 January 2019, devised under a series of fundamental assumptions consisting of: improving the fresh produce offering, building an innovative and distinguishing own brand, streamlining and improving the selection of products and enhancing the price perception. The plan entailed closing stores in Spain, 300 of which were individually earmarked for closure during 2019, and a relaunching the franchise model. The plan required significant implementation efforts over the first two years and store remodelling work from 2020, which is expected to result in an increase in sales and improved margins from 2020 onwards and in subsequent years.

At 30 June 2019, equity amounted to a negative amount of Euros 250,748 thousand and working capital, calculated as current assets less current liabilities, was also negative, amounting to Euros 939,231 thousand. The result for the six-month period ended 30 June 2019 amounted to a loss of Euros 157,629 thousand.

At the date of preparation of this interim balance sheet, the Company is working on a updated business plan, which is expected to be approved by the Board of Directors in the second half of 2019.

Although the equity and financial situation of the Company at 30 June 2019 presents the impairment situation described in the previous paragraphs, the Company's Directors consider that certain very significant mitigating factors exist and due to these, at that date, no doubts exist regarding the long-term continuity of the Company's operations.

These mitigating factors include:

- The commitment undertaken by the current majority shareholder of the Company at the General Shareholders' Meeting on 20 March 2019 to subscribe to a capital increase of up to Euros 500 million, which is currently being processed and will be executed once the conditions agreed at the said General Meeting, as described in note 1, are met.

- The majority shareholder position of the Company which is currently held by LetterOne, subject to the completion of the Voluntary Public Takeover Bid described in note 1. This majority position guarantees the success of the capital increase which will be submitted for approval by the General Shareholders' Meeting in the second half of 2019.

- The demonstrable financial solvency of the Company's majority shareholder.

- The settlement by the majority shareholder prior to the date of preparation of this Interim Balance Sheet of two participating loans granted by them to the Company, while the procedures to execute the aforementioned capital increase are formalised, details of which are set forth in note 19(b). These participating loans are expected to be fully or partially settled once the proposed capital increase has been completed. Furthermore, as described in note 19(b), the majority shareholder has signed a binding agreement with the Company to provide additional funding (directly or through other entities) of Euros 200 million.

- The agreement signed with the lenders of the syndicated loan prior to the preparation of this Interim Balance Sheet, which extends the maturity dates thereof existing at 31 December 2018 and increases the amounts of financing available, as described in notes 1 and 19(b). In this regard, according to the cash forecasts drawn up by the Company based on the best estimates available to date regarding the operations of the Company and its Group over the coming months, no additional contribution of funding by third parties is deemed necessary in the short term (or binding commitment to obtain financing) and taking into account the planned capital increase and repayments of the participating loans subsequent to the capital increase or at the date of completion thereof.

In conclusion of the foregoing, the Company's directors consider that, based on the effectiveness of modifying and refinancing the Syndicated Loan, the new lines of funding obtained or with a binding agreement to obtain them, and the participating loans granted by LetterOne, once the additional funds from the planned capital increase have been obtained, the clearing of the grounds for dissolution due to losses will be consolidated, the Company will secure a viable long-term capital structure, the Company's cash flow needs will be solved, and the entire process will result in a sustainable capital structure with a payment deferral of financial liabilities for the Company in line with its new updated business plan to be drawn up in the coming months, which will ultimately enable the Company to continue as a going concern and achieve its long-term targets.

(c) Functional and presentation currency

The interim balance sheet is expressed in thousands of Euros, the Company's functional and presentation currency, rounded off to the nearest thousand.

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

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Company's accounting principles to prepare the interim balance sheet. 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, is as follows:

Relevant accounting estimates and assumptions

- Evaluation of the potential impairment of non-financial assets subject to amortisation or depreciation: see note 3(b), (c) and (e).
- Evaluation of potential goodwill impairment: see note 3(b) and note 4(a).
- Evaluation of the recoverability of deferred tax assets (see note 20).
- Analysis of possible contingencies or liabilities relating to processes in progress: (see note 17).
- Evaluation of the potential impairment of investments in Group companies and associates classified as equity instruments (see note 4(g) and 10).

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

(3) Significant Accounting Policies

The significant accounting policies used by the Company in the preparation of the interim balance sheet are as follows:

(a) Foreign currency transactions, balances and cash flows

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

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

(b) Intangible assets

Intangible assets are measured at cost or cost of production. Intangible assets are carried at cost, less any accumulated amortisation and impairment.

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

(i) Development

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

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

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

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

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

(ii) Business combinations and goodwill

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

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

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

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

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

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

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

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

(iii) Computer software

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

(iv) Leaseholds

Leaseholds are rights to lease business premises which have been acquired through an onerous contract assumed by the Company. Leaseholds are measured at cost of acquisition. Leaseholds are amortised on a straight-line basis over the shorter of 10 years or the term of the lease contract.

(v) Patents, licences, trademarks and similar rights

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

(vi) Subsequent costs

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

(vii) Useful life and amortisation rates

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

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

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

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

(viii) ***Impairment***

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

(c) Property, plant and equipment

(i) Initial recognition

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

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

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

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

(ii) Depreciation

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

Property, plant and equipment are depreciated on a straight-line basis over the following estimated years of useful life:

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

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

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

(iii) Subsequent costs

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

(iv) ***Impairment of assets***

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

(d) Non-current assets held for sale

The company recognises in this caption the non-current assets or disposal groups whose carrying amount will be largely recovered through a sale transaction 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 immediate disposal in their current condition, exclusively subject to the usual terms and conditions of sale transactions, and the asset disposal must also be deemed to be highly probable.

Non-current assets and 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 to sell.

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

The Company evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

Impairment losses are recognised in the income statement.

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

Based on past experience, the Company considers that there are indications of impairment when the operating profit, taking into account adjusted EBITDA (taken to mean earnings before depreciation/amortisation and impairment, gains/losses on disposal of fixed assets and other non-recurring income and expense), of a mature store (one that has been in operation for more than two years) has been negative during the past two years. In 2018, the Company broadened the criteria for identifying impairment in stores recording negative operating profits in 2018. When indications of impairment exist, the Company estimates the recoverable amount of the assets allocated to each cash-generating unit, calculated as the higher of fair value less costs to sell and value in use. The recoverable amount is determined by discounting estimated future cash flows, applying a pre-tax discount rate which reflects the value of money over time, and considering the specific risks associated with the asset.

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

The Company uses the assumptions included in the approved business plan to estimate the cash flow projections for calculating recoverable value. This business plan covers a five-year period. For longer periods, projections based on the business plan are used as of the fifth year, applying a constant expected growth rate.

When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is considered to be impaired. In this case the carrying amount is adjusted to the recoverable amount and the impairment loss is recognised in the income statement. Amortisation and depreciation charges for future periods are adjusted to the new carrying amount during the remaining useful life of the asset. Assets are tested for impairment on an individual basis, except in the case of assets that generate cash flows that are not independent of those from other assets (cash-generating units).

For the purposes of comparing carrying value with recoverable value, the carrying value of the assets subject to impairment in each store has been taken as that of all impairable assets, excluding those that can be reused in other stores, such as POS terminals, refrigerators or shelving.

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Tax ID number: A-28164754 – Company filed with the Mercantile Registry of Madrid on 9 December 1966 in Companies Volume 2.063, sheet 91, page 11.719

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.

(f) Leases

(i) Lessor accounting

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

- ***Operating leases***

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

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

(ii) Lessee accounting

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

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

- ***Finance leases***

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

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

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

- ***Operating leases***

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

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

(iii) Sale and leaseback transactions

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

(g) Financial instruments

(i) Classification and separation of financial instruments

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

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

(ii) Offsetting principles

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

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

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

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

(iv) Loans and receivables

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

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

(v) Investments in Group companies

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

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

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

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

(vi) Interest and dividends

Interest is recognised using the effective interest method.

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

(vii) Derecognition of financial assets

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

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

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

(viii) Impairment of financial assets

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

The Company recognises impairment of loans and receivables when estimated future cash flows are reduced or delayed due to debtor insolvency.

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

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

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

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

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

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

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

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

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

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

(ix) <u>Financial liabilities</u>

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

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

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

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

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

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

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

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

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

(x) Reverse factoring

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

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

(xi) Security deposits

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

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

(h) Hedge accounting

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

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

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

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

(i) Fair value hedges

Fair value hedges are accounted for as follows:

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

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

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

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

*(ii) **Cash flow hedges***

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

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

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

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

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

(i) Own equity instruments held by the Company

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

The subsequent redemption of the instruments entails a capital reduction equivalent to the par value of the shares.

Any positive or negative difference between the purchase price and the par value of the shares is debited or credited to reserves. Transaction costs related to own equity instruments, including issue costs related to a business combination, are accounted for as a deduction from reserves, net of any tax effect.

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

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

(j) Inventories

Inventories are initially measured at cost of purchase.

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

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

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

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

(k) Cash and cash equivalents

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

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

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

(l) Trade and other payables

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

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

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

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

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

(m) Grants, donations and bequests

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

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

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

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

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

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

(n) Defined benefit plans

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

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

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

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

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

(o) Termination benefits

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

(p) Employee benefits

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

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

(q) Provisions

(i) General criteria

Provisions are recognised when the Company has a present obligation (legal, contractual, constructive or tacit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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

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

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

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

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

(ii) Provisions for taxes

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

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

(r) Revenue from the sale of goods

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

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

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

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

- *Revenue from sales*

The Company recognises revenue from the sale of goods when:

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

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

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

(s) Income tax

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

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

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

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

The Company files consolidated tax returns with its subsidiaries Twins Alimentación, S.A., 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. and Dia E-shopping S.L., under the special consolidated tax regime set forth in Chapter VI of Title VII of Corporate Income Tax Law 27/2014, of 27 November 2014 (see note 20).

(i) Recognition of deferred tax liabilities

The Company recognises deferred tax liabilities in all cases except where they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

(ii) Recognition of deferred tax assets

The Company recognises deferred tax assets provided that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

(iii) Measurement

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

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

(iv) Offset and classification

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

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

(t) Share-based payment transactions

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

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

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

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

Equity-settled payment transactions are recognised as follows:

- If the equity instruments granted vest immediately on the grant date, or because their vesting is contemplated due to plan terms linked to changes in control, the services received are recognised in full, with a corresponding increase in equity;

- If the equity instruments granted do not vest until the employees complete a specified period of service, those services are accounted for during the vesting period, with a corresponding increase in equity.

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

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

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

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

(ii) *Tax effect*

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

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

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

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within 12 months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least 12 months after the reporting date.

- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the reporting date or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

(v) Environmental issues

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

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

(w) Transactions between Group companies

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

(4) Intangible assets

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

	Thousands of Euro					
	Development	Concessions	Patents, licences, trademarks and similar rights	Computer software	Other intangible assets	Total
Cost						
At 1 January 2019	**22,112**	**329**	**8,252**	**46,476**	**4,478**	**81,647**
Additions	4,129	-	-	1,167	-	5,296
Transfers	(22,603)	-	(2,507)	22,603	-	(2,507)
At 30 June 2019	**3,638**	**329**	**5,745**	**70,246**	**4,478**	**84,436**
Amortisation						
At 1 January 2019	**-**	**(222)**	**(6,638)**	**(36,390)**	**(2,894)**	**(46,144)**
Amortisation	-	(4)	(35)	(6,849)	(95)	(6,983)
Transfers	-	-	2,507	-	-	2,507
At 30 June 2019	**-**	**(226)**	**(4,166)**	**(43,239)**	**(2,989)**	**(50,620)**
Impairment						
At 1 January 2019	**-**	**-**	**-**	**-**	**(427)**	**(427)**
Charge	-	-	-	-	(4)	(4)
At 30 June 2019	**-**	**-**	**-**	**-**	**(431)**	**(431)**
Carrying amount at 30 June 2019	**3,638**	**103**	**1,579**	**27,007**	**1,058**	**33,385**

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

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

Additions of intangible assets in 2018 mainly relate to the development of IT projects generated internally, particularly the Vela project. This project entails the development of point of sale terminals to comprehensively manage the store, so as to improve productivity. Computer software was also acquired.

(a) Goodwill and impairment

Details of goodwill and movement are as follows:

	Thousands of Euro	
	30 June 2019	31 December 2018
Cost		
At 1 January	**71,370**	**73,108**
Disposals	(2,830)	(1,738)
At closing	**68,540**	**71,370**
Amortisation		
At 1 January	**(20,673)**	**(13,833)**
Amortisation	(2,617)	(7,143)
Disposals	566	303
At closing	**(22,724)**	**(20,673)**
Impairment		
At 1 January	**(15,008)**	**(5,135)**
Charge	(925)	(10,780)
Disposals	2,264	907
At closing	**(13,669)**	**(15,008)**
Carrying amount at closing	**32,147**	**35,689**

Disposals in the first six months of 2019 mainly relate to the closure of 19 stores. The goodwill allocated to these stores was impaired in 2018.

The events of 2018 brought to light indications of impairment of assets in stores as well as goodwill assigned thereto and, as a result, the Company broadened the number of stores to be tested in that year, including all stores assigned individual goodwill (see note 3(e)).

(b) Fully amortised assets

The cost of fully amortised intangible assets still in use at 30 June and 31 December, respectively, is as follows:

	Thousands of Euro	
	30 June 2019	31 December 2018
Computer software	28,587	28,056
Other intengible assets	1,250	259
Total	**29,837**	**28,315**

(5) Property, Plant and Equipment

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

	Thousands of Euro						
	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	Total
Cost							
At 1 January 2019	**53,282**	**642,867**	**965,182**	**43,949**	**3,467**	**86,058**	**1,794,805**
Additions	-	3,726	6,728	929	1,939	2,985	16,307
Disposals	-	(9,318)	(30,066)	(2,146)	(104)	(2,614)	(44,248)
Transfers	-	1,830	1,220	11	(3,061)	-	-
At 30 June 2019	**53,282**	**639,105**	**943,064**	**42,743**	**2,241**	**86,429**	**1,766,864**
Depreciation							
At 1 January 2019	**-**	**(420,405)**	**(718,841)**	**(26,128)**	**-**	**(70,985)**	**(1,236,359)**
Depreciation	-	(11,144)	(31,717)	(3,195)	-	(3,236)	(49,292)
Disposals	-	7,301	22,184	1,870	-	2,105	33,460
Transfers	-	(157)	158	(1)	-	-	-
At 30 June 2019	**-**	**(424,405)**	**(728,216)**	**(27,454)**	**-**	**(72,116)**	**(1,252,191)**
Impairment							
At 1 January 2018	**-**	**(37,605)**	**(12,618)**	**-**	**-**	**-**	**(50,223)**
Charge	-	(3,100)	(7)	-	-	-	(3,107)
Disposals	-	1,596	810	-	-	-	2,406
Reversal	-	-	3,283	-	-	-	3,283
At 30 June 2019	**-**	**(39,109)**	**(8,532)**	**-**	**-**	**-**	**(47,641)**
Carrying amount at 30 June 2019	**53,282**	**175,591**	**206,316**	**15,289**	**2,241**	**14,313**	**467,032**

	Thousands of Euro						
	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	Total
Cost							
At 1 January 2018	**57,324**	**631,845**	**922,672**	**37,996**	**2,302**	**85,385**	**1,737,524**
Additions	16	32,086	74,735	10,549	4,016	7,064	128,466
Disposals	(4,058)	(21,516)	(33,513)	(4,599)	(1,107)	(6,392)	(71,185)
Transfers	-	452	1,288	4	(1,744)	-	-
At 30 June 2018	**53,282**	**642,867**	**965,182**	**43,950**	**3,467**	**86,057**	**1,794,805**
Depreciation							
At 1 January 2018	**-**	**(408,406)**	**(679,918)**	**(24,054)**	**-**	**(68,304)**	**(1,180,682)**
Depreciation	-	(27,391)	(67,367)	(6,511)	-	(7,216)	(108,485)
Disposals	-	15,541	28,456	4,438	-	4,536	52,971
Transfers	-	(149)	(13)	-	-	-	(162)
At 30 June 2018	**-**	**(420,405)**	**(718,842)**	**(26,127)**	**-**	**(70,984)**	**(1,236,358)**
Impairment							
At 1 January 2018	**-**	**(5,627)**	**(2,271)**	**-**	**-**	**-**	**(7,898)**
Charge	-	(34,532)	(11,239)	-	-	-	(45,771)
Disposals	-	2,249	730	-	-	-	2,979
Reversal	-	225	80	-	-	-	305
Transfers	-	79	83	-	-	-	162
At 30 June 2018	**-**	**(37,606)**	**(12,617)**	**-**	**-**	**-**	**(50,223)**
Carrying amount at 31 December 2018	**53,282**	**184,856**	**233,723**	**17,823**	**3,467**	**15,073**	**508,224**

(a) General

Additions in property, plant and equipment in the first six months of 2019 and 2018 mainly comprise refurbishments, remodelling and the opening of new stores to new formats. Details of the technical installations and other fixed assets classified as finance leases at 30 June 2019 and 31 December 2018 are provided in note 6.

Disposals for the same period in 2019 and 2018 primarily comprise the sale of properties owned by the Company to third parties in both years and also items replaced as a result of the aforementioned improvements and due to store closures.

Details of residual useful life, depreciation for the year, accumulated depreciation and the carrying amount of individually significant items of property, plant and equipment at 30 June 2019 and 2018 are as follows:

	Thousands of Euro				
	30 June 2019				
Description	Residual useful life	Depreciation for the year	Accumulated depreciation	Impairment	Carrying amount
Warehouse land	-	-	-	-	22,579
Warehouse buildings	24-40 years	(518)	(24,980)	(832)	34,188
Total		**(518)**	**(24,980)**	**(832)**	**56,767**

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

(b) Impairment

As a result of the events of 2018, mainly the announcement of the drop in estimated profits and the Company's new business plan approved at the date of authorisation of the 2018 annual accounts, an analysis was carried out to verify if the carrying value of these assets exceeded their recoverable value.

Assumptions used to calculate impairment:

The recoverable amount of each store is based on the fair value calculations using discounted future cash flows. These calculations are based on cash flow projections from the approved five-year business plan. Cash flows beyond this projected period are extrapolated using the estimated growth rates indicated below. The growth rate does not exceed the long-term average growth rate for the retail business in which the Company operates. This fair value is classified as level 3 in the fair value hierarchy.

The approved 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 and margins to recover the market position or market share.

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

	Spain	
	2018	2017
Sales growth rate (1)	4.38%	3.80%
Growth rate (2)	2.00%	2.00%
Discount rate (3)	8.45%	7.92%
Commercial margin (4)	25.58%	25.50%

(1) Weighted average annual growth rate of sales for the five-year projected period
(2) Weighted average growth rate used to extrapolate cash flows beyond the budgeted period
(3) Pre-tax discount rate applied to cash flow projections
(4) Sales margin, average for the 2019-2023 period calculated on net sales

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

Sales growth rate

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

Long-term growth rate

The growth rates used to extrapolate flows beyond the initial five-year period have been determined based on the medium and long-term inflation rates of the Central European Bank.

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

Before-tax discount rate

The discount rates used reflect the specific risks relating to the business in the countries in which they operate. The weighted average growth rates of cash flows in perpetuity are consistent with the forecasts for the industry's expected evolution. The discount rates used are pre-tax values calculated by weighting the cost of equity against the cost of debt using the average industry weighting. The cost of equity in each country is calculated considering the following factors: the risk-free rate of the country, the industry adjusted beta, the market risk differential and the size of the Company.

The sales margin in Spain for the forecast period entails a slight improvement mainly due to improved logistics costs.

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

The impairment test has been carried out in accordance with the criteria set forth in note 3(e).

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

As a result of the impairment testing carried out, impairment amounting to Euros 56,658 thousand was recorded in 2018 (Euros 45,466 thousand corresponding to property, plant and equipment, Euros 412 thousand to intangible assets and Euros 10,780 thousand to goodwill which fully comprises the impairment of goodwill assigned to the stores in which the analysis called for impairment to be reflected). Euros 18,556 thousand of this amount relates to the total impairment of 245 stores which are expected to close or be sold, and Euros 38,102 thousand relates to another 283 stores.

Furthermore, the approved business plan entailed the closure/sale of a total of up to 300 stores. 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 assets subject to impairment has been impaired. Stores for closure not individually identified have been analysed based on the same methodology applied to the stores that are expected to remain open.

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

- A reduction in the average sales growth rate of 100 percentage points would have led to an additional impairment of Euros 9,916 thousand;
- a decrease of 20 percentage points in the sales margin would have led to an additional impairment of Euros 1,492 thousand;
- an increase of 100 percentage points in the discount rate would have led to an additional impairment of Euros 4,552 thousand;
- or a drop in the perpetual growth rate of 100 percentage points would have led to an additional impairment of Euros 2,830 thousand.

Moreover, sensitivity analyses are carried out in all cases in relation to 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.

The recoverable amount of the groups of CGUs would be equal to their carrying value if the key assumptions were to change as shown in the table below:

	Spain	
	From	To
Sales growth rate (1)	4.38%	1.50%
Growth rate (2)	2.00%	(17.28)%
Discount rate (3)	8.45%	13.32%

(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) Pre-tax discount applied to cash flow projections

It is estimated that the recoverable amount of the group of CGUs exceeds the carrying amount of the group of CGUs by Euros 776,116 thousand at 31 December 2018.

(c) Fully amortised assets

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

	Thousands of Euro	
	30 June 2019	31 December 2018
Buildings	308,911	230,019
Technical installations and machinery	524,283	508,240
Other installations, equipment and furniture	14,268	14,004
Other property, plant and equipment	57,054	56,000
Total	**904,516**	**808,263**

(d) Insurance

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

(e) Property, plant and equipment pledged as collateral

The Company has committed mortgage guarantees to be granted during the first half of 2019 on the majority of its real estate assets.

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

(6) Finance leases - Lessee

At 30 June 2019 and 31 December 2018 the Company held the following types of property, plant and equipment under finance leases:

	Thousands of Euro			
	30 June 2019			
	Technical installations and machinery	Other installations, equipment and furniture	Other assets	Total
Cost	34,087	53	16,625	50,765
Accumulated depreciation	(18,666)	(4)	(7,364)	(26,034)
Carrying amount at 30 June	**15,421**	**49**	**9,261**	**24,731**

	Thousands of Euro			
	31 December 2018			
	Technical installations and machinery	Other installations, equipment and furniture	Other assets	Total
Cost	35,073	1	16,422	51,496
Accumulated depreciation	(19,517)	(1)	(7,187)	(26,705)
Carrying amount at 30 June	**15,556**	**-**	**9,235**	**24,791**

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

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

	Thousands of Euro			
	30 June 2019		31 December 2018	
	Minimum payments	Present value (note 19(b))	Minimum payments	Present value (note 19(b))
Less than one year	8,066	7,317	8,502	7,671
Two to five years	18,876	17,885	17,514	16,412
Over five years	666	662	853	848
Total minimum payments and present values	**27,608**	**25,864**	**26,869**	**24,931**
Less current portion	(8,066)	(7,317)	(8,502)	(7,671)
Total non-current	**19,542**	**18,547**	**18,367**	**17,260**

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

	Thousands of Euro	
	30 June 2019	31 December 2018
Future minimum payments	27,608	26,869
Unaccrued finance expenses	(1,744)	(1,938)
Present value	**25,864**	**24,931**

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

(7) Operating leases - Lessee

The Company has approximately 3,142 operating leases in place at 30 June 2019 (3,159 at 31 December 2018). In general terms, the operating leases on stores only establish the payment of a fixed monthly charge which is reviewed annually and generally speaking in line with and index linked to the rate of inflation. Operating leases do not include clauses establishing variable amounts such as turnover-based fees, or contingent rent amounts.

Leases on warehouses generally have the same characteristics as for stores. The Company has purchase options on several warehouse leases, which are included in off-balance sheet commitments (see note 23 (a)). The amounts of purchase options are determined by the date at which the Company decides to exercise them.

During 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 12 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 Company when determining the term and the classification of the lease since there is no reasonable certainty of remaining during those additional periods (see note 5).

Details of the main operating lease contracts in force at 30 June 2019 are as follows:

Warehouse	Minimum term
Miranda de Ebro (Burgos)	2019
Manises (Valencia)	2019
Villanubla (Valladolid)	2019
Antequera	2019
Santiago	2019
San Antonio (Barcelona)	2023
Mallén (Zaragoza)	2023
Orihuela (Alicante)	2023
Villanueva de Gállego	2030
Mejorada del Campo (Madrid)	2024
Getafe (Madrid)	2026
Dos Hermanas (Sevilla)	2027
Sabadell (Barcelona)	2029

Operating lease payments have been recognised in the income statement at 30 June 2019 and 31 December 2018 as follows:

	Thousands of Euro	
	30 June 2019	31 December 2018
Property lease payments	87,926	166,813
Sublease payments	722	1,992
Total	**88,648**	**168,805**

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

	Thousands of Euro	
	30 June 2019	31 December 2018
Less than one year	52,083	50,566
Two to five years	61,906	62,868
Over five years	37,630	42,824
Total minimum property lease payments	**151,619**	**156,258**
Less than one year	1,006	1,076
Two to five years	888	810
Total minimum movable goods lease payments	**1,894**	**1,886**

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

(8) Operating leases - Lessor

Sublease revenues amount to Euros 10,696 thousand (Euros 21,948 thousand at 31 December 2018) and comprise revenues from rights-of-use transferred to franchisees as well as the amounts received from concessionaires to carry out their activities. In general terms, the duration of these contracts is under one year, tacitly renewable in those that establish a monthly fixed rent with an additional turnover-based fee.

(9) Risk management policy

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

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

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

(a) Financial risk factors

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

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

(b) Currency risk

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

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

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

The hedging transactions carried out in US Dollars during the first half of 2019 amounted to US Dollars 605 thousand (US Dollars 7,046 thousand in 2018). This amount represented 20.31% of the transactions carried out in this currency in the first half of 2019 (68.68% in 2018). At the 30 June 2019 reporting date, there are no outstanding hedges in this currency (US Dollars 954 thousand in 2018) that will expire in the next four months. These transactions are not significant with respect to the Company's total volume of purchases.

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

The Company's exposure to currency risk at 30 June 2019 and 31 December 2018 in respect of the balances outstanding in currencies other than the functional currency of each country is immaterial.

(c) Price risk

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

(d) Credit risk

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

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

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

The credit risk presented by the Company is attributable to the transactions it carries out with the majority of its franchisees and is mitigated through the bank and other guarantees received, which are described in note 23(b), as follows:

Thousands of Euro	30 June 2019	31 December 2018
Commercial transactions non current (note 11 (c))	45,929	52,345
Commercial transactions current	30,721	45,556
Guarantees received (note 23 (b))	(31,151)	(38,648)
Total	**45,499**	**59,253**

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 the first half of 2019, the Company entered into agreements to transfer supplier trade receivables without recourse. Receivables transferred at 30 June 2019 amount to Euros 44,321 thousand (Euros 126,450 thousand at 31 December 2018).

Details of the Company's exposure to credit risk at 30 June 2019 and 31 December 2018 are shown below. The accompanying tables reflect the analysis of financial assets by remaining contractual maturity dates:

Thousands of Euro	Maturity	30 June 2019
Loans to group companies	2022	107,000
Loans to third parties	2022	138
Deposits and guarantees	per contract	23,582
Trade receivables and service delivery	2021-2036	45,929
Non-current financial assets		**176,649**
Trade receivables	2020	30,721
Trade receivables from group companies and associates	2020	254,228
Other receivables	2020	8,366
Personnel	2020	1,051
Loans to group companies	2020	106,500
Current account with group companies	2020	223,363
Loans	2020	16
Deposits and guarantees	2020	2,568
Current financial assets		**626,813**

Thousands of Euro	Maturity	Restated 31 December 2018
Loans to group companies	2021	8,000
Loans to third parties	2020-2021	206
Deposits and guarantees	per contract	25,589
Trade receivables and service delivery	2020-2035	52,345
Non-current financial assets		**86,140**
Trade receivables	2019	45,556
Trade receivables from group companies and associates	2019	315,639
Other receivables	2019	45,918
Personnel	2019	786
Loans to group companies	2019	65,000
Current account with group companies	2019	310,013
Loans	2019	23
Derivatives	2019	18
Deposits and guarantees	2019	2,775
Current financial assets	2019	**785,728**

The Company has taken out credit insurance policies to ensure the collectability of certain trade receivables for sales. The trade receivables covered by these policies total Euros 139 thousand at 30 June 2019 (Euros 221 thousand at 31 December 2018).

Details of non-current and current trade and other receivables by maturity at 30 June 2019 and 31 December 2018 are as follows:

	Thousands of Euro			
Non-current	Total	1 - 2 years	3 - 5 years	> 5 years
30 June 2019	45,929	10,225	20,605	15,099
31 December 2018	52,345	12,038	22,964	17,343

	Thousands of Euro				
Current	Total	Not expired	Less than 1 month	2-3 months	4-6 months
30 June 2019	298,183	292,455	2,552	3,145	31
31 December 2018	410,754	349,099	2,765	58,264	626

Details of the impairment policy can be found in note 3(g).

(e) Liquidity risk

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

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

This dialogue process has been carried out by means of a series of negotiations throughout the first half of 2019, with the agreement taking effect on 18 July 2019. The most important terms contained in the financing agreement signed on 18 July 2019 are as follows:

(i) extension of the maturity date of the Syndicated Loan to 31 March 2023;

(ii) removal of obligation to make early repayment of the Syndicated Loan or the New Lines of Funding through (a) funds from divestments (including the divestments of Clarel and Max Descuento), (b) funds from the proposed capital increase of up to Euros 600 million, or (c) any participating loan that LetterOne may decide to pay in advance before the capital increase;

(iii) authorisation to raise up to Euros 400 million (subject to certain secured conditions) in order to, inter alia, refinance bonds maturing in 2021. For clarification purposes, DIA does not undertake to refinance bonds with maturities in 2021;

(iv) implementation of a hive down, whereby (a) new DIA subsidiaries will be set up, (b) certain DIA assets, liabilities and contracts will be transferred to certain subsidiaries indirectly held by DIA, and in particular, as a first milestone, no later than 31 December 2019 (1) the securities and rights linked to certain specific DIA commercial establishments representing at least 58% of the Restricted EBITDA (as defined in the Syndicated Loan and to be calculated based on certain conditions established therein), as well as DIA'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 the legal, fiscal and regulatory perspective, the interests held by DIA in the Brazilian, Argentinean and Portuguese subsidiaries should be transferred to other subsidiaries, (c) the Spanish operating subsidiary and the Spanish financing subsidiary will become additional borrowers under the Syndicated Loan and the New Lines of Funding, and (d) new pledges will be issued on the shares of the new subsidiaries set up in the hive down, the Spanish operating subsidiary and the Spanish financing subsidiary;

(v) DIA will not distribute dividends until the Syndicated Loan and the New Lines of Funding have been fully repaid (subject to the usual exceptions).

Based on the effectiveness of modifying and refinancing the Syndicated Loan, the new lines of funding obtained or with binding commitment for its obtain, the participating loans granted by LetterOne, and the additional funds from the planned capital increase, the Company will secure a viable long-term capital structure, the Company's cash flow needs will be solved, and the entire process will result in a sustainable capital structure with a payment deferral of financial liabilities for the Company in line with its business plan.

Details of the Company's exposure to liquidity risk at 30 June 2019 and 31 December 2018 are shown below. These tables reflect the analysis of financial liabilities by remaining contractual maturity dates:

Thousands of Euro	Maturity	30 June 2019
Bonds and other securities	2021-2023	591,661
Debt with financial institutions		151,118
Revolving credit facilities	2022	*118,667*
Other bank loans	2021	*7,500*
Credit facilities drawn down	2022-2024	*24,951*
Finance lease payables	2021-2025	18,547
Guarantees and deposits received	per contract	11,342
Other non current liabilities	2021	295
Total non-current financial liabilities		**772,963**
Bonds and other securities	2020	310,809
Debt with financial institutions		541,357
Revolving credit facilities	2020	351,798
Interests	*2020*	*9,713*
Other loans	*2020*	*14,981*
Credit facilities drawn down	*2020*	*164,703*
Other current liabilities	*2020*	*162*
Participating loans	2020	128,589
Finance lease payables	2020	7,317
Derivates	2020	3
Suppliers of fixed assets	2020	9,267
Bills payable	2020	2,267
Other debts	2020	7,806
Current interest on payables	2020	315
Guarantees and deposits received	2020	135
Payables to group companies	2020	20,737
Suppliers	2020	603,229
Suppliers, group companies	2020	2,280
Other payables	2020	73,715
Personnel	2020	42,218
Advances to customers	2020	1,425
Total current financial liabilities		**1,751,469**

Thousands of Euro	Maturity	31 December 2018
Bonds and other securities	2020-2023	590,410
Debt with financial institutions		296,374
Syndicated credits (Revolving credit facilities)	2020-2022	*254,222*
Other bank loans	2020	*15,000*
Credit facilities drawn down	2020-2022	27,152
Finance lease payables	2020-2025	17,260
Guarantees and deposits received	per contract	11,829
Other non current liabilities	2020	2,202
Total non-current financial liabilities		**918,075**
Bonds and other securities	2019	311,371
Debt with financial institutions		275,552
Syndicated credits (Revolving credit facilities)	2019	124,350
Interests	2019	*7,210*
Other loans	2019	*15,032*
Credit facilities drawn down	2019	*123,966*
Other current liabilities	2019	*4,994*
Finance lease payables	2019	7,671
Suppliers of fixed assets	2019	30,419
Bills payable	2019	13,450
Other debts	2019	2,302
Current interest on payables	2019	15
Guarantees and deposits received	2019	135
Payables to group companies	2019	65,040
Suppliers	2019	563,785
Suppliers, group companies	2019	232,760
Other payables	2019	73,282
Personnel	2019	22,341
Advances to customers	2019	1,199
Total current financial liabilities		**1,599,322**

The amounts shown in the following tables relate to non-current financial debt by maturity:

at 30 June 2019:

Thousands of Euro	Total	2021	2022-2024	From 2025
Bonds and other securities	591,661	-	591,661	-
Revolving credit facilities	118,667	-	118,667	-
Credit facilities drawn down	24,951	-	24,951	-
Other debts with credit entities	7,500	7,500	-	-
Finance lease payables	18,547	6,276	11,610	661
Guarantees and deposits received	11,342	-	-	11,342
Other non current liabilities	295	295	-	-
Total non-current financial debt	**772,963**	**14,071**	**746,889**	**12,003**

at 31 December 2018:

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

(f) Cash flow and fair value interest rate risks

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

The Company contracts different interest rate hedges to mitigate its exposure, in accordance with its risk management policy. At 30 June 2019 and 31 December 2018 there were no outstanding derivatives contracted with external counterparties to hedge interest rate risk related to long-term financing.

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

(10) Investments in Equity Instruments of Group Companies

Details of investments in Group companies which, generally speaking, are subject to compulsory audits, at 30 June 2019 and 31 December 2018 are as follows:

Information on Group companies for the year ended 30 June 2019 (expressed in thousands of Euros)

Name	Registered Offices	Activity	Auditor	% of ownership and vote: % direct interest	% of ownership and vote: Total	Capital	Reserves	Results for the year from continuing operations	Total equity	Carrying amount of investment
Dia Portugal Supermercados, S.A.	Lisbon	Wholesale and retail sale of food products and the subsidiary sale of toiletries and perfume products.	EY	100	100	51,803	(337)	(9,705)	41,761	50,547
Dia Argentina, S.A. and Subsidiary	Buenos Aires	Wholesale and retail distribution of food products	EY	95	100	147,140	(131,048)	(17,099)	(1,007)	141,531
Dia Brasil Sociedade Limitada and Subsidiary	Sao Paulo	Wholesale and retail distribution of consumer products	EY	100	100	251,657	(18,012)	(162,964)	70,681	251,657
Finandia E.F.C., S.A.	Madrid	Loan and credit operations, including customer credit, mortgage loans and financing of commercial transactions, as well as the issue and management of credit and debit cards.	EY	50	50	7,000	1,237	(269)	7,968	3,500
Twins Alimentación, S.A. and Subsidiary	Madrid	Distribution of food products and toiletries though supermarkets and the subsidiary, sub-lease of premises primarily to its sole shareholder.	EY	100	100	36,169	(36,417)	(10,296)	(10,544)	160,748
Dia World Trade, S.A.	Geneva	Supply services to the companies of the DIA Group.	N/A	100	100	84	1,089	100	1,273	843
Beauty by DIA, S.A.	Madrid	Sale of toiletries and perfume products.	EY	100	100	9,616	(27,714)	(10,398)	(28,496)	-
Grupo El Árbol, Distribución y Supermercados, S.A. and Subsidiary	Madrid	Wholesale and retail sale of food products and others.	EY	100	100	12,000	(41,479)	(38,970)	(68,449)	150,000
DIA ESHOPPING, S.L.	Madrid	Creation, maintenance and operation of portals in Internet for selling products and services.	EY	100	100	10	(9,501)	(2,153)	(11,644)	-
Red Libra Trading Services, S.L.	Madrid	Negotiation with suppliers of distribution, acquisition of other materials and supplies need for the activity brands, with the purpose of maximize the quality-price balance offer to the customer.	N/A	50	50	3	(404)	208	(193)	2
CD Supply Innovation S.L.	Madrid	Management of finantial and provisioning services for own brand.	EY	50	50	1,000	700	(877)	823	500
										759,328

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

Name	Registered Offices	Activity	Auditor	% of ownership and vote: % direct interest	% of ownership and vote: Total	Capital	Reserves	Results for the year from continuing operations	Total equity	Carrying amount of investment	Dividends received in 2018
Dia Portugal Supermercados, S.A.	Lisbon	Wholesale and retail sale of food products and the subsidiary sale of toiletries and perfume products.	KPMG	100	100	51,803	10,135	(10,451)	51,487	50,547	9,100
Dia Argentina, S.A. and Subsidiary	Buenos Aires	Wholesale and retail distribution of food products	KPMG	95	100	147,140	(55,992)	(9,903)	81,245	141,531	-
Dia Brasil Sociedade Limitada and Subsidiary	Sao Paulo	Wholesale and retail distribution of consumer products	KPMG	100	100	211,657	(15,810)	(6,911)	188,935	211,657	-
Finandia E.F.C., S.A.	Madrid	Loan and credit operations, including customer credit, mortgage loans and financing of commercial transactions, as well as the issue and management of credit and debit cards.	KPMG	100	100	7,000	1,612	(375)	8,237	3,500	-
Twins Alimentación, S.A. and Subsidiary	Madrid	Distribution of food products and toiletries though supermarkets and the subsidiary, sub-lease of premises primarily to its sole shareholder.	KPMG	100	100	36,169	7,235	(43,651)	(247)	160,748	11,662
Dia World Trade, S.A.	Geneva	Supply services to the companies of the DIA Group.	N/A	100	100	84	848	211	1,143	843	129
Beauty by DIA, S.A	Madrid	Sale of toiletries and perfume products.	KPMG	100	100	9,616	(7,480)	(20,235)	(18,099)	-	-
Grupo El Árbol, Distribución y Supermercados, S.A. and Subsidiary	Madrid	Wholesale and retail sale of food products and others.	KPMG	100	100	12,000	61,032	(102,512)	(29,480)	150,000	-
DIA ESHOPPING, S.L.	Madrid	Creation, maintenance and operation of portals in Internet for selling products and services.	KPMG	100	100	10	(847)	(8,654)	(9,491)	1,003	-
Red Libra Trading Services, S.L.	Madrid	Negotiation with suppliers of distribution, acquisition of other materials and supplies need for the activity brands, with the purpose of maximize the quality-price balance offer to the customer.	N/A	50	50	3	78	(482)	(401)	2	-
CD Supply Innovation S.L.	Madrid	Management of finantial and provisioning services for own brand.	N/A	50	50	1,000	429	271	1,700	500	-
										720,331	20,891

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

	Thousands of Euro			
Company	Balances at 1 January 2019	Additions	Disposals	Balances at 30 June 2019
Dia Portugal Supermercados, S.A.	50,547	-	-	50,547
Dia Argentina, S.A.	141,531	-	-	141,531
Dia Brasil Sociedade Limitada	211,657	40,000	-	251,657
Finandia E.F.C.,S.A.	3,500	-	-	3,500
Twins Alimentación, S.A.	160,748	-	-	160,748
Dia World Trade	843	-	-	843
Beauty by DIA S.A	51,372	-	-	51,372
Grupo El Árbol, Distribución y Supermercados, S.A.	150,000	-	-	150,000
DIA ESHOPPING, S.L.	1,003	-	-	1,003
Red Libra Trading Services, S.L	2	-	-	2
CD Supply Innovation, S.L	500	-	-	500
Total cost	**771,703**	**40,000**	**-**	**811,703**
Impairment	(51,372)	(1,003)	-	(52,375)
Carrying amount	**720,331**	**38,997**	**-**	**759,328**

	Thousands of Euro			
Company	Balances at 1 January 2018	Additions	Disposals	Balances at 31 December 2018
Dia Portugal Supermercados, S.A.	50,547	-	-	50,547
Dia Argentina, S.A.	127,281	14,250	-	141,531
Dia Brasil Sociedade Limitada	211,657	-	-	211,657
Finandia E.F.C.,S.A.	7,000	-	(3,500)	3,500
Twins Alimentación, S.A.	160,748	-	-	160,748
Dia World Trade	843	-	-	843
Beauty by DIA, S.A.	51,372	-	-	51,372
Grupo El Árbol, Distribución y Supermercados, S.A.	150,000	-	-	150,000
DIA ESHOPPING, S.L.	1,003	-	-	1,003
Red Libra Trading Services, S.L	2	-	-	2
CD Supply Innovation, S.L	500	-	-	500
Total cost	**760,953**	**14,250**	**(3,500)**	**771,703**
Impairment	-	(51,372)	-	(51,372)
Carrying amount	**760,953**	**(37,122)**	**(3,500)**	**720,331**

Changes during first half of 2019

On 31 May and 3 June 2019 capital increases were carried out in DIA Brazil, S.A. totalling Euros 10,000 thousand and Euros 30,000 thousand, respectively, which were subscribed in full by the Company.

2018 changes

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

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

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

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

- Impairment

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

	Thousands of Euro		
Company	**Balances at 1 January 2019**	**Charge**	**Balances at 30 June 2019**
DIA ESHOPPING, S.L.	-	(1,003)	(1,003)
Beauty by DIA S.A	(51,372)	-	(51,372)
Total non-current	**(51,372)**	**(1,003)**	**(52,375)**

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

As mentioned in note 3(d) the recoverable amount of investments in Group companies is determined based on the value in use or fair value less costs to sell if higher. These calculations are based on cash flow projections from the five-year financial budgets approved by management. Cash flows beyond this five-year period are extrapolated using the estimated growth rates. The growth rate does not exceed the long-term average growth rate for the retail business in which the Company operates.

As a result of the events of 2018, mainly the announcement of the drop in estimated profits and the Company's new business plan released before the 2018 closing, an analysis was carried out to verify if the carrying value of these assets exceeded their recoverable value. The main assumptions for determining existing impairment are detailed in note 5. At 30 june 2019, and after considering the events tanking placed during the first half of 2019, it hasn't be considered the additional allowed provision.

During the second half of 2019, the Company will work on a new business plan that will enable indications of possible impairment on investments in Group companies to be updated.

(11) Investments and Trade receivables

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

(a) Investments in Group companies

Details of investments in Group companies are as follows:

	Thousands of Euros			
	30 June 2019		31 December 2018	
Group	Non-current	Current	Non-current	Current
Loans	107,000	106,500	8,000	65,000
Current account with the Group	-	223,363	-	310,013
Total	**107,000**	**329,863**	**8,000**	**375,013**

Details of loans to Group companies at 30 June 2019 and 31 December 2018 are presented below:

(i) Loans to Group companies:

On 30 June 2015 the Company extended a Euros 30,000 thousand loan to its subsidiary DIA Portugal Supermercados, S.A., which has a single maturity date in 2017 and generates quarterly market-rate interest. At 30 January 2017, the Company signed an agreement to extend the maturity of the aforementioned loan by 15 months, bringing the maturity date to 30 April 2018. In 2018, two addenda were signed to extend the loan's maturity to 30 January 2019. In the first half of 2019, two further addenda were signed to extend the loan's maturity date, the latest date being 30 July 2019. After 30 June 2019 the maturity of the loan has been extended to January 2021.

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

On 8 February 2019 the Company extended a Euros 12,000 thousand loan to its subsidiary DIA Argentina, S.A., which has a maturity date of 31 May 2019 and generates monthly interest as agreed between the parties. The loan may be automatically extended for one-month periods up to 31 May 2019. During the first half of 2019, the Company signed an appendix to extend the loan's maturity to 30 July 2019. After 30 June 2019 the maturity of the loan has been extended to 30 January 2020.

On 8 February 2019, the Company extended a Euros 4,000 thousand loan to its subsidiary DIA Brazil Sociedade Limitada, which matures on 22 August 2019 and generates monthly interest as agreed between the parties. After 30 June 2019 the maturity of the loan has been extended to 22 March 2020.

On 27 March 2019 the Company extended another Euros 21,000 thousand loan to its subsidiary DIA Brazil Sociedade Limitada, which matures on 10 October 2019 and generates monthly interest as agreed between the parties.

(ii) Participating loans:

On 28 February 2018, the Company granted a participating loan of Euros 1,000 thousand to its subsidiary DIA ESHOPPING, S.L. maturing on 30 June 2018. The loan may be automatically extended for six-month periods up to 30 June 2021. It bears interest as agreed between the parties. On 27 December 2018, this loan was increased by Euros 7,000 thousand charged to existing financial loans (cash pooling balances), maturing as initially agreed. At 30 June 2019 this participating loan is fully impaired, as the DIA ESHOPPING, S.L. subsidiary is in liquidation (see note 1).

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

On 1 April 2019, the Company granted a participating loan of Euros 70,000 thousand to its subsidiary Grupo El Árbol Distribución y Supermercados, S.A. maturing on 30 June 2019. The loan may be automatically extended for six-month periods up to 30 June 2022. It bears quarterly interest as agreed between the parties.

On 1 April 2019 the Company arranged a participating loan with its subsidiary Twins Alimentación, S.A. amounting to Euros 37,000 thousand, maturing on 30 June 2019. The loan may be automatically extended for six-month periods up to 30 June 2022. It bears quarterly interest as agreed between the parties.

Details of the current accounts with Group companies at 30 June 2019 and 31 December 2018 are presented below:

	Thousands of Euro							
	30 June 2019				31 December 2018			
	Total	Account receivable	Tax Credit (VAT)	Tax Credit (Income tax)	Total	Account receivable	Tax Credit (VAT)	Tax Credit (Income tax)
Twins Alimentación S.A.	**-**	-	-	-	**24,194**	17,339	378	6,477
Beauty by DIA S.A.	**53,591**	52,410	1,166	15	**45,951**	43,520	1,725	706
Grupo El Árbol Distribución y Superme	**124,083**	122,893	1,190	-	**205,093**	202,498	2,595	-
DIA ESHOPPING, S.L.	**356**	341	11	4	**1,676**	1,557	-	119
Dia World Trade, S.A.	**-**	-	-	-	**1,782**	1,782	-	-
Finandia E.F.C., S.A.	**1,258**	1,258	-	-	**1,258**	1,258	-	-
Red Libra Trading Services, S.L.	**-**	-	-	-	**13**	13	-	-
Pe-Tra Servicios a la distribución, S.L.	**2,094**	1,035	-	1,059	**1,976**	1,034	-	942
Dia Portugal Supermercados, S.A.	**7,809**	7,809	-	-	**3,086**	3,086	-	-
Dia Brasil Sociedade Limitada	**23,910**	23,910	-	-	**18,402**	18,402	-	-
Dia Argentina, S.A.	**10,144**	10,144	-	-	**6,504**	6,504	-	-
Dia Paraguay S.A	**118**	118	-	-	**78**	78	-	-
Total	**223,363**	**219,918**	**2,367**	**1,078**	**310,013**	**297,071**	**4,698**	**8,244**

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

(b) Investments

Details of investments are as follows:

	Thousands of Euro			
	30 June 2019		31 December 2018	
Unrelated parties	Non-current	Current	Non-current	Current
Equity instruments	36	-	36	-
Loans	138	16	206	23
Hedging derivatives	-	-	-	18
Deposits and guarantees	23,582	2,568	25,589	2,775
Total	**23,756**	**2,584**	**25,831**	**2,816**

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

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

Other financial assets include the security and other deposits pledged to lessors to secure lease contracts. These amounts are measured at present value and any difference with their nominal value is recognised under current or non-current prepayments (see note 13). At 31 December 2018 this item also includes the amount of Euros 2,000 thousand withheld from the seller in the acquisition of establishments from the Eroski Group, which will be released after five years, in accordance with the addendum to the framework contract signed on 7 August 2015. During the first six months of 2019 this withholding has been released in full (see note 19(b).

Additionally, in the first six months of 2019 this current caption comprises amounts deposited with franchisees totalling Euros 2,568 thousand (Euros 2,775 thousand in 2018).

(c) Trade and other receivables

Details of trade and other receivables are as follows:

	Thousands of Euro			
			Restated	
	30 June 2019		31 December 2018	
	Non-current	Current	Non-current	Current
Trade receivables	45,929	51,652	52,345	64,135
Trade receivables from group companies and associates	-	254,228	-	315,639
Other payables	-	15,508	-	51,978
Personnel	-	1,051	-	786
Current tax assets (note 20)	-	3,758	-	2,757
Public entities, other (note 20)	-	59	-	98
Impairment	-	(28,073)	-	(24,639)
Total	**45,929**	**298,183**	**52,345**	**410,754**

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

At 30 June 2019, trade receivables from group companies basically comprise Euros 61,119 thousand receivable from Twins Alimentación, S.A. (Euros 70,196 thousand at 31 December 2018), Euros 34,573 thousand receivable from Beauty by DIA, S.A. (Euros 36,166 thousand at 31 December 2018) and Euros 141,087 thousand receivable from Grupo El Árbol Distribución y Supermercados, S.A. (Euros 162,528 thousand at 31 December 2018).

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

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

Current tax assets comprise the receivable in relation to the estimated income tax for 2019 and 2018, respectively (see note 20).

d) Receivables from suppliers

This caption includes balances receivable from suppliers in connection with trade discounts pending invoicing at the end of each period. These amounts are netted with subsequent purchases and the impairment provision is recorded on an individual basis.

During the first six months of 2019 the Company entered into agreements to transfer supplier trade payables without recourse (see note 9(d)).

The transferred receivables that had not yet fallen due at 30 June 2019 totalled Euros 44,321 thousand (Euros 126,370 thousand in 2018) and all were considered to be without recourse. The Company considers that default risk and credit risk have not been retained in respect of these non-recourse assignments, so the relevant amounts have been derecognised from trade receivables.

(e) Impairment

Accounts receivable due less than six months are considered not to be impaired. These accounts receivable relate to a number of independent customers over which there is no recent history of default.

At 30 June 2019, an impairment loss of Euros 14,317 thousand was recognised for trade receivables (Euros 18,156 thousand at 31 December 2018). The provision stands at Euros 28,073 thousand at 30 June 2019 (Euros 24,639 thousand at 31 December 2018). These trade receivables mainly relate to customers that have experienced unforeseen financial difficulties. A part of the receivables are expected to be recovered, based on the analyses carried out.

The carrying amounts of trade and other receivables are denominated in euros in all cases.

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

	Thousands of Euro	
	30 June 2019	31 December 2018
Current		
At 1 January	**(24,639)**	**(20,890)**
Charge	(14,317)	(18,156)
Reversals	10,883	14,407
At 31 December	**(28,073)**	**(24,639)**

During the first six months of 2019, the Company recognised direct losses due to unrecoverable receivables totalling Euros 11,156 thousand which relate in full to receivables with the subsidiary DIA Eshopping, S.L., as this company is in liquidation.

(12) Inventories

Details of inventories are as follows:

	Thousands of Euro	
	30 June 2019	31 December 2018
Goods for resale	171,318	215,390
Other supplies	7,074	8,753
Advances to suppliers	717	1,512
Impairment	(3,547)	(4,011)
Total	**175,562**	**221,644**

At 30 June 2019 there are no restrictions of any kind on the availability of inventories.

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

(13) Prepayments

Details of prepayments are as follows:

	Thousands of Euro			
	30 June 2019		31 December 2018	
	Non-current	Current	Non-current	Current
Prepayments on operating leases	-	48	-	8
Prepayments on guarantees and loans (note 11 (b))	1,239	144	1,229	235
Other prepayments	-	1,215	-	142
Total	**1,239**	**1,407**	**1,229**	**385**

(14) Cash and cash equivalents

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

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

(15) Equity

(a) Capital

At 30 June 2019 DIA's share capital is Euros 62,245,651.30, represented by 622,465,513 shares of Euros 0.10 par value each, subscribed and fully paid up. The shares are 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.

The same public information shows that the most significant interests in the Company's share capital are as follows:

Letterone Investment Holdings, S.A.	69,759%
Gregoire Augustin Bontoux Halley	3,398%

(b) Reserves

Details of changes in reserves are as follows:

	Thousands of Euro				
	Legal Reseve	Redeemed Capital Reserve	Other reserves non available	Voluntary Reserves	Total
At 1 January 2018	**13,021**	**5,688**	**15,170**	**45,077**	**78,956**
Own shares operations	-	-	-	(40,662)	(40,662)
Delivery of own shares	-	-	-	(2,073)	(2,073)
Adjustment issuance of share-based payments	-	-	-	2,476	2,476
At 30 June 2019	**13,021**	**5,688**	**15,170**	**4,818**	**38,697**

	Thousands of Euro				
	Legal Reseve	Redeemed Capital Reserve	Other reserves non available	Voluntary Reserves	Total
At 1 January 2018	**13,021**	**5,688**	**15,170**	**70,229**	**104,108**
Delivery of own shares	-	-	-	(134)	(134)
Distribution of profit for the year					
Reseves	-	-	-	85,307	85,307
Dividends	-	-	-	(110,325)	(110,325)
At 31 December 2018	**13,021**	**5,688**	**15,170**	**45,077**	**78,956**

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

(i) *Legal reserve*

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

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

At 30 June 2019 the Company has appropriated to this reserve more than the minimum amount required by law.

An amount equal to the par value of the own shares redeemed in 2015 and 2013 was appropriated to the redeemed capital reserve. It will only be available once the Company meets the conditions for reducing share capital set forth in article 335.c) of the Spanish Companies Act.

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

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

(iii) *Other non-distributable reserves*

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

(iv) Voluntary reserves

These reserves are freely distributable.

(v) Own shares

Changes in own shares in the first six months of 2019 and 2018 are as follows:

	Number of shares	Euros/share	Total
31 December 2017	**10,310,633**	**5.8540**	**60,358,696.12**
Delivery of shares to incentives plans 2014-2016 (note 18)	(768,277)		(4,497,512.23)
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 Board Members	(94,247)		(551,724.21)
Delivery of shares to incentives plans 2014-2016 (note 18)	(365,590)		(2,140,172.74)
30 June 2019	**1,238,790**	**5.8540**	**7,251,906.77**

During the first half of 2019 the Group's directors and management received 365,590 shares, 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 30 June 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, which have been earmarked to meet share obligations with executives under the plans described in note 18.

(c) Other equity instruments

This reserve includes obligations derived from equity-settled share-based payment transactions following the approval by the board of directors and shareholders of the 2016-2018 long-term incentive plan (see note 18).

(16) Grants, donations and bequests received

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

	Thousands of Euro	
	30 June 2019	31 December 2018
At 1 January	**272**	**454**
Transfers to the income statement	(76)	(182)
At 31 December	**196**	**272**

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

	Thousands of Euro	
	30 June 2019	31 December 2018
Capital grants	102	141
Operating grants	195	114
Total	**297**	**255**

(17) Non-current and current provisions

Details of non-current provisions are as follows:

	Thousands of Euro					
	Provisions for long-term employee benefits	Tax provisions	Labour provisions	Legal provisions	Other provisions	Total
At 1 January 2019	**1,660**	**21,051**	**473**	**4,250**	**922**	**28,356**
Charge	91	610	362	1,512	3	2,578
Applications	-	-	(5)	(255)	-	(260)
Reversals	(54)	-	(222)	(1,594)	-	(1,870)
At 30 June 2019	**1,697**	**21,661**	**608**	**3,913**	**925**	**28,804**

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

Tax provisions in the first half of 2019 mainly arose from estimated provisions for differences in criteria with the authorities.

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

At 30 June 2019 this item includes provisions for lawsuits filed by employees (related to social security contributions) amounting to Euros 608 thousand compared with the Euros 682 thousand provision for this item recognised at 30 June 2018.

The provisions related to litigation with third parties (legal provisions) at 30 June 2019 amount to Euros 3,913 thousand. The provisions for this item at 31 December 2018 amounted to Euros 4,250 thousand.

The Company has registered Euros 11,859 thousand under current provisions at 30 June 2019 for onerous contracts relating to stores and warehouses that are not in use. The amounts are Euros 4,501 thousand and Euros 7,358 thousand, respectively (Euros 4,344 thousand at 31 December 2018; Euros 1,653 thousand relate to stores and Euros 2,691 to warehouses).

With respect to legal contingencies, there is an arbitration proceeding with EROSKI which is at an early stage, resulting from the former business alliance with DIA, named Red Libra Trading Services, and the reciprocal accusations of breach of contract, the level of risk and economic consequences for the parties having yet to be determined. The Company's directors consider not probable to have negative consequences for the Group and in any event, they expect that any consequences will be positive. They have not recognised contingent assets in this regard.

(18) 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 meet the requirements established in the general conditions and choose to voluntarily adopt the Plan. The purpose of this plan is to award and pay variable remuneration in DIA shares, according to compliance with business objectives for the Parent and the Group. The key features of these incentive plans are as follows:

Incentive Plans	Terms and Compliance objectives	Timetable for delivey of shares	Maxium number of shares at 30 June	Price
2016-2018	Detailed in the section A.4 of IAR 2016 pages 6 and 7	April 2019 January 2020	1,142,802	5.9203

The costs recognised in respect of the 2016-2018 long-term incentive plan in force during the first half of 2019 amounted to Euros 1,150 thousand and are included under personnel expenses in the income statement with a balancing entry under own equity instruments.

The equity instruments granted during the first six months of 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 (768,277 own shares net of withholdings were distributed in the first six months of 2018 totalling Euros 5,555 thousand) (see note 15 (b) (v)). The equity instruments granted in April 2019 have had an impact on reserves of Euros 2,476 thousand (note 14(b)) due to the spread in the share price considered as a reference. At 30 June 2019 no additional plans have been approved.

(19) Payables and Trade Payables

The carrying amount of financial liabilities recorded at cost or amortised cost does not significantly differ from their fair value, with the exception of non-current bonds whose fair value is the same as their quoted price. At 30 June 2019 this is Euros 736,151 thousand (Euros 576,357 thousand at 31 December 2018).

(a) Payables to Group companies and associates

Details of Group companies and associates are as follows:

	Thousands of Euro	
	Current	Current
Group	30 June 2019	31 December 2018
Payables	20,737	65,040
Total	**20,737**	**65,040**

Details of current payables to Group companies at 30 June 2019 and 31 December 2018 are presented below:

	Thousands of Euro					
	Current Account	Tax Debit (VAT)	Tax Debit (Income tax)	Current Account	Tax Debit (VAT)	Tax Debit (Income tax)
Group	30 June 2019			31 December 2018		
Twins Alimentación S.A.	19,010	334	103	-	-	21,925
Grupo El Árbol Distribución y Supermercados, S.A.	-	-	1	-	-	41,178
Compañía Gallega de Supermercados, S.A.	310	-	-	310	-	-
DIA ESHOPPING, S.L.	-	-	-	-	17	572
Finandia E.F.C., S.A.	815	-	-	948	-	-
Red Libra Trading Services, S.L.	90	-	-	90	-	-
Dia World Trade, S.A.	74	-	-	-	-	-
Total	**20,299**	**334**	**104**	**1,348**	**17**	**63,675**

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

(b) Payables

Details of payables are as follows:

At 30 June 2019	Total	Current 1 year	2 years	3 years	4 years	5 years	> 5 years	Non-Current Total
Bonds and other securities	902,470	310,809	298,975	-	292,686	-	-	591,661
Debt with financial institutions								
Revolving credit facilities	470,465	351,798	-	118,667	-	-	-	118,667
Other bank loans	22,481	14,981	7,500	-	-	-	-	7,500
Interest	9,713	9,713	-	-	-	-	-	-
Credit facilities drawn down	189,654	164,703	-	-	24,951	-	-	24,951
Other financial liabilities	162	162	-	-	-	-	-	-
Participating loans	128,589	128,589	-	-	-	-	-	-
Finance lease payables (note 6)	25,864	7,317	6,275	4,843	4,074	2,693	662	18,547
Derivatives	3	3	-	-	-	-	-	-
Suppliers of fixed assets	9,267	9,267	-	-	-	-	-	-
Bills payable	2,267	2,267	-	-	-	-	-	-
Other debts	7,806	7,806	-	-	-	-	-	-
Current interest on payables	315	315	-	-	-	-	-	-
Guarantees and deposits received	11,477	135	-	-	-	-	11,342	11,342
Other financial liabilities	295	-	295	-	-	-	-	295
Total non-current borrowings	1,780,828	1,007,865	313,045	123,510	321,711	2,693	12,004	772,963

At 31 December 2018	Total	Current 1 year	2 years	3 years	4 years	5 years	> 5 years	Non-Current Total
Bonds and other securities	901,781	311,371	-	298,696	-	291,714	-	590,410
Debt with financial institutions								
Revolving credit facilities	378,572	124,350	25,000	-	229,222	-	-	254,222
Other bank loans	30,032	15,032	15,000	-	-	-	-	15,000
Interest	7,210	7,210	-	-	-	-	-	-
Credit facilities drawn down	151,118	123,966	17,066	10,086	-	-	-	27,152
Other financial liabilities	4,994	4,994	-	-	-	-	-	-
Finance lease payables (note 6)	24,931	7,671	5,408	4,443	3,981	2,580	848	17,260
Suppliers of fixed assets	30,419	30,419	-	-	-	-	-	-
Bills payable	13,450	13,450	-	-	-	-	-	-
Other debts	2,302	2,302	-	-	-	-	-	-
Current interest on payables	15	15	-	-	-	-	-	-
Guarantees and deposits received	11,964	135	-	-	-	-	11,829	11,829
Other financial liabilities	2,202	-	2,059	-	-	-	143	2,202
Total non-current borrowings	1,558,990	640,915	64,533	313,225	233,203	294,294	12,820	918,075

- Bonds and other marketable securities

The Company has outstanding bonds with a nominal value of Euros 905,700 thousand at 30 June 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 30 June 2019 are as follows:

					Maturity date in thousands of euro					
Issuing Company	Issue date	Term (years)	Currency	Voucher	2019	2020	2021	2022	2023	Amount in thousands of euros
DIA, S.A.	07.04.2017	6	EUR	0.875%	-	-	-	-	300,000	300,000
DIA, S.A.	28.04.2016	5	EUR	1.000%	-	-	300,000	-	-	300,000
DIA, S.A.	22.07.2014	5	EUR	1.500%	305,700	-	-	-	-	305,700

During the period from 31 December 2018 to 30 June 2019 there have been no movements in bond issues.

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 regard these bonds.

- **Loans and borrowings**

Multi-product Syndicated Loan and other credit facilities

On 31 December 2018, the Company signed a Financing Agreement with several national and overseas entities. AgenSynd, S.L. acted as Financing Agent. This financing, which was initially granted for an amount of Euros 894.7 million, 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 financial institution joining the aforementioned Financing Agreement, in January 2019 several of the financing tranches were increased by Euros 17.4 million.

On 25 March 2019 the Company signed an Amendment Agreement with the same group of entities whereby certain financing tranches were redistributed. The total financing amount of Euros 912.1 million remained the same, of which Euros 6.5 million was granted to other Group companies.

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

On 17 July 2019, following the reporting date of these accounts, the Company arranged a new Financing Agreement which amends some of the financing terms and conditions in place to date. These agreements extend the maturity of the current amounts to 31 March 2023. In addition to the existing amounts, this new Financing includes binding agreements to obtain new bilateral tranches with a maturity of one year and the option of a further two-year extension for an amount of Euros 70.7 million (see note 1) for the reverse factoring facility (Super Senior Supplier Tranche). The applicable spread has been set at 2.5% for all existing tranches and amounts and 5.5% for the additional Super Senior Supplier Tranche.

This Financing Agreement contains some of the commitments and obligations included in the initial financing and also some additional ones, such as:

- 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 updated business plan for the Company no later than 31 December 2019.
- Financial 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. Deviation is set at up to 35% of the Adjusted Net Debt / Adjusted EBITDA ratio forecast in the updated business plan, according to the definition of these concepts in the syndicated financing.
- Liquidity Ratio: a minimum of Euros 30 million in cash and cash equivalents is fixed, excluding trapped cash, to be verified on 31 December 2019 for the following 12-month period 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 included in the updated business plan to be 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 updated business plan have been fully paid. These amounts will be used to repay early and cancel any outstanding amounts in the following order: a) firstly, the Supplier Facility, b) secondly, any other New Financing Facilities (if required to do so under the terms of such New Financing Facilities), and c) thirdly, the Financing Agreement.
- The obligation to repay the syndicated financing facilities with (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 is removed.
- Authorisation is given to obtain additional financing of Euros 400 million to refinance the bond maturing in 2021, although the Company is not obliged to undertake this refinancing.

- At least 80% of the Group's cash must be held in bank accounts subject to guarantees securing the financing and held by Syndicated Lenders (if applicable) providing cash deposit services in the jurisdiction in which the Group company operates.

Similarly, the financing sets out certain guarantees, some of which have 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 owned by Twins Alimentación, S.A.U. 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 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.
- Pledge on shares owned by the Company in DIA Brazil Sociedade Ltda. and DIA World Trade S.A.
- Second-ranking pledge on shares owned by the Company in DIA Portugal Supermercados, Sociedade Unipersossoal, LDC.
- 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, as part of the guarantees package imposed by the financing institutions on the Company in the new financing contract, 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, no later than 31 December 2019 (1) the securities and 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 the legal, fiscal and regulatory perspective, the interests held by the Company in the Brazilian, Argentinean and Portuguese subsidiaries should be transferred to other subsidiaries, (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 must be approved by the General Shareholders' Meeting no later than 30 August 2019 and the Company undertakes to have the structure thereof formalised at 31 December 2019.

Bonds with maturities in 2021 and 2023 will remain at the same current level of the Company, but the remaining assets and liabilities (as required under the Financing Agreement) will be distributed between the new borrower and the new Spanish company established.

Lastly, in addition to the Financing Agreement entered into on 17 July 2019, the Company is in the process of subscribing additional funding granted by the Company's majority shareholder, L1R Invest1 Holding, S.à.r.l. or an entity appointed thereby, in the form of a Super Senior Facility (Term Loan Tranche) of Euros 200 million, which at the date of preparation of this interim balance sheet has still not been drawn up; although, as stated, there exists a binding agreement that will guarantee the availability thereof (see note 2 (b).

At 30 June 2019	Limit	Amount used	Conf/Fact	Amount avaible
Revolving Credit Facility (RCF)	**480,158**	**470,465**	**-**	**9,693**
Credit Facility - syndicated financiation	**280,422**	**189,654**	**44,247**	**46,521**
Loans	*10,000*	*2,644*	*-*	*7,356*
Loans may be balanced with confirming	*162,766*	*123,966*	*-*	*38,800*
Loans may be balanced with reverse factoring	*107,656*	*63,043*	*44,247*	*365*
Confirming - syndicated financiation	**145,034**	**-**	***144,561***	**473**
Total Syndicated Multiproduct Financiation	**905,614**	**660,118**	**188,808**	**56,687**

At 31 December 2018	Limit	Amount used	Conf/Fact	Amount avaible
Revolving Credit Facility (RCF)	**471,224**	**378,572**	**-**	**92,652**
Credit Facility - syndicated financiation	**278,422**	**152,275**	**80,505**	**45,642**
Loans	*5,000*	*-*	*-*	*5,000*
Loans may be balanced with confirming	*165,766*	*125,124*	*-*	*40,642*
Loans may be balanced with reverse factoring	*107,656*	*27,151*	*80,505*	*-*
Confirming - syndicated financiation	**145,034**	**-**	***140,398***	**4,636**
Total Syndicated Multiproduct Financiation	**894,680**	**530,847**	**220,903**	**142,930**
Credit lines facilities drawn down (not included in syndicated credits)	**5,000**	**-**	**-**	**5,000**

Bank loans

The maturity of the company's bank loan at 30 June 2019 and 31 December 2018 is as follows:

At 30 June 2019

Type	Owner	Currency	Total	Current 1 year	2 years	Non-Current Total
Loan	DIA	EUR	**22,490**	**14,990**	7,500	**7,500**

A 31 December 2018

Type	Owner	Currency	Total	Current 1 year	2 years	Non-Current Total
Loan	DIA	EUR	**30,032**	**15,032**	15,000	**15,000**

On 14 June 2019, DIA, S.A. repaid the first partial maturity on the Liberbank loan amounting to Euros 7,500 thousand.

Other current and non-current financial liabilities

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

At 31 December 2018

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

At 31 December 2018 other non-current financial liabilities of Euros 2,000 thousand reflect the amounts withheld from the seller in the acquisition of establishments from the Eroski Group, which will be released after five years, in accordance with the addendum to the framework contract signed on 7 August 2015. During the first six months of 2019 this withholding has been released in full (see note 11(b).

- Participating loans

In order to provide the Company with liquidity, while the formalities for executing the capital increase mentioned in note 1 of these explanatory notes have been completed, the following participating loans have been 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. At 30 June 2019 this loan was fully paid out.
- On 26 June a second participating loan was arranged amounting to Euros 450,000 thousand, maturing on 28 November 2019. At 30 June 2019 the loan was partially drawn down in the amount of Euros 88,500 thousand. In July 2019 this loan was fully drawn down.

Participating loans may be fully or partially capitalised with funds from the capital increase.

At 30 June 2019 both loans have accrued joint interest of Euros 89 thousand.

(c) Trade and other payables

Details of trade and other payables are as follows:

	Thousands of Euro	
	30 June 2019	31 December 2018
Suppliers	603,229	563,785
Suppliers with subsidiaries and associated companies (note 22 (b))	2,280	232,760
Other payables	73,715	73,282
Personnel	42,218	22,341
Public entities, other (note 20)	36,997	35,235
Advances to customers	1,425	1,199
Total	**759,864**	**928,602**

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

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

At 30 June 2019 and 31 December 2018 Suppliers with subsidiaries and associated companies mainly includes current payables for supplies of goods by CDSI.

Trade and other payables do not bear interest.

At 30 June 2019 the Company has reverse factoring facilities with a limit of Euros 152,034 thousand (31 December 2018: Euros 160,633 thousand) of which Euros 151,560 has been used (31 December 2018: Euros 155,658 thousand).

(20) Taxation

Balances with public entities

Details of balances with public entities are as follows:

	Thousands of Euro			
	30 June 2019		31 December 2018	
	Non-current	Current	Non-current	Current
Assets				
Deferred tax assets	36,081	-	38,347	-
Current tax assets	-	3,758	-	2,757
Other receivables from the Administration (note 11 (c)	-	59	-	98
	36,081	**3,817**	**38,347**	**2,855**
Liabilities				
Deferred tax liabilities	15,647	-	17,659	-
Value added tax and similar taxes	-	19,737	-	19,676
Social Security	-	13,383	-	9,903
Withholdings	-	3,877	-	5,656
	15,647	**36,997**	**17,659**	**35,235**

Years open to inspection and tax inspections

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

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 30 May 2019 the taxation authorities notified the company that their verification and inspection procedures were expanding to include VAT returns from May 2015 to December 2015.

At 30 June 2019, the taxation authorities continue their ongoing inspection of the following items and periods:

Tax	Periods
Income tax	01/2013 to 12/2014
Value Added tax	06/2014 to 12/2014
Value Added tax expansion	05/2015 to 12/2015
Personal income tax	06/2014 to 12/2014
Withholding/Adavnce payments on work revenue/profesional	06/2014 to 12/2014
Withholding/Advance payments on property leases	06/2014 to 12/2014
Withholding on account of Non-Resident Income Tax	06/2014 to 12/2014

At 30 June 2019 and at 2018 year end, the following main taxes to which the Company are subject are open to inspection:

	Periods	
Tax	30 June 2019	31 December 2018
Income tax	2015-2017	2015-2017
Value Added tax	2016-2018	2015-2018
Withholding/Adavnce payments on work revenue/profesional	05/2015-05/2018	2015-2018
Business activities tax	2015-2019	2015-2018

Due to different interpretations of prevailing tax legislation, additional tax liabilities could arise in the event of inspection. In any case, the Company's directors do not consider that any such liabilities that could arise would have a significant effect on the interim balance sheet.

Income tax

At 30 June 2019 the Company files consolidated tax returns as the parent of tax group 487/12. The Group subsidiaries throughout 2019 and 2018 have been Twins Alimentación, S.A, Petra Servicios a la Distribución, S.L., Beauty By DIA S.A., El Árbol Distribución y Supermercados, S.A., Compañía Gallega de Supermercados, S.A. and DIA Eshopping, S.L.

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

A reconciliation of net income and expenses for the year with DIA's taxable income at 30 June 2019 is as follows:

30 June 2019	Thousands of Euro						
	Income statement			Income and expense taken to equity			
	Increases	Decreases	Net	Increases	Decreases	Net	Total
Income and expenses for the period	**-**	**(157,629)**	**(157,629)**	**-**	**(91)**	**(91)**	**(157,720)**
Impuesto sobre sociedades	764	-	764		(30)	(30)	734
Profit before tax	764	(157,629)	(156,865)	-	(121)	(121)	(156,986)
Permanent differences:							
individual company	20,383	(11,095)	9,288	-	-	-	9,288
Temporary differences:							
individual company							
originating during the year	2,541	-	2,541	-	-	-	2,541
originating in prior years	7,922	(9,108)	(1,186)	121	-	121	(1,065)
Taxable income	**31,610**	**(177,832)**	**(146,222)**	**121**	**(121)**	**-**	**(146,222)**

The permanent positive adjustment of Euros 20,383 thousand made in the Corporate Income Tax settlement at 30 June 2019 basically comprises a liability provision made by Finandia, a provision for redundancy scheme settlements and a provision for onerous contracts.

The permanent negative adjustment of Euros 11,095 thousand made in the Corporate Income Tax return at 30 June 2019 resulted from the tax incentive relating to the reduction of income from certain intangible assets, as established in article 23 of the aforementioned Spanish Corporate Income Tax Law.

Temporary differences that increase taxable income at 30 June 2019 mainly reflect the reversal of the accelerated amortisation/depreciation performed in 2011 and 2012 in accordance with Royal Decree 13/2010 of 3 December 2010, the reversal of the tax-deductible impairment on the investment in DIA Argentina, pursuant to Royal Decree-Law 3/2016 of 2 December 2016, the application of several goodwill amortisation criteria and the consideration as non-deductible of various provisions set aside for accounting purposes which would not meet the deductibility requirements set out in article 14 of Corporate Income Tax Law 27/2014.

Temporary differences that reduce taxable income at 30 June 2019 primarily relate to differences arising from the reversal of one tenth of the Company's depreciation charge which was considered non-deductible for tax purposes in accordance with Law 16/2012 of 27 December, and the reversal of non-deductible impairment in prior years through depreciation for the year.

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

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

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

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

Temporary differences that increase taxable income in 2018 primarily related to the reversal of unrestricted depreciation in 2011 and 2012 pursuant to Royal Decree 13/2010 of 3 December; the reversal of tax impairment of the portfolio in DIA Argentina, pursuant to Royal Decree Law 3/2016 of 2 December; the consideration as non-deductible of impairment on property, plant and equipment under article 13.2 of Corporate Income Tax Law 27/2014; the use of different amortisation criteria for goodwill and the consideration as non-deductible of provisions recorded for accounting purposes which do not meet the deductibility requirements set out in article 14 of Corporate Income Tax Law 27/2014.

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

The reconciliation between the Taxable Income for Corporate Income Tax purposes and tax payable/recoverable at 30 June 2019 and 2018 year end is as follows:

Thousands of euro	30 June 2019	31 December 2019
Taxable income	(146,222)	(60,358)
Withholding and advance payments	(430)	(2,542)
Current tax assets fiscal group	-	(215)
Tax payable (+) recevaible (-) by the Company	**(430)**	**(2,757)**

The relationship between the tax expense and pre-tax profit at 30 June 2019 and 2018 year end is as follows:

	Thousands of Euro			Thousands of Euro		
	30 June 2019			31 December 2018		
	Profit and loss	Equity	Total	Profit and loss	Equity	Total
Income and expenses for the period before tax	**(156,865)**	**(121)**	**(156,986)**	**(91,323)**	**(152)**	**(91,475)**
Tax at 25%	-	(30)	**(30)**	-	(38)	**(38)**
Income tax expenses in current year	(456)	-	**(456)**	(2,123)	-	**(2,123)**
Deductions and credits for the current year	-	-	**-**	(1,447)	-	**(1,447)**
Income tax expenses in prior years	-	-	**-**	(318)	-	**(318)**
Impairment of prior years tax loss carryforwards	-	-	**-**	87,857	-	**87,857**
Other adjustments	1,220	-	**1,220**	15,982	-	**15,982**
Income tax expenses / (income) from continuing operations	**764**	**(30)**	**734**	**99,951**	**(38)**	**99,913**

Details of accumulated temporary differences at 30 June 2019 and the corresponding deferred tax asset or liability, in thousands of Euros, are as follows:

	TEMPORARY DIFFERENCE					TAX EFFECT				
	31 December 2018	Origin	Reversal	Other	30 June 2019	31 December 2018	Origin	Reversal	Other	30 June 2019
Onerous Contracts	4,344	-	-	-	4,344	1,086	-	-	-	1,086
Provision for stocks	2,816	-	(832)	-	1,984	704	-	(208)	-	496
Amortization differences on goodwill	13,516	1,148	-	1,584	16,248	3,379	287	-	396	4,062
Leaseholds	678	-	-	-	678	169	-	-	-	169
Provision for franchising operations	5,876	844	-	-	6,720	1,470	211	-	-	1,681
Hedge depreciation 2013/2014	32,206	-	(2,683)	-	29,523	8,050	-	(670)	-	7,380
Other provisions	344	-	-	-	344	86	-	-	-	86
Amortization intragroup goodwill	5,939	-	(311)	-	5,628	1,485	-	(78)	-	1,407
Equity instruments	3,843	513	-	(2,496)	1,860	961	128	-	(624)	465
Pension commitments	1,661	36	-	-	1,697	416	9	-	-	425
Non-deductible goodwill on acq. of invest.	1,584	-	-	(1,584)	-	396	-	-	(396)	-
Non-deductible impairment of fixed assets	59,740	-	(5,283)	-	54,457	14,935	-	(1,321)	-	13,614
Restatement	321	-	-	-	321	80	-	-	-	80
DEFERRED TAX ASSETS RECOGNIZED	132,868	2,541	(9,109)	(2,496)	123,804	33,217	635	(2,277)	(624)	30,951
Amortization limit deduction (DT 37 L27/2014)	-	-	-	-	-	1,878	-	-	-	1,878
Universo Mujer deduction	-	-	-	-	-	884	-	-	-	884
International double taxation deduction	-	-	-	-	-	2,368	-	-	-	2,368
OTHER DEFERRED TAX ASSETS	-	-	-	-	-	5,130	-	-	-	5,130
TOTAL DEFERRED TAX ASSETS RECOGNIZED	132,868	2,541	(9,109)	(2,496)	123,804	38,347	635	(2,277)	(624)	36,081
Unrecognised tax credits	411,335	147,181	-	-	558,516	102,834	36,795	-	-	139,629
Layoff retirement provision	-	3,773	-	-	3,773	-	943	-	-	943
Onerous Contracts	-	7,515	-	-	7,515	-	1,879	-	-	1,879
DEFERRED TAX ASSETS NON RECOGNIZED	411,335	158,469	-	-	569,804	102,834	39,617	-	-	142,451

	TEMPORARY DIFFERENCE					TAX EFFECT				
	31 December 2018	Origin	Reversal	Other	30 June 2019	31 December 2018	Origin	Reversal	Other	30 June 2019
Accelerated depreciation 2011	3,441	-	(757)	(177)	2,507	846	-	(189)	(31)	626
Accelerated depreciation 2012	5,763	-	(552)	177	5,388	1,456	-	(139)	31	1,348
Goodwill deductible purchases from third parties	5,026	-	-	-	5,026	1,256	-	-	-	1,256
Argentina	26,459	-	(6,613)	(7)	19,839	6,612	-	(1,653)	-	4,959
Hedging transactions	13	-	-	(13)	-	5	-	-	(5)	-
Grants	451	-	-	(195)	256	90	-	-	(26)	64
DTA provision	29,574	-	-	-	29,574	7,394	-	-	-	7,394
TOTAL DEFERRED TAX LIABILITIES	70,727	-	(7,922)	(215)	62,590	17,659	-	(1,981)	(31)	15,647

With respect to tax credits on tax-loss carryforwards available for offset, the tax consolidation group to which the Company belongs carried out an analysis to assess their future recoverability within the context of a new business plan and concluded that the Company did not need to recognise tax-loss carryforwards, irrespective of the fact that the Company continues to have the right to offset tax-loss carryforwards over an unlimited period.

Moreover, at 30 June 2019 adjustments made to the corporate income tax base for redundancy scheme expenses and onerous agreements were treated as unrecognised permanent temporary differences on assets as these differences reverse in 2019 and 2020, when the Group expects to generate a negative tax base, and when they would become tax loss carryforwards that can't be capitalised in accordance with the Group's recoverability analysis.

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

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

	TEMPORARY DIFFERENCE					TAX EFFECT				
	2017	Origin	Reversal	Other	2018	2017	Origin	Reversal	Other	2018
Onerous Contracts	1,271	3,073	-	-	4,344	318	768	-	-	1,086
Provision for stocks	146	2,670	-	-	2,816	36	668	-	-	704
Amortization differences on goodwill	10,025	3,448	-	43	13,516	2,506	862	-	11	3,379
Leaseholds	730	-	-	(52)	678	182	-	-	(13)	169
Provision for franchising operations	3,390	2,486	-	-	5,876	848	622	-	-	1,470
Hedge depreciation 2013/2014	37,573	-	(5,367)	-	32,206	9,392	-	(1,342)	-	8,050
Other provisions	344	-	-	-	344	86	-	-	-	86
Amortization intragroup goodwill	5,143	839	-	(43)	5,939	1,286	210	-	(11)	1,485
Equity instruments	7,807	1,590	(5,554)	-	3,843	1,952	398	(1,389)	-	961
Pension commitments	1,656	5	-	-	1,661	415	1	-	-	416
Non-deductible goodwill on acq. of invest.	1,584	-	-	-	1,584	396	-	-	-	396
Non-deductible impairment of fixed assets	5,530	54,210	-	-	59,740	1,382	13,553	-	-	14,935
Restated	69,348	-	(69,027)	-	321	17,337	-	(17,257)	-	80
DEFERRED TAX ASSETS RECOGNIZED	144,547	68,321	(79,948)	(52)	132,868	36,136	17,082	(19,988)	(13)	33,217
Amortization limit deduction (DT 37 L27/2014)	-	-	-	-	-	1,878	-	-	-	1,878
Universo Mujer deduction	-	-	-	-	-	-	884	-	-	884
International double taxation deduction	-	-	-	-	-	-	2,368	-	-	2,368
Unrecognised tax credits	351,428	-	-	(351,428)	-	87,857	-	-	(87,857)	-
OTHER DEFERRED TAX ASSETS	351,428	-	-	(351,428)	-	89,735	3,252	-	(87,857)	5,130
TOTAL DEFERRED TAX ASSETS RECOGNIZED	495,975	68,321	(79,948)	(351,480)	132,868	125,871	20,334	(19,988)	(87,870)	38,347
Unrecognised tax credits	-	59,912	-	351,423	411,335	-	14,977	-	87,857	102,834
Dia Tian Tian Management Consulting Service & Co.Ltd.	11,365	-	-	(11,365)	-	2,842	-	-	(2,842)	-
Shanghai Dia Retail Co.Ltd.	92,037	-	-	(92,037)	-	23,010	-	-	(23,010)	-
DEFERRED TAX ASSETS NON RECOGNIZED	103,402	59,912	-	248,021	411,335	25,852	14,977	-	62,005	102,834

	TEMPORARY DIFFERENCE					TAX EFFECT				
	2017	Origin	Reversal	Other	2018	2017	Origin	Reversal	Other	2018
Accelerated depreciation 1994-1995	-	-		-	-	-	-	-	-	-
Accelerated depreciation 2011	7,294	-	(3,853)	-	3,441	1,809	-	(963)	-	846
Accelerated depreciation 2012	7,809	-	(2,046)	-	5,763	1,968	-	(512)	-	1,456
Goodwill deductible purchases from third parties	5,026	-	-	-	5,026	1,256	-	-	-	1,256
Argentina	39,685	-	(13,226)	-	26,459	9,919	-	(3,307)	-	6,612
Hedging transactions	(79)	-	-	92	13	(18)	-	-	23	5
Grants	691	-	-	(240)	451	150	-	-	(60)	90
DTA provision	-	-	-	29,574	29,574	-	-	-	7,394	7,394
TOTAL DEFERRED TAX LIABILITIES	60,426	-	(19,125)	29,426	70,727	15,084	-	(4,782)	7,357	17,659

The taxation authorities' right to examine or investigate tax loss carryforwards (whether available or already offset), double taxation relief and tax credits aimed at incentivising certain activities (whether applied or available) becomes statute-barred ten years as from the day after the filing deadline for the tax return or self-assessment for the tax period in which the right of offset or application was generated. After this period, the Company must justify the tax loss carryforwards or tax credits by presenting the assessment or self-assessment and its accounts, together with evidence of their having been filed during the aforementioned period at the Mercantile Registry.

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

At 30 June 2019 the amount included in the tax base is one fifth of the annual reversal relating to DIA Argentina.

	Thousands of Euro		
Company	Differrence in Equity	Integrated amount in tax base	Amount pending of Intregation
Dia Argentina, S.A.	Non-application	6,613	19,839

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

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

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

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

(21) Environmental information

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

The expenses incurred during the year to manage this environmental impact are not significant.

The Company's Board of Directors considers that there are no significant contingencies in connection with the protection and improvement of the environment and that it is not necessary to recognise any provisions for environmental liabilities and charges at 30 June 2019 and December 2018.

(22) Audit Fees and other provided services by the auditor

The following fees for the six-month period ended 30 June 2019 have been accrued by the company that acts as auditor (there aren't any provided services by other companies associated with Ernst & Young, S.L.):

Thousands of Euros	Ernst & Young, S.L.
Audit services	200
Other services relating to audit	254
Other services	328
Total	**782**

The following fees for the annual period ended 31 December 2018 have been accrued by the company that acted as auditor of the year 2018 were as follow:

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

(23) Commitments and contingencies

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

These off-balance-sheet cash commitments comprise:

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

Commitments were acquired to carry out business expansion processes.

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

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

(a) Pledged

In thousands of Euro - 30 June 2019	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Guarantees	3,317	97	174	19,540	23,128
Purchase option on warehouses and others	-	-	7,986	25,827	33,813
Commercial contract commitments	3,286	1,166	10,390	4,912	19,754
Total	**6,603**	**1,263**	**18,550**	**50,279**	**76,695**

In thousands of Euro - 31 December 2018	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Guarantees	1,133	2,184	272	12,702	16,291
Purchase option on warehouses and others	23,730	-	18,628	27,422	69,780
Commercial contract commitments	3,880	1,315	8,639	8,452	22,286
Total	**28,743**	**3,499**	**27,539**	**48,576**	**108,357**

The Company is the guarantor of the drawdowns on the credit facilities made by its Spanish subsidiaries, which at 30 June 2019 amount to Euros 2,013 thousand (Euros 4,047 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 31,913 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 Company has extended guarantees with the Brazil subsidiary, details of which are as follows:

- JP Morgan guarantee for a maximum amount of USD 32,500 thousand with maturity in July 2019, which has been renewed to January 2020.
- Societè Generale guarantee for a maximum amount of Euros 27,170 thousand with maturity in July 2019, which has been renewed to March 2021.
- Societè Generale guarantee for a maximum amount of Euros 13,585 thousand with maturity in August 2019, which has been renewed to March 2021.

(b) Received

In thousands of Euro - 31 December 2019	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Unused credit facilities	46,521	-	-	-	46,521
Unused revolving lines of credit	9,693	-	-	-	9,693
Unused confirming lines	473	-	-	-	473
Cash	**56,687**	**-**	**-**	**-**	**56,687**
Commercial contract commitments (note 9 d)	15,989	5,008	1,250	8,904	31,151
Other commitments	550	-	-	-	550
Operations / property / expansion	**16,539**	**5,008**	**1,250**	**8,904**	**31,701**
Total	**73,226**	**5,008**	**1,250**	**8,904**	**88,388**

In thousands of Euro - 31 December 2018	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Unused credit facilities	48,800	-	-	-	48,800
Unused revolving lines of credit	92,652	-	-	-	92,652
Unused confirming lines	4,956	-	-	-	4,956
Cash	**146,408**	**-**	**-**	**-**	**146,408**
Commercial contract commitments (note 9 d)	18,073	4,252	4,003	8,872	35,200
Other commitments	1,650	159	-	-	1,809
Operations / property / expansion	**19,723**	**4,411**	**4,003**	**8,872**	**37,009**
Total	**166,131**	**4,411**	**4,003**	**8,872**	**183,417**

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

(c) Contingencies

The Company is undergoing legal proceedings and tax inspections in a number of jurisdictions, some of which have been completed by the taxation authorities have been appealed by the Company at 30 June 2019 (see note 20). 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 17 contains details of legal contingencies and note 20 includes details of tax contingencies.

(24) Employee information

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

	30 June 2019	31 December 2018
Management	116	119
Middle management	669	632
Other employees	14,491	14,318
Total	**15,276**	**15,069**

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

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

(26) Events after the reporting period

At 17 July 2019 the Company arranged the new Financing Agreement with the financial creditors as described in the notes 1 and 19 (b).

As explained in note 1, on 18 July 2019 the Company announced compliance with the Suspensive Conditions fulfilling the agreements reached with the lenders of the syndicated loans and confirming its subscription, as borrower, of two participating loans granted by its majority shareholder LetterOne, dated 29 May 2019 and 26 June 2019, respectively, and amounting to Euros 40 million and Euros 450 million, respectively. Accordingly, (a) the Company has received from LetterOne a cash amount of Euros 184 million, and (b) the Company would receive the remaining amount (i.e. Euros 306 million) on 19 July 2019 in order to repay the bonds maturing on 22 July 2019.

After receiving the funds from LetterOne, on 22 July 2019 the Company repaid in full the “Euro Medium Term Notes” maturing on that date, thereby fully settling its payment obligations in relation thereto.

On 26 July 2019 the Board of Directors of the Company agreed to call an Extraordinary General Shareholders’ Meeting for 30 August 2019. The proposed agreements formulated by the Board of Directors include ratifying and re-electing the directors, approving the directors’ remuneration policy, ratifying the modification of the syndicated loan and the new lines of funding, as well as granting, ratifying and extending guarantees, and approving a hive down, among other items.

The Board of Directors states that the Company intends to call another Extraordinary General Shareholders’ Meeting in the fourth quarter of 2019 to submit the new capital increase of up to Euros 600 million for its approval (replacing the Euros 500 million capital increase agreed by the Ordinary General Meeting on 20 March 2019).

On 3 September 2019 the Board of Directors of the Company communicated its decision to voluntarily create a permanent Finance and Capital Structure Committee, as an internal informational and consultative body of the Board without executive duties, with information, advisory and proposal-making powers within its scope of action, reporting to the Board. The Committee will be formed by four non-executive directors that will be Mr. Jaime García-Legaz Ponce (independent director that will act as Chairman of the Committee, with a casting vote in the event of a tie), Mr.Christian Couvreux (independent director), Mr. Michael Joseph Casey (proprietary director) and Mr. Sergio Antonio Ferreira Dias (proprietary director).