Audit Report on the Consolidated Financial Statements
issued by an Independent Auditor

DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and Management Report
for the year ended
December 31, 2022

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Distribuidora Internacional de Alimentación, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2022, the income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and the consolidated financial position of the Group at December 31, 2022, and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework for financial reporting applicable in Spain.

Basis for opinion

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

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

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

Key audit matters

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

Recoverable amount of non-current assets subject to depreciation/amortization and goodwill

Description	As explained in Notes 5, 6.2 and 6.1 to the accompanying consolidated financial statements, at December 31, 2022, the Group recognized property, plant and equipment amounting to 904,315 thousand euros, right-of-use assets amounting to 492,677 thousand euros, and goodwill amounting to 326,297 thousand euros. For purposes of calculating impairment loss on property, plant, and equipment and right-of-use assets, the carrying amount of these non-current assets is assigned to each of the corresponding cash-generating units, which in the case of the Group is determined at store level. Goodwill may also be allocated to stores and in the cases where it is not, the future cash flows of each subsidiary are considered as a cash generating unit. Parent management assesses, at least at the end of each reporting period, whether there are indications of impairment of non-current assets subject to amortization/depreciation linked to stores, and tests goodwill related to group companies for impairment annually, writing down these investments whenever there is objective evidence that the carrying amount of the various non-current assets is no longer recoverable, and recognizing an impairment loss for the amount of the difference between the carrying amount and recoverable amount. In both cases, the recoverable amount is determined taking into account the value in use of cash-generating units, as applicable. Since determining recoverable amount requires parent management to make estimates using significant judgment to establish the assumptions used for these estimates, we determined this to be a key audit matter. Information on the applicable measurement standards and non-current assets subject to amortization/depreciation and goodwill are provided in note 3.k) to the accompanying consolidated financial statements.
Our response	Our audit procedures related to this matter included: ▶ Understanding the process designed by parent management to determine whether there are indications of impairment as well as the recoverable amount of non-current assets subject to amortization/depreciation and goodwill, and assessing the design and implementation of the relevant controls in place in that process, involving our valuation specialists. ▶ Evaluating parent management's analysis of indications of impairment and reasonableness of the methodology used and the principal assumptions made to determine the recoverable amount of assets linked to stores and goodwill related to group companies (in particular, with regard to the assumptions underlying projected cash flows and long-term growth and discount rates), with the involvement of our valuation specialists.

- Comparing the consistency applied in projecting future profit used as a basis for determining the recoverable amount of stores and goodwill related to group companies with the group's latest budget for 2023 approved by the parent's board of directors, and with the various group companies' business plans prepared by management.
- Assessing, with the involvement of our valuation specialists, the sensibility of the analyses used to evaluate changes in the main assumptions used.
- Reviewing the disclosures made in the notes to the consolidated financial statements and assessing whether they are in conformity with the applicable financial reporting framework.

Other information: Consolidated Management Report

Other information refers exclusively to the 2022 consolidated management report, the preparation of which is the responsibility of the parent's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

a. Checking only that the consolidated non-financial statement and certain information included in the Corporate Governance Report and the Annual Report on Remuneration of Directors, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.

b. Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above has been furnished as stipulated in applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2022 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the parent's directors and the audit committee for the consolidated financial statements

The directors of the parent are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee of the parent is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the parent's directors.

- Conclude on the appropriateness of the use by the parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legally stipulated disclosure requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Distribuidora Internacional de Alimentación, S.A. and subsidiaries for the 2022 financial year, consisting of XHTML files containing the financial statements for the year and the XBRL files marked up by the entity, which will form part of the annual financial report.

The directors of Distribuidora Internacional de Alimentación, S.A. are responsible for submitting the annual financial report for the 2022 financial year in accordance with the format and markup requirements set out in the European Commission Delegated Regulation (EU) 2019/815, of December 17, 2018 (the "ESEF Regulation"). For this reason, the Annual Corporate Governance Report and the Annual Report on Remuneration of Directors have been included in the consolidated management report for reference.

Our responsibility consists of examining the digital files prepared by the directors of the parent company, in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the consolidated financial statements included in the aforementioned digital files correspond in their entirety to those of the consolidated financial statements that we have audited, and whether the consolidated financial statements and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the ESEF regulation.

In our opinion, the digital files examined correspond in their entirety to the audited consolidated financial statements, which are presented and have been marked up, in all material respects, in conformity with ESMA requirements.

Additional report to the Parent's audit committee

The opinion expressed in this report is coherent with that reflected in our additional report prepared for the parent's Audit Committee dated April 14, 2023.

Term of engagement

The ordinary general shareholders' meeting held on June 7, 2022 appointed us as the Group's auditors for the year ended December 31, 2022.

Previously, we were appointed as auditors by the shareholders for three years and we have been carrying out the audit of the financial statements continuously since the year ended December 31, 2019.

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

(Signed on the original Spanish version)

José Luis Ruiz Expósito
(Registered in the Official Register of Auditors under entry no. 5217)

April 14, 2023

Distribuidora Internacional de Alimentación, S.A. and Subsidiaries

Consolidated Annual Accounts and Consolidated Directors' Report

31 December 2022

(Together with the Audit Report)

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

Distribuidora Internacional de Alimentación, S.A. and Subsidiaries

DIA GROUP CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2022

(I) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

(Expressed in thousands of euro)

ASSETS	Notes	2022 31 December	2021 31 December
Property, plant and equipment	5	904,315	898,398
Goodwill	6.1	326,297	451,102
Use of right	6.2	492,677	505,318
Other intangible assets	6.3	37,289	24,434
Investments accounted for using the equity method	8	430	484
Trade and other receivables	7.1	11,316	15,386
Other non-current financial assets	7.2	60,476	61,772
Non-current tax assets	16.2	70,366	61,329
Non-current assets		**1,903,166**	**2,018,223**
Inventories	10	417,641	452,003
Trade and other receivables	7.1	199,087	178,031
Consumer loans from financial activities		908	1,010
Current tax assets	16.2	49,704	46,548
Current income tax assets	16.2	8,303	1,681
Other current financial assets	7.2	7,673	4,879
Other assets	9	9,627	7,382
Cash and cash equivalents	11	215,819	361,065
		908,762	1,052,599
Non-current assets held for sale	12	309,012	-
Current assets		**1,217,774**	**1,052,599**
TOTAL ASSETS		**3,120,940**	**3,070,822**

The accompanying notes form an integral part of the consolidated annual accounts for 2022.

(I) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

(Expressed in thousands of euro)

EQUITY AND LIABILITIES	Notes	2022 31 December	2021 31 December
Capital	13.1	580,655	580,655
Share premium	13.2	1,058,873	1,058,873
Reserves	13.4	(1,443,547)	(1,185,937)
Own shares	13.5 a)	(3,150)	(3,842)
Other own equity instruments	13.5 b) and 17	250	416
Net losses for the period	13.4	(123,848)	(257,331)
Translation differences	13.8	(64,960)	(99,264)
Value adjustments due to cash flow hedges		3,284	-
Equity attributable to equity holders of the Parent		7,557	93,570
Total Equity		7,557	93,570
Non-current borrowings	14.1	1,009,544	1,023,183
Provisions	15	83,515	94,412
Other non-current financial liabilities	14,2	710	-
Deferred tax liabilities	16	50,742	36,453
Non-current liabilities		1,144,511	1,154,048
Current borrowings	14.1	278,877	272,454
Trade and other payables	14.3	1,329,274	1,274,612
Current tax liabilities	16	56,072	46,909
Current income tax liabilities	16	14,191	8,062
Other current financial liabilities	14.4	212,727	221,167
		1,891,141	1,823,204
Liabilities directly associated with non-current assets held for sale	12	77,731	-
Current liabilities		1,968,872	1,823,204
TOTAL EQUITY AND LIABILITIES		**3,120,940**	**3,070,822**

The accompanying notes form an integral part of the consolidated annual accounts for 2022.

(II) CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2022
(Expressed in thousands of euro)

INCOME STATEMENT	Notes	2022 31 December	Restated (*) 2021 31 December
Sales	4 and 18.1	6,524,320	5,900,055
Other income	19.1	35,746	30,379
TOTAL INCOME		6,560,066	5,930,434
Goods and other consumables used	19.2	(4,850,148)	(4,353,371)
Personnel expenses	19.3	(705,051)	(709,263)
Operating expenses	19.4	(710,567)	(613,063)
Depreciation and amortization	19.5	(354,323)	(341,044)
Impairment of non-current assets	19.5	(40,756)	(50,723)
Impairment of trade debtors	7.1	(4,286)	1,587
Losses on disposal of fixed assets	19.6	(24,003)	(22,843)
RESULT FROM OPERATING ACTIVITIES		(129,068)	(158,286)
Finance income	19.7	65,523	35,208
Finance expenses	19.7	(129,616)	(139,870)
Gain from net monetary positions	19.9	100,818	42,262
Result from financial instruments		-	110
Profit/(losses) of companies accounts for using the equity method	19.10	(55)	11
LOSSES BEFORE TAX FROM CONTINUING OPERATIONS		(92,398)	(220,565)
Income tax	16	(33,860)	(13,875)
LOSSES AFTER TAX FROM CONTINUING OPERATIONS		(126,258)	(234,440)
Result of discontinued operations		2,410	(22,891)
NET LOSSES		(123,848)	(257,331)
Atributted to:			
Equity holders of the Parent		(123,848)	(257,331)
Basic and diluted earnings per share, in euros			
Losses on continuing operations		(0.002)	(0.004)
Losses on discontinued operations		-	-
Losses for the period		(0.002)	(0.004)

The accompanying notes form an integral part of the consolidated annual accounts for 2022.

(*) Data restated as a result of classification to discontinued operations of the Clarel business and the large format store business agreed for sale to Alcampo (see note 12).

(III) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

(Expressed in thousands of euro)

	2022 31 December	2021 31 December
Net losses for the period	(123,848)	(257,331)
Other comprehensive income:		
Items not subject reclassifications to income statement	-	-
Items subject to reclassification to income statement		
Translation differences of financial statements of foreign operations	34,304	25,020
	34,304	25,020
Value adjustments due to cash flow hedges	3,284	-
	3,284	-
Other comprehensive income, net of income tax	37,588	25,020
Total comprehensive income, net of income tax	(86,260)	(232,311)
Attibuted to:		
Equityholders of the Parent	(86,260)	(232,311)
	(86,260)	(232,311)

The accompanying notes form an integral part of the consolidated annual accounts for 2022.

(IV) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

(Expressed in thousands of euro)

	Equity attributable to equityholders of the Parent									
	Registered capital	Share premium	Reserves and accumulated earnings	Net losses	Own shares	Other own equity instruments	Value adjustments due to cash flow hedges	Translations differences	Equity attributable to the Parent	Total equity
At 1 January 2021	**66,780**	**544,997**	**(815,387)**	**(363,788)**	**(5,763)**	**250**	**-**	**(124,284)**	**(697,195)**	**(697,195)**
Transfer of the losses of the previous year	-	-	(363,788)	363,788	-	-	-	-	-	-
Net losses for the period	-	-	-	(257,331)	-	-	-	-	(257,331)	(257,331)
Other comprenshive income, net of income tax	-	-	-	-	-	-	-	25,020	25,020	25,020
foreign operations	-	-	-	-	-	-	-	25,020	25,020	25,020
Total comprehensive income for the period	-	-	-	**(257,331)**	-	-	-	**25,020**	**(232,311)**	**(232,311)**
Transacitions with equityholders or owners	513,875	513,876	(6,762)	-	1,921	166	-	-	1,023,076	1,023,076
Capital increase	513,875	513,876	(1,217)	-	-	-	-	-	1,026,534	1,026,534
Issuance net share-based payments	-	-	-	-	-	227	-	-	227	227
Delivery of own shares	-	-	(2,346)	-	2,395	(61)	-	-	(12)	(12)
Share purchase	-	-	-	-	(474)	-	-	-	(474)	(474)
Other variations in shareholders´equity	-	-	(3,199)	-	-	-	-	-	(3,199)	(3,199)
At 31 December 2021	**580,655**	**1,058,873**	**(1,185,937)**	**(257,331)**	**(3,842)**	**416**	**-**	**(99,264)**	**93,570**	**93,570**
At 1 January 2021	**580,655**	**1,058,873**	**(1,185,937)**	**(257,331)**	**(3,842)**	**416**	**-**	**(99,264)**	**93,570**	**93,570**
Transfer of the losses of the previous year	-	-	(257,331)	257,331	-	-	-	-	-	-
Net losses for the period	-	-	-	(123,848)	-	-	-	-	(123,848)	(123,848)
Other comprenshive income, net of income tax	-	-	-	-	-	-	3,284	34,304	37,588	37,588
foreign operations	-	-	-	-	-	-	-	34,304	34,304	34,304
Value adjustments due to cahs flow hedges	-	-	-	-	-	-	3,284	-	3,284	3,284
Total comprehensive income for the period	-	-	-	**(123,848)**	-	-	**3,284**	**34,304**	**(86,260)**	**(86,260)**
Transacitions with equityholders or owners	-	-	(279)	-	692	(166)	-	-	247	247
Issuance net share-based payments	-	-	-	-	-	269	-	-	269	269
Delivery of own shares	-	-	(279)	-	692	(435)	-	-	(22)	(22)
At 31 December 2022	**580,655**	**1,058,873**	**(1,443,547)**	**(123,848)**	**(3,150)**	**250**	**3,284**	**(64,960)**	**7,557**	**7,557**

The accompanying notes form an integral part of the consolidated annual accounts for 2022.

(V) CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

(Expressed in thousands of euro)

	Notes	2022 31 December	Restated* 2021 31 December
Operating activities			
LOSS/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		(92,398)	(220,565)
Loss/Profit before tax from discontinued operations		2,410	(22,891)
Loss before income tax		*(89,988)*	*(243,456)*
Adjusmtents to Profit and Loss:		*519,782*	*590,180*
Depreciation and amortization	19.5	354,323	341,044
Impairment of non current assets	19.5	40,756	50,723
Impairment of trade debtors	7.1	4,286	(1,587)
Losses on disposal of non current assets	19.6	24,003	22,843
Result from financial instruments		-	(110)
Finance income	19.7	(65,523)	(35,208)
Finance expenses	19.7	129,616	139,870
Changes of provisions and grants		(17,453)	9,440
Other adjustements of discontinued operations	12	55,475	71,171
Other adjustments to Profit and Loss		(5,756)	(7,995)
Share of (Profit)/loss of companies accounted for using the equity method net of dividends	8 and 19.10	55	(11)
Adjusments to working capital:		*38,312*	*7,658*
Changes in trade and other receivables		(33,928)	(40,183)
Change in inventories		(18,863)	(15,168)
Changes in trade and other payables		85,261	86,109
Changes in consumer loan and refinancing commitments		102	397
Change in other assets		(10,919)	9,948
Change in other liabilities		31,342	(35,191)
Changes in working capital of discontinued operations		(2,232)	2,856
Current income tax payables		(12,451)	(1,110)
Net cash flow form/(used in) operating activities		*468,106*	*354,382*
Investing activities			
Purcharses of intangible assets	6.3	(17,537)	(9,951)
Development cost	6.3	(6,722)	(2,904)
Payments of property, plant and equipment	5	(267,180)	(165,192)
Payment of financial instruments		(13,302)	(10,452)
Disposals of intangible assets		-	6
Disposals of property, plant and equipment		24,774	9,728
(Payments)/Collections for other financial assets		(3,498)	(577)
Interest received		29,039	11,875
Investment flows of discontinued operations	12	(4,157)	(4,055)
Net cash flow used in investing activities		*(258,583)*	*(171,522)*
Financing activities			
Capital increase, net of cost	13.1	-	257,334
Charge for sale of own shares	13.5 a)	-	(474)
Financial lease payments	14.1 c)	(237,567)	(236,340)
Borrowings repaid	14.5	(21,423)	(97,056)
Borrowings made	14.5	12,754	6,257
Payments from other financial liabilities		738	14,380
Interest paid		(35,578)	(65,287)
Financing flows of discontinued operations	12	(36,837)	(36,241)
Net cash flow form/(used in) financing activities		*(317,913)*	*(157,427)*
Net changes in cash and cash equivalents		*(108,390)*	*25,433*
Net foreign exchanges differences		(36,856)	(11,353)
Cash and cash equivalents at 1st January		*361,065*	*346,985*
Cash and cash equivalents at 31st December		*215,819*	*361,065*

(*) Data restated as a result of classification to discontinued operations of the Clarel business and the large format store business agreed for sale to Alcampo (see note 12).

The accompanying notes form an integral part of the consolidated annual accounts for 2022.

(VI) Notes to the Consolidated Annual Accounts for 2022

1. NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

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

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

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

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

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

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

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

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

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

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

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

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

Its main activity is retail trade in food products through owned or franchised self-service stores. The Parent opened its first establishment in Madrid in 1979.

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

The Group comprises the Parent Company together with its subsidiaries, consolidated under the full consolidation method, except for ICDC Services, Sàrl en liquidation (50% owned by Dia World Trade, S.A.U.) and Horizon International Services Sàrl (25% owned by Dia World Trade, S.A.), accounted for by the equity method, and the company CD Supply Innovation, S.L. in liquidation (50% stake held by DIA, S.A.) accounted for as a joint operation.

Dia shares have been listed on the Spanish stock exchanges since 5 July 2011.

1.1. Relevant events occurring during 2022

a) Changes to the Board of Directors and its committees

Mr. Jaime García-Legaz Ponce, having fully fulfilled his three-year term for which he was elected and having expressed his wish that his office would not be subject to re-election at the next General Meeting, effectively stepped down from his position as independent director at the General Shareholders' Meeting held on 7 June 2022.

The 7 June 2022 General Meeting of Shareholders approved the reelection for the statutory period of two years of Mr Stephan DuCharme as executive director, Mr Sergio Ferreira Dias as proprietary director and Mr José Wahnon Levy as an independent director. It also ratified the appointment by co-option of Mr. Vicente Trius Oliva agreed by the Board of Directors at the meeting held on 29 September 2021 and re-elected him for the statutory period of two years as an independent director. The GMS also appointed Ms. Gloria Hernández García as an independent director for the statutory period of two years. Finally, the Board set the number of members on the Board of Directors at eight and agreed to maintain the vacancy that existed following the resignation, on 18 April 2022, of Ms. Basola Vallés Cerezuela as a result of her appointment as Senior Vicepresident Strategic Customer Partner (SEMEA) in the Salesforce group, a position that excluded the possibility of continuing to hold positions on the boards of other entities.

At the 7 June 2022 meeting, the Board of Directors approved the appointment of Ms Gloria Hernández García as a member of the Audit and Compliance Committee and Mr Vicente Trius Oliva as a member of the Appointments and Remuneration Committee.

On 29 August 2022 the Board of Directors accepted the resignation of the Chairman of the Board of Directors and of the Global CEO (chief executive officer) of the parent Company and of the Dia Group. Pursuant to the above, the Board of Directors: (i) accepted the resignation of Mr. Stephan DuCharme as executive director of the Parent Company, continuing as a director (with the status of external proprietary director) and as non-executive chairman of the Board of Directors; (ii) approved the appointment of Mr. Martín Tolcachir (until then CEO of Dia Argentina) as Global CEO (chief executive officer and managing director) of the Parent Company and of the Dia Group; and (iii) as a consequence of the separation of positions, it approved the removal of the position of coordinating independent director, with Ms. Luisa Desplazes de Andrade Delgado stepping down from the exercising thereof.

At 31 December 2022, the Parent's Board of Directors and committees were thus made up as follows:

Board of Directors:

Chairperson:	Mr. Stephan DuCharme (External Proprietary Director and non-executive chairman).
Directors:	Mr. Sergio Antonio Ferreira Dias (external proprietary director).
	Mr. José Wahnon Levy (independent director).
	Mr. Marcelo Maia Tavares (another external director).
	Mr. Vicente Trius Oliva (independent director).
	Mrs. Luisa Desplazes de Andrade Delgado (independent director).
	Mrs. Gloria Hernández García (independent director).

Audit and Compliance Committee:

Chairperson:	Mr. José Wahnon Levy (independent director).
Directors:	Mr. Sergio Antonio Ferreira Dias (external proprietary director).
	Mrs. Gloria Hernández García (independent director).

Appointments and Remuneration Committee:

Chairperson: Mrs. Luisa Desplazes de Andrade Delgado (independent director).

Directors: Mr. Marcelo Maia Tavares (another external director).

Mr. Vicente Trius Oliva (independent director).

b) General Meeting of Shareholders of the Parent Company

The General Meeting of Shareholders of the parent company was held on 07 June 2022 and the following resolutions, amongst others, were adopted: (i) Approval of the annual accounts, individual and consolidated management reports, non-financial reporting statement and proposed application of results for the 2021 financial year; (ii) Approval of the management of the Board of Directors during the 2021 financial year; (iii) Reelection of Ernst & Young S.L. as auditor of the Company and consolidated group accounts for the 2022 financial year; (iv) Modification of the corporate bylaws to reduce the period for the position of director to two years; (v) Reelection of Mr. Stephan DuCharme as executive director, Mr. Sergio Ferreira Dias as proprietary director and Mr. José Wahnon Levy as an independent director; (vi) Ratification of the appointment by co-option and reelection of Mr. Vicente Trius Oliva as an independent director; (vii) Appointment of Ms. Gloria Hernández García as an independent director; (viii) Fixing of the number of members of the Board of Directors at eight; (ix) Approval of the director remuneration policy; (x) Consultative vote on the annual report on director remuneration for the 2021 year; (xi) Delegations to issue shares and convertible bonds and exclusion of the right of preferential subscription; (xii) Approval of the reduction to 15 days of the term to call Extraordinary General Meetings; and (xiii) Delegation of powers to formalise, interpret, redress and implement agreements adopted by the General Meeting.

c) Impact of the conflict in Ukraine

The Group does not have any operations or assets in Ukraine, Russia or Belarus and exposure to said markets is not considered material. However, the Group is affected, as are other sectors, by the macroeconomic consequences of the conflict, such as an increase in energy, fuel and raw material prices. The Group has not suffered any significant supply chain problems during this financial year; however, it is closely monitoring their evolution. However, it is difficult to estimate how all these variables will evolve in the coming months given the geopolitical implications of the conflict and its possible global implications, which make it difficult to make any reliable estimate of the potential impact it could have on Dia's Group business.

The Parent Company informed the CNMV, through publications of Other Relevant Information, dated 28 February 2022, 15 March 2022 and 22 March 2022 that, within the framework of EU restrictive measures in response to the crisis in Ukraine and, specifically, in relation to the international sanctions imposed against Russia, the Parent Company is controlled by the Luxembourg company LetterOne Investment Holdings S.A. ("LIHS"), with a 77.704% stake in its share capital and, furthermore, that, according to the information available at the time from LIHS, no individual LIHS shareholder holds, either individually or by agreement with other shareholders, control of LIHS. Consequently, the Parent Company is not affected by the international sanctions adopted in response to the crisis in Ukraine. This situation remains unchanged as at the date of drawing up these consolidated annual accounts.

d) *Corporate Operations*

In 2022, the Group announced two corporate operations in Spain (see details in note 12). On 2 August, the sale of the large format stores business to Alcampo, S.A. (hereinafter Alcampo) (that operated most of all as Dia Maxi and La Plaza de Dia) was announced and on 23 December the sale of the brand Clarel, the Group's personal and home care business which operated the consolidated judicial entity Beauty by Dia, S.A) , to C2 Private Capital, S.L. At year-end these operations were pending compliance with different conditions which are expected to come to pass during 2023. These corporate operations are part of the Group's strategy of focusing on proximity stores and the food distribution business.

The performance of these corporate operations entailed the classification of the assets sold as non-current assets held for sale in the consolidated statements of financial position and the result thereof as a result of discontinued operations in the consolidated income statement.

e) *Profit/(loss) evolution during the year*

The data for the year show consistent growth in the Dia Group's business supported by a differential value proposition for clients. Without taking into account the classification to discontinued operations of the Clarel business and the large format stores business agreed in the sale to Alcampo, net sales have grown by 9.6% compared to 2021 to 7,285.8 million euros and the Adjusted EBITDA stands at 200.4 million euros, improving 76.1 million euros compared to 2021, as indicated in note 4. The adjusted EBITDA margin achieved is 2.8%, up 0.9pp from 2021 despite the high cost inflationary environment. The above data show an improvement compared to 2021 as a result of the consolidation of the strategic initiatives started in

2019 by the Group. Regarding the attributable net result, the loss is reduced by 51.9% reaching 123.8 million euros, 133.5 million euros better than in 2021.

The Group considers that during 2022 a significant progress has been made on this strategic roadmap that is based on three pillars: the deployment of a differentiating value proposition for its customers, both in store and online, with a renewed assortment and a great quality own brand at affordable prices; the strengthening of its relationship with its network of franchisees, allies in its ambition to be the favourite proximity store for customers, and also for suppliers; and in the technological transformation that allows greater efficiency in operations and generates value for the business through digital levers such as the e-commerce service.

This new Dia is highly implemented in Spain and Argentina, where 809 and 255 stores, respectively, have been transformed in the last year. In addition, in Spain, 23 new stores have opened (excluding the openings of 4 stores in the Clarel business) and 101 in Argentina. In this way, 2,211 stores of the new model, 77% of its proximity network, are already operating on these two markets and the entire renovation is expected to be completed during 2023. The improvement in business in these two countries means that they perform above the market average, having gained a stake in the last half of the year compared with the same period the previous financial year.

For a better comparability of the result of the business, the main magnitudes without taking into account the classification to

For the 12-month periods ending 31 December 2022 and 20211
(Thousands of euro) (*)

	2022	2021	Variation	
	31 december	31 december	Absolute	%
Net sales	7,285.8	6,647.7	638.1	9.6%
EBITDA Adjusted	200.4	124.3	76.1	61.2%
Margin EBITDA Adjusted	2.8%	1.9%	0,9pp	47.1%
EBITDA	347.9	299.0	48.9	16.4%
EBIT	(122.7)	(176.0)	53.3	30.3%
Net result	(123.8)	(257.3)	133.5	51.9%

(*) The definition of alternative performance mesuares are including in the Consolidated Director's Report

Once the Clarel business and the large-format stores business agreed in the sale to Alcampo have been classified as discontinued operations, the main magnitudes of the income statement, which are presented in these consolidated annual accounts, are as follows:

For the 12-month periods ending 31 December 2022 and 2021
(Thousands of euro) (*)

	2022	2021	Variation	
	31 december	31 december	Absolute	%
Net sales	6,524.3	5,900.1	624.2	10.6%
EBITDA Adjusted	176.4	111.9	64.5	57.6%
Margin EBITDA Adjusted	2.7%	1.9%	0,8pp	42.6%
EBITDA	290.0	256.3	33.7	13.1%
EBIT	(129.1)	(158.3)	29.2	18.4%
Net result	(123.8)	(257.3)	133.5	51.9%

(*) The definition of alternative performance mesuares are including in the Consolidated Director's Report

1.2 Changes in the Group's structure and other corporate operations

The following changes and operations in the Group occurred in 2022 and 2021:

– 2022

- During the financial year of 2022, the sum contributed in Brazil amounted to 42,284 thousand euros, and occurred through the cancellation of debt at Dia Brasil amounting to 597 thousand euros, and a cash contribution of 41,687 thousand euros. The capital of Dia Brasil increased from 3,061,993,256.10 reals as of 31 December 2021 to 3,303,218,956.10 reals as of 31 December 2022, represented by 2,144,009,027 shares of an approximate value of 1.54 Reals of nominal value.
- During the financial year of 2022 there were debt write-offs to Dia Argentina amounting to 5,902 thousand euros, of which the parent Company contributed 5,607 thousand euros corresponding to 95% of its direct stake in the subsidiary and the remaining 5% was contributed by the company Pe-Tra Servicios a la Distribución, S.L.U.

– 2021

- During the financial year of 2021, the sum contributed in Brazil amounted to 113,464 thousand euros, and occurred through the cancellation of debt at Dia Brasil amounting to 16,103 thousand euros, and a cash contribution of 97,361 thousand euros. The capital of Dia Brasil increased from 2,427,353,318.50 reals as of 31 December 2020 to 3,061,993,256.10 reals as of 31 December 2021, represented by 2,144,009,027 shares of an approximate value of 1.43 Reals of nominal value.
- During the financial year of 2021 there were debt write-offs to Dia Argentina amounting to 17,521 thousand euros, of which the parent Company contributed 16,645 thousand euros corresponding to 95% of its direct stake in the subsidiary and the remaining 5% was contributed by the company Pe-Tra Servicios a la Distribución, S.L.U.
- In December 2021, Dia Retail España, S.A.U. cancelled the intra-group debt, through the contribution of shareholders, to its subsidiaries Grupo El Árbol Distribución y Supermercados, S.A.U. and Beauty by Dia, S.A.U. for amounts of 80,000 thousand euros and 5,000 thousand euros, respectively.

Details of the Dia Group's subsidiaries, as well as their activities, registered offices and percentages of ownership at 31 December 2022 and 2021 are shown below. The country of incorporation is also its main centre of business activities.

Name	Location	Activty	% Ownership 2022	2021
DIA Portugal Supermercados, S.A (*)	Lisbon	Wholesale and retail distribution of food products.	100.00	100.00
DIA Portugal II, S.A (*)	Lisbon	Wholesale and retail distribution of food products.	100.00	100.00
DIA Argentina, S.A (*)	Buenos Aires	Wholesale and retail distribution of food products.	100.00	100.00
Distribuidora Internacional, S.A (*)	Buenos Aires	Consulting services	100.00	100.00
DIA Brasil Sociedade Limitada (*)	Sao Paulo	Wholesale and retail distribution of food products.	100.00	100.00
DBZ Administraçao, Gestao de Ativos e Serviços Imobiliarios LTDA (*)	Sao Paulo	Wholesale and retail distribution of food products.	100.00	100.00
DIA Retail España, S.A.U. (*)	Madrid	Distribution of food and toiletries through supermarkets.	100.00	100.00
Pe-Tra Servicios a la distribución, S.L.U. (*)	Madrid	Leasing of business premises.	100.00	100.00
DIA World Trade, S.A.U. (*)	Geneva	Provision of services to suppliers of DIA Group companies.	100.00	100.00
Beauty by DIA, S.A U. (*)	Madrid	Distribution of cleaning and toiletry products	100.00	100.00
Grupo El Árbol, Distribución y Supermercados, S.A.U. (*)	Madrid	Wholesale and retail distribution of food products and others	100.00	100.00
Finandia, S.A.U.	Madrid	Loan and credit transactions, including consumer loans, mortgage loans and finance for commercial transactions, and credit and debit card issuing and management	100.00	100.00
DIA FINANCE, S.L.U. (*)	Madrid	Import, export, acquisition, distribution and wholesale and retail sale of food, beverages, household goods and in general other products for domestic use and consumption.	100.00	100.00
Luxembourg Investment Company 317. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 318. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 319. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 320. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 321. S.a.r.l.	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 322. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 323. S.a.r.l.	Luxembourg	Company holding shares	100.00	100.00

(*) Audited companies by Ernst & Young, S.L., and other affiliated entities to EY International with closing date 31st december.

Details of the Dia Group's associates and joint ventures at 31 December 2022 and 2021 are as follows:

Name	Location	Activty	% Ownership 2022	2021
CD Supply Innovation S.L. en liquidación	Madrid	Financial and supplies services management for own brand.	50.00	50.00
ICDC Services Sàrl in liquidation	Geneva	Financial and supplies services management for own brand.	50.00	50.00
Horizon International Services, S.a.r.l.	Geneva	Negociation with suppliers of distribution brands	25.00	25.00

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

2. BASIS OF PRESENTATION

2.1. Basis of preparation of the consolidated annual accounts

The directors of the Parent have prepared these consolidated annual accounts on the basis of the accounting records of Distribuidora Internacional de Alimentación S.A. and consolidated companies and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, to give a true and fair view of the consolidated equity and consolidated financial position of Distribuidora Internacional de Alimentación S.A. and subsidiaries at 31 December 2022 and of consolidated results of operations, consolidated cash flows and changes in consolidated equity for the year then ended.

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

Note 3 includes a summary of all mandatory and significant accounting principles, measurement criteria and alternative options permitted in this regard.

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

The Dia Group's consolidated annual accounts for 2022 were authorised for issue by the board of directors of the Parent on 28 March 2023 and are expected to be approved by the shareholders of the Parent Company at their Ordinary General Meeting without any changes.

2.2. Functional and presentation currency

The figures contained in the documents comprising these consolidated annual accounts are expressed in thousands of Euros, unless stated otherwise. The Parent´s functional and presentation currency is the Euro. The items included in the consolidated accounts of each of the Group entities are measured using the currencies of the main economic environments in which the entities operate.

2.3. Comparative information

The consolidated annual accounts for the financial year of 2022 present for comparative purposes, with each of the items of the consolidated financial statements, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes of the consolidated annual accounts, in addition to the figures for the financial year of 2022, those corresponding to the previous financial year, which differ from those approved by the Ordinary General Shareholders' Meeting of the Parent Company on 7 June 2022 due to the classification of the Clarel business and the large format store business as agreed in the sale to Alcampo mentioned in the previous note 1 d), following the communications made for the sales of both businesses, and therefore, in accordance with the requirements of IFRS 5, the comparative figures for the financial year of 2021 have been re-expressed to classify the earnings of both businesses in a single line of the consolidated income statement under the heading "Earnings from discontinued activities." See details of discontinued operations in note 12.

2.4. Going concern

The Directors of the Parent Company have prepared these consolidated annual accounts for the financial year of 2022 on a going concern basis.

At 31 December 2022, consolidated equity amounted to a positive amount of 7.6 million euros (a positive amount of 93.6 million euros at 31 December 2021) and consolidated working capital, calculated as current assets less current liabilities, excluding assets and liabilities held for sale, was also negative, amounting to 982 million euros (771 million euros at 31 December 2021). The consolidated loss for 2021 amounts to 124 million euros (consolidated loss of 257 million euros in 2021) and the net consolidated variation in cash and cash equivalents was a negative amount of 145 million euros (positive amount of 14 million euros in 2021).

As for the parent company, at 31 December 2022, equity came to 667 million euros (838 million euros at 31 December 2021).

In addition, at 31 December 2022, the Group had available liquidity at the consolidated level of 350.5 million euros which include the available balances of the financing obtained and the cash and other equivalent liquid assets existing at this date, additionally, updated business plans show significant improvements. Likewise, during 2023 the Group will have additional net liquidity as a result of the corporate operations mentioned in notes 1 d), 12 and 14. Within this context, the directors consider the Group will continue to operate on a going concern basis.

2.5. Classification of Argentina as a hyperinflationary country

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

Consequently, in accordance with IFRS-EU, Argentina is considered a hyperinflationary economy for accounting purposes for the years ending after 1 July 2018. The application of IAS 29 to the Group's 2022 and 2021 consolidated annual accounts was conducted in accordance with the following criteria:

- Hyperinflation accounting was applied to all the assets and liabilities of the subsidiary companies Dia Argentina and Distribuidora Internacional, S.A. before the conversion.
- The historical cost of non-monetary assets and liabilities and the equity items of this Company from their date of acquisition or inclusion in the consolidated statement of financial position to each period-end has been adjusted to reflect changes in the purchasing power of the currency arising from inflation.

- The initial equity recorded in the uniform currency is subject to the accumulated effect of the restatement due to inflation of non-monetary items from the date they were first recognised and the effect of translating these balances to the closing rate at the start of the year. The Group opted to recognise the difference between equity at the closing of the prior year and at the start of the year in reserves, together with the accumulated exchange differences up to that date, 1 January 2018. In 2020, as a result of the interpretation issued by the International Financial Reporting Standards Interpretations Committee, the parent adopted the accounting policy of recording changes in equity relating to currency effects and the effect of inflation in full under "Translation Differences". Comparative figures were restated in 2019, although the net equity figure remained unchanged with this change in presentation. Therefore, the Group has adopted the accounting policy of recognition of changes in equity related to the currency effect and hyperinflation effect under "Translation Differences" in their entirety.
- The Group has adjusted the consolidated income statement at 31 December 2022 and 31 December 2021 to reflect the financial profit relating to the impact of inflation on net monetary assets.
- The different items in the consolidated income statement and the consolidated cash flow statement at 31 December 2022 and 31 December 2021 have been adjusted by the inflation rate since their generation, with a balancing entry in financial results and net exchange differences, respectively.

The inflation rate considered for this calculation at 31 December 2022 was 94.79% (50.94% at 31 December 2021). This rate was obtained from information issued by the public organisation INDEC (National Statistics and Census Institute), an Argentinian public body, through the publication of the Consumer Price Index which measures variations in the price of goods and services comprised in domestic consumer spending.

The monthly evolution of the price index was as follows:

Month	Index	Month	Index	Month	Index	Month	Index	Month	Index	Month	Index
Jan-17	1.015859	Jan-18	1.26989	Jan-19	1.89706	Jan-20	2.89976	Jan-21	4.01507	Jan-22	6.05032
Feb-17	1.036859	Feb-18	1.30061	Feb-19	1.96849	Feb-20	2.95815	Feb-21	4.15859	Feb-22	6.33434
Mar-17	1.061476	Mar-18	1.33105	Mar-19	2.06061	Mar-20	3.05706	Mar-21	4.35865	Mar-22	6.76057
Apr-17	1.089667	Apr-18	1.36751	Apr-19	2.13159	Apr-20	3.10281	Apr-21	4.53650	Apr-22	7.16940
May-17	1.105301	May-18	1.39589	May-19	2.19680	May-20	3.15067	May-21	4.68725	May-22	7.53147
Jun-17	1.118477	Jun-18	1.44805	Jun-19	2.25651	Jun-20	3.22314	Jun-21	4.83605	Jun-22	7.93028
Jul-17	1.137852	Jul-18	1.49297	Jul-19	2.30601	Jul-20	3.28201	Jul-21	4.98099	Jul-22	8.51761
Aug-17	1.153819	Aug-18	1.55103	Aug-19	2.39729	Aug-20	3.37063	Aug-21	5.10394	Aug-22	9.11132
Sep-17	1.175719	Sep-18	1.65238	Sep-19	2.53838	Sep-20	3.46621	Sep-21	5.28497	Sep-22	9.67308
Oct-17	1.193528	Oct-18	1.74147	Oct-19	2.62198	Oct-20	3.59657	Oct-21	5.47080	Oct-22	10.28706
Nov-17	1.209940	Nov-18	1.79639	Nov-19	2.73354	Nov-20	3.71021	Nov-21	5.60918	Nov-22	10.79279
Dec-17	1.247956	Dec-18	1.84255	Dec-19	2.84834	Dec-20	3.85883	Dec-21	5.82458	Dec-22	11.34588

The most significant impacts on the consolidated financial statement deriving from inflation in Argentina relate to the revaluation of property, plant and equipment (see Note 5) and the corresponding effect on deferred taxes (see Note 16). The impact of inflation on non-monetary items has been included as translation differences.

Furthermore, the impact of the change in the net monetary position at 31 December 2022 and 31 December 2021 has been recognised as a financial profit (see Note 19.9).

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

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

- Evaluation of the potential impairment of non-financial assets subject to amortisation or depreciation: see Note 3k(i) and Note 5.
- Evaluation of the potential impairment of non-financial assets not subject to amortisation or depreciation: see Note 3k(ii) and Note 6.1.
- Analysis of possible contingencies or liabilities linked to ongoing processes: see notes 3v), 15 and 20.

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

2.7. First-time application of accounting standards and interpretations

The accounting policies used in the preparation of these consolidated annual accounts are the same as those applied in the consolidated annual accounts for the financial year ended 31 December 2021, since none of the standards, interpretations or modifications applicable for the first time in this financial year had an impact on the Group's accounting policies.

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

The Group intends to adopt the standards, interpretations and amendments to the standards issued by the IASB that are not mandatory in the European Union when they come into effect, if applicable.

2.9. Basis of consolidation

a) Subsidiaries

IFRS 10 requires an entity (the parent) that controls one or more entities (subsidiaries) to present consolidated annual accounts and establishes control as the basis for consolidation. An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if and only if the investor has all the following:

a) power over the investee;

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

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

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

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date on which the Group effectively takes control. Subsidiaries are excluded from the consolidated Group from the date on which this control is lost. All balances, income and expenses, gains, losses and dividends arising from transactions between Group companies are eliminated in full.

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

b) Associates

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

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

c) Joint agreements

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

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

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

In 2018, based on the financial reality of the transactions carried out by CDSI, such as the separation of CDSI from the management of the transactions carried out by each partner, the Group classified the agreement as a joint arrangement and included the relevant assets and liabilities in the consolidated statement of financial position. The company ceased operations in February 2020 and is currently in liquidation (see note 1.2).

d) Equity method

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

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

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

e) Changes in ownership interests

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations and goodwill

As permitted by IFRS 1, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition of the Carrefour Group to IFRS-EU, using the acquisition method (The Dia Group was spun off from the Carrefour Group in 2011.) Entities acquired prior to that date were recognised in accordance with the generally accepted accounting principles applied by the Carrefour Group at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group applies IFRS 3 Business Combinations to all such transactions detailed in these consolidated annual accounts.

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

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

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

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

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

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

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

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

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

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

b) Non-controlling interests

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

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

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

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

c) Translation of foreign operations

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

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

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

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

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

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, income and expenses and cash flows, are translated at the closing rate at the most recent balance sheet date;
- The comparative balances are those presented in the previous year's consolidated annual accounts and are not adjusted for subsequent changes in price levels or exchange rates. The effect of the prior year's balances is recognised as a revaluation reserve in other comprehensive income/equity translation differences.

d) Foreign currency transactions, balances and cash flows

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

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Lastly, non-monetary items measured at fair value are translated into Euros using the exchange rate prevailing on the date on which this measurement is made.

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

Exchange differences arising on the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. However, exchange gains or losses arising on monetary items forming part of the net investment in foreign operations are recognised as translation differences in other comprehensive income.

e) Financial information in hyperinflationary economies

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

f) Recognition of income and expenses

Income and expenses are recognised in the consolidated income statement on an accruals basis, that is, income is recorded when the transfer of control is produced and expenses are recorded when they take place, regardless of when the monetary or financial flows derived therefrom arise.

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

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

The Group has customer loyalty programmes which do not entail credits, as they comprise discounts which are applied when a sale is made and are recognised as a reduction in the corresponding transaction, which usually do not exceed the month in which they are granted. If the discount is applied after the current month, revenue from sales is adjusted in the current month making an estimation based on the historical amounts of loyalty and its probability of occurrence and the relevant liability is generated. The estimated amount of these discounts is regularized in the following month with the real amount in function of the redeem coupons. When these customer discounts are granted through franchised stores, they are paid to the franchisee and are therefore also recorded as a reduction in the sale amount in the month in which they are applied.

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

g) Intangible assets

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

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

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

Internally generated intangible assets

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

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

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

Expenditure on activities that contribute to increasing the value of the different businesses in which the Group as a whole operates is recognised as expenses when incurred.

Replacements or subsequent costs incurred on intangible assets are generally recognised as an expense, except where they increase the future economic benefits expected to be generated by the assets.

Computer software

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

Leaseholds

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

Industrial property

Industrial property corresponds essentially to brands acquired in business combinations.

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

Group as lessee

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

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

- **Discount rate**

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

- **Lease term**

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

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

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

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

- **Right-of-use assets**

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

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

Right-of-use is subject to impairment analysis.

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

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

- **Lease liabilities**

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

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

Group as operating lessor

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

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

i) Tangible Fixed Assets

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

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

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

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

Enlargement, modernisation or improvement expenses that lead to an increase in productivity, capacity or efficiency or lengthen the useful life of the assets are capitalised as an increase in the cost of the assets when recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate. The carrying amount of any component accounted for as a separate asset is derecognised when it is replaced.

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

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

	Years
Buildings	40
Installations in leased stores	10 – 20
Technical installations and machinery	3 – 7
Other installations, equipment and furniture	4 – 10
Other property, plant and equipment	3 – 5

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

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

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

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

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

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

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

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

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

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

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

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

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

k) Impairment of non-financial assets

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

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

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

The Group tests non-current operating assets for impairment by level. At an initial level, the potential value impairment of the tangible and intangible fixed assets subject to amortisation is confirmed at the level of the individual CGU (store), by aggregating the usage rights deriving from the lease agreements, in addition to the financial liabilities deriving from them. This entails, for the purposes of calculation for impairment, considering and deducting from the carrying amount of the CGU directly related lease assets and liabilities. In addition, when calculating the cash flows associated with each CGU, the Group has considered the lease liability and has therefore not considered the lease payments as cash outflow during the right-of-use life period, but it has considered the tax not paid on the deduction of the lease expense. At the second level, potential impairment is analysed by grouping CGUs at the legal entity level and assigning the corporate assets that serve those CGU groups (mainly corporate headquarters, logistics centres and brands), together with the goodwill assigned at the legal entity level.

When a CGU suffers fixed asset total impairment due to a negative value in use, the Group reassesses the reasonable term of its lease agreement and the lease is reclassified to short-term items. The existing right-of-use is derecognised together with the financial liability associated with that right-of-use. A provision for an onerous contract is allocated for the costs associated with the termination of the lease agreement, as is mentioned in paragraph q) trade accounts and other accounts payable.

Based on past experience, the Group considers that there are indications of impairment when the performance of a mature store (one that has been in operation for more than two years) has been negative during the past two years and also those stores where impairment has been recorded in the past. Performance is measured by store-level adjusted EBITDA calculated according to the definition of the alternative performance measurements mentioned in the consolidated management report. When indications of impairment exist, the Group 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. Value in use is determined by discounting estimated future cash flows, applying a post-tax discount rate which reflects the value of money over time and the specific risks associated with the asset. For the years 2022 and 2021, the Group has weighted the after-tax discount rate with the incremental interest rate when considering the lease liability in the cash flows.

The stores that have been assigned individual goodwill are tested annually regardless of whether or not there is any indication of impairment.

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

To estimate value in use, the Group uses a business plan, which generally covers a period of five years and is projected for an additional period determined by the most significant and longest-lasting assets of the store. For longer periods, as from the fifth year, projections are used based on said business plan, applying a constant expected growth rate and including a residual or disposal value of the asset at the end of the projected period. Note 5.1 includes some of the main assumptions considered in determining the value in use of the cash-generating units to which the non-current assets are allocated.

The discount rates used are calculated after tax and are adjusted for the corresponding country and business risks. In the event that the store is assigned a right of use, the discount rate is weighted with the value of the right of use and the rate used to determine the liability associated with the lease agreement.

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

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 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.

(ii) Impairment of value of non-financial assets not subject to amortisation

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently in the event of events or changes in circumstances that indicate that they may be impaired. Pursuant to the criteria contained in IAS 36, the Group performs a test annually to assess potential impairment on each CGU or group of CGUs with associated goodwill, to determine whether the carrying amount of these assets exceeds their recoverable amount.

The recoverable amount of each CGU or group of CGUs is the higher of their fair value less costs to sell and their value in use. Determining this recoverable value and the grouping of CGUs to which goodwill has been allocated requires judgement on the part of the Management and the use of estimates.

The unit or group of units to which the goodwill is assigned should represent the lowest level at which the goodwill is being monitored in accordance with internal management needs, never extending beyond the segment before aggregation determined in accordance with IFRS 8. The Dia Group reviews the goodwill assignment at two levels: a first level for stores that have goodwill assigned and a second level at the company level. This choice is based on both organisational and strategic criteria and how implementation decisions are made.

A CGU's value in use is measured based on the post-tax future cash flows the Group expects to derive from each CGU, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the assets and other factors that market participants would reflect in pricing the future cash flows associated with the assets. The analysis is performed in accordance with the terms indicated for non-financial assets subject to amortisation, unless from the fifth year onwards a perpetual income equal to 2.03% has been projected for the 2022 financial year in Spain and 2.02% in Portugal (1.70% in Spain and 1.35% in Portugal for the 2021 financial year), on the basis of the growth in the last period, and there is no incorporation of the residual or disposal value of the asset.

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

l) Advertising and catalogue expenses

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

m) Trade receivables

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

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

n) Investments and other financial assets

(i) Classification

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

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

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

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

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

ii) Recognition and derecognition

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

iii) Measurement

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

Debt instruments

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

o) Inventories

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

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

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

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

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

p) Cash and cash equivalents

Cash and cash equivalents recognised in the consolidated statement of financial position comprise cash on hand and in bank accounts, demand deposits and other highly liquid investments with original maturities of three months or less which are readily convertible into determined amounts of cash and which are subject to an insignificant risk of changes in value. These items are recognised at historical cost, which does not differ significantly from their realisable value.

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

q) Trade and other payables

These amounts relate to liabilities for goods and services provided to the Group both billed and unbilled 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. In the year-end and based on historical experience, the amount unbilled because of different reasons is determined, being recorded as a lower amount of the year supplies.

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

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

- Volume discounts: volume discounts are negotiated with suppliers as a percentage based on the volume of purchases.
- Advertising income: this results from credits negotiated with suppliers based on the inclusion of references in brochures, displays, shelving etc.
- Income from loyalty programmes and surrender of coupons: this relates to income from credits negotiated with suppliers based on the surrender of coupons by customers at stores using the Club Dia card or special offers.

Negotiations with suppliers take place periodically and are formally documented. At the year-end closing, all revenues registered are related to formalized agreements with suppliers and services accrued during the year, regardless of the billing date and/or settlement. At each monthly close, the Group recognises discounts obtained from suppliers. For this purpose, it records the charges/invoices issued for these items to the suppliers and the estimate calculated by the Sales Management. These monthly estimates are based on the approved budget to be achieved with each of the suppliers and on the degree of progress in the negotiations.

This heading records liabilities under onerous contracts relating to the costs for terminating lease agreements for those stores/warehouses where either expected closure or expected negative cash flows have required the total impairment of their assets.

r) Borrowings

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

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

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

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

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

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

The Group recognises exchanges of debt instruments with a lender, provided that the instruments have substantially different conditions, as a cancellation of the original financial liability and subsequent recognition of a new financial liability. Similarly, a substantial change in the terms of an existing financial liability or a portion thereof is accounted for as a cancellation of the original financial liability and subsequent recognition of a new financial liability. The difference between the carrying amount of the financial liability that has been cancelled and the consideration paid, which includes any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss for the year.

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

s) Parent own shares

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

Transaction costs related with own equity instruments, including issue costs connected with a combination of businesses, are registered as a reduction in the net equity, following consideration of any taxation impact.

The subsequent redemption of the Parent instruments entails a capital reduction equivalent to the par value of the shares, and the positive or negative difference between the acquisition cost and the nominal amount of the shares is charged or credited to reserves.

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

t) Distributions to shareholders

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

u) Employee benefits

Defined benefit plans

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

Defined benefit liabilities recognised in the consolidated statement of financial position reflect the present value of defined benefit obligations at the reporting date, minus the fair value at that date of plan assets.

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

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

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

The present value of defined benefit obligations is calculated annually by independent actuaries using the Projected Unit Credit Method. The discount rate of the net defined benefit asset or liability is calculated based on the yield on high quality corporate bonds of a currency and term consistent with the currency and term of the post-employment benefit obligations.

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

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

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

Termination benefits

Termination benefits paid or payable that do not relate to restructuring processes in progress are recognised when the Group is demonstrably committed to terminating the employment of current employees prior to retirement date. The Group is demonstrably committed to terminating the employment of current employees when it has a detailed formal plan and is without realistic possibility of withdrawing or changing the decisions made. Termination benefits are measured on the basis of the number of employees expected to accept the offer. Benefits that are not to be paid within the 12 months following the reporting date are discounted to the net present value.

Restructuring-related termination benefits

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

Short-term employee benefits

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

Long-term employee benefits

With the aim of encouraging the achievement of the Group's business plan objectives for the period 2020-2022, on 25 March 2020 the Board of Directors approved the 2020-2022 Long-Term Incentive Plan ("LTI 2020-22") for certain Group executives. The Long-Term Incentive Plan covers an initial period from 01/01/2020 to 31/12/2022.

Subsequently, for the reasons set out in Note 17, on 4 August 2021, following a favourable report from the Appointments and Remunerations Committee, the Board of Directors resolved to terminate the LTI 2020-22, taking into consideration for this purpose the circumstances of the market and the Parent Company.

As a consequence of said termination, it was agreed on the same date to approve recognition by the LTI 2020-22 beneficiaries of the right to receive a certain amount in cash, if certain conditions are fulfilled, as a sign of the Group's trust in the executive team. The Incentive generated in favour of said beneficiaries will, where applicable, be paid in 2023.

The Board of Directors approved on the same date a new LTI 2021-24, adapted to the current Group and market circumstances and the Group's strategy, intended for certain Group executives. On the date of the drawing up of these consolidated annual statements, the Board of Directors decided to terminate the agreement of 4 August 2021 and not to proceed with the formalisation of said Plan, as the structure and objectives established do not correspond to the value creation purposes required to achieve the Strategic Plan, to complete the transformation of the Company and sustainable growth of the business.

On 26 October 2022, the Board of Directors approved a new incentive plan (Long Term Bonus) LTB 2023-2025, aligned with the Company's strategy, the main purpose of which is to retain key employees to achieve the business plan objectives within the duration of the plan. The terms and conditions of this plan, as well as the initial beneficiary list, have yet to be completed as agreed by the Board of Directors, and no expense has been registered during the financial year of 2022

v) Provisions

Provisions are recognised when the Group has a present obligation (legal or implicit) as a result of a past event, the settlement of which requires an outflow of resources which is probable and can be estimated reliably. No provisions are recognised for future operating losses. If it is virtually certain that some or all of a provisioned amount will be reimbursed by a third party, for example through an insurance contract, an asset is recognised in the consolidated statement of financial position and the related expense is recognised in the consolidated income statement, net of the foreseen reimbursement. If the time effect of money is material, the provision is discounted, recognising the increase in the provision due to the time effect of money as a finance cost.

The Group is undergoing legal proceedings and tax inspections in a number of jurisdictions. As a result, management uses significant judgement when determining whether it is probable that the process will result in an outflow of resources and when estimating the amount, so that the relevant provision can be made if necessary. The Group recognises a provision if it is probable that an obligation will exist at year end which will give rise to an outflow of resources embodying economic benefits provided that the outflow can be reliably measured.

w) Share-based payments

(i) Equity-settled share-based payment transactions to employees and members of the board

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

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

The Group determines the fair value of the instruments granted to employees and/or members of the board by reference to the market quotation value at the grant date.

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

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

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

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

(ii) Tax effect

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

x) Income tax

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

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

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

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

The deferred tax is determined by applying tax regulations and rates approved or about to be approved at the reporting date and which are expected to be applied when the corresponding deferred tax asset is realised or the deferred tax liability settled.

Deferred tax assets and liabilities (henceforth, IDA and IDP, respectively) are not discounted at their present value and are classified as non-current irrespective of the reversal date.

At each close the Group analyses the carrying amount of the deferred tax assets recognised and makes the necessary adjustments where doubts exist regarding their future recovery. Following ESMA's recommendations, as from 2019 the Group recognises the deferred tax asset up to the same amount as the deferred tax liability in each jurisdiction, insofar as the taxation unit generates tax losses in two consecutive years.

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

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

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

y) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by Dia's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see Note 4). The Group has identified the Global Chief Executive Officer as the highest decision-making authority for this purpose.

z) Classification of assets and liabilities as either current or non-current

The Group presents the consolidated statement of financial position by classifying assets and liabilities as current and non-current. For these purposes, current assets and liabilities are those that meet the following criteria:

- Assets are classified as current if they are expected to be realised or intended to be sold or consumed over the course of the normal Group operating cycle, are held essentially for trading purposes, are expected to be realised within a period of twelve months from the date of close, take the form of cash or other equivalent liquid assets, except in those cases where they cannot be exchanged or employed to cancel out a liability, at least within the twelve months following the date of close.
- Liabilities are classified as current if they are expected to be settled within the normal Company operating cycle, are held essentially for trading purposes, must be settled within a period of 12 months from the date of close or if the Group does not enjoy the unconditional right to delay settlement of assets during the 12 months following the date of close.

aa) Environmental issues

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

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

ab) Related party transactions

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

ac) Interest

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

ad) Derivative financial products and posting of hedges

Derivative financial instruments are initially recognised in accordance with the criteria set out above for financial assets and liabilities. Derivative financial instruments, which do not comply with the hedge accounting criteria set out below, are classified and measured as financial assets or liabilities at fair value through profit or loss. They are classified as current or non-current depending on whether their maturity is less than or more than twelve months. Likewise, derivative instruments that meet all the requirements to be treated as long-term hedging instruments are presented as non-current assets or liabilities, depending on whether they are positive or negative.

The accounting basis for any gain or loss resulting from changes in the fair value of a derivative depends on whether the derivative qualifies for treatment as a hedge and, if so, on the nature of the hedging relationship.

Changes in the fair value of derivatives that meet the requirements and have been allocated to cover cash flows, being highly effective, are recognised under equity. That part deemed to be ineffective is imputed directly to the consolidated income statement. When the planned transaction or firm commitment results in the accounting record of a non-financial asset or liability, the cumulative gains and losses in equity are recorded in the consolidated income statement in the same period in which the hedged transaction affects the net result.

At the initial stage, the Group formally designates and documents the hedging relationship between the derivative and the hedged item, as well as the risk management objectives and strategies it pursues when establishing the hedge. This documentation includes identification of the hedging instrument, the item or operation being hedged and the nature of the risk being hedged. It also includes a way of evaluating the degree of efficacy thereof in offsetting the exposure to changes in the hedged item, whether in its fair value or in the cash flows attributable to the risk hedged. The efficacy assessment is carried out prospectively and retrospectively, both at the start of the hedging relationship and systematically throughout the entire period for which it was designated.

Accounting hedging criteria cease to apply when the hedging instrument expires or is disposed of, cancelled or settled, or in the event that the hedging relationship no longer meets the requirements established to be treated as such, or in the event that the designation is revoked. In such cases, cumulative gains or losses in equity are not imputed to results until such time as the planned or promised operation affects the result. This notwithstanding, if the occurrence of the transaction is no longer probable, the cumulative gains and losses in equity are included under the consolidated income statement immediately.

The fair value of the derivatives portfolio reflects estimates based on calculations made based on market-observable data, using specific tools for the risk assessment and management of derivatives used widely by financial institutions.

4. OPERATING SEGMENT INFORMATION

Information is provided on the following operating segments:

- Spain (including Swiss and Luxembourg operations)
- Portugal
- Brazil
- Argentina

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

This underlying operating result serves the Global CEO to analyse segment results by eliminating restructuring costs, the effect of IFRS 16 on rents and the effect of IAS 29 on hyperinflation, which are lines on the income statement that do not directly depend on segment operations. This underlying operating result is the basis for the Group's decision-making focused on improving the segment operating result or certain corporate expenses.

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

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

2022	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	CONSOLIDATED
Sales (1)	3,674,742	595,975	1,364,130	889,473	6,524,320
Adjusted EBITDA	123,584	10,478	51,586	(9,293)	176,355
% of sales	3.36%	1.76%	3.78%	(1.04)%	2.70%
Non-current assets	1,167,236	218,645	256,430	260,855	1,903,166
Assets held for sale	309,012	-	-	-	309,012
Liabilities	2,085,664	263,414	358,891	327,683	3,035,652
Liabilities held for sale	77,731	-	-	-	77,731
Acquisition of non-current assets (2)	181,261	5,085	73,704	9,158	269,208
Number of outlets (3)	2,394	463	994	608	4,459
Number total of outlets total	3,634	463	994	608	5,699

2021	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	CONSOLIDATED
Sales (1)	3,462,181	592,919	1,042,876	802,079	5,900,055
Adjusted EBITDA	80,092	11,939	30,418	(10,581)	111,868
% of sales	2.31%	2.01%	2.92%	(1.32)%	1.90%
Non-current assets	1,347,026	238,811	181,231	251,155	2,018,223
Liabilities	2,117,306	265,136	297,200	297,610	2,977,252
Acquisition of non-current assets (2)	159,695	22,098	35,481	28,393	245,667
Number of outlets (3)	2,503	499	912	737	4,651
Number total of outlets	3,789	499	912	737	5,937

(1) Sales eliminations arising from consilidation are included in segment Spain
(2) Use of rigth not included
(3) Number of stores excluding those whose sales have been reclassified as discontinued operations

A reconciliation between adjusted EBITDA and items in the consolidated income statement is as follows:

Thousands of euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL DECEMBER 2022
Losses	(61,567)	(20,094)	29,666	(71,853)	(123,848)
Net financial expense	51,191	7,688	(17,595)	22,809	64,093
Income tax	512	1,044	30,419	1,885	33,860
Depreciation and amortization	221,300	37,150	43,340	52,533	354,323
Pérdida de las actividades interrumpidas	(2,410)	-	-	-	(2,410)
Gain from net monetary positions	-	-	(100,818)	-	(100,818)
Profit/(Losses) of companies accounts for using the equity method	55	-	-	-	55
Impairment of non-current assets	23,760	127	876	15,993	40,756
Losses on disposal of non current assets	8,403	(64)	18,127	(2,463)	24,003
Restructuring Cost and Long-Term Incentive Plans	**26,980**	**6,329**	**622**	**16,433**	**50,364**
Expenses related to the transfer of own shops to franchises	22,475	5,157	-	-	27,632
Expenses relating to store and warehouses closings	-	-	-	10,280	10,280
Expenses to efficiency projects	13,105	1,401	828	-	15,334
Other special projects					
Other expenses	(60)	-	2,226	8,890	11,056
Expenditure related to Long-Term Incentive Plans	(8,540)	(229)	(2,432)	(2,737)	(13,938)
IFRS 16 leases	(144,640)	(21,702)	(23,066)	(44,630)	(234,038)
NIC 29 hyperinflationary standard effect	-	-	70,015	-	70,015
EBITDA ajustaded	123,584	10,478	51,586	(9,293)	176,355

Thousands of euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL DECEMBER 2021
Net profit/(losses)	**(186,240)**	**(19,483)**	**(11,689)**	**(39,919)**	**(257,331)**
Net financial expense	72,663	7,985	7,303	16,711	104,662
Losses from financial instruments	(110)	-	-	-	(110)
Income tax	(1,250)	52	19,301	(4,228)	13,875
Depreciation and amortization	226,338	38,087	30,043	46,576	341,044
Losses net of taxes of discontinued operations	22,891	-	-	-	22,891
Gain from net monetary positions	-	-	(42,262)	-	(42,262)
Losses of companies accounts for using the equity method	(11)	-	-	-	(11)
Impairment of non-current assets	44,933	4,124	1,153	513	50,723
Losses on disposal of non current assets	4,455	(176)	17,984	580	22,843
Restructuring Cost and Long-Term Incentive Plans	**44,773**	**5,014**	**2,857**	**8,201**	**60,845**
Expenses related to the transfer of own shops to franchise	13,604	1,717	-	-	15,321
Expenses relating to store and warehouses closings	14,668	1,146	128	6,540	22,482
Expenses to efficiency projects	4,805	1,446	877	49	7,177
Other special expenses					
Other expenses	4,676	76	-	38	4,790
Expenditure related to Long-Term Incentive Plans	7,020	629	1,852	1,574	11,075
IFRS 16 leases	(148,350)	(23,664)	(20,223)	(39,015)	(231,252)
NIC 29 hyperinflationary standard effect	-	-	25,951	-	25,951
EBITDA ajusted	**80,092**	**11,939**	**30,418**	**(10,581)**	**111,868**

The detail of Restructuring Costs and 2022 Long-Term Incentive Plans is as follows:

- Expenses associated with the conveyance of stores and franchises totalling 27.6 million euros in Spain and Portugal.
- Expenses associated with the closure of stores and warehouses totalling 10.3 million euros in Brazil.
- Efficiency project expenses amounting to 15.3 million euros mainly accrued in Spain.
- Other expenditure related with consultancy fees in Brazil and Argentina amounting to 11.1 million euros.
- Income related to Long-Term Incentive Plans totalling 13.9 million euros (see Note 17).

The effect of applying IFRS 16 and IAS 29 is presented separately in the table and this completes the explanation of the evolution of the items excluded from Adjusted EBITDA.

For informational purposes, a reconciliation of the adjusted EBITDA with the headings of the consolidated income statement for 2022 and 2021, if it had not been restated to present the activities of the Clarel business and the large-format stores business agreed in the sale to Alcampo as discontinued, is shown below:

Thousands of euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL DECEMBER 2022
Losses	**(61,567)**	**(20,094)**	**29,666**	**(71,853)**	**(123,848)**
Net financial expense	55,168	7,688	(17,595)	22,809	68,070
Income tax	512	1,044	30,419	1,887	33,862
Depreciation and amortization	263,240	37,150	43,340	52,533	396,263
Gain from net monetary positions	-	-	(100,818)	-	(100,818)
Profit/(Losses) of companies accounts for using the equity method	55	-	-	-	55
Impairment of non-current assets	32,969	127	876	15,993	49,965
Losses on disposal of non current assets	8,751	(64)	18,127	(2,463)	24,351
Restructuring Cost and Long-Term Incentive Plans	**25,828**	**6,329**	**622**	**16,433**	**49,212**
Expenses related to the transfer of own shops to franchises	22,475	5,157	-	-	27,632
Expenses relating to store and warehouses closings	-	-	-	18,366	18,366
Expenses to efficiency projects	11,953	1,401	828	-	14,182
Other special projects					
Other expenses	(60)	-	2,226	804	2,970
Expenditure related to Long-Term Incentive Plans	(8,540)	(229)	(2,432)	(2,737)	(13,938)
IFRS 16 leases	(177,319)	(21,702)	(23,066)	(44,830)	(266,717)
NIC 29 hyperinflationary standard effect	-	-	70,015	-	70,015
EBITDA ajustaded	**147,637**	**10,478**	**51,586**	**(9,291)**	**200,410**

Thousands of euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL DECEMBER 2021
Net profit/(losses)	**(186,240)**	**(19,483)**	**(11,689)**	**(39,919)**	**(257,331)**
Net financial expense	77,862	7,985	7,303	16,711	109,861
Losses from financial instruments	(110)	-	-	-	(110)
Income tax	(1,250)	52	19,301	(4,228)	13,875
Depreciation and amortization	278,277	38,087	30,043	46,576	392,983
Gain from net monetary positions	-	-	(42,262)	-	(42,262)
Losses of companies accounts for using the equity method	(11)	-	-	-	(11)
Impairment of non-current assets	53,262	4,124	1,153	513	59,052
Losses on disposal of non current assets	4,558	(176)	17,984	580	22,946
Restructuring Cost and Long-Term Incentive Plans	**50,423**	**5,014**	**2,857**	**8,201**	**66,495**
Expenses related to the transfer of own shops to franchise	13,604	1,717	-	-	15,321
Expenses relating to store and warehouses closings	14,668	1,146	128	6,540	22,482
Expenses to efficiency projects	10,455	1,446	877	49	12,827
Other special expenses					
Other expenses	4,676	76	-	38	4,790
Expenditure related to Long-Term Incentive Plans	7,020	629	1,852	1,574	11,075
IFRS 16 leases	(184,200)	(23,664)	(20,223)	(39,015)	(267,102)
NIC 29 hyperinflationary standard effect	-	-	25,951	-	25,951
EBITDA ajusted	**92,571**	**11,939**	**30,418**	**(10,581)**	**124,347**

5. TANGIBLE FIXED ASSETS

Details of "Property, plant and equipment" for 2022 and 2021 are as follows:

Thousands of Euros	Land	Buildings	Equipment, fixtures and fittings and machinery	Other installations, utensils and furniture	Tangible assets in progress and advances given	Other fixed assets	Total
Cost							
At 1st January 2021	**94,887**	**1,172,736**	**1,528,031**	**102,856**	**7,812**	**142,908**	**3,049,230**
Additions	-	50,016	138,006	11,144	26,154	7,407	232,727
Disposals	(2,413)	(51,538)	(82,505)	(9,136)	310	(2,656)	(147,938)
Transfers	-	729	12,366	118	(10,146)	676	3,743
Otros movimientos	-	-	(97)	-	-	-	(97)
Translation differences	1,397	20,925	23,879	9,454	273	4,873	60,801
At 31st December 2021	**93,871**	**1,192,868**	**1,619,680**	**114,436**	**24,403**	**153,208**	**3,198,466**
Additions	-	70,044	137,451	20,482	8,755	7,855	244,587
Disposals	(14,296)	(74,630)	(108,084)	(3,269)	(392)	(24,126)	(224,797)
Transfers	-	4,638	14,514	766	(15,712)	1,656	5,862
Transfers to assets held for sale (note 12)	(8,144)	(133,596)	(219,857)	(6,845)	(271)	(12,696)	(383,409)
Translation differences	1,353	20,350	43,746	12,002	3,491	6,446	87,388
A 31st December 2022	**72,784**	**1,079,674**	**1,487,450**	**135,572**	**20,274**	**132,343**	**2,928,097**
Depreciation							
A 1 st January 2021	-	**(726,459)**	**(1,196,381)**	**(72,720)**	-	**(128,244)**	**(2,123,804)**
Amortisation and depreciation (note 19.5)	-	(36,564)	(81,332)	(7,984)	-	(7,639)	(133,519)
Disposals	-	35,625	65,134	8,542	-	2,587	111,888
Transfers	-	1,756	(353)	(2,892)	-	122	(1,367)
Other movements	-	(4,798)	(12,642)	(775)	-	(327)	(18,542)
Translation differences	-	(7,141)	(19,329)	(3,464)	-	(3,694)	(33,628)
At 31st December 2021	-	**(737,581)**	**(1,244,903)**	**(79,293)**	-	**(137,195)**	**(2,198,972)**
Amortisation and depreciation (note 19.5)	-	(42,700)	(90,388)	(9,764)	-	(8,414)	(151,266)
Disposals	-	42,462	96,700	2,779	-	23,981	165,922
Transfers	-	(2,889)	1,076	(146)	-	36	(1,923)
Otros movimientos	-	(3,786)	(7,840)	(289)	-	(317)	(12,232)
Transfers to assets held for sale (note 12)	-	95,697	184,770	7,551	-	12,201	300,219
Translation differences	-	(1,263)	(23,537)	(5,920)	-	(4,919)	(35,639)
At 31st December2022	-	**(650,060)**	**(1,084,122)**	**(85,082)**	-	**(114,627)**	**(1,933,891)**
Impairment							
A 1st January 2021	**(10,131)**	**(50,833)**	**(25,960)**	**(951)**	-	**(239)**	**(88,114)**
Allowance (note 19.5)	-	(19,914)	(15,410)	(579)	-	(17)	(35,920)
Distribution	-	13,079	3,252	53	-	5	16,389
Reversals (note 19.5)	2,287	4,869	5,170	101	-	14	12,441
Other movements	-	(1,206)	(2,154)	(117)	-	(24)	(3,501)
Transfers	-	805	(3,161)	36	-	(85)	(2,405)
Translation differences	-	14	-	-	-	-	14
A 31st December de 2021	**(7,844)**	**(53,186)**	**(38,263)**	**(1,457)**	-	**(346)**	**(101,096)**
Allowance (note 19.5)	(2,899)	(16,602)	(18,102)	(1,251)	-	(206)	(39,060)
Distribution	7,062	15,994	5,186	114	-	2	28,358
Reversals (note 19.5)	-	5,616	3,495	90	-	2	9,203
Other movements	(98)	492	8,702	(34)	-	(8)	9,054
Transfers	-	(4,823)	680	48	-	(112)	(4,207)
Transfers to assets held for sale (note 12)	527	7,879	(473)	364	-	49	8,346
Translation differences	3	(623)	107	16	-	8	(489)
A 31st December 2022	**(3,249)**	**(45,253)**	**(38,668)**	**(2,110)**	-	**(611)**	**(89,891)**
Net carrying amount							
At 31st December2021	**86,027**	**402,101**	**336,514**	**33,686**	**24,403**	**15,667**	**898,398**
At 31st December 2022	**69,535**	**384,361**	**364,660**	**48,380**	**20,274**	**17,105**	**904,315**

In 2022, work continued on the refurbishment of a substantial number of stores, which had been commissioned in 2021, as mentioned in note 1.1.e). The detail of the additions is as follows:

Thousands of Euros at 31st December	2022	2021
Spain	161,566	150,141
Portugal	4,172	21,318
Argentina	71,147	33,153
Brazil	7,702	28,115
Total	**244,587**	**232,727**

The deregistrations occurring in 2022 mainly include those associated with the aforementioned refurbishments in Spain and Argentina, as well as the sale of the Arroyomolinos warehouse in Spain and store closures in Brazil.

Withdrawals occurring in 2021 mainly include those associated with the aforementioned conversions as well as store closures, mainly in Brazil and Spain.

The strong impact on conversion differences is due to the evolution of the Argentine peso exchange rate and the Brazilian real exchange rate.

No interest expense was capitalised in 2022 or 2021.

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

At 31 December 2022 and 2021, there were no contractual commitments to purchase fixed assets.

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

Thousands of Euros at 31st December	2022	2021
Adictions property, plant and equipment	244,587	232,727
Variation suppliers of fixed assets	26,797	(63,565)
Investment flows of discontinued operations	(4,204)	(3,970)
	267,180	**165,192**

5.1 Impairment of property, plant and equipment

As described in Note 3 k) (i), based on past experience, the Group considers that there are indications of impairment when the performance of a mature store (one that has been in operation for more than two years) has been negative during the past two years and also those stores where impairments were recorded in the past. Performance is measured by store-level adjusted EBITDA calculated according to the definition of the alternative performance measurements mentioned in the consolidated management report. Also, all stores assigned individual goodwill have been analysed to identify the existence of potential impairment.

The recoverable amount of each store is based on the value in use calculations using discounted future cash flows which require the use of a market participant's assumptions. These calculations use cash flow projections based on the updated business plan that cover a period of five years and that are projected in a period determined by the most significant and longest-lasting assets of the store. Cash flows beyond the 5-year period are projected in the additional period using the estimated growth rates shown below. The growth rate considered as of the fifth year should not exceed the average long-term growth rate for the distribution business in which the Group operates.

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

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

	Spain		Portugal	
	2022	2021	2022	2021
Sales growth rate (1)	1.6%	4.4%	6.9%	6.7%
Growth rate (2)	2.0%	1.7%	2.0%	1.5%
Discount rate (3)	6.7%	6.2%-8.1%	6.7%	6.2%
% Gross Profit (4)	22.4%	24.8%	19.8%	20.6%

	Argentina		Brazil	
	2022	2021	2022	2021
Sales growth rate (1)	12.7%	14.2%	4.3%	10.8%
Growth rate (2)	2.2%	2.3%	30.0%	3.0%
Discount rate (3)	19.3%	14.4%	10%-10.2%	8.3%
% Gross Profit (4)	18.5%	17.4%	19.0%	20.8%

(1) Projected 5-year sales growth rate
(2) Weighted average growth rate used to extrapolate cash flows beyond the 5-year period.
(3) After-tax discount rate, weighted with the value of the right of use and the rate used in determining the liability of each of the lease agreements.
(4) % Gross profit, average over the period 2023-2027.

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

Sales growth rate

The average annual growth rate for the forecast period has been determined on the basis of Management's expectations of market development, the Group's strategic plan, and taking into account the plans to improve stores, 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 International Monetary Fund's medium and long-term inflation rates.

Said growth rates are consistent with the forecasts for the industry's expected evolution.

Post-tax discount rate

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

The assumptions considered to calculate discount rates use euros in all cases.

For the impairment test performed in the financial years of 2022 and 2021, the discount rate of the stores with right of use was weighted with the incremental interest rate when considering the lease liability in the cash flows.

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

Specifically, it should be mentioned that for those stores whose sales growth exceeded a certain growth threshold, an increased discount rate for Spain and Portugal of 7.67% and for Argentina of 20.44% has been used.

% Gross profit

The %Gross profit is calculated according to the definition included in the alternative measures of the performance of the consolidated management report.

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

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

As a result of the impairment tests performed, net impairment of 29,857 thousand euros was recognised in 2022 in relation to property, plant and equipment. Furthermore, as a result of these impairment tests, 5,199 thousand euros in rights of use, 89 thousand euros in intangible assets and 5,611 thousand euros in goodwill impairment have been allocated. (See Notes 6.1, 6.3 and 19.5). This impairment corresponds to that occurring at 276 stores amounting to 35,220 thousand euros, and the estimated closure of 126 stores amounting to 6,113 thousand euros; meanwhile, the impairment reversal of stores from previous financial years was performed, amounting to (13,331) thousand euros, and reclassification through rights of use of (1,246) thousand euros. In addition, assets were impaired in Brazil amounting to 14,000 thousand euros, a difference which arose between the valuation of the business for the sum of 86,000 thousand euros and the value of its net assets to be recovered amounting to 100,000 thousand euros. This additional impairment was recorded in the consolidated annual accounts at 31 December 2022.

As a result of the impairment tests performed, net impairment of 26,979 thousand euros was recognised in 2021 in relation to property, plant and equipment. As a result of these impairment tests, 303 thousand euros in intangible assets and 31,770 thousand euros in goodwill impairment have been recognised. (See Notes 6.1, 6.3 and 19.5). This impairment corresponds to that occurring at 493 stores amounting to 42,023 thousand euros, at the estimated closure of 169 stores amounting to 8,434 thousand euros and the impairment of part of the consolidation goodwill arising in the acquisition of the El Árbol Group in 2014 amounting to 24,500 thousand euros; meanwhile, the impairment reversal of stores from previous financial years was performed for an amount of (13,618) thousand euros, and the impairment reversal of a warehouse amounting to (2,287) thousand euros. In the financial year of 2022, as a consequence of the classification of the Clarel business and the large format store business agreed with Alcampo under discontinued operations, an amount of 8,329 thousand euros has been reclassified, corresponding to the impairment performed in the financial year of 2021 for both businesses.

Total net impairment by country at 31 December 2022 and 2021 is as follows:

Thousands of Euros	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL
Impartment total 31st December 2022	(23,759)	(127)	(877)	(15,993)	(40,756)
Impartment total 31st December 2021	(44,933)	(4,124)	(1,153)	(513)	(50,723)

As indicated in the above paragraphs, the business plan at the close of 2022 covers the comprehensive deployment of the updated store model in Spain and Argentina, which began during the second half of 2020 and it launched store refurbishments on both markets, refurbishing 809 and 255 stores, respectively, last year (800 stores in Spain and 168 in Argentina in the financial year of 2021). It also considers the closure of 126 stores, mainly in Spain. In addition, for the purposes of the test, since sale values could not be estimated for the stores earmarked for closure or sale, and which are also generating negative cash flows, the full carrying value of their non-moveable assets and those not expected to be recovered through use in other stores has been impaired. Stores to be closed that have not been individually identified have been analysed using the same methodology applied to stores not expected to close.

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

- A reduction in the average sales growth rate of 100 basis points would have led to an additional impairment of 3,660 thousand euros;
- A decrease of 20 basis points in the gross profit would have led to an additional impairment of 1,128 thousand euros;
- An increase of 100 basis points in the discount rate would have led to an additional impairment of 301 thousand euros;
- Or a drop in the perpetual growth rate of 100 basis points would have led to an additional impairment of 517 thousand euros.

6. INTANGIBLE ASSETS

6.1. Goodwill

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

Thousands of Euros	Plus Supermercados, S.A. (1)	Grupo El Arbol, S.A. (2)	Adquisición 148 tiendas al Grupo Eroski (3)	Schlecker, S.A. (4)	Distribuciones Reus, S.A. (5)	Otras adquisiciones	ESPAÑA	Companhia Portuguesa de Lojas de Desconto,S.A. (6)	PORTUGAL	TOTAL
ADQUISITION YEAR	2007	2014	2015	2013	1991	Varios		1998		
Net Goodwill 31/12/2020	160,553	154,444	71,466	10,820	26,480	19,355	443,118	39,754	39,754	482,872
Transfers	-	(263)	3	-	263	(3)	-	-	-	-
Impairment allowance (note 19.5)	-	(24,500)	(1,992)	-	-	(461)	(26,953)	-	-	(26,953)
Other movements	-	-	(4,817)	-	-	-	(4,817)	-	-	(4,817)
Net Goodwill 31/12/2021	160,553	129,681	64,660	10,820	26,743	18,891	411,348	39,754	39,754	451,102
Additions	-	-	-	-	-	150	150	-	-	150
Impairment allowance (note 19.5)	-	-	(4,402)	-	-	(1,209)	(5,611)	-	-	(5,611)
Transfers to assets held for sale (note 12)	(398)	(89,109)	(19,017)	(10,820)	-	-	(119,344)	-	-	(119,344)
Net Goodwill 31/12/2022	160,155	40,572	41,241	-	26,743	17,832	286,543	39,754	39,754	326,297

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

The recoverable amount has been determined based on calculations of the value in use by means of the discount of future cash flows, considering the same key variables as indicated in Note 5.1, unless a perpetual income has been projected from the fifth year onwards. As regards consolidation goodwill, the discount rates have been calculated on a date close to year-end, namely 6.7% for Spain and 7.7% for Portugal (in the financial year of 2021: Portugal, 8.5%, and Spain between 6.2% and 8.4%).

During the financial year of 2022 the main movement was the result of the transfer to assets held for sale, amounting to 119,344 thousand euros, whereof 108,524 thousand euros (see note 12) correspond to the forthcoming sale of large format stores to Alcampo, and 10,820 thousand euros with regard to the sale of the Clarel business. This latter amount has been impaired once it has been transferred to non-current assets held for sale in order to bring it to its fair value (Note 12.1). In addition, due to the impairment tests performed, a value impairment loss was recorded in 2022 amounting to 5,611 thousand euros (see note 19.5), corresponding to the impairment of consolidation goodwill assigned to those stores where the analysis resulted in the need to reflect an impairment. The remaining goodwill arising on consolidation, which is tested for impairment at the entity level, has not reflected a need for any impairment.

In addition, goodwill has been registered for the amount of 150 thousand euros.

The movements in 2021, amounting to 31,770 thousand euros, pertain to the impairment of part of the consolidation goodwill arising from the acquisition of Grupo El Árbol in 2014, amounting to 24,500 thousand euros, along with that assigned to those stores where the analysis resulted in the need to reflect an impairment, as detailed in note 5.1. As a result of the classification of discontinued operations in the business of large format stores agreed with Alcampo, an amount of 4,817 thousand euros was broken down as "Other movements", pertaining to the impairment performed in the financial year of 2021 of this business.

Sensitivity analysis

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

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

	Sales growth rate (1)	Growth rate (2)	Discount rate (3)	% Gross Profit (4)
Spain				
Dia and Dia Retail Spain	(0.4)%	(13.2)%	15.5%	21.1%
Portugal	3.5%	(10.2)%	25.5%	17.7%

(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 5-year period.
(3) Post-tax discount rate applied to cash flow projections.
(4) % Gross profit, average over the period 2023-2027.

It is estimated that the recoverable amount of the CGUs in Spain exceeds the carrying amount of the CGUs by 516.3 million euros at 31 December 2022 (746.3 million euros at 31 December 2021).

It is also estimated that the recoverable value of the CGU in Portugal exceeds the carrying amount by 223.9 million euros at 31 December 2022 (195.2 million euros at 31 December 2021).

Climate change does not significantly impact the sensitivity of the impairment due to the business developed by the Dia Group.

6.2. Right-of-use assets

The Group chose to implement IFRS 16 in FY2019, its first year of application, with the modified retroactive method, recognising right-of-use assets for an amount equal to lease liabilities (see Note 14.1 c).

The details of right-of-use assets and movements during 2022 and 2021 are as follows:

Thousands of Euros	Land and buildings	Equipment, fixtures and fittings and machinery	Other installations, utensils and furniture	Other fixed assets	Total
Cost					
At 1st January 2021	**942,670**	**32,887**	**84**	**8,714**	**984,355**
Additions	192,309	5,416	-	1,474	199,199
Disposals	(152,771)	(6,737)	-	(1,875)	(161,383)
Transfers	-	110	8	-	118
Value update	12,236	-	-	-	12,236
Translation differences	(1,939)	-	-	-	(1,939)
A 31st December de 2021	**992,505**	**31,676**	**92**	**8,313**	**1,032,586**
A 1st Januay2022	**992,505**	**31,676**	**92**	**8,313**	**1,032,586**
Additions	285,465	11,287	-	1,102	297,854
Disposals	(202,584)	(9,016)	-	(1,600)	(213,200)
Transfers	-	(17)	(14)	-	(31)
Value update	22,145	-	-	-	22,145
Other movements	(8,874)	-	-	-	(8,874)
Transfers to assets held for sale (note 12)	(128,941)	(2,164)	-	-	(131,105)
Translation differences	983	-	-	-	983
At 31st December 2022	**960,699**	**31,766**	**78**	**7,815**	**1,000,358**
Depreciation					
At 1st January 2021	**(391,275)**	**(18,624)**	**(25)**	**(4,772)**	**(414,696)**
Amortisation and depreciation (note 19.5)	(185,358)	(4,850)	(27)	(1,497)	(191,732)
Disposals	103,927	5,647	-	1,246	110,820
Transfers	-	(110)	-	-	(110)
Other movements	(32,532)	(688)	-	(8)	(33,228)
Translation differences	1,968	-	-	-	1,968
A 31st December de 2021	**(503,270)**	**(18,625)**	**(52)**	**(5,031)**	**(526,978)**
A 1st Januay2022	**(503,270)**	**(18,625)**	**(52)**	**(5,031)**	**(526,978)**
Amortisation and depreciation (note 19.5)	(184,007)	(5,013)	(12)	(1,700)	(190,732)
Disposals	156,485	5,669	-	1,386	163,540
Transfers	-	17	6	-	23
Other movements	(22,290)	(532)	-	(14)	(22,836)
Transfers to assets held for sale (note 12)	73,912	698	-	-	74,610
Translation differences	1,171	-	-	-	1,171
At 31st December 2022	**(477,999)**	**(17,786)**	**(58)**	**(5,359)**	**(501,202)**
Impairment					
At 1st January 2021	**(290)**	**-**	**-**	**-**	**(290)**
A 31st December de 2021	**(290)**	**-**	**-**	**-**	**(290)**
A 1st Januay2022	**(290)**	**-**	**-**	**-**	**(290)**
Charge	(6,444)	-	-	-	(6,444)
Translation differences	255	-	-	-	255
At 31st December 2022	**(6,479)**	**-**	**-**	**-**	**(6,479)**
Net carrying amount					
A 31st December de 2021	**488,945**	**13,051**	**40**	**3,282**	**505,318**
At 31st December 2022	**476,221**	**13,980**	**20**	**2,456**	**492,677**

Details by segment of additions in 2022 and 2021 are as follows:

Thousands of Euros	2022	2021
Spain	226,529	154,274
Portugal	13,234	13,585
Argentina	5,469	8,797
Brazil	52,622	22,543
Total	**297,854**	**199,199**

The Group had approximately 6,095 and 6,260 operating lease property contracts in place at 31 December 2022 and 2021, respectively. In general terms, the operating leases on stores only establish the payment of a fixed monthly charge which is reviewed annually in line with and index linked to the rate of inflation. Operating leases generally do not include clauses establishing variable amounts such as turnover-based fees, or contingent rent amounts.

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

Details of the main operating lease contracts in force at 31 December 2022 and 2021 are as follows:

2022					
Warehouse	**Country**	**Non cancelable period**	**Warehouse**	**Country**	**Non cancelable period**
Getafe	SPAIN	2029	Valongo	PORTUGAL	2030
Mallén	SPAIN	2023	Torres Novas	PORTUGAL	2030
Mejorada del Campo	SPAIN	2024	Alverca	PORTUGAL	2030
Miranda	SPAIN	2024	Anhanghera	BRAZIL	2023
Orihuela	SPAIN	2023	Americana	BRAZIL	2023
Sabadell	SPAIN	2029	Ribeirao Preto	BRAZIL	2023
San Antonio	SPAIN	2023	Belo Horizonte	BRAZIL	2023
Villanubla	SPAIN	2024	Mauá	BRAZIL	2023
Villanueva de Gállego	SPAIN	2030	Santana de Parnalba	BRASIL	2023
Dos Hermanas	SPAIN	2027	São Paulo	BRASIL	2023
Azuqueca	SPAIN	2023			
Granda-Siero	SPAIN	2025			
Illescas	SPAIN	2037			
Antequera	SPAIN	2023			
Santiago	SPAIN	2023			

2021					
Warehouse	Country	Non cancelable period	Warehouse	Country	Non cancelable period
Getafe	SPAIN	2026	Salamanca	SPAIN	2022
Mallén	SPAIN	2023	Santiago	SPAIN	2023
Mejorada del Campo	SPAIN	2024	Valongo	PORTUGAL	2028
Miranda	SPAIN	2024	Torres Novas	PORTUGAL	2028
Orihuela	SPAIN	2023	Alverca	PORTUGAL	2028
Sabadell	SPAIN	2029	Anhanghera	BRAZIL	2023
San Antonio	SPAIN	2023	Americana	BRAZIL	2023
Villanubla	SPAIN	2022	Ribeirao Preto	BRAZIL	2023
Villanueva de Gállego	SPAIN	2030	Belo Horizonte	BRAZIL	2023
Dos Hermanas	SPAIN	2027	Mauá	BRAZIL	2023
Azuqueca	SPAIN	2023	Cajamar	BRAZIL	2022
Granda-Siero	SPAIN	2022	Perus - Perecíveis	BRAZIL	2023

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

Thousands of Euros	2022	2021
Less than one year	697	1,081
Total minimum lease payments, property in non cancelable period	**697**	**1,081**
Less than one year	1,118	1,354
One to five years	727	897
Over five years	5	1
Total minimum lease payments, furniture and equipment in non cancelable period	**1,850**	**2,252**

At 31 December 2022 and 2021, only minimum payments linked to lease agreements not included in the scope of IFRS 16 or which are not provisioned for as onerous contracts are listed.

The majority of the lease contracts for stores signed by the Group contain clauses allowing them to be terminated at any time throughout their useful lives, once the mandatory tie-in period has elapsed, by informing the lessor of this decision with the agreed period of notice, which is generally under three months.

6.3. Other intangible assets

Details of other intangible assets and movements are as follows:

Thousands of Euros	Development cost	Industrial property	Leaseholds	Computer software	Other intangible assets	Total
Cost						
At 1st January 2021	**5,274**	**2,784**	**22,748**	**87,835**	**11,073**	**129,714**
Additions/Internal development	2,904	-	85	9,951	-	12,940
Disposals	(1)	-	-	(8)	(172)	(181)
Transfers	(4,913)	-	-	4,945	-	32
Translation differences	-	-	228	1,316	210	1,754
At 31st December 2021	**3,264**	**2,784**	**23,061**	**104,039**	**11,111**	**144,259**
Additions/Internal development	6,722	-	50	17,699	-	24,471
Disposals	(33)	-	(604)	(17,080)	(413)	(18,130)
Transfers	(2,479)	-	-	2,767	-	288
Transfers to assets held for sale (note 12)	-	(2)	(1,082)	(806)	(631)	(2,521)
Translation differences	-	-	194	2,815	(686)	2,323
At 31st December de 2022	**7,474**	**2,782**	**21,619**	**109,434**	**9,381**	**150,690**
Depreciation						
At 1st January2021	-	**(2,237)**	**(21,134)**	**(73,304)**	**(4,652)**	**(101,327)**
Amortisation and depreciation (note 19.5)	-	(262)	(246)	(15,017)	(268)	(15,793)
Disposals	-	-	-	8	55	63
Transfers	-	-	-	(2)	(12)	(14)
Other movements	-	-	(53)	(23)	(95)	(171)
Translation differences	-	-	(262)	(1,013)	(261)	(1,536)
At 31st December de 2021	-	**(2,499)**	**(21,695)**	**(89,351)**	**(5,233)**	**(118,778)**
Amortisation and depreciation (note 19.5)	-	(263)	(210)	(11,655)	(197)	(12,325)
Disposals	-	-	589	17,102	147	17,838
Transfers	-	-	-	-	(12)	(12)
Transfers to assets held for sale (note 12)	-	1	891	642	571	2,105
Other movements	-	-	(26)	(81)	(55)	(162)
Translation differences	-	-	(222)	(1,617)	601	(1,238)
At 31st December de 2022	-	**(2,761)**	**(20,673)**	**(84,960)**	**(4,178)**	**(112,572)**
Impairment						
At 1st January 2021	-	-	**(193)**	-	**(665)**	**(858)**
Allowance (note 19.5)	-	-	-	-	(305)	(305)
Distribution	-	-	-	-	111	111
Reversals (note 19.5)	-	-	-	-	14	14
Transfers	-	-	-	-	3	3
Other movements	-	-	(12)	-	-	(12)
At 31st December de 2021	-	-	**(205)**	-	**(842)**	**(1,047)**
Allowance (note 19.5)	-	-	-	(113)	(33)	(146)
Distribution	-	-	15	-	196	211
Reversals (note 19.5)	-	-	-	-	57	57
Transfers to assets held for sale (note 12)	-	-	92	-	-	92
Translation differences	-	-	-	4	-	4
At 31st December de 2022	-	-	**(98)**	**(109)**	**(622)**	**(829)**
Net carrying amount						
At 31st December de 2021	**3,264**	**285**	**1,161**	**14,688**	**5,036**	**24,434**
At 31st December de 2022	**7,474**	**21**	**848**	**24,365**	**4,581**	**37,289**

Additions registered in 2022 and 2021 mainly include development expenses corresponding to IT projects produced internally in Spain for an amount of 6,722 thousand euros (2,904 thousand euros in 2021) and acquisitions of IT applications, mainly in Spain for an amount of 12,773 thousand euros, and in Argentina for an amount of 2,557 thousand euros (in 2021 mainly in Spain for a total of 6,565 thousand euros and in Argentina for the amount of 2,328 thousand euros). The detail is as follows:

Thousands of Euros	2022	2021
Additions of intangible assets	17,749	10,036
Development cost	6,722	2,904
Total	**24,471**	**12,940**
Investment flows of discontinued operations	(212)	(85)
Total	**24,259**	**12,855**

The details by segment is as follows:

Thousands of Euros	2022	2021
Spain	19,545	9,554
Portugal	913	780
Argentina	2,557	2,328
Brazil	1,456	278
Total	**24,471**	**12,940**

Note 19.5 includes the impairment of intangible assets recorded in 2022 and 2021 under the income statement caption "Amortisation and impairment".

7. FINANCIAL ASSETS

Details of financial assets in the Statements of financial position at 31 December 2022 and 2021 are as follows:

Thousands of Euros	2022	2021
Non-current assets		
Trade and other receivables	11,316	15,386
Other Non-current financial assets	60,476	61,772
Current assets		
Trade and other receivables	199,087	178,031
Consumer loans from financing activities	908	1,010
Other current financial assets	7,673	4,879
TOTAL	**279,460**	**261,078**

The current trade receivables balance at 31 December 2022 increased due to the incorporation of franchises in Brazil with the new franchise management model whereby the collection of invoiced deliveries to franchisees is performed in accordance with the cash generated at the franchisee point of sale terminal and due to the increase in advances from suppliers in Argentina from commercial agreements.

7.1. Trade and other receivables

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

Thousands of Euros	2022	2021
Trade and other receivables	11,316	15,386
Total non-current	**11,316**	**15,386**
Trade and other receivables (net of impaiment)	185,817	163,378
Other receivables (net of impairment)	7,471	4,171
Receivables from suppliers (net of impairment)	5,251	9,983
Advances to suppliers	541	495
Receivables from associates companies	7	4
Total current	**199,087**	**178,031**

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. This funding of the initial inventory order corresponds to the previous Dia franchise model, which was essentially based on payment for the delivery of goods. Clients through current sales correspond to the financing of the supply of goods and to maturities of less than 12 months from the initial financing of this model. Under the new franchise management model, the franchisee pays for the sale of both the initial stock and the recurring sale, and not for the goods billed at the time of receipt, in other words, collection is performed in accordance with the cash generated at the franchisee's point of sale terminal. The evolution of the non-current and current balances of "Clients through Sales" at the close of each financial year can be put down to the migration of the excesses from the previous model to the new management model, and by the outsourcing operations occurring during the 2022 financial year.

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

a) Trade receivables

This balance, as stated above, comprises current and non-current trade receivables for merchandise sales to franchisees. The composition of these receivables is as follows:

Thousands of Euros	2022	2021
Trade and other receivables non current	11,316	15,386
Trade and other receivables current	239,619	216,082
Total Trade and other receivables	**250,935**	**231,468**
Impairment loss	(53,795)	(52,704)
Total	**197,140**	**178,764**

These trade balances are measured at amortised cost less any impairment allowances and generated interest of 78 thousand euros in 2022 (128 thousand euros in 2021), recognised in the consolidated income statement.

b) Receivables from suppliers

This caption includes balances with suppliers that have become debtors as a result of the charge notes issued for discounts of various kinds in accordance with the commercial conditions agreed with them, as well as goods returns.

The Group did not sign commercial credit assignment agreements for non-recourse suppliers in 2022 nor in 2021.

c) Trade receivables from other related parties

During the financial years of 2022 and 2021, the Group performed transactions with its related companies (see Note 21), essentially corresponding to commercial operations. Balances at 31 December 2022 and 2021 are shown below:

Thousands of Euros	2022	2021
Holand&Barret Benelux	7	-
Horizon International Services Sárl	-	4
Commercial debts with other related parties	**7**	**4**

d) Impairment

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

This provision is calculated by applying the above criterion, for an amount equal to the expected credit losses over the lifespan of the asset in accordance with the internal data or *scoring* obtained from the Group's historical database, which, in the opinion of Management, facilitates portfolio segmentation based on uniform behaviours. Using this segmentation and historical behaviours, the Group calculates percentages taking into consideration the risk associated with each type of franchisee, with respect to past-due amounts, and the provisioning need is determined by applying the percentage to outstanding risk. The movements in valuation corrections from impairment of accounts receivable were as follows:

2022

Thousands of Euros	Customer for sales (note 7.1 a))	Other debtors	Credits receivable from suppliers	Total
At 1st January	**(52,704)**	**(3,004)**	**(4,275)**	**(59,983)**
Charge	(7,622)	(101)	(218)	(7,941)
Applications	1,279	(81)	-	1,198
Reversals	3,559	188	(92)	3,655
Transfer	-	1,713	-	1,713
Transfers to assets held for sale	2,647	1	184	2,832
Other movements	(583)	-	2	(581)
Translation differences	(371)	(329)	88	(612)
At 31st December de 2022	**(53,795)**	**(1,613)**	**(4,311)**	**(59,719)**

2021

Thousands of Euros	Customer for sales (note 7.1 a))	Other debtors	Credits receivable from suppliers	Total
At 1st January	(54,477)	(6,896)	(6,835)	(68,208)
Charge	(5,680)	(1,468)	-	(7,148)
Applications	1,702	4,961	-	6,663
Reversals	5,851	379	2,505	8,735
Other movements	(484)	42	23	(419)
Translation differences	384	(22)	32	394
At 31st December de 2021	(52,704)	(3,004)	(4,275)	(59,983)

7.2. Other financial assets

All the Group's financial assets are measured at amortised cost. Details of finance assets at 31 December 2022 and 2021 are as follows:

Thousands of Euros	2022	2021
Equity instruments	44	44
Guarantees	60,396	61,671
Other loans	36	57
Total non-current	60,476	61,772
Franchise deposits	160	610
Credits to personnel	1,604	2,299
Other loans	103	-
Loans on the sale of fixed assets	35	31
Derivates	4,341	-
Other finantial assets	1,430	1,939
Total current	7,673	4,879

The non-current caption "Bonds and other deposits" records the amounts handed over to lessors as security for the lease contracts. These amounts are measured at present value and any difference with their nominal value is recognised under prepayments for current or non-current assets. In addition, non-current "Bonds and other deposits include legal deposits made in Brazil, which at 31 December 2021 were reducing the provisions referred to in note 15. On the other hand, deposits amounting to 17,002 thousand euros were recovered in Brazil during the financial year of 2022.

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

At 31 December 2022 the Group evaluated and decided to apply hedge accounting to contracts arranged to hedge against the interest rate risk that the Group has contracted on its debt.

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Details of equity-accounted investees at 31 December 2022 and 2021 are as follows:

	At 31st December 2022	At 31st December 2021
ICDC Services Sárl in liquidation	50%	50%
Horizon International Services Sàrl	25%	25%

The key financial indicators of these companies in 2022 and 2021 are as follows:

Thousands of euro	ICDC Services Sárl in liquidation 31 December 2022	ICDC Services Sárl in liquidation 31 December 2021	Horizon 31 December 2022	Horizon 31 December 2021
Current assets				
Cash and cash equivalents	193	142	1,361	1,286
Other current assets	4	144	417	6,270
Total current assets	**197**	**286**	**1,778**	**7,556**
Non current assets	-	-	-	-
Current liabilities				
Other current liabilities	17	48	388	6,098
Total current liabilities	**17**	**48**	**388**	**6,098**
Net assets	**180**	**238**	**1,390**	**1,458**
Reconciliation with net carrying amount				
Net assets at 1 January	**238**	**258**	**1,458**	**1,367**
Annual profit (losses)	(58)	(20)	(68)	91
Dividends paid	-	-	-	-
Shareholder contributions	-	-	-	-
Net assets at year end	**180**	**238**	**1,390**	**1,458**
Part of group %	50%	50%	25%	25%
Part of the group in thousands of euro	90	119	348	365
Net carrying amount	**90**	**119**	**348**	**365**

The impact on the income statement of the integrated companies applying the equity method at 31 December 2022 amounts to 55 thousand euros of expenditure, once the stake of the company ICDC Services Sárl in liquidation has been adjusted in 8 thousand euros in company DWT (11 thousand euros of revenue in 2021) (see note 19.10).

9. OTHER ASSETS

Details of other assets were as follows:

Thousands of Euros	2022 Current	2021 Current
Prepayments for operating leases	2,509	2,609
Prepayments for guarantees	-	25
Prepayments for insurance contracts	1,924	1,970
Other prepayments	5,194	2,778
Total other assets	**9,627**	**7,382**

The increase in Other advance payments is due to financing by the Group of remodelling work performed at franchised stores.

10. INVENTORIES

Details of stocks were as follows:

Thousands of Euros	2022	2021
Goods for resale	413,774	449,432
Other supplies	3,867	2,571
Total inventories	**417,641**	**452,003**

Reductions in the value of inventories to their net realisable value amounted to 5,826 thousand euros at 31 December 2022 (7,563 thousand euros at 31 December 2021).

At 31 December 2022 there were no restrictions of any kind on the availability of stocks.

The Group has insurance policies in place to guarantee the recoverability of the net book value of stocks in the event of claims that could affect usage or sale.

11. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents were as follows:

Thousands of Euros	2022	2021
Cash and current account balances	114,443	267,445
Cash equivalents	101,376	93,620
Total	**215,819**	**361,065**

The balance of "Other cash equivalents" reflects the deposits maturing at under three months, mainly in Argentina and Brazil.

The evolution of the cash flow is determined by positive cash generation by the business and cash outflows owing to the substantial investment effort made by the company during 2022, that has made the acquisition of fixed asset 269,208 thousand euros (see note 4) and the payment of interest and debt by financial entities, for the sums of 35,578 and 21,423 thousand euros, respectively (see cash flow statement).

12. DISPOSAL GROUPS OF ITEMS HELD FOR SALE AND DISCONTINUED OPERATIONS

12.1. Non-current assets and liabilities held for sale as of 31 December 2022

On August 2, 2022, the Parent Company, together with two subsidiaries wholly owned indirectly by the Parent Company, namely, Dia Retail España, S.A.U. ("Dia Retail") and Grupo El Árbol, Distribución y Supermercados, S.A.U. ("GEA", jointly with the Parent Company and Dia Retail, the "Sellers"), disclosed the formalisation of an agreement for the sale and purchase of real estate and movable assets and the transfer of certain titles of possession, use and enjoyment of certain establishments (the "Agreement"), whereunder the Sellers will sell, transfer or assign, as applicable, to Alcampo, S.A. (i) a portfolio of up to a maximum of 235 supermarkets, (ii) two logistics warehouses located in Villanubla (Valladolid) and (iii) certain agreements, licences, assets and employees related with said establishments and logistics warehouses (the "Transaction"). The price of the Transaction, which will be paid in full in cash, may vary depending on, amongst other parameters, the total number of assets ultimately transferred. The Company expects to dedicate the resources obtained to accelerate the implementation of its strategic plan by completing the process of remodelling the proximity stores of its current network, in addition to accelerating new openings within this same format, and the repayment of syndicated debt amounting to 97,200 thousand euros, which could be increased up to a maximum of 11,000 thousand euros, depending on the stores which end up being transferred (see note 14 b)). The conclusion of the Transaction is subject to the fulfilment or waiver, as regulated by the Agreement, of the following conditions precedent on or before 15 April 2023: (i) acquisition by the purchaser of merger control authorisation by the European Commission and/or the National Markets and Competition Commission, (ii) obtaining by the Sellers of authorisation by the financial entities of the syndicated financing of the Company for the implementation of the Transaction and (iii) transferability of a certain number of stores, varying in line with various parameters. The parent Company does not expect any negative accounting impacts in its consolidated income statement arising from the Transaction. The parent Company shall report in due time on fulfilment of the conditions precedent and on the final price of the Transaction.

On 23 December 2022, the Parent Company reported that its wholly owned subsidiary Dia Retail had signed a share purchase agreement (the "Clarel business sale Agreement") whereunder Dia Retail will transfer to C2 Private Capital, S.L. (the "Purchaser") its wholly owned subsidiary, Beauty by Dia, S.A.U. ("Clarel") (the "Clarel Transaction"). The deal reached, amongst other assets, includes 1,015 Clarel stores spread across the country and three distribution centres. Dia Retail is expected to dedicate the resources obtained to accelerate the implementation of its strategic plan by completing the process of remodelling the proximity stores of its current network, in addition to accelerating new openings within this same format. The conclusion of the Clarel Transaction is subject to the fulfilment or waiver, as regulated by the Clarel business sale Agreement, of the following conditions precedent on or before 30 June 2023: (i) obtaining by the purchaser of merger control authorisation from the European Commission and/or the National Markets and Competition Commission, and (ii) adoption by the Purchaser of certain measures for the financial insurance of Clarel goods. The Company shall report in due time on the fulfilment of the conditions precedent.

The detail of the assets and liabilities of both businesses, reclassified to held for sale in the financial year of 2022, has been set out below:

Thousands of Euros	2022	Clarel Business	Large Format Stores Business
Assets			
Porperty, plant and equipment (note 5)	71,204	19,946	51,258
Goodwill (note 6.1)	108,524	-	108,524
Use of right (note 6.2)	53,453	16,447	37,006
Other intangible assets (note 6.3)	289	192	97
Trade and other receivables	1,480	1,480	-
Other non-non current finacial assets	3,133	3,133	-
Inventories	55,446	55,446	-
Trade and other receivables	11,231	11,231	-
Other current financial assets	52	52	-
Other assets	42	42	-
Cash and cash equivalents	4,158	4,158	-
Non-current assets held for sale	**309,012**	**112,127**	**196,885**
Liabilities			
Non-current borrowings	31,890	11,756	20,134
Provisions	1,220	1,220	-
Current borrowings	23,434	10,804	12,630
Trade and other payables	7,327	7,327	-
Current tax liabilities	2,337	2,337	-
Current income tax liabilities	11,523	11,523	-
Liabilities directly associated with non-current assets held for sale	**77,731**	**44,967**	**32,764**

As a result of the fair value consolidation of non-current assets in the Clarel business, goodwill has been impaired by the amount of 10,820 thousand euros (note 6.1), tangible fixed assets by the amount of 3,640 thousand euros (note 5), usage rights for the amount of 3,042 thousand euros (note 6.2), and other intangible assets for the amount of 35 thousand euros (note 6.3). The large format store business has no negative impacts.

12.2. Information on earnings and cash flows from discontinued operations

Earnings from the Group's discontinued operations for the financial years of 2022 and 2021, upon submitting comparative figures, as mentioned in note 2.3, are as follows:

Thousands of Euros	2022	Clarel Business	Large Format Stores Business	2021	Clarel Business	Large Format Stores Business
Income	762,115	261,504	500,611	748,144	257,793	490,351
Amortisation and depreciation	(41,940)	(17,196)	(24,744)	(51,939)	(19,257)	(32,682)
Impairment	(9,210)	(18,665)	9,455	(8,329)	(1,121)	(7,208)
(Losses)/Gains on disposal of fixed assets	(348)	(310)	(38)	(103)	6	(109)
Expenses	(704,230)	(242,749)	(461,481)	(705,465)	(244,936)	(460,529)
Gross Margin	**6,387**	**(17,416)**	**23,803**	**(17,692)**	**(7,515)**	**(10,177)**
Financial expenses	(3,977)	(1,723)	(2,254)	(5,199)	(1,986)	(3,213)
Loss before taxes of discontinued operations	**2,410**	**(19,139)**	**21,549**	**(22,891)**	**(9,501)**	**(13,390)**
Net gain obtained on the sale of Group's companies	**2,410**	**(19,139)**	**21,549**	**(22,891)**	**(9,501)**	**(13,390)**

The line "impairment of non-current assets" includes an accounting impact of 17,537 thousand euros recorded in the consolidated income statement as at the close of 31 December 2022 under the item "Earnings from discontinued operations" through the fair value adjustment of the Clarel business.

The effect on cash flows from activities discontinued by the Group in the financial years of 2022 and 2021 is presented in the consolidated statement of cash flows.

13. EQUITY

13.1. Capital

The share capital of Dia as at 31 December 2022, after the increase in capital carried out in the financial year of 2021, was 580,655,340.79 euros, represented by 58,065,534,079 shares with a par value of 0.01 euros each, wholly subscribed and paid up. The shares were freely transferable.

At the General Shareholders' Meeting of the parent Company held on 31 May 2021, an Increase in Share Capital was agreed, for an effective amount up to 1,027,751,102 euros, by issuing and putting into circulation 51,387,555,100 new ordinary shares of a par value of 0.01 euros each, with a share premium of 0.01 euros per share, i.e. for an effective amount of 0.02 euros per share (par plus share premium), separated into (a) a first tranche of offsetting credits of the majority shareholder L1R Invest1 Holdings S.à.r.l. (hereinafter, L1R) before the Parent Company for a total amount of 769,200,000 euros, and (b) a second tranche of monetary contributions, initially reserved for subscription by the other shareholders for an amount of 258,551,102 euros.

Following approval of the Capital Increase Information Prospectus by the Spanish National Securities Market Commission on 9 July 2021 and the subscription performed during the different periods (preferential subscription and additional award), on 4 August 2021 the Parent Company announced the full subscription of the Capital Increase. On 6 August 2021, the date on which the debts subject to conversion into capital became liquid, due and payable, a public deed was executed recording the Capital Increase, duly registered with the Companies Register of Madrid on 9 August 2021, representing the issue of 51,387,555,100 new shares of a par value of 0.01 euros, with a share premium of 0.01 euros.

As a result of this Capital Increase, the new share capital of the Parent Company increased to 580,655,340.79 euros, divided into 58,065,534,079 shares of a par value of 0.01 euros each. The listing of the new shares took effect on 13 August 2021.

L1R subscribed a total of 40,122,542,579 new shares, representing 78.08% of the total amount of the Capital Increase, for a total cash amount of 802,450,851.58 euros. As a result, the stake held by L1R in the capital stock of the Parent Company increased from the 74.82% held prior to the Capital Increase to 77.70% following its conclusion.

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 as at the date of formulation approximately 0.09155% of the Parent Company's share capital.

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

- LetterOne Investment Holdings, S.A. indirectly held 77.704%
- Direct ownership is held by L1R Invest1 Holding, S.à.r.l. for the same percentage

13.2. Share premium

The share premium for Dia at 31 December 2022 and at 31 December 2021 amounted to 1,058,872,572.94 euros, represented by 6,055,522,466 shares with a share premium of 0.09 euros and 51,387,555,100 shares with a share premium of 0.01 euros.

As a result of the Capital Increase completed in August 2021, the Dia share premium increased by 513,875,551 euros, corresponding to 51,387,555,100 new shares issued with a share premium of 0.01 euros.

13.3. Accounting treatment of the first tranche of the Capital Increase through offsetting credits of the majority shareholder

On 6 August 2021, when the debts subject to capitalisation became liquid, due and enforceable and the public deed of capital Increase was executed, the Parent Company registered the capital increase operation of 1,027,751,102 euros, applying the following accounting treatments to the consolidated accounts of the Parent Company with regard to the first tranche of offsetting credits of the majority shareholder L1R Invest1 Holdings S.à r.l. against the Parent Company for a total amount of 769,200,000 euros.

International regulations governing the accounting treatment of debt capitalisation transactions (CINIIF 19) provide that issued shares are measured at fair value, unless that value cannot be reliably determined. However, its scope excludes capitalisation operations with shareholders and operations between parties under common control. As there are no specific regulations in these cases, the Parent Company opted to value the equity provided at the fair value of the debts cancelled and to record the result of the difference between the fair value and the carrying value of the debt cancelled as a financial result in the profit and loss account.

Prior to capitalisation, the Parent Company accrued all expenses pending incurred from the debt. On 6 August 2021, the Parent Company estimated the fair value of the credits to be capitalized, discounting the future flows of the debt at a market IRR obtained internally. A notional credit rating was assigned to the Parent Company based on the financial statements prior to the capital increase operation and an IRR of a debt with a credit rating and similar maturity was taken into account for the purposes of calculating the fair value of the credit to be capitalised. The difference between the net book value and the fair value of the credits to be capitalised was recorded as a financial result. The amounts recorded in Share Capital and Share Premium were recorded at the nominal value of the debts, and any difference with fair value was recorded under Reserves.

Adviser expenses and fees related to the capital increase were recorded as reduced Reserves.

The summary of total impacts on the Consolidated Shareholder Equity arising from the increase was as follows:

Share Capital and Share Premium (769.2+258.6)			**1,027.8**
Impact on PL by accrual outstanding expenses			(6.1)
and Fair Value			3.2
	SS Facility	(6.8)	
	Bonds 2023	10.0	
Value and Fair Value			(3.2)
	SS Facility	6.8	
	Bonds 2023	(10.0)	
Impact in reserves for advisory fees			(1.2)
Shareholders Equity			**1,020.5**

13.4. Reserves and retained earnings

Details of reserves and retained earnings are as follows:

Thousands of Euros	2022	2021
Other reserves non available	1,867	1,867
Other reserves	(1,445,414)	(1,187,804)
Profit attributable to equity holders ot the parent	(123,848)	(257,331)
Total	**(1,567,395)**	**(1,443,268)**

(i) *Legal reserve*

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

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

At 31 December 2022 and 2021, the Company had not allocated any amount to this reserve, as it had been fully offset, for an amount of 13,021 thousand euros, to compensate for losses, as agreed by the Extraordinary General Meeting of Shareholders of 22 October 2019.

(ii) *Capital redemption reserve*

At 31 December 2022 and 2021, there was no capital redemption reserve since it was fully offset on 31 December 2019 in the amount of 5,688 thousand euros, having met the requirements for a share capital decrease as previously mentioned. An amount equal to the par value of the own shares redeemed in 2015 and 2013 was appropriated to the redeemed capital reserve, as set forth in article 335.c) of the Spanish Companies Act.

(iii) *Other non-distributable reserves*

At 31 December 2022 and 31 December 2021, this reserve reveals an amount of 1,867 thousand euros, following the transfer to freely available voluntary reserves, amounting to 13,303 thousand euros, approved by the Ordinary General Shareholders' Meeting on 31 May 2021. This reserve, which at 31 December 2020 amounting to 15,170 thousand euros was 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, for as long as the net carrying amount of the goodwill exceeds that amount, at which point it may be deemed freely distributable.

(iv) *Other reserves*

At 31 December 2022, this caption item included the parent Company's voluntary reserves amounting to 964 thousand euros and 1,243 thousand euros at 31 December 2021. It also included negative consolidated reserves.

13.5. Own shares and other equity instruments

a) Treasury stock

Changes in own shares in 2022 and 2021 are as follows:

	Number of shares	Average price	Total (€)
At 31 December 2020	**984,480**	**5.8540**	**5,763,169.84**
Delivery of shares to Members of Board Director	(409,177)		(2,395,332.10)
Share purchase	28,332,781		474,177.48
At 31 December 2021	**28,908,084**	**0.1329**	**3,842,015.22**
Delivery of shares to Members of Board Director	(5,208,448)		(692,226.31)
At 31 December 2022	**23,699,636**	**0.1329**	**3,149,788.91**

During the financial year of 2022, 5,208,448 shares valued at 692 thousand euros, net of withholdings, were handed over by way of remuneration to the directors. The difference between the net value of the shares handed over amounted to 70 thousand euros (note 17) and its value of own shares, has been taken to voluntary reserves.

During the 2021 financial year 409,177 shares valued at 2,395 thousand euros were handed over by way of remuneration to the Directors. The difference between the net value of the shares delivered amounted to 50 thousand euros and its value of treasury stock was recorded by reducing the reserves.

During the 2021 financial year, 28,332,781 shares were acquired, amounting to 474,177.48 euros.

At 31 December 2022 the Parent Company held 23,699,636 own shares with a rounded off average purchase price of 0.1329 euros per share, representing a total amount of 3,149,788.91 euros.

b) Other equity instruments

At 31 December 2022, Other equity instruments includes the reserve for deferred remuneration in shares for non-proprietary directors (see Note 17).

13.6. Distribution of profit/(loss)

The proposal for the application of earnings for 2022 of the Parent Company prepared by the Board of Directors for submission to the Annual General Shareholders' Meeting is to take the losses in full for the year totalling 170,814,933.95 euros to prior-year losses.

The application of 2021 losses of the Company ultimately approved by the General Shareholders' Meeting on 7 June 2022 was to take 2021 losses (143,401,140.77 euros) to prior-year losses.

13.7. Earnings per share

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

	2022	2021
Average number of shares	**58,039,570,123**	**58,041,123,969**
Result for the period in thousands of Euros	(123,848)	(257,331)
Result per share in Euros	(0.002)	(0.004)

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

	Weighted average ordinary shares in circulation at 31/12/2022	Ordinary shares at 31/12/2022	Weighted average ordinary shares in circulation at 31/12/2021	Ordinary shares at 31/12/2021
Total shares issued	58,065,534,079	58,065,534,079	58,065,534,079	58,065,534,079
Own shares	(25,963,956)	(23,699,636)	(24,410,110)	(28,908,084)
Total shares	**58,039,570,123**	**58,041,834,443**	**58,041,123,969**	**58,036,625,995**

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

13.8. Translation differences

Details of translation differences at 31 December 2022 and 2021 are as follows:

Thousands of euro	2022	2021
Argentina	(31,384)	(47,972)
Brazil	(33,576)	(51,292)
Total	**(64,960)**	**(99,264)**

14. FINANCIAL LIABILITIES

Details of financial liabilities in the consolidated statements of financial position at 31 December 2022 and 2021 are as follows:

Thousands of Euros	2022	2021
Non-current liabilities		
Non-current borrowings	1,009,544	1,023,183
Other non-current financial liabilities	710	-
Current liabilities		
Current borrowings	278,877	272,454
Trade and other payables	1,329,274	1,274,612
Other financial liabilities	212,727	221,167
Total financial liabilities	**2,831,132**	**2,791,416**

14.1. Borrowings

The details of current and non-current borrowings were as follows:

At 31st december 2022	Total	Current 1 year	2 years	3 years	4 years	5 years	> 5 years	Non Current Total
Debentures and bonds	31,691	800	-	-	30,891	-	-	30,891
Syndicated credits (Revolving credit facilities) (*)	52,207	-	-	52,207	-	-	-	52,207
Syndicated credits (Term loan) (**)	392,899	25,000	25,000	342,899	-	-	-	367,899
Other bank loans	65,031	62,329	2,702	-	-	-	-	2,702
Credit facilities drawn down	170,161	6,051	-	164,110	-	-	-	164,110
Finance lease payables (***)	541,744	170,101	134,790	97,062	54,834	18,766	66,191	371,643
Guarantees and deposits received	15,269	3,175	-	-	-	-	12,094	12,094
Other current borrowings	19,419	11,421	3,059	1,796	1,796	1,347	-	7,998
Total non-current borrowings	1,288,421	278,877	165,551	658,074	87,521	20,113	78,285	1,009,544

A 31 de diciembre de 2021	Total	Current 1 year	2 years	3 years	4 years	5 years	> 5 years	Non Current Total
Debentures and bonds	31,267	467	-	-	-	30,800	-	30,800
Syndicated credits (Revolving credit facilities) (*)	52,571	1,594	-	-	50,977	-	-	50,977
Syndicated credits (Term loan)	392,842	-	25,000	25,000	342,842	-	-	392,842
Other bank loans	57,526	57,526	-	-	-	-	-	-
Credit facilities drawn down	187,109	3,170	-	-	183,939	-	-	183,939
Finance lease payables (***)	548,479	198,142	154,552	91,462	43,460	17,052	43,811	350,337
Guarantees and deposits received	14,667	916	-	-	-	-	13,751	13,751
Other current borrowings	11,176	10,639	537	-	-	-	-	537
Total current borrowings	1,295,637	272,454	180,089	116,462	621,218	47,852	57,562	1,023,183

(*) The incremental costs linked to the new debt unaccrued at 31 December 2022, amounting to 6,168 thousand euros (8,238 thousand euros at 31 December 2021), are deducted from the balance of the "Syndicated Loan (Revolving credit facilities)" item. Additionally, the increase in the fair value adjustment of non-current debt pursuant to IFRS9 is included for an amount of 1,676 thousand euros (2,516 thousand euros in the previous financial year).

(**) At 31 December 2022 the incremental costs associated with the new "Incremental SS Facility" amounting to 173 thousand euros were deducted from the amount of the "Syndicated Term Loan" heading (230 thousand euros in the previous financial year).

(**) The finance lease liability amount resulting from the application of IFRS 16 stands at 524,149 thousand euros at 31 December 2022 (Current: 163,011 thousand euros and Non-current: 361,138 thousand euros). In 2021, the amount was 530,445 thousand euros (Current: 190,412 thousand euros and non-current: 340,033 thousand euros).

a) Bonds

A meeting of bondholders of the so-called "2023 Bonds" was held on 20 April 2021 and approved, subject to completion of the capitalisation and refinancing transaction for 2021, the extension of the maturity date of the 2023 Bonds to 30 June 2026 and an increase in the coupon from the effective date of the capitalisation and refinancing transaction for 2021 at a rate of 3.5% per annum (3% cash and 0.50% PIK) plus an additional increase in interest of 1% PIK in circumstances where applicable under the syndicated financing agreement. On 2 September 2021, following completion of the capitalisation and refinancing operation, said conditions came into force.

The following agreements were also implemented on 23 April 2021:

- L1R and the Parent Company agreed that the credit right of L1R under the so-called "2021 Bonds" that it holds in the amount of 292,600 thousand euros of principal, (the creditor position having previously been assigned by DEA Finance, S.à.r.l. to L1R) will continue to exist, accrue interest and survive the maturity date of 28 April 2021, and the principal capital amount due thereunder will be payable and enforceable for the purposes of capitalisation in the Capital Increase as part of the credit capitalisation tranche. The interest payable under the private debt instrument was 1.000% per annum and the amount of principal owed thereunder would be payable and enforceable for capitalisation purposes in the Capital Increase as part of the first tranche of credit capitalisation.
- L1R and the Parent Company entered into a loan agreement for an amount of 7,400 thousand euros to finance the payment of principal payable by Dia under the 2021 Bonds not held by L1R (7,400 thousand euros). The principal amount of this loan would thereof be payable and enforceable for capitalisation purposes in the capital increase as part of the first tranche of credit capitalisation.
- The parent received a notice of assignment of the creditor position in favour of L1R under a private debt instrument originally issued in exchange for the 2023 Bonds held by DEA Finance amounting to 269,200 thousand euros. The interest payable under the private debt instrument was 0.875% per annum. The amount of principal owed

thereunder would be payable and enforceable for capitalisation purposes in the capital increase as part of the first tranche of credit capitalisation.

The details on bond issues outstanding for amortisation at 31 December 2022 and which remained listed on the Irish Stock Exchange under a Euro Medium Term Note debt issuance programme was as follows:

Issuing Company	Issue date	Amount	Voucher	PIK	PIK-Amount	Maturity date
DIA, S.A.	07.04.2017	30,800	3.00%	0.50%	91	30.06.2026

On 6 April 2022 the parent paid the interest on the fifth coupon of the 2023 Euro Medium Term Notes ("2023 Bonds") in the amount of 657 thousand euros and capitalised the corresponding interest on the PIK margin of 0.50% accrued from 21/09/2021 to 06/04/2022 amounting to 91 thousand euros.

The balance sheet value of these bonds was 30,891 thousand euros, as detailed in the table at the start of this note and corresponded to their nominal value for a total of 30,800 thousand euros, plus the capitalisation of the PIK for an amount of 91 thousand euros. In addition, the coupon accrued at 31 December 2022 amounts to 800 thousand euros.

b) Loans and borrowings

On 31 December 2018, the Parent Company formalised a Syndicated Financing Agreement ("SFA") with different Syndicated Creditors, which has been successively amended and redrafted on subsequent dates, the last amendment being dated 2 September 2021. The amount of the Syndicated Financing agreement (henceforth, the "Senior Facilities") at the start of the 2022 financial year amounted to a total of 902,426 thousand euros, and a Super Senior Supplier line amounting to 40,242 thousand euros.

The margin applicable to Syndicated Creditors under the Syndicated Financing Agreement is 3.0% per annum, with a ratchet increase of 125 basis points per annum PIK of the margin on the interest of the syndicated lenders in the event that (a) the leverage ratio for the 12-month period ending 31 December 2022 and/or 30 June 2023 is greater than 3.25:1, and (b) the leverage ratio for each 12-month period ending on 31 December and 30 June thereafter is greater than 2.50:1, with the increase ceasing to apply in the event that the leverage ratio falls below the applicable threshold on any of the subsequent verification dates;

The expiry of the Syndicated Financing Agreement is 31 December 2025. The depreciations committed to by the parent Company under the Syndicated Financing Agreement amount to 25,000 thousand euros for Senior Facilities on 31 March 2023 and 25,000 thousand euros on 31 March 2024. This reduces the amount of the advance repayments to which each syndicated lender is entitled by an amount equal to the amount by which the Bilateral Facility entered into by the lender is permanently reduced or cancelled on or before the date when the repayment is to be made. This potential reduction in the amount of advance repayments will not apply if the restated EBITDA (as defined in the SFA) for the financial year prior to the date when the repayment is to be made is greater than 300,000 thousand euros.

The Super Senior supplier line was due on 17 July 2022. Prior to said date, the Parent Company agreed with the syndicated creditors to extend said maturity until 30 September 2022, the date when said finance was fully settled.

On that date, the parent Company proceeded to convert certain limits of the RCF Revolving Credit Facility commitments (included under Senior Facilities) to confirming facilities amounting to 38,546 thousand euros.

In addition, on 2 September 2021 the Parent Company arranged with some of the Syndicated Creditors a Super Senior Incremental (henceforth, a Super Senior Incremental Facility) in the form of confirming agreements and term loan agreements (henceforth, "Term loan") for a total sum of 50,000 thousand euros, with a margin of 5.00% per year. Said funding has a super senior rank (in other words, it will be senior to Senior Facilities).

With regard to the sale and purchase agreement for real estate and movable assets and the transfer of certain titles of possession, use and enjoyment of certain establishments, whereby the following will be sold, transferred or assigned, as applicable, to Alcampo, S.A. (i) a portfolio of up to a maximum of 235 supermarkets, (ii) two logistics facilities located in Villanubla (Valladolid), and (iii) certain contracts, licences, assets and employees connected with said establishments and logistics warehouses, the Company has reached an agreement with the syndicated creditors and in the event that the conditions precedent to the agreement are fulfilled, the Company will proceed to repay the syndicated debt for an amount of 97,200 thousand euros, which may be increased up to a maximum of 11,000 thousand euros, depending on the stores that end up being transferred.

Other terms & conditions

Hive Down

The Parent Company acknowledges that the Group's hive down obligations under the SFA have been satisfied and it has no further obligation to take further action with respect to the hive down except for:

- the transfer of any Group assets (other than shares in other subsidiaries) not transferred to Dia Retail España, S.A.U. for applying one or more of the restrictions agreed under the SFA. The Group must seek to implement the transfer to the extent that all restrictions cease to apply;
- the transfer of the shares held by the Parent Company in its Portuguese subsidiary to the fully-owned Luxembourg company. The parent shall make its best efforts to seek to implement this as soon as possible, once any legal, regulatory or tax impediments preventing the transfer cease to apply; and
- the transfer of the shares held by the Parent Company in its Brazilian and Argentine subsidiaries to the fully-owned Luxembourg companies. The Parent Company should seek to implement to the extent that there is a change in the law or applicable tax regime allowing the shares to be transferred; and

Guaranties

The security obligations of the Parent Company at year-end 2022 under the Syndicated Financing Agreement (SFA) are as follows:

- Personal guarantee of the parent, Dia Retail España, S.A., Beauty By Dia, S.A., Pe-Tra Servicios a la Distribución, S.L.U. and Grupo El Árbol Distribución y Supermercados, S.A.U.
- Pledge on shares owned by the parent in Luxembourg Investment Company 317 S.à r.l. and Dia Brazil Sociedade Ltda.
- Pledge on shares owned by Luxembourg Investment Company 317 S.à r.l. in Luxembourg Investment Company 318 S.à r.l.
- Pledge on shares owned by Luxembourg Investment Company 318 S.à r.l. in Dia Finance, S.L.
- Pledge on shares owned by Dia Finance, S.L.U. in Luxembourg Investment Company 319 S.à r.l.
- Pledge on shares owned by Luxembourg Investment Company 319 S.à r.l. in Luxembourg Investment Company 320 S.à r.l., Luxembourg Investment Company 321 S.à r.l., Luxembourg Investment Company 322 S.à r.l., and Luxembourg Investment Company 323 S.à r.l.
- Pledge on shares owned by Luxembourg Investment Company 320 S.à r.l. in Dia Retail España, S.A.U.
- Pledge on shares owned by the parent and Luxembourg Investment Company 322 S.à r.l. in Dia Portugal Supermercados, S.A.
- Pledge on shares owned by Dia Retail España, S.A.U. in Beauty By Dia, S.A.U., Grupo El Árbol Distribución y Supermercados, S.A., Pe-Tra Servicios a la Distribución, S.L.U. and Dia World Trade SA.
- Personal guarantee by Dia World Trade, S.A.
- Pledge on shares owned by the parent and Pe-Tra Servicios a la Distribución S.L.U. in Dia Argentina, S.A.
- Pledge on credit claims arising from financing agreements between Group companies awarded by the parent.
- Pledge on certain current accounts of the parent, Dia Retail España, S.A.U., Beauty By Dia, S.A.U., Pe-Tra Servicios a la Distribución, S.L.U. and Dia Finance, S.L.U.
- Mortgage guarantees on certain real estate assets located in Spain and guarantees on certain intellectual property rights registered in Spain.
- Pledge on credit claims on certain loans between Group companies in which Dia Finance, S.L.U. and/or Luxembourg Investment Company 317 S.à r.l., Luxembourg Investment Company 318 S.à r.l., Luxembourg Investment Company 319 S.à r.l., Luxembourg Investment Company 320 S.à r.l., Luxembourg Investment Company 321 S.à r.l., Luxembourg Investment Company 322 S.à r.l. and Luxembourg Investment Company 323 S.à r.l. are creditors.
- Pledge on the current accounts of Luxembourg Investment Company 317 S.à r.l., Luxembourg Investment Company 318 S.à r.l., Luxembourg Investment Company 319 S.à r.l., Luxembourg Investment Company 320 S.à r.l., Luxembourg Investment Company 321 S.à r.l., Luxembourg Investment Company 322 S.à r.l. and Luxembourg Investment Company 323 S.à r.l.

On 2 September 2021, this guarantee package in favour of the syndicated lenders was ratified and extended until December 2025.

Debt baskets

The Syndicated Financing Agreement in force at 31 December 2022 allows the Group to incur some financial debt in addition to the existing debt:

- Additional Super Senior Debt ("Additional Super Senior Financing") provided that the total amount of the Super Senior Debt does not exceed 75,000 thousand euros. Any amount borrowed under the SS Incremental Facility would count for the purposes of the Additional Super Senior Debt Basket of 75,000 thousand euros;
- The borrower under the Super Senior Incremental Facility is Dia Retail España, S.A.U. Dia Finance S.L.U. will also be the borrower of any additional Super Senior Debt.

The SFA formalised with the syndicated lenders establishes that amounts granted under the SS supplier tranche and any other SS additional debt be classified as on an equal footing with each other and with seniority over the other SFA tranches.

To dispel any doubts, this is not a fully comprehensive description of the SFA and includes some other "baskets" of typically permitted debts.

Other commitments

The SFA includes certain commitments and obligations, including:

- Not to distribute parent dividends to shareholders without the agreement of the syndicated lenders until the debt held with them has been repaid in full.
- Personal obligations to act and not act and to deliver information typical in this type of financing operation in accordance with the Company's current rating, such as, example, restrictions on the parent granting encumbrances or rights of guarantee over assets, selling or disposing of certain assets, performing sale/leaseback transactions, modifying the Group's line of business, mergers and consolidations with other companies, transactions with subsidiaries and restricted payments (including dividends, swaps, reimbursements and prepayments of loans to members of the Group). If the parent wishes to breach any of these commitments, it would need the prior consent of syndicated lenders whose commitments account for more than 75% of the total commitments.
- 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 where the Group company operates.
- Extension of the due date of the Bilateral Facilities owed by Dia or any of its subsidiaries to the syndicated lenders to a later date satisfactory to the parent and always on terms substantially consistent with each Bilateral Facility agreement in question;

The SFA also includes typical commitments including (i) authorisations, (ii) legal compliance, (iii) sanctions and anticorruption, (iv) taxes, (v) environmental compliance, and (vi) applicable registration requirements.

Details are set out below of the financial lines comprising the Syndicated Financing by company, in thousand euros, along with other credit lines drawn down at 31 December 2022 and 2021:

At 31st december 2022	Limit	Amount used	Conf/Fact	Amount avaible
DIA RETAIL	**582,759**	**273,075**	**182,589**	**127,095**
Loan Facility (Term loan) - Syndicated Financing	***119,144***	***119,144***	-	-
Tranche A	31,969	31,969	-	-
Tranche B	87,175	87,175	-	-
Revolving Credit Facility (RCF) - Syndicated Financing	***24,437***	-	-	***24,437***
Tranche A	3,784	-	-	3,784
Tranche B	20,653	-	-	20,653
Credit Facility - Syndicated Financing	***255,598***	***153,931***	-	***101,667***
Credit Lines	***14,500***	***28***	-	***14,472***
Tranche B (*)	14,500	28	-	14,472
Credit Lines which may be utilised as reverse factoring	***196,876***	***109,681***	-	***87,195***
Tranche A	31,560	-	-	31,560
Tranche B	64,316	9,763	-	54,553
Tranche C	101,000	99,918	-	1,082
Credit Lines which may be utilised as factoring	***44,222***	***44,222***	-	-
Tranche D	44,222	44,222	-	-
Reverse Factoring - Syndicated Financing	***183,580***	-	***182,589***	**991**
Super Senior Supplier Tranche	-	-	-	-
Tranche A and B	38,546	-	38,303	243
Tranche C	141,687	-	140,940	747
Tranche F	3,347	-	3,346	1
DIA FINANCE	**317,666**	**317,584**	-	**82**
Loan Facility (Term loan) - Syndicated Financing	***251,088***	***251,088***	-	-
Tranche D	251,088	251,088	-	-
Revolving Credit Facility (RCF) - Syndicated Financing	***56,699***	***56,699***	-	-
Tranche D	31,699	31,699	-	-
Tranche F	25,000	25,000	-	-
Credit Facility - Syndicated Financing	***9,879***	***9,797***	-	***82***
Credit Lines which may be utilised as reverse factoring	***9,879***	***9,797***	-	***82***
Tranche D	9,879	9,797	-	82
DIA S.A.	**2,000**	**382**	-	**1,618**
Credit Facility - Syndicated Financing	***2,000***	***382***	-	***1,618***
Credit Lines	***1,000***	***382***	-	***618***
Tranche B	1,000	382	-	618
Credit Lines which may be utilised as reverse factoring	***1,000***	-	-	***1,000***
Tranche B	1,000	-	-	1,000
Total Multiproduct Syndicated Financing	**902,425**	**591,041**	**182,589**	**128,795**
DIA RETAIL	**50,000**	**22,840**	**26,906**	**254**
Loan Facility (Term loan) - Syndicated Financing	***50,000***	***22,840***	***26,906***	***254***
Loan Facility (Term loan)	22,840	22,840	-	-
Credit Lines reverse factoring	27,160	-	26,906	254
Total Multiproduct Syndicated Financing	**50,000**	**22,840**	**26,906**	**254**
Other Credit lines (not included in syndicated credits)	**6,051**	**6,051**	-	-

* Limit distributed between Dia Retail, BBD and GEA

At 31st december 2021	Limit	Amount used	Conf/Fact	Amount avalble
DIA RETAIL	623,002	294,873	181,361	146,768
Loan Facility (Term loan) - Syndicated Financing	119,144	119,144	-	-
Tranche A	31,969	31,969	-	-
Tranche B	87,175	87,175	-	-
Revolving Credit Facility (RCF) - Syndicated Financing	26,031	1,594	-	24,437
Super Senior Supplier Tranche	1,594	1,594	-	-
Tranche A	3,784	-	-	3,784
Tranche B	20,653	-	-	20,653
Credit Facility - Syndicated Financing	294,145	174,135	-	120,010
Credit Lines	14,500	793	-	13,707
Tranche B (*)	14,500	793	-	13,707
Credit Lines which may be utilised as reverse factoring	235,423	129,289	-	106,134
Tranche A	51,607	-	-	51,607
Tranche B	82,816	29,063	-	53,753
Tranche C	101,000	100,226	-	774
Credit Lines which may be utilised as factoring	44,222	44,053	-	169
Tranche D	44,222	44,053	-	169
Reverse Factoring - Syndicated Financing	183,682	-	181,361	2,321
Super Senior Supplier Tranche	38,648	-	36,494	2,154
Tranche C	141,687	-	141,584	103
Tranche F	3,347	-	3,283	64
Tranche "Incremental!	-	-	-	-
DIA FINANCE	317,666	317,591	-	75
Revolving Credit Facility (RCF) - Syndicated Financing	56,699	56,699	0	-
Tranche D	31,699	31,699	-	-
Tranche F	25,000	25,000	-	-
Loan Facility (Term loan) - Syndicated Financing	251,088	251,088	-	-
Tranche D	251,088	251,088	-	-
Credit Facility - Syndicated Financing	9,879	9,804	-	75
Credit Lines which may be utilised as reverse factoring	9,879	9,804	-	75
Tranche D	9,879	9,804	-	75
DIA S.A.	2,000	-	-	2,000
Credit Facility - Syndicated Financing	2,000	-	-	2,000
Credit Lines	1,000	-	-	1,000
Tranche B	1,000	-	-	1,000
Credit Lines which may be utilised as reverse factoring	1,000	-	-	1,000
Tranche B	1,000	-	-	1,000
Total Multiproduct Syndicated Financing	942,668	612,464	181,361	148,843
DIA RETAIL	50,000	22,840	24,861	2,299
Loan Facility (Term loan) - Syndicated Financing	50,000	22,840	24,861	2,299
Loan Facility (Term loan)	22,840	22,840	-	-
Credit Lines reverse factoring	27,160	-	24,861	2,299
Total Multiproduct Syndicated Financing	50,000	22,840	24,861	2,299
Other Credit lines (not included in syndicated credits)	5,389	3,170	-	2,219

* Limit distributed betwen Dia Retail, BBD and GEA

The credit facilities not included in syndicated loans for the amount of 6,051 thousand euros at 31 December 2022 (wholly drawn down) and 5,389 thousand euros at 31 December 2021 (drawn down for the sum of 3,170 thousand euros) refer to various credit facilities held with financial institutions by Dia Brasil Sociedade Limitada and Dia Argentina, all maturing during the financial years of 2023 and 2024.

Financial covenants

The general terms and conditions described below are those established in the Syndicated Financing Agreement in force on 31 December 2022:

- Financial leverage ratio: to be calculated each 30 June and 31 December. The first calculation was on 31 December 2020. The covenant level sets a deviation margin at up to 35% of the Adjusted Net Debt / Adjusted EBITDA ratio forecast in the Covenant plan, according to the definition of these concepts in the syndicated financing.

- Capital expenditure ratio and restructuring costs: it was established that from 31 December 2022 capital expenditure and restructuring costs could not exceed 12.5% and 20%, respectively, of the aggregate total of both items included in the Updated Covenant Plan delivered in December 2022.

Prior to 31 December 2022, the Parent Company complied with its obligation to deliver to the Syndicated Creditors an updated covenant plan ("Updated Covenant Plan") that included the fiscal years 2023, 2024 and 2025.

On the basis of said Updated Covenant Plan, the financial covenants of the Parent Company for the financial years 2023 to 2025 have been updated, complying with the requirement that the new leverage covenant for said financial years should be lower than the leverage covenant included in the original business plan of the Parent Company for the financial year of 2022 (5.60:1);

Under the Syndicated Financing Agreement, the Group must comply with the following ratios:

- **Financial Leverage Ratio:**

The Group undertakes to meet a given financial leverage ratio. This would be measured half-yearly every 30 June and 31 December.

The covenant level establishes a deviation margin of up to 35% with regard to the ratio of Adjusted Group Net Debt/Restated EBITDA established in the Group Covenant Plan and Updated Covenant Plan, setting the following limits:

Thousands of Euros	2020	2021	2022	2023	2024	2025
Covenant Level	1,025.9x	14.2x	5.6x	4.8x	3.7x	2.9x

At 31 December 2022 the financial leverage ratio required of the Dia Group's consolidated financial statement had been met. Details are as follows:

Total adjusted net debt / Restated EBITDA < 5.6x

Total adjusted net debt and restated EBITDA figures are calculated according to the definition included in the loan agreement. Thus, these figures do not agree with the figures included in Notes 4 and 14.1 in this document.

- **Investment ratio (capex) and restructuring costs:**

The Group undertakes to ensure that, as a whole, during the following periods falling between:

- 1 January 2020 and 31 December 2022: (i) the total investment expenses (capex) shall not exceed the total amount provided for in the Covenants Plan by more than 187.5 million euros, which is a 12.5% deviation, setting a maximum capex amount of 1,688 million euros for said period and, (ii) the restructuring expenses shall not exceed the amount provided for in the Covenants Plan by more than 23.3 million euros, which is a 20% deviation from the amount provided for in the Covenants Plan. In July 2022, financial creditors approved an increase of 38 million euros, setting the overall limit for restructuring expenses for this period of 178 million euros.

- 01 January 2023 and 31 December 2025: (i) the total investment expenses (capex) shall not exceed the total amount provided for in the Updated Covenants Plan by more than 85 million euros, which equates to a 12.5% deviation, setting a maximum capex amount of 759 million euros for said period and, (ii) the restructuring expenses shall not exceed the amount provided for in the Covenants Plan by more than 26 million euros, setting the overall limit of restructuring expenses for this period at 152 million euros.

As at 31 December 2022, the Group complied with the Covenants required under the Syndicated Financing Agreement.

Bank loans

Details of the maturity of other bank loans, grouped by type of transaction and company, at 31 December 2022 and 31 December 2021 were as follows:

At 31st December 2022

Type	Owner	Currency	Total	Current 1 year	2 years	Non-Current Total
Loan	DIA Portugal	EUR	**39,190**	**39,190**	-	-
Loan	DIA Brasil	EUR	**25,841**	**23,139**	2,702	**2,702**
	Other Loans		**65,031**	**62,329**	**2,702**	**2,702**

At 31st December 2021

Type	Owner	Currency	Total	Current 1 year
Loan	DIA Portugal	EUR	**39,290**	**39,290**
Loan	DIA Brasil	EUR	**18,236**	**18,236**
	Other Loans		**57,526**	**57,526**

The following transactions have been carried out in the financial year of 2022 at Dia Brasil:

Thousands of Euros	2022	New financing	Paybacks	Valuation Fx	2023
Loan Brasil	**18,236**	10,915	(5,011)	1,701	**25,841**

- On 14 January 2022, Dia Brasil duly repaid all of two bilateral loans for a total amount of 914 thousand euros (loan of 2,840 thousand Brazilian reals and another of 2,931 thousand Brazilian reals).

- During 2022, another loan amounting to 1,287 thousand euros was fully repaid (the equivalent value of which is 8,122 thousand Brazilian reals).

- On 24 June 2022, Dia Brasil signed a bilateral loan for 24 months, with monthly repayment and final maturity on 24 June 2024 amounting to 10,915 thousand euros (60,939 thousand Brazilian reals), repaying during 2022 the sum of 2,809 thousand euros (15,234 thousand Brazilian reals). The balance of said loan at the close of the year is 8,106 thousand euros.

The following transactions were carried out in the 2021 year:

- Within the context of the capitalisation and refinancing transaction for 2021, the debt under the SS Facility loan of 200,000 thousand euros granted by DEA Finance in favour of Dia finance, for which L1R became the creditor, was transferred in April 2021 to the Company Dia. The transferred amount was 200,893 thousand euros to long-term loans and 1,166 thousand euros to short-term loans. These amounts included interest accrued and not paid at a rate of 7.5% per annum.

- This debt was converted into equity as part of the first tranche of the capital increase implemented on 6 August 2021 in the context of the capitalisation and refinancing transaction for the financial year of 2021, with a zero balance at 31 December 2021.

- In summary, by virtue of the capital increase carried out during the 2021 financial year, the Company was released from the following financial liabilities:
    - the 200,000 thousand euros Dia owed L1R by way of principal under the SS term loan facility;
    - the 292,600 thousand euros Dia owed L1R by way of principal under the bonds issued by Dia for an aggregate principal amount of 300,000 thousand euros with a 1.000% coupon, maturing on 28 April 2021 (the "2021 bonds");
    - the 7,400 thousand euros Dia owed L1R under a loan to finance (or refinance) payment by Dia of the principal of the 2021 bonds to bond holders other than L1R on 28 April 2021;
    - the 269,200 thousand euros Dia owed L1R by way of principal under the bonds issued by Dia for an aggregate principal amount of 300,000 thousand euros with a 0.875% coupon, maturing on 6 April 2023 (the "2023 bonds"), which were previously replaced by a private debt instrument.

c) Finance lease payables

The details of finance lease payables and movement during 2022 and 2021 in thousand euros, are as follows:

	Short-term debt	Long-term debt	Total
At 1st January 2021	**197,373**	**414,587**	**611,960**
Additions	-	200,088	200,088
Disposals	-	(55,328)	(55,328)
Interesest expenses	48,419	-	48,419
Transfers	220,284	(220,284)	-
Transfers IFRS16	-	-	-
Value update	-	12,236	12,236
Other movements	(31,196)	-	(31,196)
Payments	(236,340)	-	(236,340)
Translation differences	(398)	(962)	(1,360)
A 31st December de 2021	**198,142**	**350,337**	**548,479**
A 1st Januay2022	**198,142**	**350,337**	**548,479**
Additions	-	297,883	297,883
Disposals and impairment	-	(53,655)	(53,655)
Interesest expenses	49,971	-	49,971
Transfers	210,829	(210,829)	-
Transfers to assets held for sale	(22,719)	(31,029)	(53,748)
Value update	-	22,145	22,145
Other movements	(29,015)	(2,321)	(31,336)
Payments	(237,567)	-	(237,567)
Translation differences	460	(888)	(428)
At 31st December 2022	**170,101**	**371,643**	**541,744**

The debt regarding financial lease assets already in existence at 31 December 2018 and referring to certain commercial premises, technical installations, machinery and other fixed capital (transport elements) at 31 December 2022 amounts to 10,505 thousand euros in the long term (10,304 thousand euros in 2021), and 7,090 thousand euros in the short term (7,730 thousand euros in 2021).

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

Thousands of Euros	2022	2021
Short-term leases	25,788	24,740
Low-valuee leases	261	365
Community	1,527	1,361
Taxes	3,953	2,480
Utilities	389	550
Others	711	1,557
Total expenditure real estate lease	**32,629**	**31,053**

Cash outflows from real estate leases for the Group's continued activities, including those recorded as financial leases and operating leases, amounted in the financial years 2022 and 2021 to 270,196 and 267,393 thousand euros respectively.

14.2. Other non-current financial liabilities

Other non-current financial liabilities at 31 December 2022 for the amount of 710 thousand euros, include advances for franchises by way of the entry fee in Argentina.

14.3. Trade and other payables

Details are as follows:

Thousands of Euros	2022	2021
Suppliers	1,081,130	1,028,935
Suppliers, other related parties	300	1,368
Advances received from receivables	459	2,771
Trade payables	231,960	213,155
Onerous contracts provisions	15,425	28,383
Total Trade and other payables	**1,329,274**	**1,274,612**

"Suppliers" and "Payables" essentially comprise current payables to suppliers of goods and services, including accepted giro bills and promissory notes.

Trade and other payables do not bear interest.

At 31 December 2022 the Group had reverse factoring facilities with a limit of 253,545 thousand euros (31 December 2021: 249,621 thousand euros) of which 246,729 thousand euros had been used (31 December 2021: 244,045 thousand euros).

	2022			2021		
Thousands of Euros	Limit	Amount used	Amount avalble	Limit	Amount used	Amount used
Reverse Factoring - Syndicated Financing (notes 14.1 b) and 20.2)	183,580	182,589	991	183,682	181,361	2,321
Reverse Factoring - Syndicated Financing (Term loan) (notes 14.1 b) and 20.2)	27,160	26,906	254	27,160	24,861	2,299
Reverse Factoring - not included Syndicated Financing (note 20.2)	42,805	37,234	5,571	38,779	37,823	956
Total	**253,545**	**246,729**	**6,816**	**249,621**	**244,045**	**5,576**

The Group has registered the relevant provision for onerous contracts relating to the costs for terminating lease agreements with the stores/warehouses where either expected closure or expected negative cash flows have required a total impairment of their assets.

Pursuant to the duty of information of Spanish Law 18 enacted on 28 September 2022 regarding the creation and growth of companies, amending Spanish Law 15 enacted on 5 July 2010, amending Law 3 enacted on 29 December 2004 whereby measures were introduced to combat late payments in commercial transactions, information has been provided below which must be supplied by the Spanish companies of the Dia Group:

	2022	2021
	Days	Days
Average payment period to suppliers	42	43
Paid operations ratio	42	43
Pending payment transactions ratio	38	41
	Amount (euros)	Amount (euros)
Total payments made	4,115,482,215	3,861,425,957
*Total pending payments	444,544,687	398,586,892

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

The above average payment period considers reverse factoring with suppliers in the calculation.

	Nº invoices
Invoices paid in legal maximum period	687,108

	Percentage
% nº of paid invoices in legal maximum period over the total invoices	52.06%
% of monetary value of the paid invoices in legal maximum period over the total invoices	60.14%

The above average payment period considers reverse factoring with suppliers in the calculation.

If two additional days were included in the term to offset the effect of business days, holidays and administrative incidents on the invoice for payments issued by confirming, the percentages of the number of invoices and their monetary value would have been 70.51% and 76, 72%, respectively.

14.4. Other financial liabilities

Details of other financial liabilities are as follows:

Thousands of Euros	2022	2021
Personnel	77,392	56,954
Suppliers of fixed assets	87,451	116,894
Other current liabilities	47,884	47,319
Total other liabilities	**212,727**	**221,167**

The increase in the line of personnel occurred in Spain, as a result of the provisions for bonuses, contract arrears and compensation. In addition, the personnel item includes the amount of 7,787 thousand euros as provisions for remuneration of personnel under the Short-term Incentive Plan (see notes 15 and 17).

The fixed asset suppliers item suffered a downturn with regard to the close of the 2021 financial year as a result of the volume of forecasts regarding invoices pending receipt with regard to the refurbishment undertaken at the stores in that financial year.

Other current liabilities essentially include deposits received from franchises amounting to 47,630 thousand euros (41,932 thousand euros in 2021). Upon termination of the contractual relationship with Dia, the amounts already paid and deposited as security shall be deducted from the franchisee's final debt. In addition, as of 31 December 2021, an amount of 2,306 thousand euros was included, corresponding to the debt with Caixa Bank for the purchase operation of 50% of the subsidiary Finandia, S.A. on 19 June 2019; this debt was settled on 19 July 2022.

14.5. Estimations of fair values

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

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

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

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

Thousands of Euros	Loans and receivables	
	31/12/2022	31/12/2021
Financial assets		
Trade and other receivables	210,403	193,417
Other financial assets	68,149	66,651
Consumer loans from financial activities	908	1,010
Total	**279,460**	**261,078**

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

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

	Carrying amount			
Thousands of Euros	Debts and items payable		Fair value	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Financial liabilities				
Trade and other payables	1,329,274	1,274,612	1,329,274	1,274,612
Debentures and bonds	31,691	31,267	25,256	25,307
Syndicated credits (Revolving credit facilities)	52,207	52,571	52,207	52,571
Syndicated credits (Term loan)	392,899	392,842	392,899	392,842
Credit facilities drawn down	170,161	187,109	170,161	187,109
Bank loans and credits	65,031	57,526	65,031	57,526
Guarantees and deposits received	15,269	14,667	15,269	14,667
Other financial liabilities	232,856	232,343	232,856	232,343
Total	**2,289,388**	**2,242,937**	**2,282,953**	**2,236,977**

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

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

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

Thousands of Euro	Financial debt non current	Financial debt current	TOTAL
At 31 December 2021	**1,023,183**	**272,454**	**1,295,637**
Net cash flows from financing activities (payments)	(19,829)	(1,594)	(21,423)
Net cash flows from financing activities (charges)	4,195	8,559	12,754
Net cash flows from financing activities (lease payments)	-	(237,567)	(237,567)
Financing flows of discontinued operations	-	(32,679)	(32,679)
Changes non-monetarys:			
Reclassification to short term	(235,829)	235,829	-
Exchange differences	(888)	461	(427)
Transfer held for sale	(31,890)	(23,434)	(55,324)
Other Change non-monetarys	270,602	56,848	327,450
At 31 December 2022	**1,009,544**	**278,877**	**1,288,421**

Thousands of Euro	Financial debt non current	Financial debt current	TOTAL
At 31 December 2020	**1,625,790**	**589,032**	**2,214,822**
Net cash flows from financing activities (payments)	(80,041)	(17,015)	(97,056)
Net cash flows from financing activities (charges)	6,213	44	6,257
Net cash flows from financing activities (lease payments)	-	(236,340)	(236,340)
Financing flows of discontinued operations	-	(36,241)	(36,241)
Changes non-monetarys:			
Reclassification to short term	(189,484)	189,484	-
Debt capitalization	(500,000)	(269,200)	(769,200)
Exchange differences	(961)	(398)	(1,359)
Other Change non-monetarys	161,666	53,088	214,754
At 31 December 2021	**1,023,183**	**272,454**	**1,295,637**

The line "financing flows from discontinued operations" in the consolidated cash flow statement for a total of 36,837 thousand euros includes 32,679 thousand euros of current financial debt from payments for financial leases (see in the previous table for the financial year of 2022) and 4,158 thousand euros correspond to the balance of cash and other equivalent liquid assets of the company Beauty by Dia, which have been classified as "non-current assets held for sale" according to the terms mentioned in Note 12.1.

Other Change non-monetarys mainly includes the effect of IFRS 16.

15. PROVISIONS

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

Thousands of Euro	Provisions for long-term employee benefits under defined benefit plans	Tax provisions	Social security provisions	Legal contingencies provisions	Other provisions	Total provisions
At 1 January 2021	**26,038**	**34,498**	**10,002**	**22,805**	**1,069**	**94,412**
Charge	956	3,724	6,080	9,568	425	20,753
Applications	-	(1,057)	(1,987)	(7,720)	-	(10,764)
Reversals	(16,781)	(1,290)	(1,935)	(6,404)	(5)	(26,415)
Transfers	(6,331)	9,416	2,178	2,001	-	7,264
Transfers to liabilities held for sale	(582)	-	(22)	(533)	(83)	(1,220)
Other movements	72	842	-	-	6	920
Translation differences	(769)	261	(241)	(669)	(17)	(1,435)
A 31st December de 2022	**2,603**	**46,394**	**14,075**	**19,048**	**1,395**	**83,515**
At 1 January 2020	**14,958**	**35,690**	**8,172**	**24,378**	**1,130**	**84,328**
Charge	11,529	2,156	7,624	6,047	16	27,372
Applications	-	-	(3,036)	(1,764)	-	(4,800)
Reversals	(319)	(3,784)	(2,443)	(5,829)	(71)	(12,446)
Transfers	-	74	(147)	147	-	74
Other movements	20	271	-	-	7	298
Translation differences	(150)	91	(168)	(174)	(13)	(414)
A 31st December de 2021	**26,038**	**34,498**	**10,002**	**22,805**	**1,069**	**94,412**

Long-term compensation allowances, reversals and transfers to personnel in 2022 and allowances in 2021 are primarily for Long-Term Incentive Plans as detailed in Notes 4 and 17. Transfers amounting to 7,787 thousand euros were taken as remuneration pending payment to staff (see note 14.4).

Fiscal allocations in 2022 arise essentially from estimates of provisions for differences of judgment with the Public Authority in Brazil (in 2021 essentially in Argentina, Brazil and Spain).

The tax provisions in 2022 were fully applied to the payment of settlements arising from inspections into the 2009, 2010 and 2011 tax years in Spain.

Tax reversals in 2022 and 2021 mainly arise from matters resulting from tax inspections that are no longer considered probable.

During 2022, an amount of 13,595 thousand euros corresponding to judicial deposits required by ongoing litigation and which were reducing the tax, social and legal provisions in Brazil has been transferred to other non-current financial assets. The amounts reflected in transfers correspond entirely to the balances as of December 31, 2021 of these judicial deposits (see note 7.2).

In 2022 and 2021, charges, applications and reversals of provisions for lawsuits filed by former employees (related to social security contributions) include labour contingencies mainly in Brazil and Argentina.

With regard to legal provisions, in order to cover other disputes with third parties, in 2022 4,688 thousand euros were provisioned in Spain (1,154 thousand euros in 2021), in Portugal 1,360 thousand euros (1,370 thousand euros in 2021), in Argentina 1,959 thousand euros (2,408 thousand euros in 2021) and in Brazil 1,561 thousand euros (1,115 thousand euros in 2021).

The reversals of legal provisions in both financial years were the result of contract risks which did not materialise, in Brazil for an amount of 1,030 thousand euros in 2022 (2,726 thousand euros in 2021), in Portugal for an amount of 1,105 thousand euros in 2022 (970 thousand euros in 2021), in Spain for an amount of 3,426 thousand euros in 2022 (818 thousand euros in 2021) and in Argentina for an amount of 843 thousand euros in 2022 (1,315 thousand euros in 2021).

Applications of legal provisions during the financial year of 2022 include a payment made on 20 May 2022 in Spain of 6,880 thousand euros for the lawsuit that had been provided for since the first half of 2020 with the Food Control and Information Agency of the Ministry of Agriculture (AICA).

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

Court proceedings in Argentina

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

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

The total amount determined by AFIP was 808 million Argentine pesos for the 2014-2018 period. However, the court ordered that 462 million Argentine pesos be deducted from the total debt due to amounts already paid by former franchisees.

In December 2020, the prosecutor assigned to the case asked the judge to proceed with the charges against Dia Argentina, S.A. and some of its directors and former directors. At the same time, Dia Argentina, S.A. deposited the debt of its former franchisees as part of the tax amnesty regime in force at the time, in its capacity of joint and several liability, for a total of 156 million Argentine pesos.

On 6 April 2022, the Criminal Judge summoned Dia Argentina, S.A. and its former directors, in connection with the prosecutor's request to proceed with the formal prosecution for the month of October and November 2022. However, these summonses have been suspended pending a decision by the Criminal Court as a result of the granting of the tax amnesty and payment of amounts referred to in the following paragraphs.

On 29 April 2022, three of the former directors called by the court (as they were sued jointly and severally) asked to be accepted under the new tax amnesty in force at the time (Law 27.653). 175 million Argentine pesos of nominal capital was paid in this regard, whereby the calculation of interest (calculated at a maximum of 75%) and elimination of a penalty on the basis of the benefits of the tax regulations established a total of 257 million Argentine pesos.

By dint of the previous payment and that made in December 2020, Dia Argentina, S.A. requested the benefits of said inclusion in the new tax amnesty, requesting on 17 May 2022 the termination of the criminal action due to debt satisfaction. Should this application be accepted and the termination of the criminal action ordered, the substantive discussion would be reduced or limited to the original administrative file.

On 21 December 2022, Dia Argentina, S.A. was notified of the favourable pre-opinion of the prosecutor (prosecuting body) investigating this case, validating the position of Dia Argentina, S.A. requesting the termination of the criminal action for satisfaction of the debt, recognising the timely payments made by the franchisees, as well as the payment of all the amounts paid in all the tax amnesties.

On February 24, 2023, the Prosecutor of the case has issued a resolution considering that, by virtue of the facts revealed by Dia Argentina in its request of May 17, 2022, the requirements to order the extinction of the criminal action followed against Dia Argentina and its former directors are met.

If this line were validated by the Criminal Judge, the criminal action against Dia Argentina, S.A. and the former directors would be extinguished. As at the date of drawing up these consolidated annual accounts, for the reasons set out, no accounting provision has been established.

Criminal proceedings before the Spanish National High Court

On 14 January 2020, the Parent Company became aware of the processing of Preliminary Proceedings 45/209 before the Court of Investigation 6 of the Spanish National High Court, in which the court was investigating certain events involving former executives of Dia. The proceedings derived from a lawsuit brought by several of the parent's minority shareholders, subsequently joined by investigation proceedings by the Anti-Corruption Prosecutor's Office, initiated as a result of the claim filed by Dia before the Prosecutor's Office on 6 February 2019.

The Company was also notified, at its request, of the ruling of 10 January 2020 issued by the above-mentioned Central Court of Investigation 6 of the National High Court in the same preliminary proceedings, determining the facts investigated, the crimes that might have been committed and the persons to be summonsed for investigation, in addition to other investigative measures to be conducted by the Court. Specifically, the ruling of 10 January 2020 stated that the crimes to be investigated in the abovementioned proceedings were misappropriation and accounting fraud in relation to Dia's financial statements for the 2016 and 2017 financial years, allegedly committed by former executives and harming Dia in a number of ways.

As a result of the above, Dia requested it be allowed to appear in the proceedings as an injured party. By Judicial Order of 17 January 2020, the National High Court admitted the parent as party to the proceedings.

Following the investigation proceedings deemed appropriate by the Court of Investigation, by means of two Rulings of 26 February 2021, the National High Court denied Dia the status of injured party in order to grant it subsidiary civil liability status and to terminate the investigation phase and begin the intermediate phase prior to the oral trial phase (summary proceedings).

Following notification of the summary proceedings, on 9 March 2021 the Public Prosecution Service brought charges against the former executives who had been under investigation since January 2020 for an alleged ongoing offence of false accounting in the financial statements for the 2016 and 2017 financial years, claiming compensation for damages for Dia in the amount accredited from the evidence to be examined at the trial hearing. The representatives of the minority shareholders brought charges against the same persons for an alleged ongoing offence of false accounting. The representatives filed a claim against the defendants, as well as against Dia as party to subsidiary civil liability, for compensation provisionally quantified at 3,336,052.75 euros.

On 4 May 2021, the Court of Investigation agreed to open oral proceedings against the defendants and against Dia in its capacity as party to subsidiary civil liability. All the defence counsels, including Dia, submitted their respective defence pleadings. In response to this ruling, Dia filed a motion for dismissal and after various defence counsels and the Public Prosecution Service joined it, Court of Investigation 6 upheld the motion on 23 June 2021 and expelled from the proceeding the franchisee association (ASAFRAS) that had been the plaintiff.

The proceedings were referred to the Central Criminal Court, the body responsible for prosecuting the events.

The court issued an order to admit evidence on 26 November 2021 and set dates for the oral trial phase to be held from September 2022.

However, in February and March 2021, in response to the abovementioned Orders of 26 February 2021, various petitions for reconsideration and appeal were lodged by the defence counsels and private plaintiff. All the petitions for reconsideration were rejected by Court of Investigation 6. Meanwhile, with regards the above mentioned appeals, the appeal lodged by the parent seeking restitution of its injured party status was dismissed on 5 July 2021 by the National High Court, in accordance with the procedural status at the time. In a ruling of 16 December 2021, the National High Court partially upheld one of the appeals of the defence counsels and revoked the summary proceedings on the basis that there was no evidence of any detriment to minority shareholders, returning jurisdiction to Court of Investigation 6 to continue the proceedings in the manner deemed appropriate.

As a result of the above, the Central Criminal Court suspended the oral trial phase and the hearings scheduled from September 2022 onwards were cancelled.

The Court of Investigation 6 then leveraged an order of 2 February 2022 to amend the summary proceedings with a view to incorporating a paragraph that would uphold the impact that restating the Group's financial statements had on the market, and as a consequence the detriment this entailed for investors. Furthermore, on 3 February 2022, Dia was again denied the possibility of bringing charges and on 4 February it was agreed there was no place for the expert witness proposed by the minority shareholders to prove their detriment as the investigation phase was deemed to have been completed.

The parties, including Dia, appealed against the recently amended summary proceedings. These appeals were partially accepted by the National High Court on the understanding that the summary proceedings of 26 February 2021 be revoked and therefore not able to be supplemented or amended. Similarly, the National High Court dismissed Dia's appeal against the decision of 3 February 2022 preventing it from bringing charges, arguing that the reasons that justified Dia being denied the status of injured party in the proceedings remained in full force and effect.

With this as the background, Court of Investigation 6 informed the Public Prosecution Service of the continuation of proceedings, which considered free dismissal a mere procedural matter required in order for subsequent appeals to be lodged. The Court decided to dismiss the proceedings by order of 8 September 2022. In response to said ruling, appeals for reconsideration and an appeal were filed. The former was dismissed by order of 17 October 2022. The latter was dismissed by order of 30 November 2022 by the Criminal Court. In response to this latest ruling, the Public Prosecution Office announced the preparation of an appeal for reversal, to which Dia is not a party.

On 17 February 2023 the Parent Company was served notice of the attestation of the Decree of 22 December 2022, deeming the appeal to be lodged with the Public Prosecution Office and the Court Order by Central Investigation Court 6, ruling that the proceedings be definitively shelved, with no appeal being allowed against this decision.

No liability will arise from this procedure for either the Parent Company or any of its former executives or employees.

Civil proceedings brought by minority shareholders

On 12 June 2020, the parent was notified of the filing of a civil action suit for damages by another individual minority shareholder, whereby the shareholder was claiming 110,605 euros in damages, alleging breach by the Company of the obligation to reflect a true and fair view of its equity in the 2016 and 2017 financial statements, and the decrease in share value within the context of the restatement of the annual accounts in 2018. The Company responded to the lawsuit in a timely and appropriate manner. On 25 June 2021, the first session of the trial proceedings was held, and ended on 19 July 2021. On 30 September 2021, a judgment was handed down from the court of first instance dismissing the suit. On 9 November 2021, the parent received notice of an appeal against the judgment. On 7 January 2022 the parent proceeded to file its objection to the appeal. The appeal is currently pending a decision by the Provincial Court of Madrid.

Other civil proceedings

In March 2019, Ricardo Currás de Don Pablos filed a civil action suit against Dia, claiming a total of 567,226 euros plus interest, of which: (i) 505,500 euros was for the non-competition agreement pending payment to Mr Currás; and (ii) 61,726 euros was for the settlement of his remuneration as a director. At 31 December 2021, Dia had an accounting provision for these amounts.

In May 2019, Dia responded to the claim brought by Mr Currás, objecting to the amounts claimed, and filed a counterclaim for a total of 2,785,620 euros plus interest, of which: (i) 834,120 euros was for the Annual Variable Remuneration (AVR) received by Mr Currás in the years 2016 and 2017; and (ii) 1,951,500 euros for the compensation received by Mr Currás upon his resignation as Dia chief executive. Mr Currás responded to the counterclaim by opposing Dia's claims.

Following the relevant proceedings, a judgment handed down by the Court of First Instance on 10 May 2021 dismissed the claim brought by Mr Currás against Dia, with costs being awarded against Mr Currás, and partially upheld the counterclaim brought by Dia against Mr Currás, ordering him to pay Dia the following amounts: (i) 275,232 euros for AVR in the years 2016 and 2017, plus interest accrued since its receipt; and (ii) 1,951,500 euros for the compensation received by Mr Currás, plus the interest accrued since its receipt.

The abovementioned judgment was fully revoked by the judgment of the Provincial Court of Madrid of 25 February 2022, by virtue of which: (i) the lawsuit filed by Mr Currás against Dia was fully upheld, with Dia ordered to pay 505,500 euros as compensation for the post-contractual non-competition agreement and 61,726 euros as director remuneration, plus the legal interest since the legal proceedings, as well as the costs of the lawsuit; and (ii) the counterclaim filed by Dia was fully rejected, with the latter being awarded the costs occasioned to the other party. In addition, the costs incurred by Mr Currás with the Dia appeal were imposed on Dia.

An extraordinary appeal may be lodged for procedural infringement and/or cassation against the abovementioned judgment of the Provincial Court of Madrid.

On 31 March 2022, Dia filed both appeals which, at the date of preparing these consolidated annual accounts, were pending a ruling as to their acceptance by the Supreme Court.

On March 10, 2023, the Company was notified of the demand for an amount filed by Mr. Antonio Coto Gutiérrez, former director and former CEO of the Company, against Dia S.A. for an amount of 4,748,561.04 plus interest for different concepts related to amounts that he considers are owed to him as a result of the termination of his relationship as CEO of the Company in December 2018.

The Company will present the brief in response to the claim in due time and form.

These annual accounts have included the provision that, taking into account the opinion of the Company's legal advisors, has been considered reasonable in relation to this litigation.

Other procedures

In addition to the above, Group companies have other non-significant legal proceedings with third parties which have been provisioned.

16. TAX ASSETS AND LIABILITIES AND INCOME TAX

16.1. Income tax

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

Thousands of Euros	2022	2021
Current Income taxes		
Current period	23,416	9,333
Prior periods' current income taxes	3,511	(5,527)
Total current income taxes	**26,927**	**3,806**
Deferred taxes		
Source of taxable temporary differences	6,004	9,871
Source of deductible temporary differences	(29,586)	(19,039)
Reversal of taxable temporary differences	(1,936)	(1,897)
Reversal of deductible temporary differences	32,451	21,134
Total deferred taxes	**6,933**	**10,069**
TOTAL EXPENSE TAX	**33,860**	**13,875**

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

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

Thousands of Euros	2022	2021
Loss for the period before taxes from continuing operations	(92,398)	(220,565)
Share in profit/(loss) for the year of equity accounted investees	55	(11)
Loss for the period before tax	(92,343)	(220,576)
Tax calculated at the tax rate of each country	(22,455)	(57,451)
Unrecognised tax credits	48,270	51,386
Non-taxable income	(16,801)	(17,544)
Non-deductible expenses	17,971	19,475
Unrecognised deferred taxes	(8,021)	14,589
Deductions and credits for the current period	496	389
Adjustments for prior periods	2,956	(6,057)
DT from prior periods	226	332
Hiperinflation adjustment related to tax rate	10,666	8,223
Other adjustments	552	533
Expense tax	33,860	13,875
TOTAL EXPENSE TAX	33,860	13,875

Although the pre-tax accounting loss of ongoing activities of the Group amounts to 92,398 thousand euros, Dia Argentina contributes to this result with 60,085 thousand euros of profits which, at a tax rate of 35%, implies a tax expense of 21,030 thousand euros, an amount to which an adjustment due to hyperinflation of 10,666 thousand euros must be added.

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

Spain	25%
Portugal	21%
Argentina	35%
Brazil	34%
Switzerland	14%

In 2022, the Spanish companies Distribuidora Internacional de Alimentación, S.A. (parent) and Dia Retail, S.A., Pe-Tra Servicios a la Distribución, S.L., Beauty by Dia, S.A., Grupo El Árbol Distribución y Supermercados S.A., Dia Eshopping, S.L., Dia Finance S.L. and Finandia S.A. (subsidiaries) filed consolidated tax returns in 2020 as part of tax group 487/12, pursuant to Title VII, Chapter VI of the Spanish Corporate Income Tax Law 27/2014 of 27 November 2014.

16.2. Tax assets and tax liabilities

Details of the tax assets and liabilities for 2022 and 2021 recognised in the consolidated statement of financial position at 31 December are as follows:

Thousands of Euros	2022	2021
Non current tax assets	70,366	61,329
Taxation authorities, VAT	43,131	34,102
Taxation authorities	6,573	12,446
Current income tax assets	8,303	1,681
Total tax assets	**128,373**	**109,558**
Deferred tax liabilities	50,742	36,453
Taxation authorities, VAT	17,029	15,551
Taxation authorities	39,043	31,358
Current income tax liabilities	14,191	8,062
Total tax liabilities	**121,005**	**91,424**

Non-current tax assets correspond in their entirety to ICMS in Brazil for 396,766 thousand Brazilian reals at 31 December 2022 for the tax on the Circulation of Goods and Services, equivalent to VAT in other jurisdictions. The current amount of this tax, amounting to 59,737 thousand Brazilian reals, forms part of the caption "Public Tax Office, VAT receivable" at 31 December 2022.

In relation to the tax on circulation of goods and services (ICMS-ST), in March 2017 the Supreme Court judgment of October 2016 was ratified, allowing companies to recover a portion of the tax paid. This decision was confirmed by the final court ruling of May 2019 in favour of Dia Brasil.

At 31 December 2019, Dia Brasil had an estimated total amount of ICMS assets to be recovered comprising 372,670 thousand Brazilian reals and an impairment test provision (impairment) as to the recoverability of the credits within 10 years amounting to 93,000 thousand Brazilian reals, the final balance on its balance sheet thus being 279,670 thousand Brazilian reals.

During the 2020 and 2021 financial years, with the assistance of external consultants, the amount of ICMS assets regarding the 2009, 2010, 2011, 2012, 2018, 2019 and 2020 periods for the state of São Paulo was re-evaluated, along with the 2017, 2018, 2019 and 2020 periods for the state of Rio, because the amount accounted for during these periods had been calculated on a precautionary basis. As a result, there was an increase in non-current assets amounting to 38,638 thousand Brazilian reals in the 2020 financial year and 29,066 thousand Brazilian reals in the 2021 financial year.

In addition, in the 2020 and 2021 financial years the corresponding update was performed for late-payment interest accounted for (29,864 thousand Brazilian reals) and net offsetting of recurrent balances in the amount of (40,465 thousand Brazilian reals). Finally, the 10-year recoverability test performed at the end of the 2020 and 2021 financial years allowed the reversal of all the impairment previously recorded in 2019.

During the financial year of 2022, with the help of external consultants, the amount of ICMS assets for the 2013, 2014, 2015, 2016 and 2017 and 2021 financial years for the State of São Paulo was re-evaluated because the amount accounted for during these periods had been calculated on a precautionary basis. As a result, there was an increase in non-current assets amounting to 31,432 thousand Brazilian reals. In addition, during 2022, interest in arrears recorded was restated by 55,893 thousand Brazilian reals. Meanwhile, the net compensation of recurrent balances amounted to (42,586 thousand Brazilian reals) resulting from the difference in credits generated in 2022 (27,506 thousand Brazilian reals) with the amounts of compensation amounting to (70,092 thousand Brazilian reals).

Meanwhile, in order to speed up the offsetting of ICMS credits, a process was begun to sell these credits in 2022 and a negative adjustment was applied for the sum of 18,009 thousand Brazilian reals, to present this at its fair realisation value

As a result of all the movements described, Dia Brasil has recorded on its balance sheet at 31 December 2022 a non-current asset for ICMS amounting to 396,766 thousand Brazilian reals (70,366 thousand euros) and under short-term assets an amount of 59,737 thousand Brazilian reals (10,594 thousand euros), with the total balance on its balance sheet for this tax of 456,503 thousand Brazilian reals (80,960 thousand euros) valued at the exchange rate of 31 December 2022).

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

	2022	2021
Capitalised tax loss carryforwards	-	-
+ Deferred Tax Assets	25,505	29,742
Total Impuesto Diferido de Activo	**25,505**	**29,742**
Assets offset	(25,505)	(29,742)
Deferred tax assets	-	-
Deferred tax liabilities	76,247	66,195
Liabilities offset	(25,505)	(29,742)
Deferred tax liabilities	**50,742**	**36,453**

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

DEFERRED TAX ASSETS

			Profit/(loss)		Net Equity					
Thousands of Euros	01-ene-2022	Adjustments to tax rate	Additions	Disposals	Additions	Disposals	Transfers to assets held for sale	Others	Exchange gains/losses	31-dic-2022
Provisions	51,669	-	14,933	(3,939)	-	-	(1,942)	(566)	(384)	59,771
Onerous contracts	7,348	-	15	(3,044)	-	-	(222)	26	-	4,123
Share-based payments	711	-	-	(49)	-	-	-	-	-	662
Others remunerations	8,277	-	-	(2,238)	-	-	(146)	(44)	-	5,849
Deductions activation	10,419	-	-	-	-	-	(62)	859	-	11,196
Difference betw een depretarions tax-accounting	30,395	-	3	(4,895)	-	-	(117)	105	665	26,156
Others	12,668	-	1,527	(7,161)	-	-	-	(1,097)	1,165	7,122
Impartment (not included impartment of loss carryforw ards)	(91,745)	-	13,108	(11,125)	-	-	2,509	732	(2,653)	(89,374)
Total non-curent deferred tax asset	**29,742**	**-**	**29,586**	**(32,451)**	**-**	**-**	**-**	**15**	**(1,387)**	**25,505**

			Profit/(loss)		Net Equity					
Thousands of Euros	01-jan-2021	Adjustments to tax rate	Additions	Disposals	Additions	Disposals	Transfers to assets held for sale	Others	Exchange gains/losses	31-dic-2021
Provisions	52,184	600	4,355	(5,441)	-	-	-	250	(279)	51,669
Onerous contracts	4,887	-	2,434	-	-	-	-	27	-	7,348
Share-based payments	398	-	313	-	-	-	-	-	-	711
Others remunerations	6,260	-	2,323	-	-	-	-	(306)	-	8,277
Loss carryforw arfds	2,018	295	3	(2,075)	-	-	-	-	(241)	-
Deductions activation	10,776	-	-	-	-	-	-	(357)	-	10,419
Difference betw een depretarions tax-accounting	30,892	-	1,023	(1,526)	-	-	-	(45)	51	30,395
Others	15,594	14	721	(3,671)	-	-	-	19	(9)	12,668
Impartment (not included impartment of loss carryforw ards)	(90,615)	-	6,958	(8,421)	-	-	-	405	(72)	(91,745)
Total non-curent deferred tax asset	**32,394**	**909**	**18,130**	**(21,134)**	**-**	**-**	**-**	**(7)**	**(550)**	**29,742**

In 2019, based on the considerations published by the European Securities and Markets Authority (ESMA), the Group has eliminated all capitalised tax bases, except for those of Dia Argentina, and has only recognised deferred tax assets to the extent that there are deferred tax liabilities in the same jurisdiction. Consequently, at 31 December 2022 the Group had recognised a net deferred tax liability of Euros 50,742 thousand euros, consisting of assets for the amount of 25,505 thousand euros and liabilities totalling 76,247 thousand euros.

The breakdown of recognized deferred tax liabilities is as follows:

DEFERRED TAX LIABILITY

Thousands of Euros	01-ene-2022	Adjustments to tax rate	Profit/(loss) Additions	Profit/(loss) Disposals	Net Equity Additions	Net Equity Disposals	Others	Exchange gains/losses	31-dic-2022
Amortisation and depreciation	23,061	-	207	(339)	-	-	-	(176)	22,753
NIIF 16 - Leases	(34)	-	-	(726)	-	-	-	13	(747)
Strore sales	3,334	-	-	(73)	-	-	17	-	3,278
Hiperinflation adjustment	35,139	-	5,797	-	-	-	21,236	(13,475)	48,697
Others	4,695	-	-	(798)	-	-	-	(1,631)	2,266
Total non-current deferred tax liabilities	**66,195**	**-**	**6,004**	**(1,936)**	**-**	**-**	**21,253**	**(15,269)**	**76,247**

Thousands of Euros	01-ene-2021	Adjustments to tax rate	Profit/(loss) Additions	Profit/(loss) Disposals	Net Equity Additions	Net Equity Disposals	Others	Exchange gains/losses	31-dic-2021
Amortisation and depreciation	23,283	97	120	(409)	-	-	-	(30)	23,061
NIIF 16 - Leases	(633)	(92)	616	-	-	-	-	75	(34)
Store Sales	3,448	-	-	(114)	-	-	-	-	3,334
Hiperinflation adjustment	20,526	7,051	1,287	-	-	-	8,748	(2,473)	35,139
Others	5,927	792	-	(1,374)	-	-	-	(650)	4,695
Total non-current deferred tax liabilities	**52,551**	**7,848**	**2,023**	**(1,897)**	**-**	**-**	**8,748**	**(3,078)**	**66,195**

Based on the tax returns, the Group companies have the following accumulated tax losses, to be offset in future years amounting to 2,268,801 and 2,045,099 thousand euros in 2022 and 2021, respectively.

Thousands of Euros	which generated	Not subjetc to limitation	Limitation period (years) 2022	2023	2024	2025	2026	> 2027	TOTAL	Loss carryforwards non-activated
Distribuidora Internacional de Alimentación, S.A.	2014-2021	382,786	-	-	-	-	-	-	382,786	382,786
Finandia E.F.C., S.A.U.	2017-2022	2,737	-	-	-	-	-	-	2,737	2,737
Dia Retail, S.A.	2006-2022	552,203	-	-	-	-	-	-	552,203	552,203
Pe-Tra Servicios a la distribución, S.L.	1997-1999	18,549	-	-	-	-	-	-	18,549	18,549
Beauty by DIA, S.A.	2012-2022	61,399	-	-	-	-	-	-	61,399	61,399
Grupo El Árbol, Distribución y Supermercados, S.A.	2000-2022	631,723	-	-	-	-	-	-	631,723	631,723
Dia FINANCE, S.L.U.	2020-2022	58,609	-	-	-	-	-	-	58,609	58,609
Dia Brasil Sociedade Limitada	2018-2022	491,541	-	-	-	-	-	-	491,541	491,541
Dia Portugal Supermercados S.U., Lda	2014-2022	67,942	-	-	-	-	-	-	67,942	67,942
Dia Portugal II, S.A.	2018	60	-	-	-	-	-	-	60	60
Luxembourg Investment Company 317, S.A.R.L.	2019-2022	-	-	-	-	-	-	183	183	183
Luxembourg Investment Company 318, S.A.R.L.	2019-2022	-	-	-	-	-	-	181	181	181
Luxembourg Investment Company 319, S.A.R.L.	2019-2022	-	-	-	-	-	-	208	208	208
Luxembourg Investment Company 320, S.A.R.L.	2019-2022	-	-	-	-	-	-	200	200	200
Luxembourg Investment Company 321, S.A.R.L.	2019-2022	-	-	-	-	-	-	143	143	143
Luxembourg Investment Company 322, S.A.R.L.	2019-2022	-	-	-	-	-	-	195	195	195
Luxembourg Investment Company 323, S.A.R.L.	2019-2022	-	-	-	-	-	-	142	142	142
Total tax loss carryforwards		**2,267,549**	**-**	**-**	**-**	**-**	**-**	**1,252**	**2,268,801**	**2,268,801**

16.3. Main inspection proceedings

Brazil

In the second half of 2022, as a result of the tax inspections in Dia Brasil, the following notifications were received:

- For a total amount of 35,523 thousand euros (200,300 thousand Brazilian reals) in connection with the payment and usage of the ICMS tax credit for the financial years 2017-2018. The company has filed an administrative appeal and will be tried by the Court of First Administrative Instance of the State of São Paulo. The company, based on the report by external legal advisors, has assessed the risk of loss as remote/possible for the most part.
- For a total amount of 33,884 thousand euros (191,058 thousand Brazilian reais) in relation to different discrepancies of the PIS and COFINS taxes for the years 2019-2020. The company shall lodge an administrative appeal. The company, based on the report produced by external legal consultants, has valued the risk of loss as possible, and as a result a provision amounting to 178 thousand euros (1,005 thousand Brazilian reals) has been recorded as of 31 December 2022.

Portugal

Likewise, as a result of the general inspection proceedings regarding the financial year 2019 at Dia Portugal, in the second half of 2022 notice was received from the Portuguese tax authorities for an updated amount of 317 thousand euros essentially connected with discrepancies in the VAT rate applied to certain products. The company will appeal via administrative channels, considering that there are sufficient arguments to achieve a favourable outcome. This amount is provisioned at the end of the financial year and has been paid on the date of preparation of these consolidated annual accounts.

Argentina

In July 2021, the Argentine administration opened an inspection of income tax for the financial year of 2017. In November 2022, the inspection proceedings were concluded, with no significant corrections or penalties.

In 2022, the Argentine administration opened two inspection proceedings for Dia Argentina, one on value-added tax for the tax year of 2016 and another on this same tax for financial years 2017-2018. The following notifications were received as a result of the previous actions:

- In the first half of 2022, notice was received of the value-added tax of the 2016 fiscal year for an updated amount of 727 thousand euros of principal (137,962 thousand Argentine pesos). As an unfavourable decision was obtained in the administrative court in December 2022, legal proceedings will be brought. The external legal advisors continue to deem the likelihood of losing this case as remote.
- In December 2022, notification was received regarding the value added tax of the 2017 financial year for a total amount of 1,048 thousand euros of principal (199,041 thousand Argentine pesos) for the same reason as above. The company shall lodge an administrative appeal.

Switzerland

Finally, in February 2022, the Swiss authorities opened an inspection against DWT on VAT for the years 2017 to 2021. In April 2022, the inspection proceedings were concluded, with no significant corrections or penalties.

16.4. Other ongoing litigation

Brazil

As a result of the inspections closed in 2014, Dia Brasil received two notifications from the Brazilian tax authorities regarding 2010, one for an updated amount of 14,391 thousand euros (81,144 thousand Brazilian reals) in relation to the discrepancy regarding the tax on income from supplier discounts, and the other for an updated amount of 69,406 thousand euros (391,354 thousand Brazilian reals) for omission of income mainly from the circulation of goods. In relation to the first issue (regarding tax on income from supplier discounts), an unfavourable decision was passed down in the administrative proceedings and the company filed a court appeal in 2016. In 2020 a favourable ruling by the examining magistrate was received. This decision has been appealed by the authorities. Based on reports from external lawyers, the company considers there are sufficient grounds to secure a ruling in this lawsuit in favour of Dia Brasil. In relation to the second issue (on the circulation of goods), the administrative proceedings resulted in an unfavourable ruling, which was subsequently appealed. As a result, the administrative court of second instance (CARF) recognised deficiencies in the inspection process and ordered another inspection, which concluded in June 2019 with an 80% favourable ruling for Dia Brasil. In November 2022, the Administrative Court of Second Instance (CARF) decided to initiate a new procedure in order to check the remaining 20% of recognised deficiencies. The external lawyers continue to deem the likelihood of losing this case as remote.

In 2017, DIA Brazil received notification from the Brazilian tax authorities questioning the compensation of tax loss carryforwards for corporate income tax for 2012 and 2013 in the updated amount of Euros 6,207 thousand (35,001 thousand Brazilian reals). The company, based on the report drawn up by external legal advisors, has assessed the risk of loss as possible in the most part, and therefore only a provision of EUR 586 thousand (3,302 thousand Brazilian reals) has been recorded as at 31 December 2022

As a result of the inspection proceedings closed in January 2019, Dia Brasil received a notification from the Brazilian tax authorities regarding the 2014 period for an updated amount of 92,703 thousand euros (522,715 thousand Brazilian reals) regarding different items of the PIS and COFINS taxes. The Company presented a defence which was partially upheld in the administrative court of first instance - DRJ. On 25 November 2021, the Company submitted its Voluntary Appeal, which will be heard by the administrative court of second instance, CARF. The company has appealed this ruling through administrative proceedings and will if necessary file a court appeal, since it considers there are sufficient grounds to obtain a favourable outcome. Based on reports drawn up by two legal firms, the company has deemed the risk of loss of the items disputed in this appeal as remote/possible in the most part and has therefore only recorded a provision of 2,330 thousand euros (13,136 thousand brazilian reals) at 31 December 2022. Furthermore, approximately 30% of the amount of the ruling corresponds to the discrepancy regarding the tax on income from supplier discounts, which had already been raised in the 2010 inspection.

As a result of the tax inspections at Dia Brasil, in the first half of 2021 notification was received from the Brazilian tax authorities regarding the 2017 period for an updated amount of 4,811 thousand euros (27,129 thousand Brazilian reals) in connection with ancillary obligations under the PIS/COFINS tax. In May 2021, the corresponding appeal was filed, which was unfavourable to Dia Brasil. As a result of the above, in October 2021 the Company filed its Voluntary Appeal, which will be heard by the administrative court of second instance, CARF. The external legal advisors continue to deem the likelihood of losing this case as remote.

Spain

Likewise, as a result of inspection proceedings from previous financial years, on the date of closure of these accounts, the Spanish company Distribuidora Internacional de Alimentación S.A. maintained 3 lawsuits in administrative litigation proceedings regarding Corporate Income Tax which are not provisioned, as the risk of possible insolvency has been classified, for the following periods and updated amounts: 2008 to 2010, 1,778 thousand euros; 2011 to 2012, 1,113 thousand euros; and 2013 to 2014, 2,083 thousand euros.

Argentina

In addition, it should be noted that the lawsuit in relation to payment obligations in Argentina to the Social Security directorate, dependent on the Federal Administration of Public Revenue (AFIP), is explained in note 15 "Provisions".

According to the administrative criteria, the years open to inspection at 31 December 2022 for the main taxes to which the Companies of the various jurisdictions are subject are as follows.

Tax	SPAIN	PORTUGAL	ARGENTINA	BRAZIL
Income tax	2016 and following	2018, 2020 and following	2016 and following	2016 and following
Value Added tax	2019 and following	2018, 2020 and following	2016 and following	2017 and following
Personal Income tax	2019 and following	2019 and following	2016 and following	2017 and following

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

17. LONG-TERM INCENTIVE PLANS AND SHARE-BASED PAYMENT TRANSACTIONS

With the aim of encouraging the achievement of the Group's business plan objectives for the period 2020-2022, on 25 March 2020 the Board of Directors approved the 2020-2022 Long-Term Incentive Plan ("LTIP 2020-22") for certain Group executives. The Long-Term Incentive Plan covers an initial period from 01/01/2020 to 31/12/2022.

The first year of validity of the Plan was marked by various unique circumstances, and said circumstances led the financial objectives of the Group, and consequently the objectives of the LTIP 2020-22, no longer to constitute a valid reference for monitoring the performance of the Parent Company and the Dia Group, as stated in the inside information notification of 28 June 2021, and which specifically were:

- The like-for-like sales growth target was undermined by extraordinary supply purchases experienced in FY2020, driven by mobility restrictions during the pandemic in all markets where the Dia Group operates.
- The recapitalisation and refinancing transaction announced by the Company on 24 March 2021 served to significantly reduce its debt, affecting the net debt target.
- As a result of the new capital structure, it was necessary to review the business plans of the Group companies in order to try to strengthen the parent's position and accelerate the growth of its market share, sales and profitability.

The LTIP 2020-22 Regulation included the possibility that in the event that during the term of the LTIP 2020-22 there were significant changes or events that, in the opinion of the Board of Directors, entailed the need to review the conditions thereof, it could, in a reasoned manner, modify the Regulation in order to adapt it to the new circumstances, or even propose the early liquidation of the LTIP 2020-22.

As a consequence of the high impact that the aforementioned circumstances had on the parameters, metrics and functioning of the LTIP 2020-22, the Board of Directors considered that the aforementioned circumstances should be seen as a significant change or event, and given that one of the main purposes of the LTIP 2020-22 was to incentivise the achievement of the objectives of the Dia Group business plan established for the period 2020-2022, on 4 August 2021 it agreed to end the LTIP 2020-22, taking into consideration the circumstances of the market and the Parent Company.

As a consequence of said termination, it was agreed on the same date to approve recognition by the LTIP 2020-22 beneficiaries of the right to receive a certain amount in cash, if certain conditions are fulfilled, as a sign of the Group's trust in the executive team. The Incentive generated in favour of said beneficiaries will, where applicable, be paid in 2023.

The Board of Directors approved on the same date 4 August 2021 a new LTIP 2021-24, adapted to the new Group and market circumstances and the Group's strategy, intended for certain Group executives. On the date of the drawing up of these consolidated annual statements, the Board of Directors decided to terminate the agreement of 4 August 2021 and not to proceed with the formalisation of said Plan, as the structure and objectives established do not correspond to the value creation purposes required to achieve the Strategic Plan, to complete the transformation of the Company and sustainable growth of the business.

On 26 October 2022, the Board of Directors approved a new incentive plan (Long Term Bonus) LTB 2023-2025, aligned with the Company's strategy, the main purpose of which is to retain key employees to achieve the business plan objectives within the duration of the plan. The terms and conditions of this plan, as well as the initial beneficiary list, have yet to be completed as agreed by the Board of Directors, and no expense has been registered during the financial year of 2022

All Board decisions were taken at the proposal of the Appointments and Remuneration Committee.

At 31 December 2022 the total provision made for Long-Term Incentive Plans was 8,720 thousand euros. This amount is recorded for an amount of 933 thousand euros as long-term provisions and for an amount of 7,787 thousand euros (see note 15) in the personnel line under other financial liabilities, as mentioned in note 14.4. As mentioned in the above paragraphs, and in accordance with the decision taken by the Board of Directors to repeal the 2021-24 LTIP, the liabilities existing under this Plan have been cancelled. Taking into account this cancellation, the net effect recorded in results has led to revenue in the consolidated income statement of 13,938 thousand euros (see note 4).

In addition, in application of the remuneration policy approved at the 30 August 2019 Extraordinary General Meeting and the remuneration policy approved at the 7 June 2022 General Meeting of Shareholders, deferred remuneration in shares established for non-proprietary directors amounting to 269 thousand euros (227 thousand euros in the financial year of 2021) accrued in 2022. See notes 19.3 and 21.

18. NET TURNOVER

18.1. Revenue from contracts with customers

Net turnover corresponds to sales income from own stores, sales and service provision to franchises and online sales from the Group's activity, focused mainly on the markets in Spain, Portugal, Brazil and Argentina. At 31 December 2022 and 2021, net turnover amounted to 6,524,320 thousand euros and 5,900,055 thousand euros, respectively. The distribution by geographical segment is shown as follows:

	2022			2021		
	Ordinary income of the segment	Ordinary income between segments	Ordinary income of external clients	Ordinary income of the segment	Ordinary income between segments	Ordinary income of external clients
Sales in own stores	**3,683,878**	**342**	**3,683,536**	**3,596,325**	**742**	**3,595,583**
Spain	1,729,694	342	1,729,352	1,832,277	742	1,831,535
Portugal	235,333	-	235,333	264,843	-	264,843
Brazil	575,171	-	575,171	641,999	-	641,999
Argentina	1,143,680	-	1,143,680	857,206	-	857,206
Sales to franchise stores	**2,647,744**	**-**	**2,647,744**	**2,137,281**	**-**	**2,137,281**
Spain	1,812,316	-	1,812,316	1,510,353	-	1,510,353
Portugal	338,993	-	338,993	309,742	-	309,742
Brazil	288,869	-	288,869	141,671	-	141,671
Argentina	207,566	-	207,566	175,515	-	175,515
On line sales	**180,340**	**-**	**180,340**	**155,157**	**-**	**155,157**
Spain	131,640	-	131,640	119,282	-	119,282
Portugal	10,706	-	10,706	7,315	-	7,315
Brazil	25,110	-	25,110	18,405	-	18,405
Argentina	12,884	-	12,884	10,155	-	10,155
Other sales	**12,700**	**-**	**12,700**	**12,044**	**10**	**12,034**
Spain	1,434	-	1,434	1,011	-	1,011
Portugal	10,943	-	10,943	11,029	10	11,019
Brazil	323	-	323	4	-	4
Argentina	-	-	-	-	-	-
Total	**6,524,662**	**342**	**6,524,320**	**5,900,807**	**752**	**5,900,055**

18.2. Significant accounting policies and judgments

Sales in own stores:

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

The Group has a policy of granting a 15-day return period for products sold. The policy applies to its own store sales and online sales. Although the customer is authorised to return any items, this practice is not common in stores and the implementation of IFRS 15 did not have a significant impact on the Group.

Sale and provision of services to franchisees:

The Group has collaboration agreements with franchisees and recognises revenues for sales when the goods are made available to the franchisee concerned. In addition to the sale of merchandise and associated discounts and incentives, the amounts invoiced as a percentage of the franchisee's final sales figure are recorded in the net turnover for licensed rights and ancillary technical and commercial assistance services. Likewise, included for the new franchise management model for Spain and Portugal contracts is the provision for assignment of commercial use and monthly exploitation, also determined in accordance with the final sale of the franchisee.

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

Online sales:

The Group sells a range of products via its website (dia.es) and different websites or Market Places apps such as Amazon.es, Glovo, Uber Eats, Just Eat or others. Products are delivered to customers at the postal address they state when the purchase is made or in stores.

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

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

Sale of goods - customer loyalty programme:

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

19. OTHER INCOME AND EXPENSES

19.1. Other income

Details of other income are as follows:

Thousands of Euros	2022	2021 (Restated)
Fees and interest to finance companies	66	117
Service and quality penalties	4,407	3,045
Revenue from lease agreement and other revenues from franchises	10,671	7,955
Revenue from information services to suppliers	7,275	5,762
Revenue from the sale of packaging	9,216	7,355
Other revenues	4,111	6,145
Total other operating income	**35,746**	**30,379**

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

19.2. Goods and other consumables used

This heading includes purchases, less volume discounts and other trade discounts and changes in inventories.

Details of the main items in this heading are as follows:

Thousands of Euros	2022	2021 (Restated)
Goods and other consumables used	5,473,193	4,924,555
Discounts	(667,368)	(628,021)
Inventory variation	3,295	24,599
Other sales costs	41,028	32,238
Total consumption of goods and other consumables	**4,850,148**	**4,353,371**

19.3. Personnel expenses

Details of personnel expenses are as follows:

Thousands of Euros	2022	2021 (Restated)
Salaries and wages	516,461	504,277
Social Security	133,857	133,985
Indemnizaciones	49,858	37,380
Defined contribution plans	(14,345)	15,258
Other employee benefits expenses	18,951	18,136
Parcial total personnel expenses	**704,782**	**709,036**
Expenses for share-based payment transactions (Notes 17 and 21)	269	227
Total personnel expenses	**705,051**	**709,263**

19.4. Operating expenses

Details of operating expenses are as follows:

Thousands of Euros	2022	2021 (Restated)
Repairs and maintenance	111,714	101,127
Utilities	132,065	117,295
Fees	77,173	61,810
Advertising	50,511	42,253
Taxes	21,948	14,894
Rentals, property	32,629	31,053
Rentals, equipment	8,723	9,310
Transport	169,797	137,805
Travel expenses	13,283	10,895
Security	27,455	27,798
Other general expenses	65,269	58,823
Total operating expenses	**710,567**	**613,063**

The increase in this item was mainly due to the rise in diesel and electricity prices, which increased transport costs by 31,992 thousand euros, mainly in Argentina and Spain. The utilities item also includes an increase in the cost of electricity, particularly in Spain.

The fee line is increased in Argentina by the expenses related with refurbishments and new store openings, and in Brazil for fees associated with asset monetisation by ICMS as mentioned in note 16.2.

“Repair and maintenance” increase in Argentina and Spain due to the increase in preventive maintenance tasks in stores.

“Advertising” is increasing in Spain, Argentina and Brazil due to the increase in media advertising.

The increase in the "Taxes" line has mainly arisen in Argentina due to the increase in health and safety fees due to specific taxes.

Under "Other general expenses", the increase occurred first and foremost because of the increase in infringement notices in Argentina generated by the Trade Secretary inspections as a result of a lack of stock and/or lack of signage, which are converted into effective fines when resolved several months after the inspection.

19.5. Amortisation, depreciation and impairment

The detail of these expenses included under this entry in the consolidated income statements is as follows:

Thousands of Euros	2022	2021 (Restated)
Amortisation of intangible assets (Note 6.3)	12,325	15,793
Depreciation of property, plant and equipment (Note 5)	151,266	133,519
Depreciation of uses rights (Note 6.2)	190,732	191,732
Total amortisation and depreciation	**354,323**	**341,044**
Impairment of goodwill (Note 6.1)	5,611	26,953
Impairment of intangible assets (Note 6.3)	89	291
Impairment of property, plant and equipment (Note 5)	29,857	23,479
Impairment of use of right	5,199	-
Total impairment	**40,756**	**50,723**

19.6. Profit/(loss) on disposal of non-current assets

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

Thousand Euros	2022	2021 (Restated)
Losses on disposal of non-current assets	(48,777)	(32,561)
Profit from disposal of fixed assets	24,774	9,718
Total	**(24,003)**	**(22,843)**

Losses recorded in 2022 mainly include those associated with refurbishments carried out in Spain and Argentina, as well as the closure of stores in Brazil. The losses recorded in the financial year of 2021 are essentially the result of the conversions and closures of stores performed in all countries.

The profits from the disposal of fixed assets mainly pertain to the sale of the Arroyomolinos warehouse in Spain and a store in Brazil.

19.7. Finance income/cost

Details of finance income are as follows:

Thousands of Euros	2022	2021 (Restated)
Interest on other loans and receivables	29,039	11,875
Exchange gains (note 19.8)	791	400
Other finance income	35,693	22,933
Total finance income	**65,523**	**35,208**

Interest on other loans and receivables is increased by interest associated with other equivalent liquid assets in Argentina.

Other financial income includes the effect of the updating of financial assets and liabilities in Argentina, which has been increased by the interest rate applied. In 2021 an amount of 9,973 thousand euros was included corresponding to the updating of the fair value of bonds maturing in 2023 and which have been capitalised, as explained in Note 13.3.

Details of finance cost are as follows:

Thousands of Euros	2022	2021 (Restated)
Interest on bank loans	37,037	40,860
Intereses on debentures and bonds	1,083	7,457
Finance expenses for finance leases	53,028	49,850
Exchange losses (note 19.8)	2,524	4,201
Financial expenses assigment of receivables operations (note 7.1 (b))	7	-
Other finance expenses	35,937	37,502
Total finance expenses	**129,616**	**139,870**

The decrease in interest on bonds is due to the capitalisation of the bonds that was carried out in the financial year of 2021, as explained in note 14.1.a).

Other finance costs at 31 December 2022 and 2021 reflect the bank debit and credit interest rates in Argentina linked to its revenues. In addition, this heading included, in 2021, an expense of 6,774 thousand owing to the for the fair value adjustment of the SS Facility loan of 200,000 thousand euros referred to in notes 13.3 and 14 b) and which was capitalised.

19.8. Foreign currency transactions

The transactions in foreign currency carried out by the Dia Group during 2022 and 2021 are not significant. Details of the exchange differences on foreign currency transactions are however as follows:

Thousands of Euros	2022	2021 (Restated)
Currency exchange losses (note 19.7)	(2,524)	(4,201)
Currency exchange gains (note 19.7)	791	400
Trade exchange losses	(1,087)	(4,543)
Trade exchange gains	1,993	5,523
Total	**(827)**	**(2,821)**

19.9. Profit/(loss) on net monetary position

This item, includes the positive financial effect of the impact of inflation o Dia Argentina on monetary assets, which amounted to 100.8 million euros in 2022 and 42.3 million euros in 2021.

The causes of this increase are mainly due to the change in the inflation index and the change in net monetary positions:

- As indicated in note 2.5, the inflation considered for the determination of this impact at 31 December 2022 was 94.79%, well above 50.94% at 31 December 2021. This rate was obtained from information issued by the public organisation INDEC (National Statistics and Census Institute), an Argentinian public body, through the publication of the Consumer Price Index which measures variations in the price of goods and services comprised in domestic consumer spending. This leads to the inflationary effect, without considering changes in monetary items, to be almost double that of the previous year.

- While the inflation adjustment methodology indicates that, in order to perform the calculation, it must first be performed by means of the inflation adjustment calculation of non-monetary items, the items generating this effect are monetary items, since they are those which, while remaining at face value, suffer the effects of inflation. Dia Argentina generally holds a passive monetary position, the upshot of a greater amount of monetary liabilities compared to monetary assets. This is generated by the nature of the business, where liabilities are cancelled more slowly than monetary assets, as collections from sales are collected in the short term or immediately, while liabilities are cancelled in longer periods according to the different agreements with suppliers. Average liability positions during the year amounted to 22,100 and 10,500 million Argentine pesos for 2022 and 2021, respectively (116 and 55 million euros for 2022 and 2021, respectively). This variation occurs naturally due to the increase in all prices in the economy, which increase nominal values under all headings. For monetary positions at the close of each financial year, we find that by 2022 the liability position was approximately 31,000 million Argentine pesos (163 million euros), while by 2021 they were 13,000 million Argentine pesos (68 million euros), mainly as a result of the increase in the balances of trade creditors and other accounts payable.

The commercial margin in Argentina amounted to 14.3% in 2022 (15.3% in 2021). In 2022, the sales margin, before applying IAS 29, would be 19.4% (18.2% in 2021). The sales margin differences in the two periods are due mainly to an improved gross margin, which essentially reflects a smaller promotional effort. The method of restating the cost of goods sold is based on the measurement of the initial inventories at the rate corresponding to the period immediately prior to the start of year, in this case December 2021. Assuming an average inventory turnover of 30 days. This methodology means that the restatement adjustment has a greater effect on the cost of goods sold than the rest of the lines in the income statement, with the margin deteriorating because of the application of IAS 29.

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

This item includes the result attributable to equity-accounted companies amounting to 55 thousand of costs in 2022 (11 thousand euros of income in 2021) (see notes 1.2, 2.9 d) and 8).

20. COMMITMENTS AND CONTINGENCIES

a) Commitments

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

Off-balance-sheet cash commitments comprise:

- available credit facilities and syndicated loans unused at reporting date;
- bank commitments received.

Expansion operation commitments were undertaken for expansion at Group level.

Itemised details of commitments, in thousand euros, are as follows:

20.1. Pledged:

Thousands of Euros - 31st December de 2022	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	321	201	1,577	9,366	11,465
Mortgage security	27,275	-	-	-	27,275
Credit facilities to customers (finance companies)	30,847	-	-	-	30,847
Cash	**58,443**	**201**	**1,577**	**9,366**	**69,587**
Purchase options	6,636	1,919	-	550	9,105
Commitments related to commercial contracts	5,210	2,605	1,212	137	9,164
Other commitments	-	-	-	5,828	5,828
Transactions / properties / expansion	**11,846**	**4,524**	**1,212**	**6,515**	**24,097**
Total	**70,289**	**4,725**	**2,789**	**15,881**	**93,684**

Thousands of Euros - 31st December de 2021	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	17	839	2,067	10,318	13,241
Mortgage security	25,296	-	-	-	25,296
Credit facilities to customers (finance companies)	30,522	-	-	-	30,522
Cash	**55,835**	**839**	**2,067**	**10,318**	**69,059**
Purchase options	-	6,636	-	25,827	32,463
Commitments related to commercial contracts	5,602	2,933	2,647	463	11,645
Other commitments	113	-	-	5,014	5,127
Transactions / properties / expansion	**5,715**	**9,569**	**2,647**	**31,304**	**49,235**
Total	**61,550**	**10,408**	**4,714**	**41,622**	**118,294**

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

Mortgage loans include the value of assets placed as collateral for bilateral loans in Dia Portugal in "commercial paper" facilities and reverse factoring (see Note 14).

The purchase options include warehouse options amounting to 8,555 thousand euros at 31 December 2022 (31,913 thousand euros at 31 December 2021).

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

In addition, the Parent Company has granted a guarantee with regard to certain obligations with the subsidiary in Portugal, a guarantee by Société Générale for a maximum amount of 30,990 thousand euros, expiring on 30 September 2023.

20.2. Received:

Thousands of Euros at 31st December de 2022	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Available Credit Facility - Syndicated Financing	103,367	-	-	-	103,367
Available Revolving Credit Facility - Syndicated Financing	24,437	-	-	-	24,437
Available Credit Facility - Commercial Paper	100	-	-	-	100
Available Reverse Factoring	991	-	-	-	991
Available Loan Facility (Term Loan)	254	-	-	-	254
Available Reverse Factoring (not included Syndicated credits)	5,571	-	-	-	5,571
Cash	**134,720**	**-**	**-**	**-**	**134,720**
Guarantees received for commercial contracts	12,474	3,189	6,529	47,363	69,555
Other commitments	-	-	-	131	131
Transactions / properties / expansion	**12,474**	**3,189**	**6,529**	**47,494**	**69,686**
Total	**147,194**	**3,189**	**6,529**	**47,494**	**204,406**

Thousands of Euros at 31st December 2021	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Available Credit Facility - Syndicated Financing	122,085	-	-	-	122,085
Available Revolving Credit Facility - Syndicated Financing	24,437	-	-	-	24,437
Available Reverse Factoring	2,321	-	-	-	2,321
Available Loan Facility (Term Loan)	2,299	-	-	-	2,299
Available Credit Facility (not included Syndicated Financing)	2,219	-	-	-	2,219
Available Reverse Factoring (not included Syndicated credits)	956	-	-	-	956
Cash	**154,317**	**-**	**-**	**-**	**154,317**
Guarantees received for commercial contracts	13,038	3,534	6,125	44,421	67,118
Other commitments	-	35	-	131	166
Transactions / properties / expansion	**13,038**	**3,569**	**6,125**	**44,552**	**67,284**
Total	**167,355**	**3,569**	**6,125**	**44,552**	**221,601**

b) Contingencies

The Group is undergoing legal proceedings and tax inspections in a number of jurisdictions, some of which had been completed by the taxation authorities at 31 December 2022 and appealed by Group companies (see Note 16). The Group recognises a provision if it is probable that an obligation will exist at year end which will give rise to an outflow of resources, and the outflow can be reliably measured. As a result, management uses significant judgement when determining whether it is probable that the process will result in an outflow of resources and when estimating the amount.

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

21. RELATED PARTIES

Details of related party balances and transactions are as follows:

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

In 2022 and 2021 the directors of the Parent have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Parent or any other Group company.

Balances and transactions with associates

During 2022 and 2021 the Group has carried out the following transactions with associate: ICDC, Horizon and LetterOne Group, essentially corresponding to commercial operations and financial expenses deriving from the Capital Increase operation completed in 2021. The trade payables balance at 31 December 2022 and 2021 is shown in Notes 7.1c) 14.1 and 14.3. The transactions carried out in both periods were as follows:

Thousands of Euros	2022	2021
ICDC	16	(22)
Horizon	85	1,387
LetterOne Group	(382)	(15,192)
Total transactions	**(281)**	**(13,827)**

Transactions with directors and senior management personnel

Details of remuneration received by the directors and the senior management of the Group in 2022 and 2021 are as follows:

Thousands of Euros			
2022		2021	
Members of Board Director	Senior managment	Members of Board Director	Senior managment
1,014	12,725	670	11,820

In 2022 and 2021 the Directors of the Parent Company earned remuneration of 788 thousand and 670 thousand euros, respectively (included in the above details) in their capacity as board members.

Article 38.5 of the Corporate Articles of Association requires the disclosure of the remuneration earned by each of the members of the board of directors of the Parent Company in 2022 and 2021. Details are as follows:

2022			Thousands of euro		
Members of Board Directors	From	to	Financial instruments	Fixed salary	Variable compensation in cash(*)
Mr. José Wahnon Levy	01/01/2022	31/12/2022	31	150	-
Mr. Jaime García-Legaz	01/01/2022	07/06/2022	32	52	-
Ms. Basola Vallés	01/01/2022	18/04/2022	29	36	-
Mr. Stephan DuCharme	01/01/2022	31/12/2022	-	-	-
Mr. Sergio Antonio Ferreira Dias	01/01/2022	31/12/2022	-	-	-
Mr. Marcelo Maia	01/01/2022	31/12/2022	-	120	226
Mr. Vicente Trius Oliva	01/01/2022	31/12/2022	-	120	-
Ms. Luisa Delgado	01/01/2022	31/12/2022	-	150	-
Ms. Gloria Hernández	07/06/2022	31/12/2022	-	68	-
Total			**92**	**696**	**226**

(*) Remuneration as senior management and as director

2021			Thousands of euro	
Members of Board Directors	**From**	**to**	**Financial instruments**	**Fixed salary**
Mr. Christian Couvreux	01/01/2021	15/02/2021	50	21
Mr. José Wahnon Levy	01/01/2021	31/12/2021	-	150
Mr. Jaime García-Legaz	01/01/2021	31/12/2021	-	166
Ms. Basola Vallés	01/01/2021	31/12/2021	-	120
Mr. Stephan DuCharme	01/01/2021	31/12/2021	-	-
Mr. Sergio Antonio Ferreira Dias	01/01/2021	31/12/2021	-	-
Mr. Marcelo Maia	01/01/2021	31/12/2021	-	112
Mr. Vicente Trius Oliva	29/09/2021	31/12/2021	-	26
Ms. Luisa Delgado	01/11/2021	31/12/2021	-	25
Total			**50**	**620**

Additionally, as a result of the applicable remunerations policy, there is deferred remuneration in shares for non-proprietary directors, the accrual of which has initially been estimated at 269 thousand euros as at 31 December 2022 (227 thousand euros in 2021) (see Notes 17 and 19.3). During the financial year of 2022 net shares of withholdings amounting to 70 thousand euros (92 thousand euros gross) were handed over to Mr. Jaime García-Legaz, Ms. Basola Vallés and Mr.José Wahnon Levy. These 92 thousand euros were incorporated as remuneration in financial instruments in the 788 thousand euros overall remuneration accruing to the Directors in 2022 in their capacity as board members.

During 2022 and 2021 the members of the board of directors and senior management personnel of the Group have not carried out transactions other than ordinary business or applying terms that differ from market conditions with the Parent or Group companies.

The civil liability insurance premiums paid in respect of directors and senior management personnel totalled 401 thousand euros in 2022 (2021: 439 thousand euros).

Conflicts of interest concerning the directors

The directors of the Parent company and their related parties had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

22. FINANCIAL RISK MANAGEMENT: OBJECTIVES AND POLICIES

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

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

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

22.1. Financial risk factors

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

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

22.2. Currency risk

During the 2022 and 2021 financial years, the Group did not perform any significant commercial transactions in currencies other than the functional currency of each Company, and did not perform hedging operations in either financial year.

The Group has several investments in foreign operations, the net assets of which are exposed to currency risk. Currency risk affecting net assets of the Group's foreign operations in Argentinian Pesos and Brazilian Reals is mitigated primarily through borrowings in the corresponding foreign currencies. Only certain liabilities are formalised in euro currency as at 31 December 2022, specifically the balances with group companies that the Spanish subsidiaries hold with the countries located in the LATAM zone amount to 6,499 thousand euros, and there is no bank financing in euro currency (at 31 December 2021 the current accounts and intercompany loans in euro currency of the Group countries located in the LATAM zone with the Spanish subsidiary amounted to a total of 2,044 thousand euros, and there was no bank financing in euro currency).

The conversion differences included under other comprehensive income were significant in 2022 and amounted to 34,304 thousand euros, with 16,588 thousand euros pertaining to the conversion differences of Argentina and 17,716 thousand euros to Brazil (see note 13.8). The devaluation effects of the Argentine Peso are detailed in Note 2.5. Changes in translation differences, if the Brazilian Real had devalued/appreciated by 10%, would have been +/- 67.61%, respectively. Likewise, the variation which would have occurred in conversion differences if the Argentine peso had devalued/appreciated by 10% would have been +/- 7.12%, respectively.

The Group's exposure to currency risk at 31 December 2022 and 2021 in respect of the balances outstanding in currencies other than the functional currency of each country is immaterial.

22.3. Price risk

The Group is not significantly exposed to price risk.

22.4. Credit risk

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

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

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

The credit risk presented by the Group is the result of operations maintained with the majority of its franchisees, and is mitigated by the deposits associated with the new franchise management model referred to in Note 14.4, and the guarantees and sureties received, as previously referred to in Note 20.2, and as indicated below:

Thousands of Euros	2022	2021
Trade operations non-current (note 7.1 a))	11,316	15,386
Trade operations current (notes 7.1 a))	239,612	216,082
Franchise deposits (note 7.2)	160	610
Deposits and guarantees received Current (note 14.4)	(46,267)	(41,932)
Guarantees received (note 20.2)	(69,555)	(67,118)
	135,266	**123,028**

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. This funding of the initial inventory order corresponds to the previous Dia franchise model, which was essentially based on payment for the delivery of goods. Clients through current sales correspond to the financing of the supply of goods and to maturities of less than 12 months from the initial financing of the traditional model. Under the new franchise management model, the franchisee pays for the sale of both the initial stock and the recurring sale, and not for the goods billed at the time of receipt, in other words, collection is performed in accordance with the cash generated at the franchisee's point of sale terminal. The evolution of the non-current and current balances of

"Clients through Sales" at the close of each financial year can be put down to the migration of the franchises from the previous model to the new model, and to the outsourcing operations occurring during the financial years of 2022 and 2021.

The Group did not sign commercial credit assignment agreements for non-recourse suppliers in 2022 nor in 2021.

The Group's exposure to credit risk at 31 December 2022 and 2021 is shown below. The accompanying tables reflect the analysis of financial assets by remaining contractual maturity dates:

Thousands of Euros	Maturity	2022
Guarantees	per contract	60,396
Equity instruments	-	44
Other loans	2024	36
Trade receivables	2024-2040	11,316
Non-current assets		**71,792**
Franchise deposit	2023	160
Credits to personnel	2023	1,604
Other loans	2023	103
Loans on the sale of fixed assets	2023	35
Other finantial assets	2023	1,430
Trade receivables	2023	199,080
Receivables from group companies	2023	7
Hedging derivative financial	2023	4,341
Consumer loans from finance companies	2023	908
Current assets		**207,668**

Thousands of Euros	Maturity	2021
Guarantees	per contract	61,671
Equity instruments	-	44
Other loans	2023	57
Trade receivables	2023-2040	15,386
Non-current assets		**77,158**
Franchise deposit	2022	610
Credits to personnel	2022	2,299
Loans on the sale of fixed assets	2022	31
Other finantial assets	2022	1,939
Trade receivables	2022	178,027
Receivables from group companies	2022	4
Consumer loans from finance companies	2022	1,010
Current assets		**183,920**

The returns on these financial assets totalled 182 thousand euros in 2022 and 691 thousand euros in 2022 and 2021. The variation in these returns occurred as a result of the reduction in non-current trade debt in the move to the new franchise management model.

Details of non-current and current trade and other receivables by maturity in 2022 and 2021 are as follows:

	Thousands of Euros					
Current	**Total**	**Unmatured**	**Less than 1 month**	**2 and 3 months**	**4 and 6 months**	**7 and 12 months**
31st December de 2022	199,087	195,843	1,677	1,492	75	-
31st December de 2021	178,031	158,178	15,936	3,567	350	-

	Thousands of Euros			
Non Current	**Total**	**2 years**	**3 y 5 years**	**> 5 years**
31st December de 2022	11,316	10,541	570	205
31st December de 2021	15,386	10,918	3,036	1,432

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

22.5. Liquidity risk

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

Within the context of the recapitalisation and refinancing, on 2 September 2021 the Parent Company formalised the modification and overhaul of the SFA, by virtue of which, effective from the abovementioned date, (i) the maturity date of Facilities A-F was extended (amounting to a total of 902,426 thousand euros) ("Senior Facilities") from 31 March 2023 to 31 December 2025, (ii) the margin applicable to Senior Facilities in favour of Syndicated Lenders was increased from 2.5% to 3.0% per year, and (iii) other terms and conditions of the SFA were modified.

Also on said same date, the amendment to the terms and conditions of the 2023 bonds approved by the Board of Bondholders of the Parent Company on 20 April 2021 came into effect. This comprised (a) extension of the maturity date from 6 April 2023 to 30 June 2026, and (b) increase in the coupon of the 2023 bonds, effective from 02 September 2021, to 3.5% per annum (3% cash and 0.50% PIK), plus an increase of 1% PIK in certain circumstances provided for in the SFA agreed within the context of the Global Operation.

The directors of the Parent Company therefore believe that the capitalisation of the Dia Group, together with the release of a material part of its financial liabilities, as well as the extension of the maturity date of certain financial debts, has allowed the reinforcement of the Parent Company's equity situation, substantially reducing the Dia Goup financial debt, eliminating the risk of refinancing in the medium term, ensuring that operational financing needs are met and providing a long-term viable capital structure for Dia Group.

The Group's exposure to liquidity risk at 31 December 2022 and 2021 is shown below. The tables below reflect the analysis of financial liabilities by contracted maturity.

Thousands of Euros	Maturity	2022
Debentures and bonds long term	2026	30,891
Syndicated credits (Revolving credit facilities)	2025	52,207
Syndicated credits (Term Loan)	2024 and 2025	367,899
Other bank loans	2024	2,702
Finance lease payables	2024-2042	371,643
Credit facilities drawn down	2025	164,110
Guarantees and deposits received	per contract	12,094
Other non-current financial debt	2024	7,998
Other non-current financial liabilities	2024-2026	710
Total non-current financial liabilities		**1,010,254**
Debentures and bonds	2023	800
Other bank loans	2023	62,329
Finance lease payables	2023	170,101
Syndicated credits (Term Loan)	2023	25,000
Credit facilities drawn down	2023	6,051
Expired interest	2023	7,383
Guarantees and deposits received	2023	3,175
Other financial debts	2023	4,038
Trade and other payables	2023	1,329,774
Suppliers of fixed assets	2023	87,451
Personnel	2023	77,392
Other current liabilities	2023	47,884
Total current financial liabilities		**1,821,378**

Thousands of Euros	Maturity	2021
Debentures and bonds long term	2026	30,800
Syndicated credits (Revolving credit facilities)	2025	50,977
Syndicated credits (Term Loan)	2023,2024 and 2025	392,842
Finance lease payables	2023-2031	350,337
Credit facilities drawn down	2025	183,939
Guarantees and deposits received	per contract	13,751
Other non-current financial debt	2023	537
Total non-current financial liabilities		**1,023,183**
Debentures and bonds	2022	467
Other bank loans	2022	57,526
Finance lease payables	2022	198,142
Syndicated credits (Revolving credit facilities)	2022	1,594
Credit facilities drawn down	2022	3,170
Expired interest	2022	7,321
Guarantees and deposits received	2022	916
Other financial debts	2022	3,318
Trade and other payables	2022	1,274,612
Suppliers of fixed assets	2022	116,894
Personnel	2022	56,954
Other current liabilities	2022	47,319
Total current financial liabilities		**1,768,233**

The finance costs accrued on these financial liabilities totalled 91,148 thousand euros and 98,167 thousand euros in 2022 and 2021, respectively. The decrease occurs primarily due to the decrease arising from interest on bonds following the capitalisation of the bonds that was carried out in the financial year of 2021

22.6. Cash flow and fair value interest rate risks

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

The Group contracts different interest rate hedges to mitigate its exposure, in accordance with its risk management policy. At 31 December 2022 derivatives were contracted with external counterparties to hedge against interest rate risk on long-term financing.

During 2021 fixed-rate debt as a percentage of the volume of average gross debt totalled 49.6%, compared with 31.66% in the previous year.

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

In terms of sensitivity, a 0.5% rise in interest rates for all terms would have led to a variation in the net result after tax of 1,493 thousand euros in 2022 (2,627 thousand euros in 2021).

23. OTHER INFORMATION

Employee information

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

	2022	2021
Management	156	142
Middle management	2,447	2,346
Other employees	31,396	35,323
Total	**33,999**	**37,811**

The average headcount includes 5,869 employees from the businesses of Clarel and large format stores in 2022 (6,032 in 2021), whose staff expenditure is presented in the result of discontinued operations in the consolidated income statement.

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

	2022		2021	
	Female	Male	Female	Male
Board members (not employees)	2	5	2	6
Senior management	3	6	2	6
Other management	37	99	40	101
Middle management	1,204	1,212	1,208	1,254
Other employees	20,859	10,005	23,985	11,979
Total	**22,105**	**11,327**	**25,237**	**13,346**

The headcount employed in the financial year of 2022 by the Group with a disability rating of 33% or above (or an equivalent local classification) is one Executive (none in 2021), seven middle management personnel (six in 2021) and 450 other employees in 2022 (471 in 2021).

Audit fees

The audit firm Ernst & Young, S.L. and other audit firms working as auditors of the Group's annual accounts, and their international affiliates of the aforementioned firms have invoiced the following fees for professional services during the years ended 31 December 2022 and 2021:

Thousands of Euros	2022 Ernst & Young, S.L.	2022 Other companies associated with EY International	2022 Total
Audit services	803	493	1,296
Other services relating to audit	282	90	372
Other services	-	106	106
Total	**1,085**	**689**	**1,774**

Miles de euros	2021 Ernst & Young, S.L.	2021 Other companies associated with EY International	2021 Total
Audit services	766	435	1,201
Other services relating to audit	396	121	517
Other services	-	12	12
Total	**1,162**	**568**	**1,730**

Other audit-related services and other services invoiced by these auditing companies correspond to limited review services of biannual financial statements, in addition to agreed procedures services regarding financial information provided to Dia. They also include tax services provided and comfort letters with regard to securities issues in 2022 and 2021, respectively.

The amounts of the above tables include the total fees for accrued services in 2022 and 2021, irrespective of the date of invoice.

Climate change

The activity of the distribution and sale of food products, despite not being considered as a priority sector for climate change mitigation, entails a significant emission of greenhouse gases especially upstream, in all aspects related with the production of the goods that distribution places on the market (according to different studies, 95% of the footprint of companies like Dia could be located outside their direct operations).

In order to manage the company's impact on climate change, the first step is to carry out a detailed characterisation of the carbon footprint associated with its business and, as far as possible, with the activities integrated on its value chain. Although in 2022 the company did not participate in the rating of the Carbon Disclosure Project, this monitoring, which earned the Dia Group an A- rating in 2021, it continues to be implemented internally throughout the organisation.

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

The Parent's board of directors considers that there are no significant contingencies in connection with the protection and improvement of the environment and that it is not necessary to recognise any environmental provisions. For further information, see section 10.2. of the Consolidated Non-Financial Reporting Statement for the financial year of 2022 included in the consolidated management report.

24. EVENTS AFTER THE REPORTING PERIOD

With regard to the criminal proceedings pursued before the National High Court (see note 15), on 17 February 2023 the Parent Company was served notice of the attestation of the Decree of 22 December 2022, deeming the appeal to be lodged with the Public Prosecution Office, and of the Court Order by Central Investigation Court 6, ruling that the proceedings be definitively shelved, with no appeal being allowed against this decision. No liability will arise from this procedure for either the Parent Company or any of its former executives or employees.

On February 22nd, 2023, the Board of Directors has approved the following agreements:

(i) the appointment of Ms. Gloria Hernández as Chairperson of the Audit and Compliance Committee in substitution of Mr. José Wahnon Levy who was close to reaching the 4 years mark as Chairperson of this Committee.

(ii) the assignment of Mr. Sergio Dias as "Another External Director" as of April 1st, 2023, date in which he will cease to hold all his current positions within L1 Group.

On 2 March 2023, the Parent Company reported that all the conditions precedent to the sale agreement signed on 2 August together with its two subsidiaries Dia Retail España, S.A.U. and Grupo El Árbol, Distribución y Supermercados, S.A.U. with Alcampo, S.A. have been fulfilled (see note 12.1), namely: (i) acquisition by the purchaser of merger control authorisation by the National Markets and Competition Commission, (ii) the obtaining by the Sellers of authorisation by the financial entities of the syndicated financing of the Parent Company for the implementation of the Transaction and (iii) transferability of a certain number of stores, varying in line with various parameters. Having fulfilled the conditions precedent, the closing of the sale shall be carried out through successive deliveries of batches of establishments that are expected to take place over the coming months in accordance with the delivery schedule agreed by the parties. The parent Company shall inform in due time the final price of the Operation, as well as the usage of the funds obtained once the implementation thereof has been completed.

CONSOLIDATED DIRECTOR'S REPORT 2022

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

2022 GROUP OPERATIONAL UPDATE

Fiscal year 2022 has confirmed the business turnaround, with an improvement in all operational and financial variables. All the measures that have been promoted to achieve a profound redirection of the company are having their effect and this New Dia is already a reality in Spain and Argentina, which have recorded excellent results in sales and EBITDA margin.

The company's strategy is focused on proximity food distribution. The objective is to be the neighborhood store in which to make a complete purchase, easily and quickly, and to achieve this it offers a wide assortment in which manufacturer brands, fresh products from local suppliers and a high-quality Dia brand coexist. This differentiating value proposition has proven to be the right one even in a macroeconomic environment such as the current one, as reflected in customer satisfaction and acceptance.

The inflationary effect has been one of the factors that have marked the 2022 fiscal year, reaching 5.7% in Spain; 5.8% in Brazil; 94.8% in Argentina and 9.6% in Portugal. This scenario of high inflation began to be generated in 2021 as a result of Covid-19 pandemic aftermath and disruptions in the supply chain and has worsened in 2022 as a result of the war in Ukraine.

In this environment, the Group's Net Sales have advanced 9.6% compared to 2021, with a positive like-for-like annual growth in all markets in which the company operates and with an improvement in the adjusted EBITDA margin reaching 2.8%, compared to 1.9% at the end of the previous year.

Net loss in 2022 stands at 123.8 million euros, down 52% compared to 2021, even though it was affected by impairments on investments in Clarel and Brazil amounting to 31.5 million euros.

Net financial indebtedness increased by 35% during the year to 544.1 million euros, mainly as a result of the investment effort made during the year.

During the year, almost 1,100 stores were remodeled, and 128 new stores were opened, mainly in Spain and Argentina. In addition, in Brazil, during the last quarter of the year, several pilot stores have been implemented under the new value proposition.

With these openings and renovations, 88% of the proximity network in Spain and 55% of the network in Argentina have been fully transformed, and the remodeling process is expected to be completed in 2023.

FY 2022 RESULTS

The following tables show the main figures of the income statement considering all activities of Dia Group, that is, including those derived from the Clarel business and the large-format store business that have been agreed to sell to Alcampo (hereinafter Discontinued Operations).

(million of euros)	2022	%	2021	%	Charge (%)
Gross sales under banner	**8,900.4**		**8,767.3**		**1.5%**
Like-for-like sales growth (%)	5.7%		-3.6%		
Net sales	**7,285.8**	**100.0%**	**6,647.7**	**100.0%**	**9.6%**
Cost of goods sold & other income	(5,706.0)	-78.3%	(5,159.0)	-77.6%	10.6%
Gross profit	**1,579.8**	**21.7%**	**1,488.7**	**22.4%**	**6.1%**
Labour costs	(692.6)	-9.5%	(692.6)	-10.4%	0.0%
Other operating expenses & leases	(490.1)	-6.7%	(430.6)	-6.5%	13.8%
Restructuring and LTI costs	(49.2)	-0.7%	(66.5)	-1.0%	-26.0%
EBITDA	**347.9**	**4.8%**	**299.0**	**4.5%**	**16.4%**
D&A	(396.3)	-5.4%	(393.0)	-5.9%	0.8%
Impairment	(50.0)	-0.7%	(59.1)	-0.9%	-15.4%
Write-offs	(24.3)	-0.3%	(22.9)	-0.3%	6.1%
EBIT	**(122.7)**	**-1.7%**	**(176.0)**	**-2.6%**	**-30.3%**
Net financial results	32.7	0.4%	(67.5)	-1.0%	-148.4%
Losses before tax from continuing operations	**(90.0)**	**-1.2%**	**(243.5)**	**-3.7%**	**-63.0%**
Income tax	(33.9)	-0.5%	(13.9)	-0.2%	143.9%
Losses after tax from continuing operations	**(123.8)**	**-1.7%**	**(257.3)**	**-3.9%**	**-51.9%**
Discontinuing operations	-	-	-	-	n/a
Net attributable Result	**(123.8)**	**-1.7%**	**(257.3)**	**-3.9%**	**-51.9%**

The reconciliation between the EBITDA included in the previous table and the headings of the income statement, if Discontinued Activities had not been classified, is explained in the following table:

2022 (million of euros)	Income statement	Logistics cost	Restructuring cost	Total 2022
Net sales	7,285.8	-	-	7,285.8
Cost of goods sold & other income	**(5,300.2)**	**(406.8)**	**1.0**	**(5,706.0)**
Goods and other consumables used	(5,332.3)	(406.3)	-	(5,738.6)
Other income	36.4	(0.5)	-	35.9
Impairment of trade debtors	(4.3)	-	1.0	(3.3)
Gross profit	1,985.6	(406.8)	1.0	1,579.8
Labour costs	(853.2)	128.7	31.9	(692.6)
Other operating expenses	(759.8)	276.8	15.6	(467.4)
Leased property expenses	(24.7)	1.3	0.7	(22.7)
Restructuring and LTI costs	-	-	(49.2)	(49.2)
EBITDA	347.9	-	-	347.9

2021 (million of euros)	Income statement	Logistics cost	Restructuring cost	Total 2021
Net sales	6,647.7	-	-	6,647.7
Cost of goods sold & other income	**(4,806.9)**	**(352.3)**	**0.2**	**(5,159.0)**
Goods and other consumables used	(4,839.0)	(352.1)	-	(5,191.1)
Other income	30.9	(0.2)	-	30.7
Impairment of trade debtors	1.2	-	0.2	1.4
Gross profit	1,840.8	(352.3)	0.2	1,488.7
Labour costs	(854.9)	120.2	42.1	(692.6)
Other operating expenses	(642.1)	229.9	7.2	(405.0)
Leased property expenses	(44.8)	2.2	17.0	(25.6)
Restructuring and LTI costs	-	-	(66.5)	(66.5)
EBITDA	299.0	-	-	299.0

- The Group's Net Sales have increased 9.6%, growing in all markets. Revenues from company-owned stores represent 60.2% of the Group's Net Sales, compared to 35.5% from franchise stores and 4.3% from online and other activities.
- The Group's Like-for-Like sales increased 5.7%, showing a consistent growth of our businesses supported by a differential value proposition for our customers. This figure was achieved as a result of three consecutive quarters of like-for-like sales growth and a positive cumulative increase in the last 9 months in all the markets in which we operate.
- Gross Profit (as a percentage of Net Sales) to 21.7% from 22.4% year-on-year impacted by inflation, increase in franchised stores and growth in our own brand share.
- Personnel expenses decreased by 0.9pp to 9.5% as a percentage of Net Sales, despite wage increases affected by inflation, benefiting from the transfer to franchising of company-owned stores.
- Other operating expenses increased from 6.5% to 6.7% as a percentage of Net Sales, strongly impacted by the increase in the cost of electricity and diesel.
- EBITDA improved to 4.8% of Net Sales (0.3pp better than 2021) due to cost reductions from less profitable store closures and outsourcing carried out in 2022, as well as a reduction in restructuring costs, which neutralized the impact of lower Gross Profit.
- Depreciation and amortization increased by 3.3 million euros due to the increase in store remodeling.
- The Net Result stood at -123.8 million euros, representing an improvement of 133.5 million euros compared to year-end 2021.

If the impacts of Discontinued Operations are reclassified, the main figures of the income statement, which are those presented in the consolidated financial statements, remain as follows:

(million of euros)	2022	%	2021	%	Charge (%)
Gross sales under banner	8,014.7		7,905.5		1.4%
Like-for-like sales growth (%)	6.1%		-3.0%		
Net sales	6,524.3	100.0%	5,900.1	100.0%	10.6%
Cost of goods sold & other income	(5,198.8)	-79.7%	(4,640.4)	-78.6%	12.0%
Gross profit	1,325.5	20.3%	1,259.7	21.4%	5.2%
Labour costs	(558.0)	-8.6%	(557.8)	-9.5%	0.0%
Other operating expenses & leases	(427.1)	-6.5%	(384.8)	-6.5%	11.0%
Restructuring and LTI costs	(50.4)	-0.8%	(60.8)	-1.0%	-17.1%
EBITDA	290.0	4.4%	256.3	4.3%	13.1%
D&A	(354.3)	-5.4%	(341.1)	-5.8%	3.9%
Impairment	(40.8)	-0.6%	(50.7)	-0.9%	-19.5%
Write-offs	(24.0)	-0.4%	(22.8)	-0.4%	5.3%
EBIT	(129.1)	-2.0%	(158.3)	-2.7%	-18.4%
Net financial results	36.7	0.6%	(62.3)	-1.1%	-158.9%
Losses before tax from continuing operations	(92.4)	-1.4%	(220.6)	-3.7%	-58.1%
Income tax	(33.9)	-0.5%	(13.9)	-0.2%	143.9%
Losses after tax from continuing operations	(126.2)	-1.9%	(234.4)	-4.0%	-46.2%
Discontinuing operations	2.4	-	(22.9)	-	n/a
Net attributable Result	(123.8)	-1.9%	(257.3)	-4.4%	-51.9%

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinued operations

The reconciliation between the EBITDA included in the consolidated financial statements and the indicated in the previous table, due to the allocation according to their nature of the logistics costs charged to the warehouses and the restructuring costs for the years 2022 and 2021, is explained in the following table:

2022 (million of euros)	Income statement	Logistics cost	Restructuring cost	Total 2022
Net sales	6,524.3	-	-	6,524.3
Cost of goods sold & other income	**(4,818.6)**	**(381.2)**	**1.0**	**(5,198.8)**
Goods and other consumables used	(4,850.0)	(380.6)	-	(5,230.6)
Other income	35.7	(0.6)	-	35.1
Impairment of trade debtors	(4.3)	-	1.0	(3.3)
Gross profit	1,705.7	(381.2)	1.0	1,325.5
Labour costs	(705.1)	116.6	30.5	(558.0)
Other operating expenses	(678.0)	263.3	15.7	(399.0)
Leased property expenses	(32.6)	1.3	3.2	(28.1)
Restructuring and LTI costs	-	-	(50.4)	(50.4)
EBITDA	290.0	-	-	290.0

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinued operations

2021 (million of euros)	Income statement	Logistics cost	Restructuring cost	Total 2021
Net sales	5,900.1	-	-	5,900.1
Cost of goods sold & other income	(4,321.5)	(319.1)	0.2	(4,640.4)
Goods and other consumables used	(4,353.5)	(318.9)	-	(4,672.4)
Other income	30.4	(0.2)	-	30.2
Impairment of trade debtors	1.6	-	0.2	1.8
Gross profit	1,578.6	(319.1)	0.2	1,259.7
Labour costs	(708.2)	108.3	42.1	(557.8)
Other operating expenses	(583.0)	208.8	7.2	(367.0)
Leased property expenses	(31.1)	2.0	11.3	(17.8)
Restructuring and LTI costs	-	-	(60.8)	(60.8)
EBITDA	256.3	-	-	256.3

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinued operations

The evolution of the Adjusted EBITDA during the period and its reconciliation with the EBIT taking into account all the activities of Dia Group is detailed below:

EBITDA to Adjusted EBITDA reconciliation

(million of euros)	2022	2021	Change
EBIT	(122.7)	(176.0)	53.3
Depreciation & Amortization	396.3	393.0	3.3
Impairment of fixed assets	50.0	59.1	(9.1)
Losses on write-down of fixed assets	24.3	22.9	1.4
EBITDA	347.9	299.0	48.9
Restructuring costs	63.1	55.4	7.7
Long-term incentive program (LTI)	(13.9)	11.1	(25.0)
IFRS 16 lease effect	(266.6)	(267.1)	0.5
IAS 29 hyperinflation effect	70.0	26.0	44.0
Adjusted EBITDA	200.4	124.3	76.1

- Adjusted EBITDA reached 2.8% as a percentage of Net Sales, an improvement of 0.9pp vs. 2021 (1.9% as percentage of Net Sales). In absolute terms, Adjusted EBITDA was €200.4 million, an increase of €76.1 million, reflecting the positive results of ongoing operational management improvement and cost control.

Reclassifying the impacts derived from Discontinued Activities as presented in the consolidated financial statements, the evolution is as follows:

EBITDA to Adjusted EBITDA reconciliation (million of euros)	2022	2021	Change
EBIT	(129.1)	(158.3)	29.2
Depreciation & Amortization	354.3	341.1	13.2
Impairment of fixed assets	40.8	50.7	(9.9)
Losses on write-down of fixed assets	24.0	22.8	1.2
EBITDA	**290.0**	**256.3**	**33.7**
Restructuring costs	64.3	49.7	14.6
Long-term incentive program (LTI)	(13.9)	11.1	(25.0)
IFRS 16 lease effect	(234.0)	(231.2)	(2.8)
IAS 29 hyperinflation effect	70.0	26.0	44.0
Adjusted EBITDA	**176.4**	**111.9**	**64.5**

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinuing operations

INFORMATION BY COUNTRY

SPAIN

SPAIN (million of euros) (*)	2022	%	2021	%	Change
Gross sales under banner	5,316.8		5,002.8		6.3%
Like-for-like sales growth	7.3%		-5.2%		
Net sales	4,436.2		4,209.8		5.4%
Adjusted EBITDA	147.6	3.3%	92.6	2.2%	59.4%

(*) All activities of DIA Group included

Net sales increased by 5.4% despite 155 fewer stores (down 4.1%). Like-for-Like sales growth was 7.3%, reversing the negative trend of 2021 (-5.2%). From the second half of the year, after a slow start, we achieved an acceleration in sales leveraged on the good result of remodeling (with Like-for-Like of 12.2%) and an increase in the number of tickets (+6%) that allowed us to gain market share.

Adjusted EBITDA reached €147.6 million, €55.0 million higher than in 2021. This improvement is due to a €226.4 million increase in net sales, an improved store mix (increased outsourcing and closure of unprofitable stores), as well as strict cost management. This has led to an adjusted EBITDA margin of 3.3% on Net Sales, compared to 2.2% in 2021. This improvement in profitability made it possible to absorb the strong inflationary pressure with particularly high growth in energy costs (€20 million more than in 2021) and diesel (€17 million more than in 2021).

In 2022, two corporate operations in Spain were fully aligned with the Group's strategy: focus on proximity stores and food distribution. On the one hand, the sale of large format stores to Alcampo and on the other hand, the sale of Clarel, the Group's hygiene and beauty business, to C2 Private Capital.

The announcement of these operations has caused these assets to appear in the statutory accounts as held for sale, as well as the sale and the result of the same in 2022, having also restated the income statement for the year 2021. The following tables show the main figures for Spain considering these operations as discontinued.

SPAIN (million of euros)	2022	%	2021	%	Change
Gross sales under banner	4,431.1		4,141.1		7.0%
Like-for-like sales growth	8.3%		-4.5%		
Net sales	3,674.7		3,462.2		6.1%
Adjusted EBITDA	123.6	3.4%	80.1	2.3%	54.3%

PORTUGAL

PORTUGAL (million of euros)	2022	%	2021	%	Change
Gross sales under banner	818.5		806.1		1.5%
Like-for-like sales growth	3.7%		-4.3%		
Net sales	596.0		592.9		0.5%
Adjusted EBITDA	10.5	1.8%	11.9	2.0%	-11.8%

Net Sales in Portugal reached 596.0 million euros, a growth of 0.5%, affected by a 7.2% lower store base. Like-for-Like sales growth in Portugal was 3.7%, a result that reverses the negative trend of 2021 where a negative Like-for-Like of -4.3% was experienced.

The entry of new players in the market, as well as the strong investment and expansion of competitors, have created a challenging scenario for Dia, which, together with the inflationary situation experienced in the country, has put pressure on margins and business profitability.

The own brand has been one of Dia's major commitments in Portugal, with the renewal of more than 600 references, already representing 43.6% of the total basket of its customers.

Adjusted EBITDA closed 2022 at €10.5 million, €1.4 million lower than in 2021, with a 0.2pp drop in the adjusted EBITDA margin on Net Sales. This drop is partly due to the competitive pricing policy maintained during the year and the increase in supplies and maintenance expenses.

BRAZIL

BRAZIL (million of euros)	2022	%	2021	%	Change
Gross sales under banner	995.4		886.7		12.3%
Like-for-like sales growth	7.4%		0.6%		
Net sales	889.5		802.1		10.9%
Adjusted EBITDA	(9.3)	-1.0%	(10.6)	-1.3%	-12.3%

Net Sales grew 10.9% year-on-year despite a 17.5% decrease in the number of stores following the strategic closure of unprofitable locations (129 closures in 2022). Like-for-Like sales growth in Brazil was 7.4%, up 6.8pp vs. 2021. This increase is largely due to the inflation observed in the country as well as the price competitiveness maintained despite inflationary pressure.

During 2021, a review of the franchise model was carried out, which during half of 2022 has led to a high volume of outsourcing, reaching a total of 89 transfers during the year. This model has generated an increase in the level of satisfaction of our franchised collaborators.

Adjusted EBITDA improved by €1.3m and also improved in terms of margin (0.3pp better than 2021), despite the increase in inputs, through good management of fixed costs and investment control.

ARGENTINA

ARGENTINA (million of euros)	2022	%	2021	%	Change
Gross sales under banner	1,769.7		2,071.7		-14.6%
Like-for-like sales growth	2.0%		-0.5%		
Net sales	1,364.1		1,042.9		30.8%
Adjusted EBITDA	51.6	3.8%	30.4	2.9%	69.7%

Argentina closed 2022 with a very positive result in terms of net sales, market share and profitability, demonstrating that the model and strategy followed in the country are the right one.

Net sales increased by 30.8% (in euros), leveraging the good results of store renovations and openings during the year. The evolution of the Argentine peso, with a lower-than-expected devaluation and below inflation, has generated a currency gain for the Group. Measured in Argentine pesos, Net Sales growth was 87.5%, obviously driven by inflation in the country.

Like-for-Like sales growth in Argentina was 2.0%, which has allowed us to accelerate our growth ahead of the competition and gain market share in the country for 6 consecutive quarters. Dia Argentina is already the leader of Greater Buenos Aires and has the ambition to lead the Argentine market in the coming years.

Adjusted EBITDA reached €51.6 million and a margin of 3.8% on Net Sales. This represents an improvement in profitability of 0.9pp compared to 2021 and demonstrates the good management of commercial margins and fixed costs.

BALANCE SHEET

(million of euros)	2022	2021
Non-current assets	1,903.2	2,018.2
Inventories	417.6	452.0
Trade & Other receivables	199.1	178.0
Other current assets	76.2	61.5
Cash & Cash equivalents	215.8	361.1
Non-current assets held for sale	309.0	-
Total assets	**3,120.9**	**3,070.8**
Total equity	7.6	93.6
Non-current borrowings	1,009.5	1,023.2
Current borrowings	278.9	272.5
Trade & Otherpayables	1,329.3	1,274.6
Provisions & Other	417.9	406.9
Liabilities directly associated with non-current assets held for sale	77.7	-
Total equity & liabilities	**3,120.9**	**3,070.8**

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinuing operations

At December 31, 2022, the equity balance in the Parent Company's individual financial statements (which are those used to calculate the legal dissolution or capital increase obligation) amounted to €667.3 million (€837.8 million at December 2021) affected by an impairment of €180 million of the investment in the Brazilian subsidiary.

NET FINANCIAL DEBT

Total Net Financial Debt increased by €140 million during 2022 to €544.1 million, due to increased CAPEX to transform the business offset, to a lesser extent, by positive cash flow from operations and increased working capital.

RECONCILIATION NET DEBT

(million of euros)	2022	2021	Change
Non-current borrowings	1,009.5	1,023.2	(13.7)
Current borrowings	278.9	272.5	6.4
Cash & Cash equivalents	(215.8)	(361.1)	145.3
Derivatives	(4.3)	-	(4.3)
Total net debt	**1,068.3**	**934.6**	**133.7**
IFRS 16 related debt effect	(524.1)	(530.4)	6.3
Net financial debt	**544.1**	**404.1**	**140.0**

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinuing operations

Actual gross debt maturity profile at December 31, 2022 (excl. IFRS16) in the amount of 764.3 million euros.

(million of euros)	2023	2024	2025	2026	2027 onward	Total
Non syndicated facilities & other	25.4	10.4	4.8	3.8	14.4	58.8
Financing from Syndicated Lenders	89.6	25.0	536.6	-	-	651.2
Bonds	0.8	-	-	30.9	-	31.7
SS Incremental Financing	-	-	22.6	-	-	22.6
Net financial debt	**115.8**	**35.4**	**564.0**	**34.7**	**14.4**	**764.3**

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinuing operations

The most relevant maturity of the gross financial debt corresponds to syndicated financing (74% of the overall gross debt) and matures in three years (from December 2024 to December 2025) and 15% of the gross financial debt matures in less than one year:

- Syndicated Lender Financing: 89.6 million during 2023, 25,0 million in March 2024 and 536.6 million in December 2025.
- Non-syndicated financing and others: 25.4 million in 2023, 10.4 million in 2024 and thereafter, 22.9 million.
- Super Senior Financing: 22.6 million in December 2025.
- Bonds and debentures: 30.9 million in June 2026.

AVAILABLE LIQUIDITY

(million of euros)	2022	2021	Change
Cash & Cash equivalents	215.8	361.1	(145.3)
Available credit facilities	134.7	154.3	(19.6)
Total liquidity	**350.5**	**515.4**	**(164.9)**

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinuing operations

Available liquidity at year-end was EUR 350.5 million (December 2021: EUR 515.4 million), of which EUR 215.8 million related to cash and cash equivalents and EUR 134.7 million to undrawn bank financing and confirming facilities

TRADE WORKING CAPITAL

(million of euros)	2022 (1)	2022	2021	Change with Discontinued Activities	Change without Discontinued Activities
Inventories (A)	417.6	473.0	452.0	(34.4)	21.0
Trade & other receivables (B)	199.1	210.3	178.0	21.1	32.3
Trade & other payables (C)	1,329.3	1,336.6	1,274.6	54.7	62.0
Total working capital (A+B-C)	**(712.5)**	**(653.2)**	**(644.6)**	**(67.9)**	**(8.6)**

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinuing operations

Working capital at Group level during 2022 remained stable with a slight improvement of €8.6 million. The increase in net sales for the period in the amount of €638.1 million represents an improvement of €62.0 million in trade and other payables, partly offset by the 11.9% increase compared to December 2021 in trade and other receivables due to the higher number of franchises in 2022 and by the higher level of inventories by €21.0 million as they were impacted by the effect of inflation.

Working capital, presenting the activities of the Clarel business and the large format stores business agreed for sale to Alcampo as discontinued, improved by 59.3 million euros, mainly due to the decrease in the stock associated with these businesses and the lower volume of trade and other receivables.

As of December 2022, and December 2021, the Group had no non-recourse factoring lines used. At year-end 2022, the amount of confirming used by the Group stood at €246.7 million at December 31, 2022 (December 2020: €244.0 million).

CAPEX

(million of euros)	2022	2021	Change (%)
Spain	181.3	159.7	13.5%
Portugal	5.1	22.1	-76.9%
Argentina	73.7	35.5	107.6%
Brazil	9.1	28.4	-68.0%
Total Capex	**269.2**	**245.7**	**9.6%**

CAPEX in 2022 increased by 9.6% due to the continuation of the remodelling and store expansion plan in Spain and Argentina, linked to Dia's new proximity concept. The investment has allowed the remodelling of 809 stores in Spain and 255 stores in Argentina, as well as the opening of 27 stores in Spain and 101 stores in Argentina. Additionally, it has allowed us to advance the implementation of the omnichannel pieces that will support online business in Spain.

STORE NETWORK

The following table shows the store network of the Dia Group by country and its evolution during the year.

DIA GROUP	Owned	Franchised	Total
Total stores 31 December 2021	3,227	2,710	5,937
New openings	18	110	128
Net change from franchised to owned stores	-213	213	0
Closings	-280	-86	-366
Total DIA GROUP stores at 31 December 2022	**2,752**	**2,947**	**5,699**
Large Format Store Business agreed in the sale to Alcampo	-220	-6	-226
Clarel stores	-809	-205	-1,014
Total DIA GROUP stores at 31 December 2022 whithout Large Format Store Business agreed in the sale to Alcampo and Clarel Business	**1,723**	**2,736**	**4,459**

SPAIN	Owned	Franchised	Total
Total stores 31 December 2021	2,191	1,598	3,789
New openings	12	15	27
Net change from franchised to owned stores	-126	126	0
Closings	-129	-53	-182
Total tiendas DIA España a 31 diciembre 2022	**1,948**	**1,686**	**3,634**
Large Format Store Business agreed in the sale to Alcampo	-220	-6	-226
Clarel stores	-809	-205	-1,014
Total DIA Spain stores at 31 December 2022 whithout Large Format Store Business agreed in the sale to Alcampo and Clarel Business	**919**	**1,475**	**2,394**

PORTUGAL	Owned	Franchised	Total
Total stores 31 December 2021	202	297	499
New openings	0	0	0
Net change from franchised to owned stores	-3	3	0
Closings	-27	-9	-36
Total DIA Portugal stores at at 31 December 2022	**172**	**291**	**463**

BRAZIL	Owned	Franchised	Total
Total stores 31 December 2021	570	167	737
New openings	0	0	0
Net change from franchised to owned stores	-89	89	0
Closings	-116	-13	-129
Total DIA Brazil stores at at 31 December 2022	365	243	608

ARGENTINA	Owned	Franchised	Total
Total stores 31 December 2021	264	648	912
New openings	6	95	101
Net change from franchised to owned stores	5	-5	0
Closings	-8	-11	-19
Total DIA Argentina stores at at 31 December 2022	267	727	994

DEFINITION OF APMs

When preparing the financial information reported internally and externally, Dia's Board of Directors has adopted a series of Alternative Performance Measures (APMs) to gain a better understanding of business performance. These APMs have been selected according to the nature of the Company's business and the APMs commonly used by listed companies in the sector internationally. Nevertheless, these APMs may or may not be totally comparable with those of other companies in the same industry. In any event, these APMs are metrics used by the company in its day-to-day management and are not intended to replace, or be more important than, the measures presented under IFRS regulations.

The purpose of these APMs is to help better understand the underlying performance of the business through comparable information across different periods and geographies. APMs are therefore used by Directors and Senior Management for performance analysis, planning, reporting, and incentive-setting purposes.

Gross Sales Under Banner: Total value of in-store turnover, including indirect taxes (value of sales receipts) in all the Company's stores, both owned and franchised. This concept therefore includes among others:

- Franchisees' turnover from sales to end customer. Net Sales record the value of sales of goods by Dia to the franchisee. In addition to the sale of goods and associated discounts and incentives, amounts invoiced as a percentage of the franchisee's final sales figure are recorded in net sales for licensed rights and ancillary technical and commercial assistance services, and for the provision for the assignment of commercial use and monthly operation of the 2020 franchise model.

- Mobile phone top-up transactions. Net sales only include the amount of commission associated with these transactions.

- Concessions' turnover from sales to end customer (meat and fish counters among others). In general, the concession-holder makes use of the at the point of sale space for which it is invoiced for a sublease recorded as "other income". In addition, Dia charges a commission to the concession-holder for point-of-sale terminal collection management, which is registered as "net sales". As for the purchase of goods, the concession-holder may purchase goods from a third party or otherwise from Dia Group net sales include sales of Dia goods to the concession-holder and the collection management fee. Gross sales under banner nonetheless include all sales by the concession-holder to the end customer.

In the case of Argentina, the Gross Sales under banner are adjusted using domestic price inflation to isolate the hyperinflationary effect.

Gross sales under banner is a metric used to monitor turnover at the Group's points of sale compared to its competitors in terms of market share and total sales to the end consumer.

NET SALES TO GROSS SALES UNDER BANNER RECONCILIATION (million of euros)	2022	2021	Change (%)
Net sales	**6,524.3**	**5,900.1**	**10.6%**
VAT	973.8	753.0	29.3%
Others	516.5	342.1	51.0%
Interim inflation adjustment in Argentina	-	910.3	n/a
Total Gross sales under banner	**8,014.7**	**7,905.5**	**1.4%**

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinuing operations

If the reclassification to discontinued operations had not occurred, the evolution would have been as follows:

NET SALES TO GROSS SALES UNDER BANNER RECONCILIATION (million of euros)	2022	2021	Change (%)
Net sales	**7,285.8**	**6,647.7**	**9.6%**
VAT	1,078.5	855.7	26.0%
Others	536.1	353.6	51.6%
Interim inflation adjustment in Argentina	-	910.3	n/a
Total Gross sales under banner	**8,900.4**	**8,767.3**	**1.5%**

The different components of the growth of the Gross Sales under banner are disclosed below - following adjustment for domestic inflation in Argentina - and include:

a) Comparable Sales Growth (Like-for-Like or "LFL"): the calculation of the LFL sales growth is performed daily and is based on the growth of the gross sales figure under banner for that day compared with the same day of the period being compared and at constant exchange rates, for all those stores that have operated for a period of over twelve months and a day under similar business conditions.

   A store is not considered to have operated under similar business conditions, and therefore does not form part of the LFL calculation basis, in the event that it has been temporarily closed throughout the period considered to carry out refurbishment work or has been significantly affected by objective external causes (e.g. force majeure events such as flooding, among others).

   As an illustrative example, if a store opened on 1 October 2021, its sales are excluded from the daily basis for LFL sales until 30 September 2022. From 1 October 2022 onwards, the store's sales will be considered in the basis of the LFL sales calculation, and for the purposes of assessing growth over the same period of the previous year, the store's sales on the same day of the previous year are taken into account. As an additional illustrative example, if a store remains closed for three days during the 2022 financial year for painting and cleaning tasks, the basis for calculation excludes sales by that store on the same days the previous year when it was open.

   In addition, as indicated above, the gross sales figures under banner for Argentina have been adjusted previously using domestic inflation to reflect the LFL in volume terms, avoiding miscalculations due to hyperinflation.

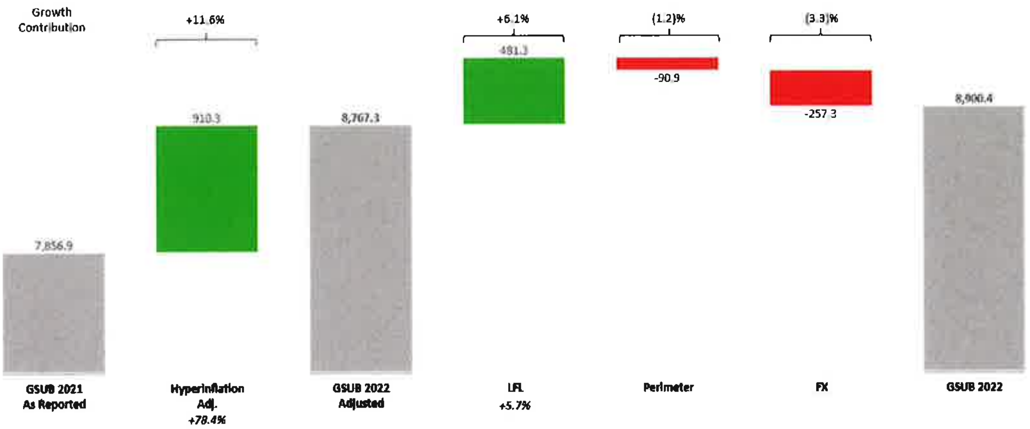
   Like-for-Like comparable sales growth is used to analyse the evolution of sales in a period compared to a previous period for a comparable sales area and isolating the effects of changes in exchange rates.

b) The growth in gross sales is due to changes in the perimeter of stores due to openings and closures during the period.

c) Currency effect growth related to the devaluation or appreciation of the currencies in which the Group operates.

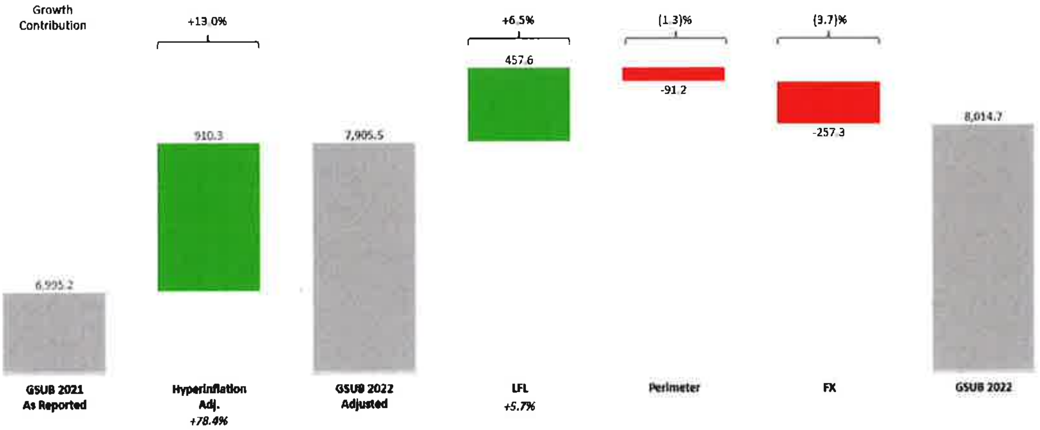
The evolution of gross sales under banner between periods and its components is presented below, both considering the global activities of the Group and isolating the effect of Discontinued Operations:

Components of growth in gross sales under banner (without discontinued operations)



Gross sales under banner grew by a total of 13.3% versus 2021 (reported) favored by +11.6% due to the inflationary adjustment in Argentina (domestic inflation =78.4%) leveraged by a Like-for-Like contribution of +6.1% (Like-for-Like =+5.7%), offsetting a lower store perimeter of -1.2% and a negative currency effect of -3.3%.

Components of growth in gross sales under banner (with discontinued operations)



Gross sales under banner grew by a total of 14.6% versus 2021 (reported) favored by +13.0% due to the inflationary adjustment in Argentina (domestic inflation =78.4%) leveraged by a Like-for-Like contribution of +6.5% (Like-for-Like =+6.1%), offsetting a lower store perimeter of -1.3% and a negative currency effect of -3.7%.

Gross profit: Profit calculated mainly by deducting from Net Sales and Other Income: (i) goods sold and other consumables; (ii) impairment of trade receivables; and (iii) labour costs, other operating expenses and lease expenses related with logistics activities, as per the reconciliation presented in the 2022 Results section of the Management Report. This metric is used as an indicator of the return obtained from the sale of goods after deducting the acquisition costs of the goods sold, including the logistics costs incurred to deliver the goods to the point of sale, irrespective of the nature of the cost (labour, other operating costs, etc.).

The Company presents in its Management Report a functional profit and loss account in order first of all to show the operational performance of the activity once the logistics costs required to deliver the goods to the point of sale have been reclassified (including, among others, the cost of warehouse personnel and transport costs), which form part of the Gross Profit, and secondly to be able to isolate the restructuring costs and long-term incentive plans, which are exceptional in nature.

Adjusted EBITDA: Adjusted EBITDA is the net operating result (EBIT) plus amortisation and depreciation, impairment of non-current assets, gains/(losses) on disposal of non-current assets, restructuring costs (as described below), costs related with the long-term incentive programme (LTIP) and the effects of applying IAS 29 and IFRS 16. Note 4 to the Consolidated Financial Statements includes a complete reconciliation of Adjusted EBITDA with the captions in the consolidated income statement.

(million of euros)	2022	2021	Change
EBIT	(129.1)	(158.3)	29.2
Depreciation & Amortization	354.3	341.1	13.2
Impairment of fixed assets	40.8	50.7	(9.9)
Losses on write-down of fixed assets	24.0	22.8	1.2
EBITDA	**290.0**	**256.3**	**33.7**
Restructuring costs	64.3	49.7	14.6
Long-term incentive program (LTIP)	(13.9)	11.1	(25.0)
IFRS 16 lease effect	(234.0)	(231.2)	(2.8)
IAS 29 hyperinflation effect	70.0	26.0	44.0
Adjusted EBITDA	**176.4**	**111.9**	**64.5**

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinuing operations

If the reclassification to discontinued operations had not occurred, the evolution would have been as follows:

(million of euros)	2022	2021	Change
EBIT	(122.7)	(176.0)	53.3
Depreciation & Amortization	396.3	393.0	3.3
Impairment of fixed assets	50.0	59.1	(9.1)
Losses on write-down of fixed assets	24.3	22.9	1.4
EBITDA	**347.9**	**299.0**	**48.9**
Restructuring costs	63.1	55.4	7.7
Long-term incentive program (LTIP)	(13.9)	11.1	(25.0)
IFRS 16 lease effect	(266.6)	(267.1)	0.5
IAS 29 hyperinflation effect	70.0	26.0	44.0
Adjusted EBITDA	**200.4**	**124.3**	**76.1**

Restructuring costs comprise costs classified as non-recurrent due to their exceptional nature, either because they arise from events that cannot be controlled by the Company (e.g. costs incurred due to strike action or natural disasters) or because they concern one-off store/warehouse/central office restructuring plans and the procurement of one-off independent advisory services that are strategic to the Group. The main restructuring costs considered by the company are as follows:

- Costs directly associated with scheduled store/warehouse/central office restructuring or closure plans and the conversion of owned stores into franchised stores and vice versa. These costs mainly comprise compensation to staff and penalties for early cancellation of lease agreements.

- Occasionally, other strategic advisory costs such as those associated with drawing up strategic plans or the refinancing of financial debt.

The IFRS 16 effect on rents of 234.0 million euros and 231.3 million euros in 2022 and 2021, respectively, corresponds to costs that would have been accounted for as lease expenses had IFRS16 not been implemented. The difference between these amounts and the payments for leases according to note 14.1 c) on the Consolidated Financial Statements, Financial debt, amounting to 237.6 million euros and 236.3 million euros in 2022 and 2021, respectively, is due to the fact that the payments include financial leases that were already part of the tangible fixed assets before the application of the new standard, as well as adjustments for hyperinflation and others.

RENTALS WITHOUT IFRS 16 APLICATION (million of euros)	2022	2021
Rentals without IFRS 16 aplication	**234.0**	**231.3**
Lease payments for financial leases prior to the implementation of the standard	9.2	8.3
Hiperinflation adjustment related to rentals	(6.0)	(3.0)
Others	0.4	(0.3)
Lease payments for financial leases (Note 14.1)	**237.6**	**236.3**

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinuing operations

The IFRS 16 effect on rents of 266.7 million euros and 267.1 million euros in 2022 and 2021, respectively, corresponds to costs that would have been accounted for as lease expenses had IFRS16 not been implemented, considering all activities. The difference between these amounts and the payments for leases, financial debt, amounting to 270.3 million euros and 272.6 million euros in 2022 and 2021, respectively, is due to the fact that the payments include financial leases that were already part of the tangible fixed assets before the application of the new standard, as well as adjustments for hyperinflation and others.

RENTALS WITHOUT IFRS 16 APLICATION (million of euros)	2022	2021
Rentals without IFRS 16 aplication	**266.6**	**267.1**
Lease payments for financial leases prior to the implementation of the standard	9.2	8.7
Hiperinflation adjustment related to rentals	(6.0)	(3.0)
Others	0.4	(0.2)
Lease payments for financial leases (Note 14.1)	**270.2**	**272.6**

The IAS 29 effect represents the impact of hyperinflation in Argentina based on the application of indices and involving the use of the closing exchange rate of the period instead of the average exchange rate, for the conversion of each of the income statement lines to Euros. This effect is adjusted in the calculation of the Adjusted EBITDA as if it were not a hyperinflationary economy and one could therefore evaluate the performance of business unit activity evolution.

The Adjusted EBITDA attempts to explain the Group's operating performance by isolating those non-operational effects that are exceptional in nature or are effects derived from the application of specific accounting regulations (application of IFRS16, IAS 29), restructuring costs and incentive plans.

Capex: investment calculated as the sum of additions of property, plant and equipment and other intangible assets as described in notes 5 and 6 to the Consolidated Financial Statements. Capex is a measure of the Company's investment in fixed assets to contribute to the future growth of its business.

(million of euros)	2022	2021	Change (%)
Additions - Property, plant and equipment	244.6	232.7	5.0%
Additions - Other intangible asset	24.6	13.0	89.2%
Total Capex	**269.2**	**245.7**	**9.6%**

Net Financial Debt: The Company's financial position calculated by deducting the total value of cash and cash equivalents, the interest rate derivate hedge asset and the effect of applying IFRS 16 from the total value of outstanding current and non-current financial debt, as explained in note 14.1 to the Consolidated Financial Statements.

RECONCILIATION NET DEBT (million of euros)	2022	2021	Change
Non-current borrowings	1,009.5	1,023.2	(13.7)
Current borrowings	278.9	272.5	6.4
Cash & Cash equivalents	(215.8)	(361.1)	145.3
Derivatives	(4.3)	-	(4.3)
Total net debt	**1,068.3**	**934.6**	**133.7**
IFRS 16 related debt effect	(524.1)	(530.4)	6.3
Net financial debt	**544.1**	**404.1**	**140.0**

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinuing operations

Net financial debt is an indicator of the Group's financial leverage excluding liabilities related with finance leases that result from applying IFRS 16.

Available liquidity: this is the result of adding together the Cash and cash equivalents as described in note 11 to the Consolidated Financial Statements, and the undrawn balance of available lines of finance and reverse factoring described in note 20 to the Consolidated Financial Statements. Available liquidity is a metric used to measure the Group's capacity to honour its payment commitments using available liquid assets and finance.

(million of euros)	2022	2021	Change
Cash & Cash equivalents	215.8	361.1	(145.3)
Available credit facilities	134.7	154.3	(19.6)
Total liquidity	**350.5**	**515.4**	**(164.9)**

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinuing operations

Working capital: This is the sum of inventories and trade and other receivables less trade and other payables. Working capital is a metric used to measure the amount of callable assets available to settle the Group's short-term payables in everyday operations.

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(million of euros)	2022 (1)	2022	2021	Change with Discontinued Activities	Change without Discontinued Activities
Inventories (A)	417.6	473.0	452.0	(34.4)	21.0
Trade & other receivables (B)	199.1	210.3	178.0	21.1	32.3
Trade & other payables (C)	1,329.3	1,336.6	1,274.6	54.7	62.0
Total working capital (A+B-C)	**(712.5)**	**(653.2)**	**(644.6)**	**(67.9)**	**(8.6)**

(1) With the activities of the Clarel Business and the Large Format Store Business agreed in the sale to Alcampo, presented as discontinuing operations

In the retail sector, this figure tends to be negative given the fast rotation of produce in stores and the fact that customer collection periods are very short compared to supplier payment terms.

INFORMATION ABOUT THE FORESEEABLE EVOLUTION OF THE GROUP

In 2023, a year that looks to be no less challenging than the previous one, Dia Group will continue working to accelerate its growth and become the customers' favorite neighborhood and online store. To achieve this, Dia Group will focus on completing the transformation of the store network in Spain and Argentina, growing hand in hand with the franchisees and continuing to develop a first-class customer experience, offering answers to their needs as and when they need them, taking advantage of the powerful leverage of the online channel to take the high-quality products at affordable prices even further.

RESEARCH, DEVELOPMENT AND INNOVATION ACTIVITIES

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

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

The costs associated with R&D+i incurred by Dia during 2022 are, as a percentage, smaller compared to the rest of the costs arising from the development of activities aligned with its social objectives.

6.72 million euros was activated during 2022, corresponding to the capitalization of IT developments (2.90 million euros in 2021).

OWN SHARES

Changes in own shares in 2022 and 2021 are as follows:

	Number of shares	Average price	Total
At 31 December 2020	**984,480**	**5.8540**	**5,763,169.84**
Delivery of shares to Members of Board Director	(409,177)		(2,395,332.10)
Share purchase	28,332,781		474,177.48
At 31 December 2021	**28,908,084**	**0.1329**	**3,842,015.22**
Delivery of shares to Members of Board Director	(5,208,448)		(692,226.31)
At 31 December 2022	**23,699,636**	**0.1329**	**3,149,788.91**

During the financial year of 2022, 5,208,448 shares valued at 692 thousand euros, net of withholdings, were handed over by way of remuneration to the directors.

During the 2021 financial year 409,177 shares valued at 2,395 thousand euros were handed over by way of remuneration to the Directors.

During the 2021 financial year, 28,332,781 shares were acquired, amounting to 474,177.48 euros.

At 31 December 2022 the Company held 23,699,636 own shares with a rounded off average purchase price of 0.1329 euros per share, representing a total amount of 3,149,788.91 euros.

EARNINGS/LOSSES PER SHARE

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

	2022	2021
Average number of shares	**58,039,570,123**	**58,041,123,969**
Result for the period in thousands of Euros	(124,348)	(257,331)
Result per share in Euros	(0.002)	(0.004)

The weighted average numbers of ordinary shares are as follow:

	Weighted average ordinary shares in circulation at 31/12/2022	Ordinary shares at 31/12/2022	Weighted average ordinary shares in circulation at 31/12/2021	Ordinary shares at 31/12/2021
Total shares issued	58,065,534,079	58,065,534,079	58,065,534,079	58,065,534,079
Own shares	(25,963,956)	(23,699,636)	(24,410,110)	(28,908,084)
Total shares	**58,039,570,123**	**58,041,834,443**	**58,041,123,969**	**58,036,625,995**

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

AVERAGE PAYMENT PERIOD TO SUPPLIERS

Pursuant to the duty of information of Spanish Law 18 enacted on 28 September 2022 regarding the creation and growth of companies, amending Spanish Law 15 enacted on 5 July 2010, amending Law 3 enacted on 29 December 2004 whereby measures were introduced to combat late payments in commercial transactions, information has been provided below which must be supplied by the Spanish companies of the Dia Group:

	2022	2021
	Days	Days
Average payment period to suppliers	42	43
Paid operations ratio	42	43
Pending payment transactions ratio	38	41
	Amount (euros)	Amount (euros)
Total payments made	4,115,482,215	3,861,425,957
*Total pending payments	444,544,687	398,586,892

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

The above average payment period considers the reverse factoring facilities with suppliers.

	Nº invoices
Invoices paid in legal maximum period	687,108

	Percentage
% nº of paid invoices in legal maximum period over the total invoices	52.06%
% of monetary value of the paid invoices in legal maximum period over the total invoices	60.14%

LIQUIDITY

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

Within the context of the recapitalisation and refinancing, on 2 September 2021 the Parent Company formalised the modification and overhaul of the SFA, by virtue of which, effective from the abovementioned date, (i) the maturity date of Facilities A-F was extended (amounting to a total of 902,426 thousand euros) ("Senior Facilities") from 31 March 2023 to 31 December 2025, (ii) the margin applicable to Senior Facilities in favour of Syndicated Lenders was increased from 2.5% to 3.0% per year, and (iii) other terms and conditions of the SFA were modified.

Also on said same date, the amendment to the terms and conditions of the 2023 bonds approved by the Board of Bondholders of the Parent Company on 20 April 2021 came into effect. This comprised (a) extension of the maturity date from 6 April 2023 to 30 June 2026, and (b) increase in the coupon of the 2023 bonds, effective from 02 September 2021, to 3.5% per annum (3% cash and 0.50% PIK), plus an increase of 1% PIK in certain circumstances provided for in the SFA agreed within the context of the Global Operation.

The directors of the Parent Company therefore believe that the capitalisation of the Dia Group, together with the release of a material part of its financial liabilities, as well as the extension of the maturity date of certain financial debts, has allowed the reinforcement of the Parent Company's equity situation, substantially reducing the Dia Group financial debt, eliminating the risk of refinancing in the medium term, ensuring that operational financing needs are met and providing a long-term viable capital structure for Dia Group.

The Group's exposure to liquidity risk at 31 December 2022 and 2021 is shown below. The tables below reflect the analysis of financial liabilities by contracted maturity.

Thousands of Euros	Maturity	2022
Debentures and bonds long term	2026	30,891
Syndicated credits (Revolving credit facilities)	2025	52,207
Syndicated credits (Term Loan)	2024 and 2025	367,899
Other bank loans	2024	2,702
Finance lease payables	2024-2042	371,643
Credit facilities drawn down	2025	164,110
Guarantees and deposits received	per contract	12,094
Other non-current financial debt	2024	7,998
Other non-current financial liabilities	2024-2026	710
Total non-current financial liabilities		**1,010,254**
Debentures and bonds	2023	800
Other bank loans	2023	62,329
Finance lease payables	2023	170,101
Syndicated credits (Term Loan)	2023	25,000
Credit facilities drawn down	2023	6,051
Expired interest	2023	7,383
Guarantees and deposits received	2023	3,175
Other financial debts	2023	4,038
Trade and other payables	2023	1,329,774
Suppliers of fixed assets	2023	87,451
Personnel	2023	77,392
Other current liabilities	2023	47,884
Total current financial liabilities		**1,821,378**

Thousands of Euros	Maturity	2021
Debentures and bonds long term	2026	30,800
Syndicated credits (Revolving credit facilities)	2025	50,977
Syndicated credits (Term Loan)	2023,2024 and 2025	392,842
Finance lease payables	2023-2031	350,337
Credit facilities drawn down	2025	183,939
Guarantees and deposits received	per contract	13,751
Other non-current financial debt	2023	537
Total non-current financial liabilities		**1,023,183**
Debentures and bonds	2022	467
Other bank loans	2022	57,526
Finance lease payables	2022	198,142
Syndicated credits (Revolving credit facilities)	2022	1,594
Credit facilities drawn down	2022	3,170
Expired interest	2022	7,321
Guarantees and deposits received	2022	916
Other financial debts	2022	3,318
Trade and other payables	2022	1,274,612
Pasivos asociados a programas de fidelización de clien	2022	61
Suppliers of fixed assets	2022	116,894
Personnel	2022	56,954
Other current liabilities	2022	47,319
Total current financial liabilities		**1,768,233**

The finance costs accrued on these financial liabilities totalled 91,148 thousand euros and 98,167 thousand euros in 2022 and 2021, respectively. The decrease occurs primarily due to the decrease arising from interest on bonds following the capitalisation of the bonds that was carried out in the financial year of 2021

STOCK EXCHANGE INFORMATION

Dia Group vs Ibex 35 and Ibex Small Cap (12/30/21-21 to 12/30/2022)

Throughout the 2022 fiscal year, Dia Group's share showed a heterogeneous behavior, reaching the annual minimum of 0.009 euros in the first quarter of the year. After two quarters of relative stability, in the fourth quarter it started to recover ant continues to do so in 2023 (as of market close February 22nd, 2023 reaching a price of 0.0177 euros).

In 2022 as a whole, share price fell by 20%, as did the benchmark stock market indexes, Ibex 35 and Ibex Small Cap, which fell by 5.6% and 12.8%, respectively. However, in terms of liquidity, Dia shares recorded accumulated volumes in both securities and cash very close to 2021 levels and ended the year with a market capitalization of 737 million euros.

It is worth recalling the complex environment in which the global economy evolved, as well as the financial markets affected by the war in Ukraine, the significant increase in inflation, mainly as a result of the rise in energy and raw material prices and also the mismatches in the supply chain. For their part, central banks are trying to curb this inflationary scenario with tighter monetary policies characterized by interest rate hikes at different maturities not seen for many years, all in a climate of slowing economic activity in general.

DIVIDEND POLICY

The Group has entered into a Syndicated Financing Agreement with a series of Financial Creditors originally signed on 31 December 2018, modified and refinanced on different occasions and maturing on 31 March 2025. This agreement includes a commitment by the Company to not distribute Parent company dividends to shareholders without the agreement of the Syndicated Lenders until the debt held with them has been repaid in full.

EXCHANGE RATE CHANGE

Exchange rate variation	2022	2021	% Variation
Euro/Argentine Peso (annual closing rate)	188.67925	116.27907	62.3%
Euro/Brazilian Real (average rate of the period)	5.35417	6.38490	-16.1%

Bloomberg average exchange rates (a negative change in rates implies an appreciation against the Euro).

EVENTS FOLLOWING THE CLOSE OF THE PERIOD

With regard to the criminal proceedings pursued before the National High Court (see note 15 of

Annual Consolidated Accounts), on 17 February 2023 the Parent Company was served notice of the attestation of the Decree of 22 December 2022, deeming the appeal to be lodged with the Public Prosecution Office, and of the Court Order by Central Investigation Court 6, ruling that the proceedings be definitively shelved, with no appeal being allowed against this decision. No liability will arise from this procedure for either the Parent Company or any of its former executives or employees.

On February 22nd, 2023, the Board of Directors has approved the following agreements:

(i) the appointment of Ms. Gloria Hernández as Chairperson of the Audit and Compliance Committee in substitution of Mr. José Wahnon Levy who was close to reaching the 4 year mark as Chairperson of this Committee.

(ii) the assignment of Mr. Sergio Dias as "Another External Director" as of April 1st, 2023, date in which he will cease to hold all his current positions within L1 Group.

On 2 March 2023, the Parent Company reported that all the conditions precedent to the sale agreement signed on 2 August together with its two subsidiaries Dia Retail España, S.A.U. and Grupo El Árbol, Distribución y Supermercados, S.A.U. with Alcampo, S.A. have been fulfilled (see note 12.1), namely: (i) acquisition by the purchaser of merger control authorisation by the National Markets and Competition Commission, (ii) the obtaining by the Sellers of authorisation by the financial entities of the syndicated financing of the Parent Company for the implementation of the Transaction and (iii) transferability of a certain number of stores, varying in line with various parameters. Having fulfilled the conditions precedent, the closing of the sale shall be carried out through successive deliveries of batches of establishments that are expected to take place over the coming months in accordance with the delivery schedule agreed by the parties. The parent Company shall inform in due time the final price of the Operation, as well as the usage of the funds obtained once the implementation thereof has been completed.

OTHER INFORMATION

Dia's Corporate Governance Report and the Annual Report on Directors Remuneration are part of the Director's Report and are available at www.diacorporate.com and published as other relevant information on the CNMV (Spanish National Securities Market Commission) website.

In accordance with the Law 11/2018, of December 28 regarding non-financial information and diversity, the Dia Group has prepared the "NON-FINANCIAL INFORMATION STATEMENT" related to the 2022 financial year, which is part, as established in articles 44 and 49 of the Commercial Code of this Director's Report and which is attached as a separate document.

Distribuidora Internacional de Alimentación, S.A. and subsidiaries

Independent Limited Assurance Report on the Consolidated Non-Financial Information Statement for the year ended 31 December 2022

Deloitte.

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

INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT OF DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. AND SUBSIDIARIES FOR 2022

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

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the accompanying consolidated non-financial information statement (NFIS) for the year ended 31 December 2022 of Distribuidora Internacional de Alimentación, S.A. (the Parent) and its subsidiaries (the Group), which forms part of the Group's consolidated directors' report for 2022.

The content of the NFIS includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting, that was not the subject matter of our verification. In this regard, our work was limited solely to verification of the information identified in "Appendix I. Table of contents of Act 11/2018 vs. GRI Indicators/Benchmark Reporting Criteria" included in the NFIS.

Responsibilities of the Directors

The preparation and content of the NFIS included in the Group's consolidated Directors' report are the responsibility of the Parent's Directors. The NFIS was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected Global Reporting Initiative Sustainability Reporting Standards (GRI standards), as well as other criteria described as indicated for each matter in "Appendix I. Table of contents of Act 11/2018 vs. GRI Indicators/Benchmark Reporting Criteria" of the NFIS.

These responsibilities of the directors also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the NFIS to be free from material misstatement, whether due to fraud or error.

The Parent's Directors are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020 Madrid.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the international standards on quality in force and, accordingly, maintains a system of quality that includes policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance obtained is substantially lower.

Our work consisted of making inquiries of management and the various units of the Group that participated in the preparation of the NFIS, reviewing the processes used to compile and validate the information presented in the NFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Group personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.

- Analysis of the scope, relevance and completeness of the contents included in the 2022 NFIS based on the materiality analysis performed by the Group and described in section "5.3. Materiality" thereof, taking into account the contents required under current Spanish corporate legislation.
- Analysis of the processes used to compile and validate the data presented in the 2022 NFIS.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters presented in the 2022 NFIS.
- Verification, by means of sample-based review tests, of the information relating to the contents included in the 2022 NFIS, and the appropriate compilation thereof based on the data furnished by the information sources.
- Obtainment of a representation letter from the Directors and Management.

Emphasis of Matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment establishes the obligation to disclose information on how and to what extent an undertaking's activities are associated with aligned economic activities in relation to the climate change mitigation and climate change adaptation objectives for the first time for 2022, in addition to the information referring to eligible activities required in 2021. Accordingly, the NFIS does not include comparative information on alignment. Also, since the information referring to eligible activities in 2021 was not required with the same level of detail as in 2022, the information disclosed in relation to eligibility in the NFIS is not strictly comparable either. In addition, it should be noted that the Parent's directors have included information on the criteria which, in their opinion, best enable them to comply with the aforementioned obligations and which are defined in "Appendix 2. Taxonomy" of the NFIS. Our conclusion is not modified in respect of this matter.

Conclusion

Based on the procedures performed in our verification and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS of Distribuidora Internacional de Alimentación, S.A. and its subsidiaries for the year ended 31 December 2022 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in the "Appendix I. Table of contents of Act 11/2018 vs. GRI Indicators/Benchmark Reporting Criteria" of the NFIS.

Use and Distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes or jurisdictions.

DELOITTE, S.L.

Ángel García Arauna

14 April 2023

2022 CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

Distribuidora Internacional de Alimentación, S.A. and subsidiaries have prepared the consolidated non-financial information statement in accordance with the requirements of Act 11/2018 of 28 December, amending the Code of Commerce, the consolidated Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Act 22/2015 of 20 July on the Auditing of Annual Accounts, with regard non-financial reporting and diversity. This report is part of the Dia Group's 2022 Consolidated Directors' Report.

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

Distribuidora Internacional de Alimentación, S.A. Edificio TRIPARK – Parque Empresarial – C/ Jacinto Benavente 2A 28232 Las Rozas de Madrid – Madrid
Tel.: +34 91 398 54 00 – Fax: +34 91 555 77 41 – www.diacorporate.com
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

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

The Dia Group Directors' Report includes both its financial and non-financial information, based on the recommendations contained in the "Guide for the preparation of management reports of listed companies" published by the Spanish National Market Commission (hereinafter, CNMV) and the requirements of Act 11/2018 of 28 December, amending the Code of Commerce, the consolidated Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, Act 22/2015 of 20 July on the auditing of annual accounts, with regard non-financial reporting and diversity, and European directives 2017/C215/01 prepared by the European Commission and its climate supplement, which contains recommendations from the Task Force on Climate-related Financial Disclosures (TFCD). This "integrated" approach combines both information on the environmental, social and employee-related issues needed to understand the impact of the Dia Group's activity and also information on the Group's financial position.

The Consolidated Non-Financial Information Statement (hereinafter, "NFIS") of Distribuidora Internacional de Alimentación S.A. and Group subsidiaries (hereinafter, either "Dia", "Group", "Dia Group", "business", "Company" or "Corporation") (102-1) is issued on a yearly basis and includes consolidated data about the company for 2021 and 2022[1]. The information has been prepared in accordance with current legislation on the issues relevant to the Group. A large part of the information contained in the report is structured around the company's main stakeholders, detailing current communication channels, key risks, associated policies, indicators and the main actions taken. The indicators used follow the *Global Reporting Initiative* standards (GRI, selected GRI indicators) and show the Company's performance in 2022 compared to the previous year. In accordance with article 49 of the Spanish Code of Commerce, the NFIS is externally verified under a limited assurance review. This verification is carried out in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) and the guidelines on the verification of non-financial information issued by the Spanish institute of certified accountants (*Instituto de Censores Jurados de Cuentas de España*).

A non-financial reporting system has been used to collect the data for this report, with managers in each country (Spain, Portugal, Argentina and Brazil) periodically reporting on the indicators in the fields required by Act 11/2018, which are used as a management tool for the Company.

For any general enquiries about this report, please contact the Sustainability and Communications departments at calle Jacinto Benavente 2A, CP 28232, Las Rozas de Madrid, or send an email to sostenibilidad@diagroup.com or comunicacion@diagroup.com.

[1] As in the previous year, all companies comprising the Dia Group are included in this report (see Table 1). The treatment of companies accounted for using the equity method is the same as that adopted in the financial section of the directors' report. It is however important to note that in terms of size and activity, the most significant companies from an ESG (environmental, social and governance) perspective are: Distribuidora Internacional de Alimentación, S.A. as the parent company; Dia Portugal Supermercados, S.A. and Dia Portugal II, S.A. in Portugal; Dia Argentina, S.A. in Argentina; Dia Brasil Sociedade Limitada in Brazil; Dia Retail España, S.A.U., Beauty by Dia, S.A.U. and Grupo El Árbol, Distribución y Supermercados, S.A.U. in Spain. In 2022, the Group announced two corporate transactions in Spain (see details in note 12 to the consolidated annual accounts). On 2 August, announcement was made of the sale of the large format business (which operated mainly as Dia Maxi and La Plaza de Dia) to Alcampo S.A. and on 23 December, the sale of the Clarel brand (the Group's home and personal care business operated by the consolidated legal entity Beauty by Dia, S. A.) to C2 Private Capital, S.L. was announced. The figures included in this report contain these activities, which are considered as discontinued in the Group's consolidated annual accounts, unless expressly specified otherwise. When the indicators refer to the company's value chain (essentially the Dia Group franchise network and suppliers), this fact is appropriately mentioned.

2. DIA GROUP PRESENTATION

Distribuidora Internacional de Alimentación S.A. (Dia Group) is a food and household products retailer with a leading network of local stores. Founded in 1966, the Dia Group's head office is located in Las Rozas de Madrid. The company has been listed on the continuous market of the Spanish stock exchange since 2011 and is the retailer with the fourth largest market share in Spain[2].

With a history of over 40 years, the Dia Group's extensive experience in local food retail has made it what it is today: a neighbourhood store providing an easy, fast and complete shopping experience, close to home and online, with high quality products at affordable prices. This Company is made up of a diverse and talented team of professionals from 81 countries, who give their best every day so that customers in all kinds of neighbourhoods and regions feel that Dia adds value to their communities, as well as providing an essential service. This is achieved through the efforts of all Group employees, as well as all the partners in the value chain. As a unit, and guided by their aim to be closer to people every day in order to offer high quality within everyone's reach, they are building an ecosystem of huge importance for the local economy: 96% of the Company's workforce is on a permanent contract and for every direct job created by the Dia Group, its ecosystem generates 2.7 indirect jobs at a global level which has a knock-on effect on the economy that multiplies each euro of direct impact by 3.3[3].

With global net sales of €7,285.8 million (€6,647.76 million in 2021) at year-end, the Dia Group directly employs 33,425 people worldwide (38,575 in 2021) and offers high quality products to the over 14.3 million loyal customers who choose Dia as their local store in hundreds of municipal areas and neighbourhoods where the Company operates.

At 31 December 2022, the Dia Group operates with 5,699 own stores and franchises (5,937 in 2021) in Spain, Argentina, Brazil and Portugal. 51.6% of the global store network is managed by franchisees (45.6% in 2021), making the Dia Group the leading franchisor in Spain in terms of turnover and number of stores and the seventh in Europe[4]. Moreover, it is the only retailer operating with this model in Argentina. The Dia franchise allows the full potential of the local store model to be released, offering business opportunities to over 1,845 franchisees (2,100 in 2021) and adding another 19,500 workers (18,000 in 2021) to the Company's ecosystem worldwide.

The Dia Group relies on around 2,800 local suppliers chosen in line with stringent quality and food safety criteria to supply its wide range of high quality products. Worldwide, 95% of the Company's purchases are made locally. Together, and thanks to a logistics distribution system with over 20 warehouses in the four countries in which it operates (the same as in 2021), customers are offered a full assortment that focuses on fresh produce, combines private-label and manufacturer brands and adapts to the needs of customers at local, regional and national level.

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2 Kantar Worldpanel 2022.

3 Calculations made for a 2022 independent report using the Company's 2021 financial data.

4 Franchise Direct Ranking 2021.

a. Corporate structure:

Name	Registered address	Activity	Percentage of interest 2022	Percentage of interest 2021
Dia Portugal Supermercados, S.A.	Lisbon	Wholesale and retail distribution of food and consumer products.	100.00	100.00
Dia Portugal II, S.A.	Lisbon	Retail distribution of food and consumer products.	100.00	100.00
Dia Argentina, S.A.	Buenos Aires	Wholesale and retail distribution of food and consumer products.	100.00	100.00
Distribuidora Internacional, S.A.	Buenos Aires	Consultancy services.	100.00	100.00
Dia Brasil Sociedade Limitada	Sao Paulo	Wholesale and retail distribution of food and consumer products.	100.00	100.00
DBZ Administração, Gestão de Ativos e Serviços Imobiliários, L.T.D.A.	Sao Paulo	Administration of properties owned by Dia Brazil.	100.00	100.00
Dia Retail España, S.A.U.	Las Rozas de Madrid	Wholesale and retail distribution of food and consumer products.	100.00	100.00
Pe-Tra Servicios a la distribución, S.L.U.	Las Rozas de Madrid	Leasing of business premises.	100.00	100.00
Dia World Trade, S.A.	Geneva	Provision of services to suppliers of Dia Group companies.	100.00	100.00
Beauty by Dia, S.A.U.	Las Rozas de Madrid	Marketing of drugstore and perfumery products	100.00	100.00
Grupo El Árbol, Distribución y Supermercados, S.A.U.	Las Rozas de Madrid	Wholesale and retail distribution of food and consumer products.	100.00	100.00
Finandia, S.A.U.	Las Rozas de Madrid	Loans and credit transactions, including consumer credit and the financing of sales transactions.	100.00	100.00
Dia FINANCE, S.L.U.	Las Rozas de Madrid	Lending and credit activities, cash surplus management and financing acquisitions of goods and services for Group companies.	100.00	100.00
Luxembourg Investment Company 317, S.A.R.L.[5]	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 318, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 319, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 320, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 321, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 322, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 323, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
CD Supply Innovation, S.L. in liquidation	Madrid	Purchase of private-label products from its partners.	50.00	50.00

[5] Against the backdrop of the agreement to amend and consolidate Dia Group's bank debt, on the 30 August 2019 the General Shareholders' Meeting agreed to a Hive Down at the request of the syndicated lenders. To execute this agreement, and following approval of this transaction by Dia Group's Board of Directors on 26 December 2019, several transactions and legal formalities were initiated during the first few months of 2020 to transfer the Company's main business units to certain subsidiaries, either directly or indirectly, owned by several Luxembourg companies, which in turn are direct or indirect subsidiaries of Dia, S.A.

Name	Registered address	Activity	Percentage of interest 2022	Percentage of interest 2021
ICDC Services, S.A.R.L., in liquidation	Geneva	Negotiation with private-label suppliers.	50.00	50.00
Horizon International Services, S.A.R.L.	Geneva	Negotiation with private-label suppliers.	25.00	25.00

Table 1: List of subsidiaries that, together with Dia, S.A., comprise the Dia Group at 31 December, including company name, registered address, main business activity and the Company's direct or indirect interest (percentage).

b. Shareholder structure at year-end:

	Percentage of shares 2022	Percentage of shares 2021
Own shares	0.041	0.050
Free Float	22.256	22.246
LETTERONE INVESTMENT HOLDINGS, S.A.	77.704	77.704

Table 2: Percentage of significant interests and own shares at 31 December, as reflected in the Annual Corporate Governance Report (ACGR) available on www.diacorporate.com.

3. REVIEW OF THE YEAR

The Dia Group has ended a key year in the thorough redirection of its business and the building of a corporate culture guided by its purpose of proximity and supported by renewed team values. Three years ago, the Dia Group embarked on a major transformation process to re-establish trust and long-term relations with all its stakeholders. The Company believes that it has made significant progress in 2022 in this strategic roadmap, which is based on three pillars: a distinctive value proposition for its customers, in stores and online, with a renewed product range and a high-quality private label at affordable prices; strengthened relations with its suppliers and with its network of franchisees, allies in its ambition to be the customers' favourite local store; and technological transformation leading to more efficient operations and value creation for the business through digital developments, such as the e-commerce service.

Key aspects of the progress achieved in 2022 are as follows:

- Roll-out of the new value proposition to customers, adapted to each region that Dia operates in. In 2022, the Company has made great progress in transforming its store network with 1,064 store refurbishments, taking the total number of stores operating under the new model to 2,323 in Spain, Argentina and Portugal, which is 60% of its proximity network worldwide.

- A renewed product range that is better suited to national, regional and even local needs and tastes, taking ongoing changes on board. This measure has led to a clear commitment to offer fresh produce across the store network and to develop a high-quality private-label with over 2,700 renewed products launched since 2020 and 690 in the last year alone.

- A new franchise model announced in 2020, based on a genuine alliance with local entrepreneurs. This model is based on the maxim of establishing long-term, win-win relations and has already been rolled out across the franchise network in Argentina, Spain and Portugal and with very high levels of completion in Brazil. This milestone and other initiatives to improve franchisee satisfaction have resulted in rising numbers of franchises again, with partners increasing the number of franchises they already have and newer franchisees attracted by the new model as well.

- In terms of digital and technological transformation, it is worth highlighting new delivery methods for the online channel that improve the customer experience, such as express delivery, scheduled delivery options and in-store collection, as well as alliances with partners to reinforce this channel. The online channel helps the Dia Group strengthen its commitment to local food distribution whilst meeting the needs and demands of its customers. Progress towards an omni-channel approach results in a tailored shopping experience and stronger customer relations. Efforts in 2022 have focused on strengthening logistics and the technology and product teams so as to speed up the roll-out of the digital offering.

- Furthermore, we are aware of the challenges still facing us and given the Company's new stage of acceleration towards growth, it was decided to renew our leadership team and strengthen and separate the executive functions from the chair's functions. Since August 2022, Martín Tolcachir has taken over the Group's management as Global CEO and Stephan DuCharme has moved to a non-executive role as chair of the Company's Board of Directors.

- In addition, two key transactions have been announced for the Group during 2022 that affect the Spanish market and take the strategy towards its core strength: proximity. These transactions are the sale of a group of large format stores to Alcampo and the sale of Clarel, the business unit linked to home and personal care. It is expected that both transactions will be finalised in 2023.

4. BUSINESS MODEL AND STRATEGIC PILLARS

The Group's renewed purpose is *To be closer every day to offer high-quality products within everyone's reach,* which is the force behind the strategy to build a business model that adds value,[6] meeting the day-to-day food and hygiene needs of all families, regardless of where they live and their individual requirements. This value is confirmed by Dia's more than 14.3 million loyal customers worldwide.

By analysing the competitive context in which the Company operates and identifying its strengths, the company outlines a set of systems and activities to transform this capital into value created for customers, shareholders and other stakeholders.

4.1. Business context: trends and risks that impact on the food retail industry

Changes in consumer behaviour around new lifestyles, their preferences for certain shopping channels or their perception of value can create attractive business opportunities for companies such as the Dia Group. Some of the key trends are described below:

- Proximity: according to a 2022 study analysing the challenges facing the industry, proximity and value for money are the main reasons affecting a person's choice of food store, followed by the possibility of doing an entire shop in one place. The cost of the contents of a shopping basket in local stores has increased over the last few years and in 2022, it represents 29.3% of the market, a slight rise compared to 28.2% in 2021[7]. This increase is explained by several challenges facing society and consumers: an ageing population, smaller households and even time restrictions on essential tasks such as shopping. According to the same study, this change in social patterns leads to smaller and more frequent shopping visits, which would appear to benefit local store formats.

- Price sensitivity: the food retail industry has had a turbulent and unprecedented 2022. Tensions caused by rising costs and supply chain problems towards the end of 2021 have been compounded by the war in Ukraine, which has aggravated these factors and has generated high inflation worldwide, affecting companies' entire value chains and the consumers of their products as well.

  Against this backdrop, the price sensitivity of foods and other goods has been a key factor in consumers' purchasing decisions. Alongside price sensitivity, other behaviour patterns that are typical of crisis scenarios have been observed, such as increased visits to supermarkets, smaller purchases, the searching out of offers and promotions to compensate for the higher prices of some products or choosing private-label goods. With regards this last factor, growth in the value share of private-labels in the Spanish food market stands out , rising from 19.7% in 2020 to 46% in 2022[8] an increase of 16% compared to 2021, which shows the growing demand of customers for value for money.

- Convenience: a "lack of time" is another of current society's main challenges. Linked to this, and emphasised significantly by the pandemic, consumer habits have changed to increasingly favour online shopping. The market share of online food shopping is now around 4%, with yearly growth of 2.5% in the mass consumption sector[9]. The bulk of online customers (38% according to some studies[10]) also shop in physical stores, meaning that "digital proximity", based on the combination of the physical and online channel, is a relevant factor to take into account when trying to understand this phenomenon. Customers also make their product choices largely on the basis of what they have previously seen in the store, thus reinforcing the relationship between these two channels.

  High demand for ready meals in supermarkets or via express delivery seems to be a growing trend in society and could be related to this "lack of time" and desire for immediacy. In fact, 95% of Spanish consumers include these "ready meals" on their shopping list[11], driving brands to increase product options and offer a wide variety of ready to eat foods.

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[6] Value creation can be measured or demonstrated in terms of "usefulness" for the meeting of human needs, as mentioned by C. Bowman and V. Ambrosini in "What does value mean and how is it created, maintained and destroyed?"–Cranfield School of Management, 2003.
[7] Kantar World Panel 2022
[8] Consumer Trends 2022. Report published by NielsenIQ in January 2023. Only packaged products are taken into consideration.
[9] *Asociación Española de Fabricantes y Distribuidores* (Spanish association of manufacturers and distributors)
[10] 2022 consumer trends. Report published by NielsenIQ in January 2023.
[11] Asociación Española de Fabricantes y Distribuidores (Spanish association of manufacturers and distributors)

- Health and well-being: in a survey of approximately 7,500 consumers in six countries by Mckinsey in 2020[12], 79% of respondents said that health and well-being are important to their quality of life and 42% said they consider it to be a priority. In fact, consumers in all markets surveyed reported a substantial increase in the prioritisation of health and well-being in the last two to three years. The global health and wellness market is estimated to show annual growth of 5 to 10 percent. Better nutrition has always been part of health and well-being, but now that relationship is more obvious than ever and there is a great interest in taking care of our health by watching the food we eat. More than a third of consumers globally report that they "probably" or "definitely" plan to increase spending on apps to improve their nutrition.

The risks inherent in the food industry also define the competitive context facing Dia. Below are the main risks:

- Economic instability: essentially the high inflation rates seen in the countries where the Group operates in recent years, which affect both consumer income (due to higher unemployment rates and reduced purchasing power) and operating costs. Many of the Dia Group's private-label and national brand products include highly volatile ingredients, such as wheat, corn, oils, milk, sugar, proteins, cocoa and other commodities. Any increase in commodity or supply prices, such as electricity or gas, can trigger price increases that may affect the company's gross margins or reduce revenues due to a drop in the average number and size of customer transactions.

- Highly competitive market: competition has increased worldwide and in all industries as have the threats to it. In the food retail sector, and more specifically for Dia, not only is the entry of new competitors considered a risk, but also the entry of substitute products and the possibility of losing bargaining power (and proximity) with customers and suppliers. The Group's presence in different countries makes it necessary to analyse the main factors that influence and determine competition.

- An abundance of new health, environmental and trade regulatory requirements and their lack of standardisation across different territorial regions: regulatory changes may require certain products to be reformulated so as to comply with new standards, the discontinuation of certain articles that cannot be reformulated, the creation and maintenance of additional records and different labelling. In relation to store operations, particularly in Spain and Portugal, the Group must adhere to European and local regulations governing opening hours and days. In environmental matters, several regulations relating to climate change and the circular economy have flourished at European, national and regional levels, to which the company must adapt, such as the new waste law in Spain that introduces restrictions on single-use plastic. Furthermore, in Argentina the "Precios Cuidados" (*affordable prices*) programme has been in place for several years to restrict price increases in the cost of the basic food basket, limiting the Group's decision-making power over its prices, supply possibilities and ability to manage its own interests.

- Difficulty in responding to changes in customer attitudes and purchasing preferences: the fast moving consumer goods (FMCG) industry has always closely followed and responded to new customer demands. However, in addition to new demands on value, price and product range, there are now also new preferences on shopping channels, which adds an additional layer of operational complexity to the need for companies to adapt to meet their customers' tastes.

- International market volatility: the Group's exposure to international market volatility is focused on its businesses in Brazil and Argentina. In Brazil, economic growth has slowed and Argentina's economy has suffered from economic, social and/or political instability and hyperinflation and high country risk.

[12] McKinsey's Future of Wellness Survey was conducted in August 2020

4.2. Dia's business strengths

In the highly competitive context of food distribution, identifying the organisation's unique strengths and competencies is key to defining a business model that effectively and sustainably achieves the desired value creation:

- Proximity to customers and capillarity: the Group has a distribution network of around 5,700 stores targeted mainly at the proximity format which enables favourable demographic and consumer trends, such as those mentioned above, to be exploited. Unsurprisingly, Dia has the largest network of supermarkets in Spain, with over 61% of the Spanish population being within a 15-minute walk of a store[13]. It is also the most common supermarket in towns with less than 10,000 inhabitants.[14]. As a result of this proximity, the Group has a greater and better understanding of customer preferences and needs, which allows the product offering in a specific region to be swiftly and flexibly adapted to ensure customer satisfaction. Along the same lines, proximity allows the Group to consider new store openings in villages or neighbourhoods that cannot be reached by larger store models and facilitates the development of online business. Lastly, proximity has become an even more valuable ally for customers when faced with unprecedented inflation, as it has allowed them to make more frequent purchases for less money (as opposed to hoarding purchases as done with other retail formats). In fact, the average shopping basket cost has dropped 0.9% in the year worldwide, but the number of tickets has grown 6.7% in 2022.

- A business model with over 50% of franchised stores: this model has enabled the Dia Group to scale its operations and improve its capillarity and brand recognition in a profitable way. Moreover, this model, in which Dia has more than 30 years of experience since its first franchise was launched in Spain, allows for great flexibility in terms of both store management and operations. The Group is the largest Spanish franchisor in terms of turnover and number of stores, among the top seven in Europe and among the top thirty-six main franchisors in the world.[15]. In Argentina, Dia is the only food retail franchisor in the country.

- Cost-efficient commercial proposal for customers: Dia was the first company to introduce private-label products in Spain more than 40 years ago. The Group develops high quality private-label products and offers competitive prices due to its sales volumes, extensive experience, strong supplier relations and potential savings in marketing and advertising costs. The Company has increased its support of Spanish households throughout 2022 by introducing several savings measures. It is estimated that €130 million has been invested in these measures in 2022 in this market alone and that choosing its private-label products leads to an average saving of between 20%-25% in the annual expenditure of a Spanish household.

- Broad, loyal customer-base: Dia was also the first company in the Spanish supermarket sector to offer its customers a loyalty card. The Club Dia loyalty programme was launched over 20 years ago and has more than 14.3 million active members around the world. The loyalty club is now a key tool for the Group, as it allows it to communicate directly with its customers and, consequently, to learn more about their interests and behaviour, as well as to respond to their needs through, for example, personalised promotions. Considering that over 57% of sales are made using the Club Dia loyalty card (in some countries this figure is close to 80%), the solid, loyal customer-base is a strength that the company constantly seeks to capitalise on.

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13 Data produced in-house.

14 "Despoblamiento rural: la brecha de la desigualdad" (*Rural depopulation: the inequality divide*), Luis Camarero and Jesús Oliva.

15 Franchise Direct.

SPAIN	Own	Franchises	TOTAL
Total stores at 31 December 2022	1,948	1,686	**3,634**
Total stores at 31 December 2021	2,191	1,598	**3,789**
PORTUGAL	Own	Franchises	TOTAL
Total stores at 31 December 2022	172	291	**463**
Total stores at 31 December 2021	202	297	**499**
ARGENTINA	Own	Franchises	TOTAL
Total stores at 31 December 2022	267	727	**994**
Total stores at 31 December 2021	264	648	**912**
BRAZIL	Own	Franchises	TOTAL
Total stores at 31 December 2022	365	243	**608**
Total stores at 31 December 2021	462	317	**779**
SUMMARY OF GROUP STORES	Own	Franchises	TOTAL
Total stores at 31 December 2022	2,752	2,947	**5,699**
Total stores at 31 December 2021	3,227	2,710	**5,937**

Table 3: number of own and franchised stores in the Dia Group.

4.3. Pillars of transformation for value creation

Taking into account the business context and the Company's strengths, Dia's strategy over the coming years to conquer the local store or proximity model is built on three key pillars:

- Ongoing development of an attractive commercial value proposition, capitalising on proximity and customer awareness. The development of a new store model summarises this work well: a more modern and brighter store organised to make shopping easy, accessible and quick, and very close to home, where customers have a better shopping experience thanks to a full and renewed product selection, where fresh produce take pride of place. 60% of the proximity network worldwide now operates under this model. This renewed commercial proposal includes the launch, in the last two years, of over 2,700 private-label products and ready meal options that combine quality, affordable prices and more attractive and modern packaging. In Spain, this private-label change already affects 83% of the portfolio. Lastly, the Dia loyalty club provides the company with an exceptional opportunity to learn directly about its customers' tastes and needs and to adapt its commercial proposal, even on a personalised basis, to ensure that it meets their requirements.

- Boosting e-commerce: the unprecedented Covid-19 pandemic crisis has transformed the online channel at all levels, and the food industry is a case in point. Against this backdrop, the Dia Group has committed to digitalisation with the boosting of e-commerce as one of the transformational pillars, recognising how customers in all age segments (including the oldest) have discovered the advantages of shopping in this way. Considering that the ultimate goal is to stimulate sales, it is difficult to achieve this today without taking into account more digitalised trends in product purchases and customer proximity in all areas of operations.

- Development of an improved franchise model and more franchises. The company has opted for a new partnership based on a simpler and more transparent relationship, better payment terms and greater help and support for the franchisee. The ultimate objective is to boost sales and attract highly professional franchisees, making the Dia franchise the most competitive model in the food retail industry. This model has been rolled out in the Spanish, Portuguese and Argentinian networks and is well advanced in Brazil.

4.4. Business purpose as a strategy source

The powerful capillarity of the Dia Group's network of stores, built up over decades, is a great strength when rolling out a distinctive proposal for customers: a local store with a wide, high-quality product selection, where customers can make a one-off purchase or do a full shop at affordable prices and in a friendly, warm environment, either in one of its neighbourhood stores or online.

The Dia Group is aware that to build and maintain this value creation for its customers and shareholders in the medium and long term, it must also create value for the rest of its stakeholders. The Company's new purpose of "Closer every day to offer high-quality products within everyone's reach" therefore encourages all its employees to be aware of what makes them unique as an organisation, which is proximity, so that this concept can also be applied when managing other stakeholders, better meeting their needs and achieving long-lasting relations. The company's conviction and determination to focus management on this purpose is reflected in the fact that improvements in key stakeholder satisfaction (customers, employees, franchisees, suppliers and shareholders) are monitored directly by the Group's Management Board and the Board of Directors.

5 MORE SUSTAINABLE EVERY DAY

5.1. A business model aligned with the sustainability pillars

Sustainability is a value-driver for the Dia Group and the way to make the purpose of being closer to people every day to offer high-quality products within everyone's reach and create value in neighbourhoods a reality. This purpose is the light that guides the Company's day-to-day business. It's ambition is to be one of the most competitive companies and a benchmark in the food retail industry.

This is set out in the Dia Group's 2021 Sustainability Policy, which updates and summarises the previous Corporate Social Responsibility and Environmental policies, and the purpose of which is, precisely, to lay out the principles and mechanisms for action that enable the company to exercise its desire to be "closer every day" to its stakeholders.

One of the main instruments for making this vision a reality was the Board of Directors´ approval of the Dia Group's first Strategic Sustainability Plan 2021-2023, in February 2021. This Plan outlines commitments, actions and performance indicators for the most significant issues for the Group, ensuring proactive management of both sustainability risks and opportunities.

To guarantee that this sustainable vision becomes a reality, a governance model has been drawn up in which the sustainability function reports directly to the CEOs, both at a Dia Group level and also in each business unit (BU). The Board of Directors, through its two committees, also regularly supervises performance in this matter.

One of the most important actions of the year relates to the implantation of the internal control system for non-financial information (SCIINF in Spanish), so as to strengthen the reliability of the processes used to generate, communicate, prepare and report non-financial information with controls similar to those established for financial information.

5.2. Strategic Sustainability Plan 2021-2023: even closer

The Strategic Sustainability Plan 2021-2023 is a roadmap that sets out the sustainability priorities for the coming years. This plan is aligned with and, in some cases, complements the strategic priorities identified by the different business units to improve stakeholder satisfaction, ensuring proactive management of the challenges we face as a society. The Dia Group therefore considers this Plan as a tool to be "even closer".

5.3. Materiality

The process of identifying these priority actions has been carried out taking into account the concept of dual materiality, i.e. identifying the impacts, risks and opportunities that the Dia Group's activity may entail for society and the challenges that the social context imposes on the company's business model. Different inputs have therefore been analysed and taken into account:

External inputs:

- Benchmarking of main competitors.
- Stakeholder expectations: this materiality analysis has been done by indirectly identifying the short- to medium-term expectations of key stakeholders, i.e. through business representatives who have direct contact with customers, employees, franchisees and suppliers. Although this first Sustainability Plan has prioritised the attention given to these stakeholders, the visions of other groups have also been included not only by analysing the main sustainability indices and standards, but also through the opinion group of eight independent experts with extensive experience in sustainability. The direct demands of the main stakeholders in the short to medium-term have been combined with a longer-term timeframe.

Internal inputs:

- Interviews with the heads of the main corporate departments, as well as with the CEO in each country.

- Key internal documents: such as the risk map, the business plans of the different countries and the recently defined Company purpose.

- Materiality study suggested by the different sustainability indices and standards for the food retail industry, especially the Dow Jones Sustainability Index and the Sustainability Accountability Standard Board.

As a result of this analysis, out of the twenty-five potential issues originally assessed, fifteen priorities or material issues have been selected for work in the coming years. These issues relate to sustainability risks (operational, compliance or reputational risks) and opportunities for value creation, and they span the company's entire value chain, from food production to feeding families.

As explained above, the Dia Group believes that value is created whenever and wherever a need is met. When this value creation is based on exclusive competences, the company is able to create differential value by providing a good or service that no other player can provide in an equally effective way. Based on what makes Dia unique, which is proximity, the Company has identified distinctive opportunities to create value by providing quality food for all families, wherever they live and whatever their budget, by offering job and self-employment opportunities that help revitalise neighbourhoods, and by improving the relationship with and service provided to franchisees.

The Sustainability Plan utilises the strengths outlined in the Dia business plan to make a significant contribution to key social issues in line with the challenges set out by the United Nations in the Sustainable Development Goals.

Material issues in the Strategic Sustainability Plan 2021-2023[16][17]

Food safety
Nutritional profile of private-label goods*
Access to a quality diet*
Sustainability of raw materials*
Human rights management in the supply chain*
Team and employee development
Employee health and safety
Diversity and inclusion in employment*
Franchisee relations
Supplier relations*
Sustainable packaging*
Waste management* and food waste
Climate change
Business ethics
Supporting the community*

The issues required by Law 11/2018, for which no information is provided in this report, are not material to Dia:

- Water consumption: this resource is used exclusively for cleaning and not for production purposes in Dia stores and consumption is not therefore considered to be significant. In addition, the company is developing an application to read invoices in order to have evidence that shows the cost is not material in relation to total expenses on the income statement at Group level. The company does however promote responsible water use in its internal communications.

- Light and noise pollution: the impact is minor, as store lights are turned off in full when the stores are closed and the logistics centres are located outside residential areas. In any case, Dia Spain has made further improvements to its noise management process when unloading by changing the goods transportation method from metal vans to wooden pallets.

[16] Each material issue will be appropriately addressed in the report chapters below.

[17] *Issues that are now more material than when the 2016 materiality analysis was performed are marked with an asterisk.

There are other matters required by law that are not material to Dia, but which are reported on. The equivalence table at the end of this report provides specific details.

In conclusion, this materiality exercise combines both the demands of the main stakeholders in the short to medium-term and the identification of issues that are considered relevant from a longer-term perspective, and mirrors the strategic reflection that the Dia Group is employing to ensure a successful business model.

5.4. Dia Group Sustainability Plan summary and key developments

MAKING QUALITY FOOD ACCESSIBLE TO ALL (CUSTOMER):	COMMITMENT TO SUSTAINABLE DEVELOPMENT GOALS
1. FOOD SAFETY: Ensure that robust food safety systems are in place to guarantee the safety of products.	2. Zero hunger
2. NUTRITIONAL PROFILE OF PRIVATE-LABEL GOODS: Create a nutrition strategy for private-label goods in each country.	2. Zero hunger and 3. Good health and well-being
3. ACCESSIBILITY OF FOOD: Help families, regardless of their budget or where they live, to eat a balanced diet.	2. Zero hunger and 10. Reduced inequalities

BUILDING A DIA COMMUNITY IN EVERY NEIGHBOURHOOD (EMPLOYEES AND COMMUNITY):	
6. TEAM AND EMPLOYEE DEVELOPMENT: Support the professional development of teams and its alignment with the cultural transformation process. Commitment to SDGs: 8. Decent work and economic growth	8. Decent work and economic growth
7. OCCUPATIONAL HEALTH AND SAFETY: Ensure management systems are in place that guarantee the health and safety of employees and significantly reduce serious accidents (15% less than in 2020).	8. Decent work and economic growth
8. DIVERSITY AND INCLUSION IN EMPLOYMENT: Make the Dia Group a company that values diversity and encourages the inclusion and development of people from different backgrounds.	5. Gender equality, 8. Decent work and economic growth and 10. Reduced inequalities
15. SUPPORTING THE COMMUNITY: Increase food donations to support the communities in need where the company operates.	2. Zero hunger

UNDERSTANDING AND SUPPORTING OUR PARTNERS AT SOURCE (FRANCHISEES AND SUPPLIERS):

9. FRANCHISEE RELATIONS: Improve franchisee satisfaction in every country the Company is present in.	8. Decent work and economic growth
10. SUPPLIER RELATIONS: Improve supplier satisfaction in every country the Company is present in.	8. Decent work and economic growth
11. **SUSTAINABILITY OF RAW MATERIALS**: Outline plans to transition to improved sustainability of essential raw materials (deforestation, sustainable fishing, animal welfare).	12. Responsible production and consumption 14. Life below water and 15. Life on land
12. HUMAN RIGHTS MANAGEMENT IN THE SUPPLY CHAIN: Introduce a management system that minimises the risk of non-compliance with employment and human rights in relations with third parties.	8. Decent work and economic growth

WORKING PROACTIVELY ON ENVIRONMENTAL CHALLENGES:

13. PACKAGING: Improve use and recyclability of plastic in the packaging of private-label products. Specifically, for Spain and Portugal: • 100% recyclability (2025) • 20% reduction in plastic (2025) • 25% rPET drinks bottles (2025)	12. Responsible production and consumption 14. Life below water and 15. Life on land
14. WASTE AND FOOD WASTE MANAGEMENT: Introduce a management system that improves waste management and significantly reduces food waste: •40% reduction in waste to landfill (baseline 2020) •40% reduction in food waste in Spain and Portugal (baseline 2020)	12. Responsible production and consumption 13. Climate action

15. CLIMATE CHANGE: Reduce the carbon footprint of operations by at least 20%.
Commitment to SDGs: 13. Climate action

APPLY THE HIGHEST ETHICAL STANDARDS TO EVERYTHING THE COMPANY DOES:

16. BUSINESS ETHICS: Instil an internal culture of ethics and compliance at the Dia Group	16. Peace, justice and strong institutions

2022 is the second year of the 2021-23 Sustainability Plan and has enabled the Company to make progress in improving the overall satisfaction of its main stakeholders: customers, employees, franchisees and suppliers.

The Dia Group believes that all families should be able to have a balanced, quality diet. The Company's desire is for all customers to Eat better every day, regardless of where they live and their budget. One of its sustainability priorities is therefore to combat the food gap, both geographically and socio-economically.

During 2022 the following progress was made in the two areas:

- The weight of fresh produce sales continues to grow in all Group countries. Expanding the online channel in all countries allows more and more people to have access to high-quality food at affordable prices. In Spain, this service reaches over 80% of the population. Furthermore, in Spain, in alliance with a third party, a project is still ongoing to guarantee access to fresh produce for 14,500 people living in rural villages without retail outlets and to 5,000 people living in food deserts. In Portugal, 48 franchises make online deliveries to people living within a radius of between 20 and 30 kilometres.
- The Company has expanded its understanding of the barriers facing the poorest groups in accessing a healthy diet, presenting its results to the scientific community, and has piloted programmes to address this challenge in Argentina and Portugal.

In addition, there has been a general qualitative and quantitative improvement in all countries in the proactive management of diversity and the inclusion of people at risk of exclusion into the labour market.

- Country-specific diversity diagnoses have been carried out and diversity committees have been set up, involving top-level managers to establish ad hoc objectives and plans.

- In terms of labour inclusion, by working with various NGOs 292 people from vulnerable groups have joined the team in Spain and Portugal (compared to 160 in Spain alone in 2021). In addition, 578 people from these groups (compared to 205 the previous year) have done work experience in stores and warehouses as part of the training processes to improve their employability.

The 2022 environmental milestones are as follows:

- The elimination of nearly 8 million kilograms of virgin plastic from Dia branded product packaging.

- The proportion of waste sent to landfill has decreased over 30% and is now transformed into new products, and the proportion of food waste has been reduced by around 17% in Spain and Portugal.

Lastly, improvements have also been made in the last year in getting suppliers to sign up to the Group's Human Rights policy, with over 90% of Dia brand suppliers having done this. Moreover, in 2022, 61 key suppliers have begun a due diligence process

Main Indicators of the Sustainability Plan	
Key stakeholders satisfaction (customers, employees, franchisees, suppliers and shareholders)	Improvement in all of them
Percentage of approved suppliers in terms of food safety	89%
Reformulated products to improve nutritional profile	186
Weight of fresh produce in total sales	Growth in all countries
Geographic food accessibility	Reached 14,500 people living in towns without an organized retail store & 5.000 people residing in nutritional deserts (Soria, Spain)
Reduction in serious accidents	41%
Hiring people from vulnerable groups	292 people
Supplier adherence to the DIA group Human Rights Policy	92% private-label suppliers
Reduction in the virgin plastic proportion used in own brand versus 2020 (Spain)	18%
Reduction in waste to landfill (baseline 2020)	30%
Food waste reduction (Spain & Portugal)	17%
Percentage of CO2 footprint reduction	+2.97%
Confirmed discrimination and harassment reports	9
Kg of donated food	+ 880,000 kg

6. GOOD GOVERNANCE AND COMMITMENT TO THE HIGHEST ETHICAL STANDARDS

The DIA Group's corporate governance system strives to ensure not only the meeting of targets and Company growth, but also an appropriate climate of control and compliance with both internal and external regulations.

The company's internal regulations are in line with the Spanish Companies Act, the CNMV's Code of Good Governance for Listed Companies and best practice in listed companies. The most significant regulations are the Articles of Association, the General Shareholders' Meeting Regulations, the Board of Directors Regulations, the Audit and Compliance Committee Regulations, the Internal Code of Conduct on the Securities Market, the Code of Ethics and corporate policies.

So as to move forward with corporate governance issues and notwithstanding what is already included in the Board of Directors Regulations (available on www.diacorporate.com), the Company has a specific policy on Managing Conflicts of Interest and Related-Party Transactions, which contains applicable standards thereon, with a clear commitment to transparency, independence and a focus on complying with the best corporate governance standards.

Furthermore, at the end of 2021 a performance assessment of the Board and its committees was started, ending at the beginning of 2022. Using the results obtained, an action plan will be drawn up to encourage continuous improvement regarding good governance of the company.

6.1. Composition and structure of the Board of Directors

In line with its regulations and through its Appointments and Remuneration Committee, the Board of Directors ensures that director selection procedures encourage a diversity of expertise, experience, age and gender. Proposed appointments are always based on a prior analysis of Board needs so that each member is a professional with a clear executive background and ample experience in retail and consumer goods related businesses.

The professional background of the members of the Board of Directors can be viewed on Dia's corporate website. Generally speaking, the aim is to create a leadership culture with a strong focus on accountability, ethics, performance management and a sense of commitment.

During 2022 the following changes have taken place to the Board of Directors:

- Ms Basola Vallés Cerezuela resigned from her position as an independent director on 18 April 2022, as a result of her appointment as Senior Vice President Strategic Customer Partner (SEMEA) at the Salesforce Group, a position that did not allow her to continue to hold positions on the boards of directors of other entities.
- Having fully completed the three-year term of office for which he was elected and having expressed his desire not to be re-elected at the next General Meeting, Mr Jaime García-Legaz Ponce effectively stepped down as independent director at the General Shareholders' Meeting held on 7 June 2022.
- The General Shareholders' Meeting held on 7 June 2022 (i) approved the re-election of Mr Stephan DuCharme as executive director, Mr Sergio Ferreira Dias as proprietary director and Mr José Wahnon Levy as independent director for the statutory term of two years; (ii) ratified the appointment by co-optation of Mr Vicente Trius Oliva agreed by the Board of Directors at the meeting held on 29 September 2021 and re-elected him for the statutory period of two years as independent director; (iii) appointed Ms Gloria Hernández García as independent director for the statutory term of two years; and (iv) set the number of members of the Board of Directors at eight, agreeing to keep the existing vacancy following the resignation of Ms Basola Vallés.
- At its meeting held on 7 June 2022, the Board of Directors approved the appointment of Ms. Gloria Hernández García as a member of the Audit and Compliance Committee and of the director Mr. Vicente Trius Oliva as a member of the Appointments and Remuneration Committee.
- On 29 August 2022, the Board of Directors agreed to separate the positions of Chair of the Board of Directors and Global CEO (chief executive officer) of the Parent Company and the Dia Group. By virtue of this agreement, the Board of Directors: (i) accepted the resignation of Mr Stephan DuCharme as executive director of the Parent, continuing as director (external proprietary director) and non-executive chair of the Board of Directors; (ii) approved the appointment of Mr Martín Tolcachir (until then CEO of Argentina) as Global CEO (chief executive officer and

general manager) of the Parent and of the Dia Group; and (iii) as a consequence of separating the positions, approved the elimination of the position of coordinating independent director, with Ms Luisa Desplazes de Andrade Delgado stepping down from such position.

At 31 December 2022, the structure of the Board of Directors is as follows:

Chair:	Mr Stephan DuCharme (external proprietary director).
Board members:	Mr Sergio Antonio Ferreira Dias (external proprietary director)
	Mr Marcelo Maia Tavares de Araújo (other external director)
	Mr Vicente Trius (independent director)
	Mr José Wahnon Levy (independent director)
	Ms Luisa Desplazes de Andrade Delgado (independent director)
	Ms Gloria Hernández García (independent director)

Director remuneration

In accordance with the Spanish Companies Act and the Company's internal regulations, members of the Board of Directors shall receive remuneration, in their capacity as directors, determined by the General Shareholders' Meeting via the approval of a Remuneration Policy, submitted for approval at least every three years. Director remuneration for each financial year, which is explained in detail in the Annual Remuneration Report for Board members, consists of a fixed cash and a deferred share-based payment.

On 7 June 2022, the Extraordinary General Shareholders' Meeting approved a new Director Remuneration Policy which replaced the policy approved by the General Shareholders' Meeting on 30 August 2019, and will apply from the date of its approval (7 June 2022) and for the following three years, i.e. until 31 December 2025. The key features of this policy are as follows:

- Its goal is to contribute to the Company's business strategy and its long-term interests and sustainability.
- It is based, inter alia, on the principles of commitment, attraction and retention of talent, transparency, external and internal equity and the promotion of value creation for the Company and its shareholders in the long-term.
- Proprietary directors shall not be paid for their work as directors.

Board members	From	To	Financial instruments	Fixed pay	Indemnities	Non-compete	Other (Rem. In kind)
Jose Wahnon Levy	01/01/2022	31/12/2022	31	150	—	—	—
Jaime GarcíaLegaz	01/01/2022	07/06/2022	32	52	—	—	—
Basola Vallés	01/01/2022	18/04/2022	29	36	—	—	—
Gloria Hernández	07/06/2022	31/12/2022	—	68	—	—	—
Stephan DuCharme	01/01/2022	31/12/2022	—	–	—	—	—
Sergio Antonio Ferreira Dias	01/01/2022	31/12/2022	—	–	—	—	—
Marcelo Maia	01/01/2022	31/12/2022	—	120	—	—	226
Vicente Trius Oliva	01/01/2022	31/12/2022	—	120	—	—	—
Luisa Delgado	01/01/2022	31/12/2022	—	150	—	—	—
Total			**92**	**696**	—	—	226

Average remuneration paid (thousands of euros) (405-2)				
	2022		2021	
	Men	Women	Men	Women
Board member	122.67	130.00	99.71	135.09

Tables 4a and 4b. Total and average remuneration paid to directors for all items of remuneration, taking into account the actual time each director has served as a director during 2022 into the average remuneration calculation, in thousands of euros. As proprietary directors do not receive any remuneration for their work on the Board, they have not been taken into account in the calculation of average remuneration. Average remuneration for 2021 has been restated due to the identification of a small error. For further information, see Note 21 to the Consolidated Annual Accounts and the Annual Director Remuneration Report for 2022.

Board committees

There are two Board committees that are governed by the Company's Articles of Association, the Board of Directors Regulations and the specific committee regulations, in the case of the Audit and Compliance Committee. At 31 December 2022, the structure of the Board committees is as follows:

Audit and Compliance Committee
Chair : Mr José Wahnon Levy (independent director)
Board members: Mr Sergio Ferreira Dias (external Proprietary Director)
Ms Gloria Hemandéz (independent Director)

Appointments and Remuneration Committee
Chair : Ms Luisa Delgado (independent Director)
Board members: Mr Vicente Trius (independent Director)
Mr Marcelo Maia (other external director)

6.2. Supervision and control model

The Dia Group has a supervision and control model based on the three lines of defence. The first line relates to the functions in charge of day-to-day operations, responsible for setting out the controls that mitigate the risks linked to their lines of business. The second line is represented by the internal control, risk management, compliance and ethics functions, which assess, supervise and guarantee that the controls implemented by the first line are effective, that the identified risks are correctly managed and that regulations are effectively complied with. Lastly, a third line is provided by internal audit, which gives independent assurance on the effectiveness and proper running of the Company.

The second line of this supervision and control model is managed by two committees made up of senior executives who ensure that business goals are achieved in line with the agreed values and applicable regulations. These committees regularly report to the Board of Directors' Audit and Compliance Committee.

6.2.1. Internal Control and Risk Committee

Its purpose is to make decisions and proposals to senior management on the comprehensive risk management system, ensuring its operation and due compliance, promoting and updating the internal regulations that govern it, and rolling out the tools and procedures needed to identify, prevent, minimise and manage the risks linked to all areas of activity, guaranteeing the fulfilment of business objectives over time. This committee (in 2022 it combines the former risk and internal control committees in one single committee) is made up the most senior managers from the business and corporate areas, as well as the head of internal control and risk management.

The Committee's responsibilities are as follows:

- Ensure the proper functioning of the risk management system (to identify, measure, control, manage and report the most important potential risks affecting the Group).
- Ensure that the system effectively eliminates or mitigates identified risks.
- Guarantee that emerging risks are properly identified, analysed, assessed, monitored and reported.
- Promote the effectiveness of the internal control system and develop and update the internal rules governing it. If the control environment is considered to be insufficient, the committee suggests new controls linked to each process. These controls may include the segregation of responsibilities, the preparation and introduction of certain policies or procedures and the independent control of certain activities, to name a few.

The Dia Group has a comprehensive risk management system that includes both the measuring of inherent risks and the assessment of controls, mitigating measures and action plans to monitor each of the risks identified. This system uses a risk catalogue which regularly assesses and identifies the most relevant risks at corporate level. This catalogue, which can always include new emerging risks as they are identified, divides the risks into five categories: financial, operational, strategic, compliance and reputational. Both the risk catalogue and the assessment thereof are updated yearly. The non-financial risks specific to the Dia Group and its key stakeholders are detailed in the relevant report chapters [18].

Based on this catalogue and depending on whether the risk applies to a business unit or to the Group, each risk is assessed by each of the managers, as appropriate. A risk map is then drawn up for each business unit and these are subsequently grouped/added to a Group risk map. At the same time, the risk management process has been digitised through the GRC SAC risk management system.

During the last quarter of 2023, a review of the company's action plans and testing of the controls linked to the risk maps is planned to assess the Group's control environment based on the controls defined in each corporate risk map.

In 2022 various risks inherent in the business model, the Group's activities and the market environment materialised, caused by circumstances in the company itself and extraordinary circumstances:

- Strong competition in the food retail sector.
- Delay in adapting the business model to the needs of the market, due to the fact that market needs are changing, and it is necessary to adapt quickly to them.
- The political and social situation in the countries the Group operates in, as instability has affected the supply chain from time to time.
- The exchange rate risk due to the Group's presence in countries with high currency fluctuations. Argentina, one of the countries in which the Group operates, reached the status of a hyperinflationary economy in 2019.
- Inflation has put pressure on changes in the Dia Group's prices, costs and margins.
- Furthermore, as a consequence of inflation increases, central banks have significantly raised interest rates, which have also impacted on the financial choices taken by the Group.

The following risks have materialised as a result of the conflict between Ukraine and Russia:

- Operational risk due to lack of raw materials. On the one hand, this impacts the (b) supplier dependence risk whereby suppliers are unable to obtain the raw materials necessary to manufacture their products and, on the other hand, (c) the supply chain management risk caused by the increase in fuel prices and the potential shortage of products in stores and at points of sale.
- Risk of international sanctions by the EU in response to the Ukraine crisis and, in particular, sanctions packages against Russia. The Company informed the CNMV by making Other Relevant Information publications on 28

[18] The Group's risk map contains a risk called "lack of integration of ESG objectives into the Company's business model", which would apply to all chapters of the report and which is not specified in order to avoid repetition.

February 2022, 15 March 2022 and 22 March 2022 that, within the framework of the EU's restrictive measures in response to the Ukraine crisis and, specifically, in relation to international sanctions against Russia, the Company is controlled by Letterone Investment Holdings S. A. ("LIHS"), which has a 77.704% interest in its share capital, and that, in accordance with the information available at that time and from LIHS, no individual shareholder of LIHS holds, either individually or by agreement with other shareholders, control of LIHS. As a result, and as in 2021, the Company has not been affected by the international sanctions adopted in response to the Ukraine crisis. It has however been affected in terms of reputation, and the risk of damage to brand image has thus materialised.

In terms of the regulatory system, the Dia Group has several instruments that have been appropriately documented and disseminated across the organisation and, where applicable, the value chain as well:

- Code of Ethics: foundation of the company's regulatory and values system.
- Corporate policies[19]: these policies set out the general principles that should govern all Company matters, following the recommendations of the Unified Good Governance Code of Listed Companies. If applicable, they are approved by the Board of Directors.
- Mandatory standards: these standards regulate high impact, key issues for the Group and describe the main controls and requirements for the actions to be taken in a process or area. These standards were developed in 2020 by mandate of the Audit and Compliance Committee and are approved by the Risk and Internal Control and Risk Committee. In 2022, a review of the existing mandatory standards was carried out to adapt them to organisational changes and to enhance their controls.
- Group and country-specific internal regulations: these are the set of standards, procedures and manuals that govern area operations in each country where the company is present.

This regulatory system has been strengthened in 2022 with the roll-out of a corporate values programme in line with the business purpose of being "closer every day to offer high-quality products within everyone's reach": customer, entrepreneurship, results, trust and learning. Furthermore, over the course of 2022, the company has updated the application used to publish and manage the regulatory system in order to arrange the information in a more coherent and intuitive way for the user.

In order to execute the internal control function, there are also specific control systems in place, mainly comprising the following implemented control models:

- Financial reporting control system (SCIIF). In order to establish a framework of principles and best practices, and to help improve the transparency of information, Dia has an internal control system where risk assessment, control activities, reporting, communication and monitoring operations work together to prevent, detect, compensate, mitigate and correct errors with a material impact or fraud in financial reporting.
- Crime prevention model (Spain). In order to assess the crimes to which Dia is most exposed as a direct consequence of its activity, the risk of each crime identified as potentially applicable to the Company is assessed and the established controls (general, cross-department and specific) are subsequently analysed and assessed.
- Anti-fraud model. The Dia Group has an anti-fraud and anti-corruption programme that identifies and assesses the risks of corruption and fraud in relation to its activity, as well as the control environment for the prevention and detection of corrupt and fraudulent practices.
- Non-financial reporting control system (SCIINF): In order to improve the reliability of the non-financial information reported, the internal control system is being reinforced to be integrated with the Dia Group's control system. This will mean that specific risks and control activities will be identified and documented and the system will be regularly and effectively monitored.

6.2.2. Ethics Committees

The Dia Group has one Group Ethics Committee and one Ethics Committee in each country. The Group Ethics Committee is made up of the compliance and human resources managers. The main purpose of these committees is to promote a

[19] The policies that cannot be delegated by the Board of Directors according to law, the Company's Articles of Association or the Good Governance Code recommendations are available on www.diacorporate.com.

culture of ethics and integrity within the organisation and to manage the queries and complaints received. The Board of Directors receives a quarterly report from the Group Ethics Committee and is in charge of assessing its effectiveness and of issuing the amendments it deems appropriate in order to meet the desired objectives., through the Audit and Compliance Committee

The Code of Ethics is not only the cornerstone of the ethics and compliance programme, but also the foundation for the development of the other internal policies and standards governing the business. This Code, which formalises the Company's ethics model and the guidelines for conduct that must be complied with by all employees, managers and directors of the Group, including the parent company and all its subsidiaries, was updated in 2021 to ensure that the ethical principles are fully aligned with the Dia Group's values and culture. In addition to this Code, the "Ethics Hotline" is available for Dia staff and any external third party to submit queries or complaints about irregularities, which they can do anonymously. This tool is provided by an external supplier and managed internally by the Compliance department at Group level, guaranteeing the confidentiality and indemnity of the whistleblower at all times, as well as the traceability of all reports and the impossibility of their being modified or altered manually.

Suppliers, franchisees and contractors are informed of the Code of Ethics and the Ethics Hotline and these tools are available to them under the same guarantees as any employee.

In the case of complaints, the Ethics Committee's action procedure is to open a file where the reliability and accuracy of the information contained in the complaint will be verified. To this end, a hearing involving all those affected, witnesses and the Committee will be held and as many investigative measures as the committee deems necessary will be carried out to clarify the problem, issuing a final report with recommendations and their subsequent communication.

Summary of Strategic Sustainability Plan performance

Main associated non-financial risks	Key matter in the sustainability plan	2022 indicator and result
Fraud Inadequate contract management Problems assimilating and putting into practice a Dia culture Damage to the Company's reputation and/or image	Business ethics	Number of confirmed reports of corruption, discrimination or harassment: 9 (8 concerning harassment and 1 concerning discrimination)
		Percentage of participation (and completion) of training in ethics: 84%
		Average number of days to resolve complaints: 59

In 2022, 1,295 reports were received and admitted for processing via the Ethics Hotline. 741 of these are complaints relating to possible ethics breaches (533 the previous year) and 38 are enquiries (15 the previous year). It's important to note that almost 70% of complaints received (513) are anonymous.

After investigating the complaints, of the 661 closed in 2022, 484 were rejected on the grounds that there was no evidence of ethical breaches or that there was insufficient information for investigation and 177 were upheld by the various ethics committees. In addition, in 2022 the ethics committees resolved 50 complaints pending closure as at 31 December 2021, rejecting 43 of them and upholding 7.

Of the 184 complaints upheld (177 in 2022 and 7 from the previous year that have been upheld in 2022), none of them were related to corruption (none were upheld in 2021 either). There is one (1) confirmed case of discrimination in Argentina that has led to the reported person leaving the Company (in 2021, there was also 1 confirmed case of this kind). Lastly, 8 reports of harassment have been confirmed by the ethics committees (compared to 14 cases in 2021). 5 of these 8 reports have been filed in Brazil and relate to 4 separate cases, as 2 complaints related to the same events. The other 3 confirmed complaints of harassment relate to 2 cases in Argentina, as 2 complaints related to the same events. All of the confirmed cases have resulted in the reported person leaving the Company.

Ethics Committee activity	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
	2022	2021	2022	2021	2022	2021	2022	2021
Total No. of reports	81	103	558	316	58	84	44	30
Total No. of reports resolved	71	89	505	297	50	63	35	27
Total No. of reports ongoing	10	14	53	19	8	14	9	3
Total No. of enquiries	11	3	16	7	11	4	0	1
Total No. of enquiries resolved	11	3	16	7	11	1	0	1
Total No. of enquiries ongoing	—	—	—	—	—	3	—	—

Table 5: Ethics Hotline activity in 2022 and 2021.The data for Spain also includes the Group and Clarel data.

Another of the priorities for improving the Group's ethics management and for increasing the confidence of employees and other stakeholders is to achieve greater agility in the management of the reports received through the ethics hotline. In 2022, the average resolution time is 59 days at Group level, improving on the 90-day target set and the 78 days achieved in 2021.

Lastly, the organisation's commitment to ethics has resulted in a new investment in training in 2022, which complements the efforts already made in the previous year. In 2022, a total of 30,590 Company employees undertook training on ethics and compliance, compared with 16,384 employees receiving training in this field in 2021[20]. It should be noted that the ethics and compliance training programmes aim to ensure that all countries in which Dia operates share the same values, the same ethics culture and integrity. This is why they are always designed in a standard and unified manner for all countries. The Company is working to identify effective training channels for the store network to improve training rates in all Group Countries.

As far as the Directors are concerned, they all have profiles with knowledge and extensive experience in ethics policy training. Specifically, the members of the Audit and Compliance Committee are regularly informed of the content, planning and execution, as well as the results, of all training programmes on ethics issues carried out in the Company.

In addition, support and monitoring from the Board of Directors is a priority and, as an example, the Group's strategic objectives include continuous training in compliance matters for the group and these objectives are set from the Group's first line of management downwards.

Ethics policy training (205-2)	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
	2022	2021	2022	2021	2022	2021	2022	2021
Executives	11	23	43	25	61	63	18	18
Managers	79	417	754	289	1247	1,277	163	142
Employees	2,891	1,170	7,278	2,520	15,354	8,694	2,690	1,746
TOTAL	**2,981**	**1,610**	**8,075**	**2,834**	**16,663**	**10,034**	**2,871**	**1,906**

Table 6: Employees pro-actively trained in ethics policies by professional category.
This information includes face-to-face and online learning using training platforms.

As part of the goal to promote an ethical culture, the Dia Group has a compliance function, which aims to identify, advise, control and report on the risks of non-compliance with applicable legislation. To deal with these risks of non-compliance, as well as the Compliance Policy, which outlines the principles and foundations for how the function operates, the following related policies should also be noted:

- The Policy on Managing Conflicts of Interest and Related-Party Transactions, which aims to establish and regulate the procedure applicable in situations in which there is a direct or indirect clash between the interests of Dia or the Dia Group companies and the personal interests of the members of the governing bodies of the Dia Group companies and their representatives.

- The International Sanctions Policy, which aims to establish a regulatory framework for all scenarios in which the DIA Group may be involved during the course of its commercial activities and to set out an authorisation procedure that allows Dia to maintain control of all relations entered into with third parties. To implement this policy, a tool has been available since 2021 that centrally validates all suppliers before the start of any business relationship.

[20] The 2021 and 2022 are not totally comparable, as there have been changes to the methodological criteria (in 2022, only the Ethical Code formation have been considered)

Furthermore, as already mentioned the Dia Group has an anti-fraud and anti-corruption programme to identify and assess these risks in each of the jurisdictions in which it operates, overseen by an appointed manager. The risks identified by this programme include bribery, facilitation payments, money laundering[21], conflicts of interest, distortion of market competition, financing political parties, their candidates or their foundations, or influence peddling[22]. As measures to avoid or minimise these risks, there are control systems in place, including the Crime Prevention and Anti-Corruption Policy, the Anti-Bribery Policy, the Gift Policy, the Code of Ethics and specific regulations that govern purchase and sales prices and contract management, or regulations concerning the separation of functions.

Moreover, Dia Spain has updated its Crime Prevention Model to detect and assess the risk of a crime being committed that could result in the legal entity being held criminally liable, as well as the standards, procedures and controls needed to prevent these crimes from being committed.

6.2.3. Internal Audit

The Dia Group's internal audit function plays a fundamental role in the good governance of the company, providing independent and objective assurance and consultation designed to add value and improve the organisation's operations. As such, this function helps the organisation to meet its objectives by providing a systematic and disciplined approach to assessing and improving risk management, control and governance processes.

The annual plan of the Dia Group's internal audit function is drawn up on the basis of the Group's risk map, taking into account the most relevant risks and identifying the processes associated with them. The tests performed by the internal audit function provide an independent opinion on whether the controls in place in the reviewed processes are effective and efficient in mitigating the risks. The results of the work carried out are reported both to the company's management and to the Dia Group's Audit and Compliance Committee.

The internal audit function performs its work In strict compliance with the mandatory elements of the International Professional Practices Framework of The Institute of Internal Auditors, which includes the following elements: (i) the Fundamental Principles for the Professional Practice of Internal Auditing, (ii) the Code of Ethics, (iii) the Standards, and (iv) the Definition of Internal Auditing.

[21] In terms of money laundering, Dia is not subject to application of Law 10/2010 and it has not therefore prepared a specific money laundering prevention policy within the anti-fraud programme. The Company does however have control and restriction systems within its procedures to manage issues relating to money laundering: authorisation platforms are used for payments to suppliers for goods and services and cash payments are strictly limited within the Company (generally speaking, cash payments are not allowed and if they are needed under exceptional circumstances, they are duly registered and documented under the mandatory controls). As with the other risks relating to the prevention of crimes that could lead to the legal entity being held liable, they are reviewed and reported on regularly.

[22] The risk of corruption and bribery is particularly relevant in procurement-related activities (the smaller the supplier, the higher the risk) and business expansion, i.e. purchasing or renting premises and building work (a higher risk is recognised in cases involving public entities). In turn, there is a higher inherent risk factor for activities carried out in Argentina and Brazil, as the risk of corruption and bribery is considered higher than in Europe.

7. MAKING QUALITY FOOD ACCESSIBLE TO ALL CUSTOMERS

Dia stores are within a 15-minute walk of 61.6% of Spanish people. Dia is also the company with the most sales points in towns of under 10,000 inhabitants[23]. The Company's presence in all types of neighbourhood, something that is repeated in all regions, plays an essential role in providing access to quality food at the best prices for all families, wherever they live and regardless of their budget. In fact, the value of proximity in facilitating people's right to good food was clearer than ever during the pandemic and in the context of extreme weather events.

"Dia's proximity" is not just a physical concept, however. Proximity means offering the best service to the customer, knowing them in depth and adapting this service as far as possible to their tastes and needs; it also means offering the best multi-channel experience and being the best in last mile delivery; and of course, proximity means offering the best products, including the freshest and most seasonal products, at the best price. This is the context in which food safety, the nutritional quality of its private-label goods and access to food have become a priority in the Dia Group's Sustainability Plan.

Main communication channels with customers

The Dia Group uses different channels to communicate with and listen to its customers:

- The online shopping pages and related apps (Dia online) can also be used by customers to rate products and fill in a company contact form.
- The Group uses social media for business and corporate communications. The Group has accounts on the most popular platforms in all the countries it operates in, including Facebook, Twitter, Instagram, Linkedin and YouTube.

  Via the Dia Club, customers can voluntarily rate their shopping experience. In Argentina, for example, customer satisfaction is monitored in real time, allowing for action plans to be drawn up on a daily basis. This initiative, made possible thanks to significant technology, has achieved very positive results both in customer engagement and in their level of recommendation, which has increased by over 34% in 2022.
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- Regular service satisfaction surveys are carried out in all geographical areas, both through the Dia Club and other types of outreach activity.
- Customer Support Services: in 2022 we have dealt with and analysed 558,098 communications, of which 113,948 are grievances and complaints, which account for 24% of the total number of communications. It is important to note that 82% of these grievances have been resolved following analysis.

Dealing with the queries and incidents that may arise from the customer service system is a cornerstone for improving the customer experience and trust, as well as to continuously improve operations, which is why we are constantly working to make it better. In Spain, for example, integration of the customer service system with other company information and management systems was improved in 2022, enabling incidents to be resolved faster and more efficiently. Other initiatives that have resulted in improved customer satisfaction are related to real-time store stock enquiries and compensating for incidents using vouchers that can be redeemed in store. One of the customer service department's priorities for 2023 is to standardise communications channels to provide customers with an omni-channel experience.

Key policies governing customer relations

- The Corporate Food Safety and Quality Policy: aims to develop a trust-based relationship with customers via a system that guarantees adequate production, processing and management of all products offered by the Company.

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[23] "Despoblamiento rural: la brecha de la desigualdad" (*Rural depopulation: the inequality divide*), Luis Camarero and Jesús Oliva.

- The Customer Marketing and Communication Policy: based on respect for commitments to customers, honest verbal and written communications and integrity in all corporate activity within this context. To this end, customer communications are based on the general principles of transparency, proximity, equality and quality.

- The Corporate Information Security Policy: aims to define the guidelines for ensuring the confidentiality, integrity and availability of information. Employees, staff and external employees who need to access the Company's information systems must comply with this policy. Although this policy applies to all stakeholders, it is mentioned here because of its particular impact on the protection of customer rights.

Summary of Strategic Sustainability Plan performance

Main associated non-financial risks	Key matter in the sustainability plan	2022 indicator and result
Food crisis/food safety	Food safety	Percentage of approved suppliers: 89%
	Nutritional quality of private-label goods	Number of products reformulated to improve nutritional profile: 186
		Growth in the sale of fresh produce: growth in all countries
Inadequate selection (value proposal)	Access to quality food	Total no. of people reached by the programme: over 3 million people via social media alone in Argentina and Portugal
		Customers in districts without stores and food deserts reached by Dia: 14,500 and 5,000 (data for Spain only)

7.1. Food safety

The Dia Group's Food Safety Policy sets out the general principles that should govern the company's activity in this area. In addition to this policy, a mandatory internal standard has been approved in 2022 to standardise minimum food safety requirements at Group level.

This regulation is based on two main pillars:

- Food safety control in product development. Verification requirements are set out to ensure that the production process meets the quality and food safety guarantees required by the Dia Group for all its suppliers of products manufactured under its private-labels.

- Food safety control of products and processes from the reception of the goods until they reach the consumer.

In terms of controls at production centres, in Spain and Portugal all suppliers must have a Food Safety Initiative certificate at all factories where Dia's private-label products are manufactured. In Brazil and Argentina, this certificate can be replaced with an equivalent audit report undertaken by Dia. In 2022, 89% of suppliers at Group level (89% in 2021) are approved in terms of food safety (416-1). Although this percentage is very high, especially taking into account the transformation process in which the Company is involved and the fact that many of these approvals do not count because they coincide with recertification periods, the Dia Group's objective is for all its suppliers to exceed this control point. Dia also has internal and external control plans (with approved laboratories) that provide extra control over the whole process.

Once the product arrives at Dia´s facilities, it is subjected to a product safety and quality control plan, as well as the monitoring of other essential store and warehouse aspects, such as order and cleanliness, the cold chain, traceability, good hygiene practices and correct product rotation through audits. In 2022, 9,048 audits (15,128 audits performed the prior year), were performed, including processes to ensure maintenance control of the cold chain across the Group and the freshness of the fruit and vegetables on offer in stores.

7.2. Nutritional quality of the Dia brand

The relationship between a good diet and health is an undisputed fact these days. This is why in 2021 the Dia Group developed a tool that enables diagnoses to be made regarding the nutritional quality of around 7,000 private-label Dia products with respect to the main nutritional standards (Nutriscore, World Health Organization recommendations, NOVA, Chilean alert standards and other own standards) and also regarding the market, when this information is available. This first snapshot will help informed decision-making in this regard.

In any case, the Dia Group's work on improving nutritional quality began by significantly reducing hydrogenated fats and added trans fats across its own brand. Reformulation work to reduce sugar, salt and fat content is already a reality in all Group countries on a systematic basis, with 186 products reformulated in Spain and Portugal alone in 2022 (in addition to the 199 reformulated in 2021). Information from Argentina and Brazil is expected to be available in the next few months.

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
	2022	2021	2022	2021	2022	2021	2022	2021
No. of private-label products--reformulated	—	—	—	—	101	90	85	109

Table 7: number of reformulated private-label products in order to reduce the amount of fat, sugar or salt.

Dia's concern with offering its customers products with an enhanced nutritional profile is also reflected in the launch of articles such as palm oil-free crisps and in the efforts to revamp and promote certain categories, such as frozen vegetables or dried fruit and nuts, which are generally deficient, based on the EAT-Lancet Commission's healthy diet reference. Moreover, in all the countries in which the Group operates, significant funds have been invested to ensure that all stores offer the freshest possible fruit and vegetables, placing them as a central focus in the store layout. Thanks to these efforts, despite the decline in spending in this category[24], the weight of fresh produce sales at Dia Group has grown in all countries in 2022.

[24] Kantar Worldpanel 2022

7.3. Access to quality food

As mentioned, a rule of thumb replicated in every country in which Dia operates is that the capillarity of Dia stores extends through all kinds of neighbourhoods[25], regardless of purchasing power, and in countries with a greater presence, the chain reaches a huge number of districts, including the smaller ones. This unique position, which will be reinforced by online service expansion across all countries, will give the Dia Group the edge so that families can access fresh, quality products, regardless of their post code. This includes upwards of 75,000 people living in what could be classified as 'food deserts"[26] in Spain alone.

In 2021, the Dia Group had already made quality fresh food available to over 14,000 people living in municipal areas with no stores and to 5,000 people living in food deserts in the region of Soria by means of a sales and logistics plan that ensures supplies to all municipal areas in Europe's most unpopulated province. Following this route, in Portugal, where approximately 2 million people live in parishes without stores[27], the Dia Group has this year launched a project to improve the lives of those living in the most rural areas: there are already 48 franchisees in these areas who distribute fresh quality products to neighbours located within a radius of between 20 and 30 square kilometres. In turn, Dia has invested in a study, together with the University of Zaragoza, to generate more knowledge about supply options in less populated areas and diet quality in relation to inhabitants (the first results will be obtained in the first quarter of 2023). This knowledge, together with the experience acquired by the company in its online expansion and in rural last mile delivery, will set the course for Dia to develop a plan to reach more families in rural areas, so that all of them, wherever they live, can have access to high quality products.

At the same time, as mentioned previously, the specific presence of Dia in more humble neighbourhoods enables the company to create distinctive value by providing a quality diet for the most vulnerable families. The investment made to promote the fresh produce category in all stores is in line with this objective: across the entire Group, the share of fresh produce continues to grow. Additionally, Dia has begun working on projects in collaboration with NGOs and universities to better understand the reasons that explain the greater impact of obesity on the poorest classes.

In 2021, Dia carried out studies in partnership with NGOs and universities to better understand the reasons that explain the greater impact of obesity on the poorest classes and whether financial barriers were one of the main impacts. The results obtained in Spain seem to support the idea that the cost of a balanced diet, contrary to the initial perception of the families taking part in the study[28], is not an insurmountable barrier to eating healthily, and there are many other factors of an educational, psychosocial and commercial nature that come into play. In this study, which standardised financial barriers by giving all families a minimum budget, the participants of the experimental group that underwent the awareness programme and were monitored for 10 weeks, reported significant improvements in their consumption patterns and certain biomedical parameters (mainly weight loss).

Building on this knowledge (published in Nutrients magazine this year), in 2022 Portugal created the "Eat Better Every Day" programme with the CAIS association, which helps people at risk of social exclusion to demystify the idea that it is impossible to eat healthy and tastily if you have little money and also to spark the participant´s interest in taking care of themselves and loving themselves through good nutrition. To do this, validated awareness-raising and training tools were provided and recognised key opinion leaders were used to dignify and create a community around the concept. The results of this programme have been very positive as 52 families have benefited directly from it and over 1,000,000 have been engaged via social media so as to adopt healthier eating habits. Although the economic barrier does not appear to be an insurmountable one for the vast majority of the population in Spain and Portugal[29], the situation differs substantially in Argentina and Brazil, where there are still large pockets of poverty that prevent a significant percentage of families from accessing food. During this year, the Dia Group has completed the study it had already carried out in Spain on the minimum

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[25] According to a 2021 internal study on the distribution of Dia stores by income level in Spain, 36% of supermarkets are located in low-income census areas, 39% in medium-income areas and 25% in high-income census areas.

[26] Food desert: the term food desert was originally coined in the U.S. Here, food desert is used to refer to towns whose inhabitants have to travel over 15 km as the crow flies to reach a retail store.

[27] Internal study prepared using 2021 data.

[28] 52 adults and 14 children from vulnerable environments took part in this study, which divided the families into a control group and an experimental group.

[29] Study prepared using 2021 data.

cost of a healthy diet in the remaining geographical regions in which it operates, and the results were presented to the scientific community at the Congress of the Ibero-American Nutrition Foundation in October 2022. The results show that a balanced diet can be achieved at a very low cost, especially if changes in eating patterns towards more plant-based diets were possible. In addition to awareness-raising and training however, unlike in Spain and Portugal, economic barriers, sufficiency and cultural inheritance are factors that are particularly relevant in the Latin American context for all families to have access to a quality diet.

Using this knowledge, the Dia Group has been outlining a project that could deal with some of these difficulties. Against this backdrop, in 2022 Argentina has launched the Dia Saludable programme to provide healthy options for its customers, helping them to eat better. The programme, which has been widely disseminated across various channels (leaflets, website) can help over 2.5 million people via social media. At the same time, all other countries are also drawing up commercial programmes to help families who want to transition to more balanced diets to do so, regardless of their budget. This programme is expected to be launched in the first half of 2023, slightly behind the original schedule.

8. BUILDING A DIA COMMUNITY IN EVERY NEIGHBOURHOOD

Its network of almost 5,700 (5,699 at year-end 2022) essentially local stores allows the Dia Group to be very present in different neighbourhoods and to understand first-hand what is happening. The way in which Dia strives to be close to its customers by offering services that meet their needs was explained in the previous chapter. This chapter shows how employees form part of this Dia community, which is built from each store up, and how the company interacts with the most disadvantaged groups in these areas. The following chapter describes how Dia forms part of neighbourhoods through another key player: the franchisee.

8.1. Human capital

The Dia Group has a diverse workforce made up of 33,425 employees at 2022 year-end (38,575 at 2021 year-end). Of all Dia professionals, over 71% work in Europe (Spain and Portugal) and 28% work in Latin America (Argentina and Brazil), compared to 67.3% and 32.6% in 2021, respectively.

Workforce by country at 31 December (405-1)

			Executives		Managers		Employees	
			2022	2021	2022	2021	2022	2021
ARGENTINA	Men	<30 years	—	—	32	48	553	617
		30-50 years	15	16	292	282	1,151	1,127
		>50 years	3	3	32	29	37	33
	Women	<30 years	-	—	20	23	302	344
		30-50 years	4	5	221	216	754	750
		>50 years	2	1	12	10	23	22
	TOTAL		24	25	609	608	2,820	2,893
BRAZIL	Men	<30 years	-	—	10	4	1,360	2,090
		30-50 years	20	14	123	149	900	1,575
		>50 years	4	12	17	17	89	140
	Women	<30 years	-	—	10	4	1,669	2,439
		30-50 years	3	2	94	112	1,693	2,418
		>50 years	-	—	4	3	97	95
	TOTAL		27	28	258	289	5,808	8,757
SPAIN	Men	<30 years	-	—	38	44	1,043	1,143
		30-50 years	42	42	441	459	2,968	3,312
		>50 years	12	10	157	148	1,094	1,056
	Women	<30 years	-	—	53	54	1,887	2,078
		30-50 years	12	14	525	548	9,489	10,762
		>50 years	11	13	189	164	3,337	3,214
	TOTAL		77	79	1,403	1,417	19,817	21,565
PORTUGAL	Men	<30 years	-	—	3	2	242	269
		30-50 years	6	6	49	49	487	530
		>50 years	3	4	18	23	81	87
	Women	<30 years	-	—	-	2	375	453
		30-50 years	7	6	69	68	1,069	1,240
		>50 years	1	1	7	4	164	170
	TOTAL		17	17	146	148	2,418	2,749

Table 8: Total number and distribution of employees by gender, age, country and professional category. Directors, franchisees and other external workers have not been included in this breakdown.

Main communication channels with employees

There are several channels for communicating with employees, the majority of which encourage two-way communication. The main channels are as follows:

- Corporate website for employees: an area where communication, the sharing of expertise, leisure activities and the dissemination of corporate information are encouraged. It is also where employee apps can be accessed.
- Bulletins: they share good practices, business information and strategy developments with all Group employees. In addition, operational teams also receive daily and weekly bulletin updates about the projects they are taking part in.
- Use of new communication channels with employees, such as the app version of the website and WhatsApp messages (in Portugal they have been in use since the beginning of the year and 2,700 employees have already signed up with a 100% open rate).
- Regular surveys about different issues (from specific initiatives to general assessments of corporate culture) to find out what the workforce thinks. These channels, whether they are managed internally or via a third party, guarantee anonymity and total privacy regarding the responses given by employees.

Regular communication channels between top management and employees to improve trust, create closer ties with leadership and to share business developments and progress made in the transformation process. These meetings are face-to-face, online or a hybrid and their frequency changes depending on the business unit.

Key policies governing employee relations and their functions

- The Corporate Human Resources Policy: includes the Dia Group´s commitment to create jobs and to develop professionals within the context of the Company´s corporate values. This policy also aims to encourage Dia's long-term commitment to generating pride and a sense of belonging, adapting to the cultural, employment and business contexts in each of the countries where it operates.

Summary of Strategic Sustainability Plan performance

Main associated non-financial risks	Key matter in the sustainability plan	2022 indicator and result
Problems assimilating and putting into practice a Dia culture Problems attracting and retaining talent Occupational accidents	Employee and team development	Employee's level of recommendation: Improved in all countries and at Group level
	Employee health and safety	Reduction in serious accidents (%) 41%
	Diversity and inclusion	Number of people with disability on workforce: 460 Number of people who belong to vulnerable groups: 292 Percentage of female managers: 28%

8.1.1. Responsible for quality employment

Almost all of Dia's workforce are on permanent contracts (95.85% in 2022 compared to 92.02% in 2021) and a large number of employees work full-time (79.83% in 2022 compared to 81.79% in 2021), as shown in the following tables.

Total employees by contract type and working hours at 31 December

	2022	2021
Permanent	32,031	35,498
Temporary	1,394	3,077
TOTAL	33,425	38,575
Full-time	26,686	31,168
Part-time	6,739	7,407
TOTAL	33,425	38,575

Table 9: Total number of employees by contract type and working hours. Directors, franchisees and other external workers have not been included in this breakdown. In 2022, the calculation for Spain includes one Dia World Trade director and one employee. As temporary contracts in Spain, those that are due to circumstances of production and temporary substitution are reported.

Average annual contracts by gender (number)

	2022		2021	
	Men	Women	Men	Women
Permanent	11,510	21,968	12,630	23,570
Temporary	835	1,804	1,131	2,833
Full-time	11,575	17,354	12,862	19,249
Part-time	7,70	6,418	900	7,153

Average annual contracts by age (number)

	2022			2021		
	<30 years	30-50	>50 years	<30 years	30-50	>50 years
Permanent	7,204	21,018	5,255	8,698	22,594	4,907
Temporary	1,362	1,144	133	1,926	1,828	211
Full-time	6,892	17,652	4,385	8,762	19,259	4,090
Part-time	1,675	4,510	1,003	1,862	5,164	1,028

Average annual contracts by professional category (number)

	2022			2021		
	Executives	Managers	Employees	Executives	Managers	Employees
Permanent	144	2,400	29,485	139	2,325	33,737
Temporary	-	16	1,369	2	24	3,939
Full-time	144	2,370	24,170	141	2,297	29,673
Part-time		46	6,693	—	51	8,002

Tables 10a, 10b and 10c: Average annual number of employees by contract type, gender, age and professional category. Directors, franchisees and other external workers have not been included in this breakdown.

In 2022, as in 2021, 100% of employees in Brazil, Spain and Portugal were covered by a collective agreement, either at company or industry level (in Argentina this figure is 69% of the workforce in 2022 compared to 70% the previous year). The Company also has 951 trade union representatives worldwide (in 2021 this figure was 1,058). Due to the countries the Dia Group operates in and the significant number of trade union representatives, there is no perceived risk of basic human and employment rights being violated (such as child labour, forced labour, freedom of association or the right to collective bargaining) in internal processes. Among others, the Group's Code of Ethics and the Ethics Hotline were created to help safeguard the Dia Group's commitment to respecting these values and others.

In terms of the remuneration policy, Dia salaries are in line with market conditions and employment agreements. Merit is the key driver of salary growth and the Dia Group has various performance assessment mechanisms. Store and warehouse employees are assessed based on their performance and productivity, both on an individual and group basis. In the offices, individual objectives are focused on individual performance and they are aligned with the Company's results.

It is worth noting that in December 2022, Dia Spain signed a new collective agreement for 2022-2024, which sets out amendments to the basic salary with increases of up to 8% in two years and extraordinary bonuses for employees in stores, warehouses, offices and structural staff. This agreement, which has been negotiated between the Company's management and the workforce's legal representatives, strengthens confidence in the future of Dia, representing a firm commitment by the Company to its people.

Average remuneration paid (euros) (405-2)

		<30 years		30-50 years		>50 years	
		2022	2021	2022	2021	2022	2021
Executives	Men	—	—	174,300	202,041	173,788	255,881
	Women	—	—	117,935	135,147	158,063	170,628
Managers	Men	21,396	20,815	33,394	34,219	44,339	44,371
	Women	25,456	23,422	30,284	29,175	41,037	42,269
Employees	Men	10,737	9,934	16,043	15,425	21,817	20,851
	Women	9,968	9,192	15,285	14,834	18,331	17,684

Table 11: Average remuneration paid by category, gender and age range (Euros) at the Dia Group. This takes into account everything received by employees during 2022, except for remuneration in kind, which is considered to be less than 3.5. This includes fixed pay actually processed and paid, additional payments dependent on working hours, productivity or performance bonuses and profit sharing.

The Company's workforce is smaller than in 2021, due essentially to the restructuring of the store network to strengthen the company's proximity strategy and the increase in franchised stores globally, which in 2022 increased the workforce by over 1,500 people.

Number of dismissals (401-1)

		2022				2021			
		<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years	Total
Executives	Men	0	12	10	22	—	6	4	**10**
	Women	0	2	2	4	—	2	3	**5**
Managers	Men	4	82	15	101	5	84	30	**119**
	Women	4	55	14	73	3	146	47	**196**
Employees	Men	1,146	1,126	142	2,414	661	595	71	**1,327**
	Women	1,317	2,140	315	3,772	668	1,319	227	**2,214**
TOTAL		**2,471**	**3,417**	**498**	**6,386**	**1,337**	**2,152**	**382**	**3,871**

Table 12: Number of dismissals by category, gender and age.

8.1.2. Employee and team development

In a sector as competitive as food retail, one of the strategic priorities of the Dia Group is not only to attract, but also to retain talent.

The Company has launched a programme to monitor and improve employee satisfaction in all the regions in which it operates to outline action plans for managing the issues of greatest concern to the Group's more than 33,400 employees. As a result of this programme, overall employee satisfaction has improved at Group level and in all 4 countries.

Some of the key actions carried out in 2022 include two milestones that tackle the objective of achieving greater individual development and "Team Dia": introducing a culture based on a renewed purpose and values and an ongoing commitment to employee training and development.

The Dia Group's proximity purpose has been the driving force behind Dia's redirection towards a unique business model that puts people at the centre and takes care of the way it relates to all its stakeholders so as to build relationships with its entire ecosystem based on trust and transparency. This *New Dia* concept is built on renewed values that permeate all spheres of the organisation: from the management committee to the employees in stores and warehouses. The Dia Group has a large and diverse team of professionals who are results focussed and, in the spirit of partnership and simplification, offer the best version of themselves every day to achieve continuous growth and the satisfaction of their customers, the real stars of the company's strategy.

The Dia Group has also maintained its commitment to support employees in their development by providing 370,224 hours of training, which is 7% more than in 2021 (when training hours had already increased by more than 40%). In Spain, over 267,000 hours of training have been given, both in person and online and in Portugal, the investment in training has been doubled. The development of digital skills as been key this year, as has investment in programmes to raise awareness on proper treatment, ethics and compliance, and energy efficiency. In addition, there are also training programmes in leadership and team management skills, the aim of which is to implement a development programme for all the organisation's leaders, with a training and implementation process lasting several years.

Furthermore, Dia has become the first retail company to offer its franchisees advice and support via its organising entity, *Campus Dia* and *Academia Dia*. This entity a offers a wide range of qualifications and training, as detailed below.

Training (404-1)

		Executives		Managers		Employees	
		2022	2021	2022	2021	2022	2021
Men	Training hours	1,438.3	909.8	21,500.1	17,622.5	95,934.0	92,349.9
	Average training hours	53.7	9.0	64.7	14.7	34.6	7.4
Women	Training hours	448.5	498.9	31,101.3	21,094.6	219,802.5	212,366.1
	Average training hours	38.1	12.5	85.7	18.4	34,1	8.4
TOTAL TRAINING HOURS		**1,886.8**	**1,430.3**	**52,601.3**	**38,750.2**	**315,736.5**	**304,731.8**

Table 13: Annual training hours and average training hours by professional category and gender.

Other 2022 talent management highlights relate to the review of the performance management process and the introduction of a succession and talent development plan, which will be fully implemented in 2023.

Lastly, the company has listened to its employees and what they need to be able to improve their work-life balance and has decided to continue practices that have had a positive impact on employees. In all countries, a hybrid working model has been arranged for those employees who can combine the two, i.e. mainly office-based employees.

8.1.3. Occupational health and safety

Occupational health and safety, which includes aspects of well-being, is a basic principle of excellence in human resource management and its importance has been emphasised as such in the Group's Strategic Sustainability Plan. The Company is committed to reducing serious accidents by 15% over the coming years, a reduction that will be achieved by improving employee health and safety management systems. In 2022 a reduction of 41% was achieved compared to 2021.

The main improvements in the management system relate to the involvement of managers in following up actions resulting from regular audits. Employee training is also a key point and a fundamental pillar around which prevention revolves, as it makes employees aware of their fundamental role in prevention and how their actions have an impact on their health and on the Company. As well as essential prevention training (building evacuation, machinery and load handling, etc.), employees are offered a wide range of training options aimed at improving their well-being and that of their families (self-esteem, stress management, healthy eating, cardiovascular prevention, breast cancer prevention, first aid and CPR, to name but a few). Pilot projects have also been launched in logistics centres to provide assistance with workers' ergonomics as well as the help of a physiotherapist to prevent and improve postural hygiene.

Another milestone in 2022 was the effort to understand and reduce absenteeism rates in the countries where the Group operates. In Portugal and Argentina, the human resources team has undertaken specific actions that are directly supported by a medical team with employees to understand their situation and needs. In Portugal, attendance at work is also rewarded with specific incentives. These measures have been successfully implemented and have enabled the desired objectives to be achieved.

In Spain, all work-life balance measures derived from the "Mecuida Plan" have been upheld, such as the option for shorter working hours of up to 100%, and these measures have remained in force until 30 June 2022. Beyond the contents of the collective agreements, there are no specific additional health and safety agreements with unions, although all related issues are covered by the agreements.

Absenteeism and key health and safety indicators (403-9; 403-10)

	Men		Women	
	2022	2021	2022	2021
Hours of absenteeism	1,461,850.7	1,435,810.8	3,751,996.1	3,636,971.9
Number of accidents	758	841	924.00	1,153
Accident frequency rate	32.4	32.5	24.3	27.1
Number of serious accidents	7	11	3	6
Severity rate	0.7	0.7	0.6	0.6
Work-related illness	3	11	31	38
Deaths	-	—	-	—

Table 14: Absenteeism and main health and safety indicators. Absenteeism reflects hours of absence due to illness, accident or unjustified absence (including Covid-19). The injury frequency rate represents the number of injuries per 1,000,000 employee hours worked. The severity index represents the number of working days lost due to accidents resulting in sick leave, in thousands, divided by the number of hours worked.

8.1.4. Diversity and inclusion

As already mentioned, the vast capillarity of Dia stores enables the business to form part of the socio-economic fabric of the neighbourhoods and towns, offering professional opportunities to a large number of people and reflecting all of these realities. In 2022, 81 nationalities were employed at Dia with professionals from all generations. In addition, over 5,900 young people under the age of 25 (similar figure for 2021— 6,085) and around 5,000 unemployed individuals were hired[30]. Furthermore, in Spain and Portugal, over 28,000 and 6,000 people, respectively (compared to 20,000 in 2021 in Spain)

[30] Data is estimated using unemployed people hired at a regional centre in Spain (29%). This is a conservative estimate as the percentage Fof unemployed people identified in Brazil through a census of over 3,600 employees is 68%.

have completed regulated training courses at the Dia Schools/Academies, giving them the opportunity to work as cashiers, warehouse workers or section managers at Dia or any other company in the sector.

The Dia Group has also made major efforts to offer training and employment opportunities to groups who are in particularly difficult circumstances, such as those at risk of social exclusion. In partnership with organisations such as the Spanish Red Cross and Cáritas, 578 people (205 in 2021) in Spain alone have been trained and have done work experience at the Company's stores and warehouses, providing them with skills that can open doors at Dia or at any other company. In addition, a total of 292 (161 in 2021) people at risk of social exclusion and from employment programmes run by the Red Cross, Caritas or refugee support associations have been hired by the Dia Group in Spain and Portugal.

Furthermore, in 2022 the Red Cross has named the Dia Group a collaborating company, recognising its sustained commitment to improving people's lives and promoting social change. In Portugal, the company has started working on a pilot project with Associação Cais, a charity that provides social and employment support to vulnerable people, so that they can re-join the labour market. The project is based on training in personal branding, success strategies for preparing CVs and interviews and in knowledge of basic cash transactions, so that participants feel prepared to return to the labour market. This training enhances the skills and employability of the candidates, who may be invited to take part in a recruitment process for Dia Portugal or in an on-the-job training programme. Argentina has also made significant progress in promoting employment inclusion by joining the "Te Sumo" programme in 2021, run by the Ministry of Productive Development, to integrate unemployed young people through the franchises and via internal recruitment processes as well. This year in Argentina approximately 500 jobs have been created, which are mostly filled by local employment pools to introduce young people from vulnerable sectors to the job market.

In addition to the significant impact that these programmes have on many people, the company is confident that proactive diversity management can achieve significant organisational skills, such as better customer care, better problem resolution and a more open and tolerant culture. For all these reasons, this is a material issue for the Group. However, to achieve all these benefits, the company is mindful that not only is workplace integration important, but also creating an environment that promotes inclusion and full personal development in equal opportunities.

In this regard, Dia is committed to respecting the principal of equality and condemning any type of discrimination, in whatever form, direct or indirect, or on any grounds: gender, sexual orientation, civil status, age, race, social status, religion, political affiliation, or any other personal situation. The General Human Resources Policy and Code of Ethics are the tools that guarantee this principle is fulfilled. Furthermore, in 2020 the Dia Group approved a mandatory standard, with associated control procedures, for the purposes of guaranteeing that recruitment processes are conducted solely on the basis of merit and the necessary skills for the job.

Additionally, 2022 has been an important year for moving forward proactively in managing diversity and inclusion. Diagnostic studies in this field have happened in Spain, Argentina and Brazil (in the latter, this work includes a survey of more than 3,600 employees on this specific issue) and plans are starting to be drawn up to tackle the specific objectives that the different regions are setting themselves on the basis of the listening processes that have been initiated.

Some of these actions have already taken place, such as the Manifesto for Diversity and Inclusion approved by the management committee in Brazil, the creation of Diversity Committees in Argentina and Brazil, on which the company's main managers sit, and the preparation of specific training on the subject. Investments have been made to combat unconscious bias in Brazil and in Spain, to raise awareness and to provide store staff with tools to better manage the functional diversity of customers.

Specifically in terms of functional diversity, Brazil has made huge efforts to increase the percentage of people with disabilities in its workforce, which in just one year has risen from 2.8% to 4.3% at the end of 2022. This has been made possible by a strong commitment to putting the values of inclusion into practice, which often requires working on and overcoming many ingrained biases and prejudices. In Spain, significant efforts have also been made, including a communication and awareness-raising plan on the subject, the creation of tools for the selection and subsequent recruitment of people with functional diversity and the presence of the company on specific employment websites. Along the same lines, special attention has been paid to working with entities engaged in functional diversity and specialised employment agencies, and the company has made purchases from over 10 entities that are special employment centres (CEE).

Employees with a disability at 31 December (405- 1)

		<30 years		30-50 years		>50 years	
		2022	2021	2022	2021	2022	2021
Executives	Men	—	—	1	—	—	—
	Women	—	—	—	—	—	—
Managers	Men	—	—	1	2	—	—
	Women	1	—	5	5	1	—
Employees	Men	63	63	151	148	28	31
	Women	26	32	129	133	54	51
TOTAL		**90**	**95**	**287**	**288**	**83**	**82**

Table 15: Dia Group employees with a disability by professional category, gender and age as at 31 December.

In terms of gender equality, one of the most important instruments is the Equality Plan introduced in Spain in 2012 and which is currently under review. This Plan includes measures aimed at each of the following areas: access to the Company and recruitment; hiring and promotion; training; remuneration; work-life balance; occupational health; sexual harassment; gender-based violence; corporate culture, communication and awareness. It is a preventive plan and, therefore, focuses on eliminating any possibility of future discrimination based on gender. The existence of an Equality Agent, the implementation of different protocols for harassment and gender-based violence, prevention and discrimination systems (access, promotion, compensation, language) and specific awareness-raising campaigns, are some of the practical improvements linked to this programme.

In addition, the company has adopted a selection policy whereby, given equal conditions and skills, the person of the least-represented sex in the post in question will be given preference in the recruitment process. This policy, and the efforts made to bring women into the final stages of the selection process, have not however resulted in an increase in female managers. In the last three years, this figure has been around 30%[31].

Gross pay gap (405-2)

	Executives		Managers		Employees	
	2022	2021	2022	2021	2022	2021
ARGENTINA	91.75	54.90	62.41	57.41	108.78	108.88
BRAZIL	76.32	82.51	78.73	63.58	82.52	86.35
SPAIN	72.65	70.98	88.23	86.08	84.04	84.60
PORTUGAL	74.07	65.15	90.57	86.20	91.11	86.49

Table 16: Gross pay gap percentages by gender (ratio calculated as the average remuneration of women divided by men for each category). No exclusions have been made in the perimeter for the calculation of this indicator. This calculation does not take into account key factors that allow comparability, such as professional category, functional department, performance, knowledge or professional experience, and which can significantly influence the end data. All items, except remuneration in kind, as it is estimated that it does not reach 3.5%, are taken into account for the calculation.

Lastly, it should be noted that the Dia Group recognises the importance of its employees' work-life balance. For this reason, as mentioned above, a hybrid and flexible model of teleworking and on-site work has been institutionalised in all the Group's offices. At stores and warehouses, days off are established based on a flexible model, taking into account the workers' preferences where possible. Employees' right to disconnect from work has not been identified as a priority issue in the conversations held with staff and staff representatives to date, which is why it has not been addressed in company regulations or policies.

31 The figure for 2021 is restated as, due to a calculation error, the percentage of women was reported as 38% when it should be 28%.

8.2. Accountability to society

The Dia Group is fully aware of the importance and impact of the food retail sector on society, whether it be supplying products to meet some of a person's basic needs, such as food and personal hygiene products, and making them available to everyone, or creating quality entrepreneurship opportunities and wealth through commerce. This is why the sections of this report describe the Dia Group's relations with its main stakeholders and how the Company creates value through these relationships.

Dia also acknowledges its accountability to other stakeholders that could be included in the "societ" group (general public, public entities, the media, among others). An important part of Dia's accountability to this large group is related to fiscal accountability, to which the following section is devoted. In addition, the Dia Group considers that it has a particular responsibility to donate food to groups in need and has therefore focused its social action on this programme. A specific section (8.2.2) has been included in this chapter to describe the relevant initiatives.

8.2.1. Tax management and governance

The Dia Group's tax strategy was approved by the Board of Directors in 2015 and its main aim is to ensure compliance with tax regulations while ensuring that the Company's interests are covered and supporting the Group's business strategies. The tax principles and good practices comprising the Company's tax strategy must guide decision making at all levels.

As part of the good tax practices that guide Dia's activity, the tax strategy stipulates that the Group does not use opaque corporate structures of any kind or companies located in tax havens for tax purposes. The company also adheres to the Code of Good Tax Practices[32]. In this respect, it should be noted that the transfer of assets from the Spanish subsidiaries to the Luxembourg companies is taking place for the purposes of the financial agreement reached with the syndicated lenders, as explained above, and not for tax reasons.

The Dia Group is also committed to complying with the "OECD Guidelines for Multinational Enterprises" and with the OECD's BEPs reports on tax avoidance.

As a result of the Dia Group's tax strategy, the company has designed a Tax Risk Control and Management System, even though it is not strictly required to by law. Its aim is to manage the main tax risks identified in each business unit to monitor the effectiveness of the controls that mitigate them. To do this:

- Controls are defined within the different tax processes that are documented using risk and control matrices.
- The effectiveness of tax risk management is monitored by assessing the key controls set out by the tax risk managers themselves within the comprehensive risk management system in the SAP GRC tool.
- In addition to the obligatory mention of tax risk control management in the Annual Corporate Governance Report, the results of the annual review of the Tax Risk Control and Management System are reported to the Board of Directors´ Audit and Compliance Committee.

32 https://www.agenciatributaria.es/AEAT.internet/Inicio/_Segmentos_/Empresas_y_profesionales/Foro_Grandes_Empresas/Codigo_de_Buenas_Practicas_Tributarias/Adhesiones_al_Codigo_de_Buenas_Practicas_Tributarias.sht

	Profit before tax (thousands of Euros)		Tax paid (thousands of Euros)	
	2022	2021	2022	2021
ARGENTINA	60,085	7,612	-12,165	-109
BRAZIL	-69,968	-44,147	108	836
SPAIN	-61,055	-187,490	35	-1,420
PORTUGAL	-19,050	-19,431	-429	-417
TOTAL	-89,988	-243,456	-12,451	-1,110

Table 17: Profit before tax and tax paid, in thousands of Euros. A negative tax paid figured reflects tax paid and a positive tax paid figure reflects a tax refund. In 2021 and 2022, profit/(loss) before tax for Switzerland and Luxembourg (-408 in 2022 compared to 113 in 2021 and -466 in 2022 compared to -291 in 2021, respectively) are included as part of Spain. Tax paid for Switzerland (-8 in 2022 compared to -33 in 2021) is also included as part of Spain.

Tax paid has been calculated on a cash basis, for which the main considerations taken into account are as follows:

- Withholdings borne during the year.
- Interim payments for the year.
- Tax payment / refund (normally relates to the prior year).
- Payments arising from tax inspections.

In 2022, no payments arising from tax inspections have been made. Further information about tax management, including lawsuits and periods open to inspection can be found in Note 16 to the 2022 Consolidated Annual Accounts.

Regarding other transactions with government bodies in 2022 (as in 2021), the Dia Group has not received any government grants in any of the countries it operates in[33] (201-4).

8.2.2. Supporting the community

Summary of Strategic Sustainability Plan performance

Main associated non-financial risks	Key matter in the sustainability plan	2022 indicator and result
Damage to the Company's reputation and/or image	Increase food donations to support the communities in need where the company has operations.	Kg of donated food (both fit for sale and not fit for sale): over 880,000

As mentioned above, Dia has made it a priority in terms of social action to increase donations of surplus food to reduce food waste and also to help disadvantaged groups by giving food that is not suitable for sale but is fit for human consumption. During 2022, surpluses have continued to be donated from warehouses and darkstores. Specifically, this procedure has led to over 87,000 (19,000 kg in 2021) of food being delivered to partners such as World Vision and Caritas in Spain alone. The overall amount of surplus donations has dropped compared to the previous year, as stock management has improved (over 675,000 kg vs, over 893,000 kg in 2021), but it still represents a large amount of products that are channelled to the communities most in need rather than being destroyed.

As well as directly donating surplus products, Dia works with many organisations that help vulnerable people in all countries, including in 2022 those that have provided support to people affected by the war in Ukraine. This year, the Dia Group has donated over 200,000kg of additional products, more than €200,000 to these groups and has helped to raise, with customers

[33] Government grants are defined as any financial contribution paid by a government body to the company for the undertaking of a specific activity during the current year. Social security credits received for training and other items are not included here.

and employees, almost €1 million (€968,806) mainly to provide food and other types of aid to those most in need, including war refugees.

As well as the significant monetary donation raised this year, Dia has placed special emphasis on helping its Ukrainian employees and their families. Ad hoc communication channels have been set up between this community and the company and material has been sent to the city of origin of several of these employees (sleeping bags, torches, batteries, tents, first aid material, etc.).

Lastly, due to its enormous penetration and capillarity in the poorest neighbourhoods, the Dia Group is a reference partner for many organisations that distribute economic resources in the form of food vouchers to beneficiaries with whom it works by offering discounts on sales prices. All the associations and NGOs that Dia Spain works with undergo an approval process that ensures the quality and transparency of their management. This procedure will be rolled out to the other countries in the future.

As in 2020 and 2021, no sponsorship actions have been identified by the Group.

Key industry alliances

The Dia Group is aware that many of the global challenges facing the industry and society as a whole require different players to come together and act in partnership. For the sake of transparency, below are the main industry associations with which the Dia Group is involved worldwide:

- CEOE (Confederación Española de Organizaciones Empresariales— *Spanish confederation of business organisations*)
- ASEDAS (Asociación Española de Distribuidores, Autoservicios y Supermercados— *Spanish association of distributors, self-service chains, and supermarkets*).
- Círculo de Empresarios (Business circle).
- Ecoembes.
- AECOC (Asociación Española de Fabricantes y Distribuidores— *Spanish association of manufacturers and distributors*).
- CEL (Centro Español de Logística— *Spanish logistics centre*).
- PACKNET (Plataforma Tecnológica Española de Envase y Embalaje— *Spanish packaging technology platform*).
- AEA (Agencia Española de Anunciantes— Spanish advertisers' agency).
- AGERS (Asociación Española de Gerencia de Riesgos y Seguros— Spanish association of risk management and insurance).
- IGREA (Iniciativa de Gerentes de Riesgos Españoles Asociados— Initiative of associated Spanish risk managers).
- AEF (Asociación Española de Franquiciadores (*Spanish franchisers' association*):
- IDV 45mploy45too para el Desenvolvimiento del Viajero— *Institute for retail development*)
- ISMS FORUM (La Asociación Española para el Fomento de la Seguridad de la Información— *Spanish association for the advancement of information security*).
- ISACA (Asociación de Auditoría y Control de Sistemas de Información— *Association for the audit and control of information systems*)
- ABF (Asociación Brasilera de Franquiciadores (*Brazilian franchisers' association*):
- ABRAPPE (Asociación Brasilera de Prevención de Pérdidas— *Brazilian45mps prevention association*).
- APAS (Asociación Paulista de Supermercados— *São Paulo supermarkets association*).
- APED (*Portuguese association of distribution companies*).
- APF (*Association of Portuguese franchises*).
- ASU (Asociación de Supermercados Unidos— *Association of united supermarkets*).
- AAMF (Asociación Argentina de Marcas y Franquicias— *Argentine association of brands and franchises*).
- CGF (Consumers Good Forum).
- APAN (Associação Portuguesa de Anunciantes— *Portuguese advertisers' association)* .
- SENAC (Servicio Nacional de Aprendizaje Comercial— *National service for business learning*).
- SESC (Servicio Social de Comercio— *Social service for commerce*).
- Portuguese Sociedade Ponto Verde

9. UNDERSTANDING AND SUPPORTING OUR PARTNERS AT SOURCE

Dia works to gain a full understanding of and to care for the details surrounding the manufacture and sale of its products and to build a transparent and fair relationship with its strategic partners: the franchisees and suppliers. The ultimate goal is to create a relationship of trust and mutual support in which everyone wins: company, strategic partners and customers. This chapter explains how Dia manages its relationship with these strategic partners to achieve this result.

9.1. Franchisees

With over 30 years of experience in developing the franchise model, the Dia Group has become the leading franchisor in Spain, according to the 2022 franchise guide in the "Emprendedores" magazine, and the seventh in Europe, according to the international ranking by the Franchise Direct consultancy firm, which is based on parameters that take into account economic issues, innovation capacity, environmental impact and franchisee support, among other aspects.

At 2022 year-end, the Dia Group had 2,947 franchised stores (compared with 2,710 in 2021), which is 51.6% of all its supermarkets (in 2021 this figure was 45.6% of the store network). The Company provides its franchisees with its historical knowledge of the industry, the strength of its brand and its logistics services, while the franchisee brings its sales vocation and knowledge of the local market, which is key to developing proximity and the proximity model.

This relationship of trust between the Dia Group and its franchisees also generates value and wealth in the communities where the franchises are established. In 2022, Dia's franchise business generated almost 19,900 direct jobs (17,991 in 2021).

	Franchised stores		Number of franchise employees	
	2022	2021	2022	2021
ARGENTINA	727	648	4,512	4,333
BRAZIL	243	167	3,966	3,146
SPAIN	1,686	1,598	9,255	8,308
PORTUGAL	291	297	2,183	2,204
TOTAL	2,947	2,710	19.916	17,991

Table 18: Franchises and the estimated number of employees in the franchise network.

Main communication channels with franchisees

- Satisfaction surveys prepared by NielsenIQ, the independent consultancy firm. This anonymous and confidential survey collects information from franchisees on where they see room for improvement.
- The Franchise Portal, an online platform franchisees can use to access databases of proprietary and comparative information and contact the Group directly.
- Franchise newsletters in all countries the Group operates in.
- Regular discussion forums with senior management, where two-way communication is key and franchisees have access to decision-making processes.
- Daily communications with supervisors and franchise analysts.

Key policies governing franchisee relations

- Corporate Franchise Policy: sets out related guidelines to ensure that the legislation in each country is respected, that the information provided is accurate and that agreements with franchisees who choose to manage a Dia store through the franchise model are complied with.

- Mandatory Standard for the Recruitment of and Relations with franchisees: aims to guarantee the effective recruitment of, relationship with and management of Dia Group franchisees.

9.1.1. Dia: reference partner for franchisees

Summary of Strategic Sustainability Plan performance

Main associated non-financial risks	Key matter in the sustainability plan	2022 indicator and result
Inappropriate management of franchise partners	Franchisee satisfaction	Level of recommendation: improvement in all countries and at Group level.

Almost half of the Dia store network worldwide is managed by the 1,854 franchises (over 2,100 in 2021), adding over 19,500 indirect jobs to the Company's ecosystem, as previously mentioned. This network of franchisees and their employees share Dia's purpose and values and have faith in the Company's shared project to be closer to people every day. This data demonstrates a principle that the Dia Group holds true: the success of the Company depends on the satisfaction of the franchisee.

Although Dia has been valuing franchisee satisfaction for many years, since 2021 it has measured this satisfaction rate based on the *net promoter score* and improving this index is part of the objectives of the Group's own Management Board. This year, external consultants conducted two satisfaction surveys with franchisees in the entire Group, with an 79% participation rate. The recommendation level results are improving in all countries, with a 78-point improvement at Group level compared to the previous year's surveys, which already showed significant growth.

The main projects that explain a large part of the improvement registered, are as follows:

- Improvement of franchisee attraction and selection processes, with even more transparency around the commercial relationship and what is expected from both parties. Additional filters have also been outlined to ensure that the profile of the potential franchisee fits in with the success model proposed by Dia.

- Greater investment in franchisee training: investments have been made in processes that not only support the franchisee to resolve doubts and operational issues, but also, in many cases offer training on key aspects of business management. The role of the franchisee analyst, a position created in all the countries in which the Group operates, is key in this regard.

  In Spain, a corporate university known as Campus Dia was created in 2021 for franchise holders to support their growth as entrepreneurs and to help them achieve a profitable, competitive franchise that is closer to the customer every day. Campus Dia offers training in hybrid format, that is, both online and face-to-face, and it marks an unprecedented milestone because all of the content has been created specifically to cater to the needs of the franchisees and their teams, bringing together everything they need to know to be excellent managers. Since it was created in November 2021, Campus Dia Spain has provided over 56,688 hours of training to franchisees and their employees, with a total of 2,073 training sessions and courses on trades and store management. The result is undoubtedly positive, with 82% of franchisees using this platform. In line with Spain's experience, Portugal also created the Dia Franchise Academy in 2022, which is set to promote a new induction plan and to update the expertise of those franchisees who have been working with the company for some time. Brazil and Argentina also have similar training services that are increasingly used by franchise partners.

- Achieving more effective communication with franchisees, i.e. two-way communication through which partners not only feel well informed of the key issues that concern them, but also feel supported and skilled to participate in the improvements that are relevant to their business. In addition to greater investment in classic communication channels such as updating the Franchisee portal or constantly updating the KPIs of most concern to franchises, regular meetings have been set up between groups of franchisees and Dia management in all countries where the Group operates to ensure that the concerns of these preferred partners are always channelled and resolved. In Portugal, for example, a franchise committee has been created with franchisees and Dia Portugal managers from different areas, which has launched the"100% satisfied franchise" programme to create a multidisciplinary team that can resolve franchisee problems swiftly and effectively.

Implementing a new contract model which simplifies processes, guarantees correct store supplies and improves franchisee liquidity, among other improvements. This contract model, which started to be implemented in 2020, is already fully in place in Spain, Argentina and Portugal and is well advanced in Brazil.

All business units have already drawn up action plans to ensure that work continues in 2023 to significantly improvement the franchisees' perception of the value proposal and the business relationship Dia offers and, together, to continue to improve a business model that makes the business mission possible.

9.2. Suppliers

The Dia Group has numerous procurement and supply agreements for all its products, which it purchases from private-label suppliers and suppliers of national brands from all over the world. 95% of purchases are from national suppliers (which represent 87.8% of Dia suppliers compared to 86.3% last year), whose size and location varies greatly, since the Dia Group works with both large multinational groups and small local suppliers.

The Dia Group's activity involves responding to the needs of customers with the best products at the best prices and in the most convenient and accessible way for everyone. This journey, which starts with product development, always carried out in partnership with suppliers, is always governed by quality and food safety policies and requirements, as described in section 7.1. Once the product is manufactured, it is transported to the Dia Group's logistics warehouses (internally called "primar" transport, which used to be controlled by Dia, but whose management has been progressively transferred to external suppliers so that currently only a residual part of the routes controlled by Dia in Spain remain). Subsequently, the products are transported to each store (internally called "secondary" transport), by exhaustively and carefully controlling the fleet (periodic renewals, fuel used, etc.), the load and the routes used to achieve the greatest efficiency and best storage and routes, managing to reduce the environmental impact (such as CO_2 emissions) every year.

	Number of local suppliers		Percentage of spending on local suppliers (204-1)	
	2022	2021	2022	2021
SPAIN	1,230	1,215	97.00	96.31
PORTUGAL	416	427	86.24	84.85
ARGENTINA	484	469	97.92	97.32
BRAZIL	650	708	99.79	99.82
TOTAL	2,780	2,819	-	—

Table 19: Number of local suppliers and percentage of expense relating thereto.

Main communication channels with suppliers

- Supplier website: an online platform where suppliers can access historical databases, the invoicing system and, in some cases, stock status reports.
- Suppliers convention at which the Company's main present and future strategic lines are presented.
- Regular meetings with management.
- Sales and support team.
- Website for potential new suppliers.

Policies

- The Corporate Food Safety and Quality Policy: aims to develop a trust-based relationship with customers via a system that guarantees the rigorous production, processing and management of all products offered by the company. Accordingly, the Company controls product quality and safety throughout the supply chain, monitoring storage, transport and sales processes.
- Policy on Respect for Human Rights in the supply chain: aims to set out how the Dia Group prevents or mitigates potential adverse impacts on human employment rights that may be linked to its operations with third parties.
- International Sanctions Policy: aims to establish a regulatory framework on international sanctions, as explained above.

Summary of Strategic Sustainability Plan performance

Main associated non-financial risks	Key matter in the sustainability plan	2022 indicator and result
Inadequate contract management	General supplier satisfaction	Overall supplier satisfaction: improving or stable in all countries.
Inadequate selection (value proposal)	Sustainability of raw materials	Number of private-label products/percentage that meet best practice guidelines. Fishing: 7% Deforestation: ● Palm oil: 94% ● Soy: 52%. ● Meat: 92% Animal welfare: 46%
Risk of violation of human rights (Sustainability Plan)	Human rights management in the supply chain	Percentage of private-label suppliers that are signed up to the Dia policy on human rights: 92% Number of suppliers that have started the due diligence process: 61 new key suppliers.

9.2.1. Dia: benchmark partner for suppliers

Building and maintaining a satisfactory, trusting business relationship with suppliers continues to be one of the Company's priorities in 2022 and this objective is monitored through an outsourced supplier satisfaction survey in each of the countries in which Dia is present. In 2022, supplier satisfaction regarding their relations with Dia has improved (or is the same where the data provides a lower resolution) in each of the Company's business units. More interestingly, the data provide insight into the greatest opportunities for the company to further strengthen this relationship and become a partner of reference for the supplier.

Across the board at Group level, these opportunities can be summed up in the following points:

- Achieving greater clarity and transparency regarding the Company's strategy, so that suppliers can become aligned and participate in the joint success.
- Encouraging collaboration to achieve improved in-store delivery of joint initiatives.
- Improving communication and sharing more information on day-to-day operations, in order to establish shared improvement plans.

Based on these results, projects have been outlined to improve communication: regular meetings have been set up between the Company's senior management, including the country CEO, and suppliers. In Argentina alone, more than 25 such meetings have been held in 2022. The aim of these actions is to improve transparency, identify shared objectives and define joint business plans. Another practice that is gaining momentum in all the countries where the Group operates is the holding of a national supplier convention, where both private-label and national brand suppliers can learn about the company's priorities for the coming months.

As well as this investment in communication, success has been achieved in implementing a system for effectively sharing relevant management data with suppliers, such as sales or stock levels, with very specific targets, such as reducing defects or shrinkage.

9.2.2. Managing potential impacts associated with the Dia Group's value chain

9.2.2.1. Sustainability of raw materials

(304-2)

Although, due to their location, the direct activities of Dia do not generate a significant negative impact on biodiversity, the Group's supply policies may have an indirect impact on biodiversity and normal ecosystem functioning. This is particularly true in relation to deforestation, sustainable fishing and animal welfare, issues that the Dia Group has decided to tackle head-on in its first Strategic Sustainability Plan.

To this end, in addition to consulting with various stakeholders to deepen its understanding of the associated issues, Dia has defined a work plan to ensure progress on two objectives: to support best practices in each field through certification programmes that are aligned with ISEAL Alliance principles and to reduce the potential risks associated with the use of raw materials.

Much of the effort made in 2021 and 2022 to fulfil this work plan has focused on defining precisely these risks, obtaining an initial diagnosis of the situation based on existing information and better understanding our suppliers' best practices.

Fishing

The commitment to products with the Marine Stewardship Council (MSC) certified sustainable fisheries seal in Spain and Portugal is noteworthy, as there are now 36 products with this seal in the private-label range (30 in 2021).

The Dia Group also continues to work with the NGO Sustainable Fisheries Partnership (SFP) to provide information on the fishing grounds used to supply fish products, so as to draw up a supply policy and to promote, as participants in the supply chain, a more sustainable seafood market.

	Spain	Portugal	Argentina	Brazil
Percentage of private-label fish products with the MSC seal	7	13	0	0

Table 20: Percentage of fish products with the MSC seal out of all private-label fish products.

Animal welfare

One of the most important steps taken by the Group is to adopt a commitment whereby Dia stores will only sell eggs from free-range hens (2025 in Spain and 2028 in Argentina and Brazil).

In addition, 74% of private-label products in Spain, where appropriate, are certified according to the Welfare Quality standard, including 100% of private-label eggs.

	Spain	Portugal	Argentina	Brazil
Percentage of products with animal welfare certification	74	7	0	0

Table 21: Percentage of private-label products (beef, pork, poultry, eggs, dairy), where appropriate, with animal welfare certification.

One of the main causes of deforestation and forest degradation is the expansion of crop farming, linked to a series of basic food products. In this regard, Dia is working on four key raw materials: palm oil, soy, paper pulp and meat. Dia undertook a due diligence process regarding these materials in order to better understand the supply chain and identify potential negative impacts in order to begin to minimise these.

	Spain	Portugal	Argentina	Brazil
Percentage of certified palm-oil products	95	100	100	87
Percentage of private-label products with meat from countries of "non-risk origin"	100	100	100	0
Percentage of private-label products with paper from countries of "non -risk" or certified risk origin	100	100	100	100
Percentage of private-label products containing soy from countries of "non-risk" or certified risk origin	100	82	0	14

Table 22: Private-label performance in relation to raw materials that may contribute to deforestation.

Palm oil is a raw material that first started to be processed and for which a greater market exists, which is why it is the Company's ambition to eliminate palm oil from its products or ensure that any palm oil used is certified according to the RSPO (Roundtable on Sustainable Palm Oil) standard. In 2022, progress has not been as expected as a result, among other reasons, of the additional problems caused by the commodities crisis, which has led to instability, higher prices and slower growth in certain categories, with negative consequences for both the company and consumers.

Other significant raw materials in terms of deforestation are beef and paper pulp. As Brazil is considered a risk country for beef, and due to the absence of specific standards thereon, Dia is dealing with this issue on a case-by-case basis with its suppliers in these countries. The paper pulp used by the Group does not appear to come from risk countries.

Soy is one of the raw materials that may currently be contributing most to deforestation of sensitive areas at present. This ingredient is used directly in certain private-label products (from soy sauce to soy oil), but according to analyses carried out in the food industry, the most significant impact is related to indirect consumption of soy contained in animal feed. The Dia Group aims to work in collaboration with its suppliers to better understand the exact origin of the soy used and ensure the sustainability of the soy contained in its private-label products[34]. Anywhere that Dia does not have sufficient information or influence to tackle complex and structural problems, the Company will work with others to drive a transformation that tackles the root causes of these social challenges.

9.2.2.2. Human rights management

Recognising that the farming sector is an industry with a high risk of breaching basic human and employment rights, such as child labour and slave labour, the prevention and mitigation of these potential impacts on the value chain has been deemed as material within the Dia Group's Sustainability Plan.

Dia is committed to ensuring that the people who provide the products and services it buys and sells are treated fairly and that their fundamental human rights are protected and respected. Implementing this commitment is grounded in different regulatory instruments and management systems which are being created for this purpose[35], in accordance with the United Nations Universal Declaration of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights.

The Policy for Respecting Human Employment Rights in the Supply Chain, approved in July 2021 by the Dia Group's Executive Committee, aims to establish how Dia can prevent or mitigate the adverse impacts on human employment rights that may be connected to its operations with third parties. This policy, which uses employment standards set forth in the *Ethical Trading Initiative* (ETI) *Base Code*, applies to all suppliers (direct or indirect) and franchisees of all regions and subsidiaries of the Dia Group.

In 2022, the commitment of suppliers and franchisees with these principles has become part of the contractual reality of the Dia Group and around 92% of private-label suppliers have already committed to this policy (in 2021 it was 70%) (412-3).

Another of the decisive steps in the application of this policy has been the definition of a risk assessment and due diligence process, in order for the company to pro-actively manage real and potential risks to human rights. To this end, Dia has started to work with Sedex[36], an ethical exchange platform that enables the entire supply chain monitoring programme to be defined and monitored, being able to identify the risk of human rights violations through questionnaires and audits provided by the supplier. Of course, any other reliable source of information that points to potential non-compliance (such as information in the media or reported by an NGO) could give rise to new control processes involving any supplier. In 2022, progress has been made to identify suppliers with higher inherent risk, i.e. those that are labour-intensive, migrant or informal labour, among other issues. These suppliers are being asked, as a matter of priority, to enter into a due diligence process to gain a better understanding of their management system. This project has enabled 61 of these suppliers to start this due diligence process (414-1), which will continue throughout 2023. If an issue is confirmed, Dia supports and expects that the necessary action plans will be implemented to tackle the fundamental causes. Although cancelling the commercial

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[34] Acceptable standards for soy are Round Table for Responsible Soy, Proterra, Sustainable Agriculture Network, International Sustainability & Carbon Certification ISCC PLUS.

[35] Based on factors such as the operations sector, geographical location and the existence of sufficient internal controls (active union representation among Dia workers and the policies, procedures and dialogue channels dedicated to detecting any non-compliance and promoting well-being improvements), compliance with human employment rights is not deemed to be material in relation to Dia Group business activities. Therefore, this chapter focuses on the prevention and mitigation of human rights breaches by third parties.

[36] https://www.sedex.com/es/

relationship is not the company's first option, Dia will not hesitate to sever relations with suppliers who conceal, cause or contribute to adverse impacts on human rights and who do not act responsibly to remedy such situations within a reasonable timeframe.

As the Dia Group's Human Rights Policy itself states, the Company places special emphasis on those commercial relationships in which Dia has more responsibility and influence, where there can be greater risk of breach of fundamental employment rights and where the contribution of the company can be even more significant. Whenever Dia cannot resolve complex issues by itself, the Company works with others to drive a larger-scale transformational change.

10. WORKING PROACTIVELY ON ENVIRONMENTAL CHALLENGES

The environment is a priority area for the Dia Group in the Sustainability Plan, insofar as it may affect company performance and may also be affected by the Company's operations. The specific issues mentioned in this report are those that are most relevant and those upon which action is taken to prevent or minimise their negative impacts. This is carried out by various departments in all business units, so there is no centralised budget or team for this.

In the Sustainability Plan, objectives have been set for the most material aspects for the Company in relation to its environmental impact, such as packaging to improve recyclability and the use of plastic in private-label products, reducing waste and food waste and climate change (in terms of reducing emissions generated by its operations). The table below shows some quantitative indicators for monitoring these aspects.

Main communication channels with stakeholders linked to the environment

One-to-one personal meetings with not-for-profit environmental organisations and active listening channels for legislative changes are the main lines of communication with this stakeholder group This activity is also reinforced by the institutional agenda kept, mainly through the industry organisations the Company belongs to.

Key policies governing environmental stakeholder relations and their functions

The Dia Group's commitment to the environment is defined in its Sustainability Policy, in which the company undertakes to pro-actively manage the potential impacts related to the company's activity in order to eliminate or minimise them, beyond regulatory compliance[37]. In turn, the Strategic Sustainability Plan specifies Dia's environmental commitments for the coming years.

Summary of Strategic Sustainability Plan performance

Main associated non-financial risks	Key matter in the sustainability plan	2022 indicator and result
Inadequate selection (value proposal) Damage to the Company's reputation and/or image Regulatory compliance with environmental matters (Sustainability Plan) Known loss	Packaging	Percentage of recyclable private-label and fresh products: 69% (Spain) Decrease in plastic content in private-label products (percentage): more than 18% since 2020 % (Spain) Percentage of recycled plastic in private-label drinks bottles: 11% (Spain)
	Waste management and food waste	Decrease in tonnes of waste to landfill (percentage): over 30% Decrease in food waste (Spain and Portugal only) (percentage): around 17%
	Climate change	Percentage of CO_2 reduction vs. 2021 footprint: 2.97% increase

[37] No significant fines for non-compliance with environmental regulations have been recorded this year (the significant thresholds for the reporting of penalties are Euros 0 for issues relating to competition; Euros 30,000 for issues relating to the environment; Euros 50,000 for other issues. The Company considers that no significant contingencies exist concerning the protection and improvement of the environment and, accordingly, no provision has been made in this regard and there are no guarantees arranged for environmental risk (307-1).

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10.1. Circular economy

10.1.1. Sustainable use of raw materials

The table below summarises the use of auxiliary materials in the Dia Group: Once again this year, all input categories except plastic (which has grown mainly due to the increase in openings in Argentina) have seen their consumption reduced, which accumulates a reduction of around 30% in the consumption of materials since 2020. Management improvements include the significant reduction in paper used, due mainly to a decrease in paper advertising leaflets distributed in favour of digital advertising. In addition, cardboard consumption has also decreased largely due to better management of this material in the store supply and stock management systems in Brazil.

Main materials consumed by major groups (Kg) (301-1).

	2022	2021
Paper and cardboard	6,005,980.10	11,126,760.86
Of recycled origin	2,527,845.99	7,986,807.00
Plastics	1,849,942.08	1,622,641.63
Of recycled origin	2	—
Other materials	3,003.30	98,680.24
Of recycled origin	1	—
TOTAL	**10,386,774**	**12,848,082.73**

Table 23: Main materials consumed at Dia Group by large groups (Kg). Other includes bags for individual use in Brazil, sticky tape and plastic sealing for lorries in Portugal and also rubbish bags in Portugal and Spain. The data reported include inputs from the franchise network.

10.1.2. Sustainable packaging

Reducing excess packaging and achieving more sustainable containers, with all the implications that this entails, has been included as one of the material issues in the Dia Group's Sustainability Plan. A commitment has therefore been adopted, which specifies the following goals:

- Reduce the amount of material in containers and packaging, specifically plastic (20% less in 2025 compared to 2020).
- Improve the recyclability of containers and packaging opting, wherever possible, for single-material packaging and/or packaging that can easily be recycled (100% of recyclable private-label packaging in 2025).
- Replace virgin materials with recycled materials, thus supporting the circularity of raw materials. The goal is to incorporate 25% recycled plastic into drinks bottles by 2025.

With a focus on these three goals, in 2021 a packaging identification process began to analyse the recyclability of around 2,000 private-label products, based on eleven characteristics, including composition (material type and combination), colour, and presence, size and composition of the label. In Spain, over 69% of private-label products analysed already comply with the recyclability criteria.

Moreover, in partnership with ITENE, Dia has developed a "Guide to sustainable packaging" that includes desirable characteristics and those to avoid, for each type of packaging and material, when designing new packaging or changing existing packaging. Following this guide, eco-design measures have been used on 366 products (around 20% of all private-label products) in Spain alone, thereby reducing the use of virgin plastic in packaging by approximately 8 million kilograms. Some examples are highlighted below:

- The new private-label cheese packaging uses 75% less plastic.
- Bundlers for private-label milk products are no longer made of plastic.
- The new Zero Waste range of personal care and hygiene products (shampoos, facial cleanser and dry conditioner) replaces 400ml formats in plastic packaging (38g) with cardboard containers weighing less (5g).
- Recycled PET (rPET) has started to form part of both drinks bottles and trays (almost all charcuterie and meat products now contain rPET).

10.1.3. Responsible waste management

The objective of the Sustainability Plan in relation to waste management is to reduce the amount of waste disposed of in landfill by 40% compared to 2020. To this end, Dia has introduced a new waste management model which will gradually be rolled out to all platforms and countries whereby waste that can have a second life is separated at source, following the waste hierarchy model, i.e. giving priority to prevention and avoiding landfill disposal whenever possible. Under this premise, the Dia Group has reduced waste generation by more than 14,500 tonnes in 2022 (a reduction of 8,500 tonnes already in 2021) and has reduced landfill by over 30% compared to 2021 and by 38% compared to 2020.

Improved range and stock management (using service-based and order preparation formats adapted to each product and each store or using IT tools for order optimisation) and better in-store management of products close to their sell-by dates are the cornerstones of the strategy to prevent wastage. As a result, wastage has been reduced by over 18% compared to last year, with some countries such as Brazil recording reductions of almost 40%.

Dia is also implementing a circular waste segregation project in its stores, which enables waste to be returned to the warehouse in separate lots, facilitating its reuse, recycling or recovery, thus avoiding landfill. These actions, which store employees have played a leading role in carrying out, have resulted in 5 more warehouses being awarded the zero waste certification in 2022 (added to 1 warehouse with this certification already in 2021). At these centres, more than 99% of the waste generated has destinations other than landfill, such as animal feed (around 10% of the waste), composting (around 73%) and biogas (the remaining 16% of the waste).

	Non-hazardous waste (Kg) (306-3)	
	2022	2021
Paper/cardboard	51,634,193.31	54,383,368.70
Toner	1,516.50	1,922.5
Organic waste	13,058,179.80	10,367,907.00
Plastic	3,993,730.69	4,563,087.90
Wood	466,797.20	688,630.3
WEEE	38,048.50	13,996.1
Scrap metal	1,318,200.00	892,545.0
Other (landfill)	22,574,542.00	36,674,237.00
TOTAL	93,085,208.00	107,585,694.54

***The total non-hazardous waste figure for 2021 has been amended with regard the 2021 EINF due to waste segregation adjustments.

Disposal of non-hazardous waste (%) (306- 4; 306-5)							
% recycled		% reused		% energy recovered		% landfill / Incinerated	
2022	2021	2022	2021	2022	2021	2022	2021
65.73	63.55	0.21	0.34	3.79	—	25.42	36.10

Table 24: Non-hazardous waste (kg) at Dia Group

In addition, Dia pays special attention to reducing food waste, an issue that is important from an environmental point of view in the context of waste management, but also from a social perspective.
To improve monitoring and management, Dia has created a common indicator to measure this parameter, for which a 40% reduction target has been set over three years. In addition to the waste management improvements outlined above, there are also improvements aimed specifically at reducing this waste (306-2):

- Increased donations of products fit for human consumption, but not for sale, from new locations such as darkstores, as explained in the Supporting the Community chapter 8.2.2. These donations have increased by more than 80% in 2022.

- Increased engagement with technology partners that encourage the clearance of products that are close to their expiry date, such as *TooGoodtoGo.* Dia began working with this company at the end of 2021 in both Portugal and Spain. This has made it possible to save more than 10,000 kg of food (10,000 in 2021), which is sold at a lower price to customers and also avoids the emission of some 251 tonnes of CO2 (23 in 2021) into the atmosphere. Applications that help sell products that were traditionally sold at a discount in stores have also begun to be used in both Argentina and Brazil. In the latter country, working with the B4Waste platform has made it possible to save more than 200,000 kg of food in 2022.

As a result of these actions, the percentage of food waste in Portugal and Spain regarding total net food receipts in warehouse and stores has dropped by 17% compared to 2021.

10.2. Climate change

Despite not being considered a priority industry for climate change mitigation, the distribution and sale of food products entails significant greenhouse gas emissions, especially upstream, in everything related to the production of the goods that are distributed on the market (according to several studies, 95% of the footprint of companies like Dia could be generated outside their direct operations).

In order to manage the company's impact on climate change, the first step is to get a detailed picture of the carbon footprint associated with its business activity and, as far as possible, with the business activities included in its value chain. Although in 2022 the company did not participate in the Carbon Disclosure Project rating, this monitoring, which earned Grupo Dia an A- rating in 2021, continues to be carried out internally throughout the organisation.

The Dia Group's emissions are calculated using the operational control approach. As the Dia Group has operational control over 100% of the business it manages, excluding stores operating under the FOFO (franchise owned, franchise operated) regime, the inventory calculation applies to all activities carried out in the countries in which it operates and to all business units. This calculation methodology is based on the GHG protocol. Emission factors are updated regularly and depending on the emission source, the DEFRA "Greenhouse Gas Conversion Factor Repository" and the GHG Protocol "Emission Factors from Cross-Sector Tools" are used.

The emissions linked to the Dia Group's activities and facilities are reported, taking the following scopes into consideration:

- Scope 1: direct emissions from stationary and mobile fuel combustion in company cars, exhaust emissions from refrigerant gases (air conditioning/cooling equipment), transport and the distribution of goods from suppliers to warehouses and from warehouses to stores.
- Scope 2: indirect emissions from electricity use.

- Scope 3: indirect emissions from the value chain. The Dia Group only reports the business travel category for Brazil and Spain. It has also launched a systematic approach to collecting data from the online business and it expects to be able to report data for all four countries by 2023.

Since 2021, Dia has been working on the segregated identification of electricity consumption and refrigerant gas recharges in its own and franchised shops, in order to be able to progress in the reporting of other scope 3 categories in the coming years. Reducing the footprint of Dia's own operations and addressing the challenge of working with suppliers to reduce scope 3 emissions are the objectives to work towards in the coming years.

Using the 2020 baseline, the approved Strategic Sustainability Plan commits to a 20% reduction in CO2 emissions across the Group. During the year, Dia has made significant investments in refrigeration[38] and air conditioning equipment and has improved its logistics footprint. In Spain, an "energy efficiency model" has been designed for stores with a focus on employee training, shop refurbishments have been used to introduce automated systems to remotely control lighting, climate and refrigeration, and Dia has taken part in the European Project for Energy Efficiency in Supermarkets (SUPER-HEERO) to introduce a system for monitoring consumption by time zone and store. However, despite these efforts, the footprint of the entire Group has grown by 2.97% in 2022 (305-5), due in part to the increase in refrigeration facilities accompanying the commitment to sell fresh produce, which has an impact on the increase in emissions derived from refrigerant gases and electricity consumption, and the high temperatures experienced during the summer. Another added difficulty has to do with the significant increase in the price of green energy, which has multiplied six-fold in just one year. This uncertainty has led the Group to review its policies and practices, including, for example, a plan to reduce emissions from refrigerant gases in the coming years in Argentina.

38 For further information, see appendix 2 on Taxonomy.

		Energy and refrigerant gas consumption (302-1; 302-2; 302-4)		CO2 emissions (t CO2 eq) (305-1; 305-2; 305-3; 305-5)	
		2022	2021	2022	2021
Scope 1	Fixed sources (GJ):	11,720.99	6,517.1	828.09	422.0
	Logistics (GJ):	1,553,620.32	1,594,470.9	115,165.87	118,194.0
	Company cars (GJ)	38,885.08	35,258.3	2,838.52	2,569.8
	Refrigerant gases (Kg)[39]	149.575	148,014.7	281,328.26	277,645.9
Scope 2	Electricity consumption (GJ)	3,429,724.96	3,418,935.5	266,186.26	249,921.8
Scope 3	Business travel	—	—	6,668.29	5,654.7
TOTAL		—	—	**673,015.28**	**654,408.2**

Table 25: Energy consumption(GJ), refrigerant gas consumption (Kg) and CO2 emissions (t eq) at Dia Group. In terms of logistics, the data reported include the global franchise network's contribution. Furthermore, in 2022 the kilometres travelled by primary transport lorries in Spain (from suppliers to logistics warehouses) has been considered. This is residual and is significantly reduced each year due to the fact that the Company's strategy is to gradually transfer operational control of this activity completely to suppliers. For electricity and refrigerant gases, only part of the franchise network is included.

In turn, climate change may interfere with the normal functioning of operations and the achievement of company objectives, both in the short and long term. The sustainability department has identified which specific Dia assets and processes may be impacted by climate change and the timescale potentially applicable to these risks. In the coming months, climate change risk will be included in the Group's risk map and assessed according to the risk management methodology in place in the company.

Assessed climate risk categories with a negative impact on the company and timescale. Includes the entire value chain.

Category	Rational	Time horizon
Transition risk: emerging regulation	Development of new climate change legislation that imposes new operational and management requirements and could involve a significant adaptation cost.	Short term (0-5 years)
Transition risk: reputation and market	Corporate climate change strategy can influence the decisions of investors and customers and have a potential impact on the Company's share value, sales volume and reputation.	Short term (0-5 years)
Material risk: acute physical	Suppliers' productivity can be affected, qualitatively and quantitatively, by extreme weather conditions (floods, large-scale droughts, etc.).	Medium term (5-15 years)
Material risk: chronic physical	Rising average temperatures in the areas where Dia operates entail a risk of an increase in the direct costs of running refrigeration and air conditioning systems on its premises to ensure the cold chain, product safety and the thermal comfort of customers and staff.	Short term (0-5 years)

39 Breakdown of refrigerant gases reported: R134A, R404A, R407A/C/F, R410A, R422D, R442A, R448A, R449A, R450A, R513A, R22 and other less representative gases, which relate to a total of 1.48 tonnes of CFC-11 equivalents from R22 only. Scope 3 emissions only relate to business travel for Spain and Brazil, as the remaining countries represent less than 5% of the overall total for this indicator.

APPENDIX 1. TABLE OF CONTENTS OF ACT 11/2018 VS. GRI INDICATORS/BENCHMARK REPORTING CRITERIA [40]

Requirements of Act 11/2018	GRI 2022	Scope	Material for Dia	NFIS Chapter
		GENERAL INFORMATION		
		Business model		
Description of the business model, business environment, organisation and structure.	2-1; 2-6	Global	Not applicable	2 Dia GROUP PRESENTATION; 4 BUSINESS MODEL AND STRATEGIC PILLARS
Markets in which the Company operates	2-6	Global	Not applicable	2 Dia GROUP PRESENTATION
Objectives and strategies		Global	Not applicable	4.1 Business context; 5.3 Materiality
Key factors and trends that may affect the Company's future development		Global	Not applicable	4.1 Business context; 5.3 Materiality
Description of policies, including due diligence procedures and verification and control procedures, including what measures have been taken	GRI 3-3: Economic, environmental and social performance factor	Global	Not applicable	6 GOOD GOVERNANCE; 7 MAKING QUALITY FOOD ACCESSIBLE TO ALL; 8 BUILDING A DIA COMMUNITY IN EVERY NEIGHBOURHOOD; 9 UNDERSTANDING AND SUPPORTING OUR PARTNERS; 10 WORKING PROACTIVELY ON ENVIRONMENTAL CHALLENGES
The results of these policies and associated KPIs (these KPIs should enable the assessment of progress and comparability between companies and sectors, in accordance with national, European or international benchmark frameworks used for each area)	GRI 3-3: Economic, environmental and social performance factor	Global	Not applicable	6 GOOD GOVERNANCE; 7 MAKING QUALITY FOOD ACCESSIBLE TO ALL; 8 BUILDING A DIA COMMUNITY IN EVERY NEIGHBOURHOOD; 9 UNDERSTANDING AND SUPPORTING OUR PARTNERS ; 10 WORKING PROACTIVELY ON ENVIRONMENTAL CHALLENGES

40 The tags referring to the GRI thematic standards used to aid identification of the text and data that respond to the various requirements of Law 11/2018 have been included throughout the NFIS, except for the tags relating to universal standards GRI-2 and GRI-3, which are referred to in this table in Appendix 1. This is because it refers to more general Information about the company or management approaches in relation to each specific GRI mentioned in the different chapters.

Requirements of Act 11/2018	GRI 2022	Scope	Material for Dia	NFIS Chapter
Main risks identified, risk management model and materialization of risks.	3-2	Global	Not applicable	4.1 Business context; 5.3 Materiality 6.2.1 Internal control and risk management committee
ENVIRONMENTAL ISSUES				
General information about environmental performance				
Current and foreseeable effects of the Company's activities on the environment and, where appropriate, on health and safety	GRI 3-3: Environmental focus	Global	Yes (Packaging; waste management and food waste; climate change)	10 WORKING PROACTIVELY ON ENVIRONMENTAL CHALLENGES
Environmental assessment or certification procedures	GRI 3-3: Environmental focus	Global	Yes (Packaging; waste management and food waste; climate change)	10 WORKING PROACTIVELY ON ENVIRONMENTAL CHALLENGES
Resources dedicated to preventing environmental risk	GRI 3-3: Environmental focus	Global	Yes (Packaging; waste management and food waste; climate change)	10 WORKING PROACTIVELY ON ENVIRONMENTAL CHALLENGES
Application of the cautionary principle	GRI 3-3: Environmental focus	Global	Yes (Sustainability of raw materials)	10 WORKING PROACTIVELY ON ENVIRONMENTAL CHALLENGES
The amount of provisions and guarantees for environmental risks	307-1	Global	Yes (Packaging; waste management and food waste; climate change)	10 WORKING PROACTIVELY ON ENVIRONMENTAL CHALLENGES
Pollution				
Measures for preventing, reducing or offsetting carbon emissions that seriously affect the environment; taking into account any kind of atmospheric pollution specific to an activity, including sound and light contamination.	GRI 3-3: Emissions management approach	Global	Yes (Climate change)	10.2 Climate change
Circular economy and waste prevention				
Waste: Measures for prevention, recycling, reusing, other forms of recovery and waste elimination;	306-3; 306-4; 306-5	Global	Yes (Waste management and food waste)	10.1.3 Responsible waste management
Actions to combat food waste	306-2	Spain and Portugal	Yes (Waste management and food waste)	10.1.3 Responsible waste management

Requirements of Act 11/2018	GRI 2022	Scope	Material for Dia	NFIS Chapter
		Sustainable use of resources		
Water consumption and water supply according to local limitations;	Not material	Not applicable	Not material	Not applicable
Consumption of raw materials and measures taken to improve efficiency of use;	301-1	Global for operational inputs; Spain for packaging	Yes (Packaging)	10.1 Circular economy
Direct and indirect consumption of energy, measures taken to improve energy efficiency and use of renewable energies.	GRI 3-3: energy management approach; 302-1; 302-2; 302-4	Global	Yes (Climate change)	10.2 Climate change
		Climate change		
Significant elements of greenhouse gas emissions generated as a result of Company activity, including the use of goods and services it produces;	305-1; 305-2; 305-3; 305-5; 305-6	Global	Yes (Climate change)	10.2 Climate change
The measures taken to adapt to the consequences of climate change	GRI 3-3: Emissions and energy management approach	Global	Yes (Climate change)	10.2 Climate change
Medium and long-term voluntary reduction targets for greenhouse gas emissions and the measures implemented for this purpose.	GRI 3-3: Emissions and energy management approach	Global	Yes (Climate change)	10.2 Climate change
		Biodiversity protection		
Measures taken to preserve or restore biodiversity;	GRI 3-3: Biodiversity management approach	Not applicable	Yes (Sustainability of raw materials)	9.2.2.1 Sustainability of raw materials
Impacts caused by activities or operations in protected areas.	304-2: significant impacts of products on biodiversity	Not applicable	Non-material direct impacts; Material indirect impacts (Sustainability of raw materials)	9.2.2.1 Sustainability of raw materials

Requirements of Act 11/2018	GRI 2022	Scope	Material for Dia	NFIS Chapter
		SOCIAL AND EMPLOYEE ISSUES		
		Employment		
Total number of employees by gender, age, country and professional category;	405-1	Global	Yes (Diversity and inclusion)	8.1 Human capital
Total number of employees by contract type;	2-7	Global	Yes (Diversity and inclusion)	8.1. 1 Responsible for quality employment
Average annual number of permanent contracts, temporary, full and part-time contracts by gender, age and professional category;	2-7	Global	Yes (Diversity and inclusion)	8.1. 1 Responsible for quality employment
Employee turnover by gender, age and professional category;	GRI 3-3: Employment management approach	Global	Yes (Diversity and inclusion)	8.1. 1 Responsible for quality employment
Average remuneration and evolution by gender, age and professional category or equivalent value;	GRI 3-3: Employment management approach	Global	Yes (Team and employee development)	8.1. 1 Responsible for quality employment
Wage gap, remuneration of equal jobs;	GRI 3-3: Employment management approach	Global	Yes (Diversity and inclusion)	8.1. 1 Responsible for quality employment; 8.1.4 Diversity and inclusion
Average remuneration of board members and executives, including variable remuneration, allowances, indemnities, payment of long-term savings plans and any other benefit, broken down by gender;	405-2	Global	6. Team development	8.1.1 Responsible for quality employment; 6.1 Composition and structure of the Board of Directors
Implementation of policies safeguarding employees' right to disconnect;	GRI 3-3: Employment management approach	Global	Yes (Team and employee development)	8.1 Human capital

Requirements of Act 11/2018	GRI 2022	Scope	Material for Dia	NFIS Chapter
Employees with disabilities	405-1	Global	Yes (Diversity and inclusion)	8.1.4 Diversity and inclusion
		Work organisation		
Organisation of work time	GRI 3-3: Employment management approach	Global	Yes (Team and employee development)	8.1.4 Diversity and inclusion
Number of hours of absenteeism	GRI 403: Occupational health and safety	Global	Yes (Team and employee development)	8.1.3 Occupational health and safety
Measures taken to facilitate work - life balance and promote shared responsibility by both parents	GRI 3-3: Employment management approach	Global	Yes (Team and employee development)	8.1.3 Occupational health and safety; 8.1.4 Diversity and inclusion
		Health and safety		
Occupational health and safety conditions;	GRI 3-3: Health and safety management approach	Global	Yes (Health and safety)	8.1.3 Occupational health and safety
Work-related accidents, specifying accident rates and severity, reported by gender.	403-9	Global	Yes (Health and safety)	8.1.3 Occupational health and safety
Work-related ill health by gender.	403-10	Global	Yes (Health and safety)	8.1.3 Occupational health and safety
		Employee relations		
Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff;	GRI 3-3: Employment management approach	Global	Yes (Team and employee development)	8.1. 1 Responsible for quality employment
Percentage of employees covered by a collective agreement, by country;	2-30	Global	Yes (Team and employee development)	8.1. 1 Responsible for quality employment
Balance of collective agreements, particularly in the area of occupational health and safety	GRI 3-3: Health and safety management approach	Global	Yes (Team and employee development)	8.1. 1 Responsible for quality employment
		Training		
Policies implemented in the area of training;	GRI 3-3: Training management approach	Global	Yes (Team and employee development)	8.1.2 Employee development

Requirements of Act 11/2018	GRI 2022	Scope	Material for Dia	NFIS Chapter
Total hours of training by professional category.	404-1	Global	Yes (Team and employee development)	8.1.2 Employee development
Universal accessibility for persons with disabilities	GRI 3-3: Diversity and equal opportunities approach	Global	8. Diversity and inclusion	8.1.2 Employee development
		Equality		
Measures taken to promote equal opportunities for and treatment of men and women;	GRI 3-3: Diversity and equal opportunities approach	Global	Yes (Diversity and inclusion)	8.1.4 Diversity and inclusion
Equality plans, measures taken to promote employment, protocols against sexual and gender-based harassment	GRI 3-3: Diversity and equal opportunities approach	Global	Yes (Diversity and inclusion)	8.1.4 Diversity and inclusion
Measures taken to promote the integration and universal accessibility of persons with disabilities.	GRI 3-3: Diversity and equal opportunities approach	Global	Yes (Diversity and inclusion)	8.1.4 Diversity and inclusion
Policy against all types of discrimination and, if applicable, diversity management	GRI 3-3: Diversity and equal opportunities approach	Global	Yes (Diversity and inclusion)	8.1.4 Diversity and inclusion
		HUMAN RIGHTS		
Application of due diligence procedures with regard to human rights;	412-3	Global	Yes (Human rights)	9.2.2.2 Human rights management
Prevention of risk of human rights violations and, if applicable, measures to mitigate, manage and address possible abuses committed;	412-3	Global	Yes (Human rights)	9.2.2.2 Human rights management
Cases of human rights violations reported;	2-26	Global	5. Human Rights	6.2.3. Ethics Committee.

Requirements of Act 11/2018	GRI 2022	Scope	Material for Dia	NFIS Chapter
Promotion and compliance with the provisions of the core agreements of the International Labour Organisation relating to respect for freedom of association and the right to collective negotiation;	2-23; 2-30	Global	5. Human Rights	6.2.3 Ethics Committee; 9.2.2.2 Human rights management; 8.1.1 Responsible for quality employment
Elimination of workplace job discrimination;	406-1	Global	Yes (Diversity and inclusion)	6.2.3. Ethics Committee.
Elimination of forced labour;	2-23 ; 2-26; 409-1	Global	Yes (Human rights)	6.2.3. Ethics Committee; 9.2.2.2 Human rights management; 8.1.1 Responsible for quality employment
Abolishment of child labour	2-23; 2-26; 408-1	Global	Yes (Human rights)	6.2.3. Ethics Committee; 9.2.2.2 Human rights management; 8.1.1 Responsible for quality employment
CORRUPTION AND BRIBERY				
Measures taken to prevent corruption and bribery;	2-23; 2-26; 205-2; 205-3	Global	Yes (Business ethics)	6.2.3. Ethics Committee.
Anti-money laundering measures.	2-23; 205-2	Global	Not material	6.2.3. Ethics Committee.
Contributions to foundations and non-profits.	GRI 3-3: Local communities management approach	Global	Not material	8.2. 2 Supporting the community
SOCIETY				
Commitments to sustainable development				
Impact of the company's activity on local jobs and development;	GRI 3-3: Local communities management approach; 2-7; 204-1	Global	Yes (Diversity and inclusion)	8.1 Human capital; 9 UNDERSTANDING AND SUPPORTING OUR PARTNERS AT SOURCE
Impact of the Company's activity on local towns and the region;	GRI 3-3: Employment management approach; Local communities management approach	Global	Yes (Diversity and inclusion)	8 BUILDING A Dia COMMUNITY IN EVERY NEIGHBOURHOOD; 9 UNDERSTANDING AND SUPPORTING OUR PARTNERS AT SOURCE

Requirements of Act 11/2018	GRI 2022	Scope	Material for Dia	NFIS Chapter
Relations with local community players and types of dialogue with these;	2-29	Global	Yes (listening to stakeholders prior to defining material issues)	5.3 Materiality
Association activities and sponsorship	2-28	Global	Not material	8.2. 2 Supporting the community
		Outsourcing and suppliers		
Social issues, gender equality and environmental issues in the procurement policy; consideration in the relationships with suppliers and subcontractors of their social and environmental responsibility	GRI 3-3: Management approach Environmental and social assessment of suppliers; 412- 3; 414-1	Global	Yes (Sustainability of raw materials; human rights)	9.2.2.1. Sustainability of raw materials; 9.2.2.2 Human rights management
Supervision and auditing systems and the results thereof	GRI 3-3: Environmental and social assessment of suppliers management approach	Global	Yes (Human rights)	9.2.2.2 Human rights management
		Consumers		
Measures for health and safety of consumers;	GRI 3-3: Customer health and safety management approach; 416-1	Global	Yes (Food safety)	7.1 Food safety
Claims and complaints systems and resolution.	GRI 3-3: Customer health and safety management approach	Global	Yes (Food safety)	7 MAKING QUALITY FOOD ACCESSIBLE TO ALL CUSTOMERS
		Tax information		
Profits earned by country	207-4	Global	Yes (Business ethics)	8.2.1. Tax management and governance
Taxes on profits paid	207-4	Global	Yes (Business ethics)	8.2.1. Tax management and governance
Public grants received	201-4	Global	Yes (Business ethics)	8.2.1. Tax management and governance

ADDITIONAL INFORMATION

Requirements of Act 11/2018	GRI 2022	Scope	Material for Dia	NFIS Chapter
Other information about the organisational profile	2-1; 2-6; 2-8	Global	Not applicable	1 BASIS FOR PRESENTATION OF THE NON-FINANCIAL INFORMATION STATEMENT; 2 Dia GROUP PRESENTATATION; 8.2 Accountability to society; 9.2 Suppliers
Corporate governance	2-9	Global	Not applicable	6 GOOD GOVERNANCE AND COMMITMENT TO THE HIGHEST ETHICAL STANDARDS
Stakeholder participation	2-29	Global	Not applicable	5.3 Materiality
Other information about the report profile	2-2; 2-3; 2-5	Global	Not applicable	BASIS OF PREPARATION OF THE NON-FINANCIAL INFORMATION STATEMENT

TAXONOMY: response to the requirements arising from the EU Taxonomy Regulation 2020/852, using the delegated regulations implementing this regulation as criteria.

APPENDIX 2. TAXONOMY

Having disclosed the taxonomy eligibility analysis of the Dia Group's activities last year in response to Regulation (EU) 2020/852, and more specifically its Delegated Disclosure Act (Delegated Regulation (EU) 2021/2178), this document also analyses the alignment of eligible activities in compliance with the deadlines defined in the aforementioned regulations.

The activities identified as eligible in 2022 are as follows[41]:

ECONOMIC ACTIVITY	CODE	TAXONOMY DESCRIPTION OF ECONOMIC ACTIVITY	DESCRIPTION OF DIA ACTIVITY
Production of heat/cool using waste heat	*4.25*	*Construction and operation of facilities producing heat/cool using waste heat.*	*Installation of plants that use the condensation heat generated in the stores' cooling and heating cycle.*
Transport by motorbikes, passenger cars and light commercial vehicles	*6.5*	*Purchase, financing, renting, leasing and operation of vehicles designated as category M1, N1 or L.*	*Renewal of the corporate car fleet with more efficient and modern models.*
Freight transport services by road	*6.6**	*Purchase, financing, leasing, rental and operation of vehicles designated as category N1, N2 or N3 falling under the scope of EURO VI, step E, or its successor, for freight transport services by road.*	*Rental of heavy goods vehicles for transporting goods from warehouse to stores.*
Renovation of existing buildings	*7.2**	*Construction and civil engineering works or preparation thereof.*	*Renovation of warehouse and stores.*
Installation, maintenance and repair of energy efficiency equipment	*7.3*	*Individual renovation measures consisting in installation, maintenance or repair of energy efficiency equipment.*	*Renewal of more efficient refrigeration, cooling and air-conditioning equipment and with refrigerant gases with lower GWP; LED renovation projects to reduce electricity consumption.*
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	*7.5*	*Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings.*	*Renovation of the refrigeration control systems in several warehouses to improve control and energy efficiency and pilot tests of automated systems in stores.*

*Additional activity identified in 2022 eligibility analysis

Although the technical criteria for both climate change mitigation and adaptation have been published, it has been decided to report on only one of them, namely the climate change mitigation objective. This was the objective chosen for the DIA Group's taxonomy disclosure following a suitability analysis of the Group's activities, as efforts and investments have been made to minimise and eliminate greenhouse gases (GHG). All of the Group's eligible activities are either listed under both objectives or only under mitigation and have therefore all been allocated to this objective.

To assess the alignment of eligible activities, coordinated work has been carried out between the sustainability, procurement, operations and finance teams. After identifying the eligible activities, individualised questionnaires were drawn up for each of them with the corresponding alignment requirements. These questionnaires were given to the technical teams so that they could provide the requested information and the sustainability team could subsequently interpret the results. Once the taxonomy-compliant activities have been classified, the financial information is identified to calculate the key turnover, CapEx and OpEx indicators.

41 The taxonomy disclosure analysis does not include the activities listed as discontinued in 2022.

Based on this analysis, it is concluded that none of the eligible activities is an income-generating activity for the Company; therefore, the turnover benchmark indicator takes on a value of 0%. According to the calculation criteria described in the Taxonomy, 23% of CapEx is eligible under the climate mitigation delegated act, of which 0.2% is aligned.

Calculations have shown that 38% of OpEx is eligible and not aligned, relating to €173,004 thousand compared to the €454,928 thousand of OpEx defined in the Taxonomy regulation.

	Proportion of eligible and aligned economic activities	*Proportion of eligible economic activities that are not aligned*	*Proportion of non-eligible economic activities*
Turnover	-	-	**100%**
Capital expenditure (CapEx)	**0.2%**	**23%**	**77%**
Operational expenditure (OpEx)	-	**38%**	**62%**

To calculate the aforementioned indicators, the numerator has been determined from the control and monitoring records of the 2022 investment budget from the Technical and Procurement departments, following the same accounting criteria that govern the DIA Group's financial accounting.

The key turnover indicator is defined in Delegated Regulation (EU) 2021/2178 as the proportion of income arising from taxonomy-compliant activities (numerator) divided by total Group income (denominator), in accordance with International Accounting Standard (IAS) 1, paragraph 82(a), as adopted by Commission Regulation (EC) No. 1126/2008. The numerator for this indicator continues to be zero, as the Group has no income-generating activities among those described in the Taxonomy regulations. The amount shown in the denominator, therefore, relates to the amount shown as net turnover in the consolidated income statement in the 2022 consolidated annual accounts of Dia Group.

The numerator of the CapEx indicator has been obtained by identifying the eligible activities that meet the alignment requirements, so that the value of the investments therein can be subsequently consolidated. Each activity included has only been accounted for by one area of the Company, thus avoiding the double accounting of such investments. For the denominator, additions to tangible and intangible assets before amortisation/depreciation and possible revaluations, including those resulting from revaluations and impairment, have been included for 2022, excluding changes in fair value. Additions to tangible and intangible assets resulting from business combinations, if any, would also have been included, covering costs that are accounted for in accordance with IAS 16 Property, plant and equipment and IFRS 16 Leases. In accordance with our consolidated financial statements, total CapEx is disclosed in Notes 5, 6.2 and 6.3 to the 2022 Consolidated Annual Accounts. The proportion obtained in the eligible CapEx indicator in 2022 was 23% compared to 9.27% in 2021. This increase is explained by the inclusion of the Light Remodelling project, which relates to the Renovation of existing buildings activity.

For OpEx, the indicator represents the share of operating costs specified in the regulations for taxonomy-compliant activities (numerator) divided by the total Opex as specified in the taxonomy (denominator). This is understood to be the direct non-capitalised costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the Dia Group or third party to whom these activities are outsourced and which are necessary to ensure the continued and effective functioning of such assets. The amount expressed in the denominator is shown in Note 19.4 to the Dia Group's 2022 Consolidated Annual Accounts. Compared to FY 2021, Opex changes from a 0% eligibility percentage to 38% for two main reasons; on the one hand, a new activity has been identified (the inclusion of warehouse-store transport services) and, on the other hand, the denominator has been adjusted to only take into account certain operating expense items. Specifically, this adjustment limits the amounts included in the denominator to the "repair and maintenance", "supplies", "property leases", "furniture leases" and "transport" items included in Note 19.4 to the 2022 Consolidated Annual Accounts.

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APPENDIX I. 2022 DISCLOSURE TABLE

Proportion of turnover from eligible and non-eligible economic activities according to the Taxonomy for 2022.

				Substantial contribution	DNSH							
ECONOMIC ATIVITIES	Codes	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum social guarantees	Category (facilitating activity)	Category (transitional activity)
		(thousands of Euros)	%	%	%	%	%	%	%	S/N	F	T
A. TAXONOMY-ELIGIBLE ACTIVITIES												
A.1. Environmentally sustainable activities (taxonomy-compliant)												
Turnover from environmentally sustainable activities (taxonomy-compliant) (A.1)		-	0%									
A.2. Taxonomy-eligible activities, but not environmentally sustainable (not taxonomy-compliant)												
Turnover from taxonomy-eligible activities, but not environmentally sustainable (not taxonomy-compliant) (A.2)		-	0%									
Total (A.1 + A.2)		-	0%									
B. TAXONOMY NON-ELIGIBLE ACTIVITIES												
Turnover from taxonomy non-eligible activities (B)		6,524,320.00	100%									
Total (A+B)		6,524,320.00	100%									

Proportion of **CapEx** from taxonomy-eligible and taxonomy-non-eligible economic activities in 2022

				Substantial contribution	DNSH							
ECONOMIC ACTIVITIES	**Codes**	**Absolute CAPEX**	**Proportion of CAPEX**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum social guarantees**	**Category (facilitating activity)**	**Category (transitional activity)**
		Currency	%	%	%	%	%	%	%	S/N	F	T
A. TAXONOMY-ELIGIBLE ACTIVITIES												
A.1. Environmentally sustainable activities (taxonomy-compliant)												
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	*7.5*	*€1,248,797.82*	0.2%	YES	YES	*n/a*	*n/a*	*n/a*	*n/a*	S	F	N/A
CAPEX from environmentally sustainable activities (taxonomy-compliant) (A.1)		**€1,248,797.82**	**0.2%**									
A.2. Taxonomy-eligible activities, but not environmentally sustainable (not taxonomy-compliant)												
Production of heat/cool using waste heat	*4.25*	*€552,383.00*	0.1%									
Renovation of existing buildings	*7.2*	*€120,867,037.85*	21.6%									
Installation, maintenance and repair of energy efficiency equipment	*7.3*	*€6,726,177.22*	1.2%									
CAPEX from taxonomy-eligible activities, but not environmentally sustainable (not taxonomy-compliant) (A.2)		**€128,145,598.07**	**22.9**									
Total (A.1 + A.2)		**€129,394,395.89**	**23**									
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES												
CAPEX from taxonomy-non-eligible activities (B)		**€430,795,604.11**	**77**									
Total (A+B)		**€560,190,000.00**	**100**									

Proportion of **OpEx** from taxonomy-eligible and taxonomy-non-eligible economic activities in 2022

				Substantial contribution	DNSH								
ECONOMIC ACTIVITIES	Codes	Absolute OPEX	Proportion of OPEX	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum social guarantees	Category (facilitating activity)	Category (transitional activity)
		Currency	%	%	%	%	%	%	%	S/N	F	T
A. TAXONOMY-ELIGIBLE ACTIVITIES												
A.1. Environmentally sustainable activities (taxonomy- compliant)												
OPEX from environmentally sustainable activities (taxonomy-compliant) (A.1)		- €	0%									
A.2. Taxonomy-eligible activities, but not environmentally sustainable (not taxonomy-compliant)												
Transport by motorbikes, passenger cars and light commercial vehicles	*6.5*	*€3,207,201.18*	**0.7%**									
Freight transport services by road	*6.6*	*€169,797,000.00*	**37.3%**									
OPEX from taxonomy-eligible activities, but not environmentally sustainable (not taxonomy-compliant) (A.2)		**€173,004,201.18**	**38%**									
Total (A.1 + A.2)		**€173.004,201.18**	**38%**									
A. TAXONOMY-NON-ELIGIBLE ACTIVITIES												
OPEX from taxonomy-non-eligible activities (B)		**€281,923,798.82**	**62%**									
Total (A+B)		**€454.928,000.00**	**100%**									