

Distribuidora Internacional de Alimentación, S.A. and subsidiaries

**Condensed Interim Consolidated Financial
Statements and Condensed interim consolidated
directors' report**

30 June 2017

Directors' Report

2017

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



KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Limited Review Report
on the Condensed Interim Consolidated Financial Statements

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

To the Shareholders of
Distribuidora Internacional de Alimentación, S.A.
as requested by the Company's Directors

Report on the condensed interim consolidated financial statements

Introduction

We have carried out a limited review of the accompanying condensed interim consolidated financial statements (the "interim financial statements") of Distribuidora Internacional de Alimentación, S.A. (hereinafter the "Company") and subsidiaries (the "Group"), which comprise the statement of financial position at 30 June 2017, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the explanatory notes for the six-month period then ended (all condensed and consolidated). Pursuant to article 12 of Royal Decree 1362/2007, the Directors of the Company are responsible for the preparation of these condensed interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit of accounts opinion on the accompanying condensed interim consolidated financial statements.

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements for the 6-month period ended 30 June 2017 have not been prepared in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007.

Emphasis of matter paragraph

We draw your attention to the accompanying note 2, which states that these condensed interim consolidated financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying condensed interim consolidated financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2016. This matter does not modify our conclusion.

Report on other legal and regulatory requirements

The accompanying condensed interim consolidated directors' report for the 6-month period ended 30 June 2017 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the condensed interim consolidated financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The interim consolidated directors' report is not an integral part of the condensed interim consolidated financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the condensed interim financial statements for the 6-month period ended 30 June 2017. Our work is limited to the verification of the interim consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Distribuidora Internacional de Alimentación, S.A. and subsidiaries.

Paragraph on other matters

This report has been prepared at the request of the Company's Directors in relation to the publication of the six-monthly financial report required by article 35 of Law 24/1988 of 28 July 1988 governing the securities market, enacted by Royal Decree 1362/2007 of 19 October 2007.

KPMG Auditores, S.L.

(Signed on original in Spanish)

María Lacarra

26 July 2017

**Distribuidora Internacional de
Alimentación, S.A. and
Subsidiaries**

**Condensed Consolidated Interim
Financial Statements and
Condensed Consolidated Interim
Directors' Report**

for the six-month period

ended 30 June 2017

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

DÍA

Distribuidora Internacional de Alimentación, S.A. and Subsidiaries**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****for the six-month period ended 30 June 2017**

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

- I Consolidated statements of financial position**
- II Consolidated income statements**
- III Consolidated statements of comprehensive income**
- IV Consolidated statements of changes in equity**
- V Consolidated statements of cash flows**
- VI Explanatory notes to the Condensed Consolidated Interim Financial Statements**
 - 1 Corporate Information**
 - 2 Basis of Presentation**
 - 3 Information on Operating Segments**
 - 4 Property, Plant and Equipment**
 - 5 Intangible Assets**
 - 6 Financial Assets**
 - 7 Derivative Financial Instruments and Hedges**
 - 8 Other Equity-accounted Investees**
 - 9 Other Assets**
 - 10 Inventories**
 - 11 Cash and Cash Equivalents**
 - 12 Disposal Groups Classified as Held for Sale and Discontinued Operations**
 - 13 Equity**
 - 14 Financial Liabilities**
 - 15 Provisions**
 - 16 Tax Assets and Liabilities and Income Tax**
 - 17 Share-based Payment Transactions**
 - 18 Other Income and Expenses**
 - 19 Commitments and Contingencies**
 - 20 Related Parties**
 - 21 Other Information**
 - 22 Events after the Reporting Period**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (I)
at 30 June 2017 and 31 December 2016
(Expressed in thousands of Euros)

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

ASSETS	Notes	2017	2016
		30th June	31st December
Property, plant and equipment	4	1,416,059	1,469,078
Goodwill	5.1	557,340	557,818
Other intangible assets	5.2	37,957	37,505
Investments accounted for using the equity method	8	-	185
Trade and other receivables	6.1	67,259	69,345
Other non-current financial assets	6.2	63,668	58,657
Consumer loans from financial activities	6.3	339	401
Deferred tax assets	16	304,800	314,273
Non-current assets		2,447,422	2,507,262
Inventories	10	647,765	669,592
Trade and other receivables	6.1	345,466	260,862
Consumer loans from financial activities	6.3	6,092	6,220
Current tax assets	16	67,108	71,087
Current income tax assets	16	3,003	8,832
Other current financial assets	6.2	10,703	19,734
Other assets	9	12,733	8,140
Cash and cash equivalents	11	204,719	364,600
Non-current assets held for sale	12	41,768	-
Current assets		1,339,357	1,409,067
TOTAL ASSETS		3,786,779	3,916,329

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (I)
at 30 June 2017 and 31 December 2016
(Expressed in thousands of Euros)

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

EQUITY AND LIABILITIES	Notes	2017	2016
		30th June	31st December
Capital	13.1	62,246	62,246
Reserves	13.2	304,186	261,108
Own shares	13.3	(60,787)	(66,571)
Other own equity instruments	13.3 and 17	17,262	21,013
Net profit for the period		54,018	174,043
Traslation differences	13.6	(81,903)	(59,773)
Value adjustments due to cash flow hedges		(52)	92
Equity attributable to equity holders of the Parent		294,970	392,158
Non-controlling interests	13.5	(83)	(60)
Total Equity		294,887	392,098
Non-current borrowings	14.1	942,748	1,062,273
Provisions	15	47,934	45,841
Other non-current financial liabilities	14.2	2,606	2,785
Deferred tax liabilities	16	43,009	44,109
Non-current liabilities		1,036,297	1,155,008
Current borrowings	14.1	281,858	180,734
Trade and other payables	14.3	1,736,368	1,952,848
Current tax liabilities	16	74,958	85,494
Current income tax liabilities	16	16,000	15,505
Other current financial liabilities	14.4	287,239	134,642
Liabilities directly associated with non-current assets held for sale	12	59,172	-
Current liabilities		2,455,595	2,369,223
TOTAL EQUITY AND LIABILITIES		3,786,779	3,916,329

CONSOLIDATED INCOME STATEMENTS (II)

for the six-month periods ended 30 June 2017 and 2016

(Expressed in thousands of Euros)

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

INCOME STATEMENT	Notes	Re-expressed (*)	
		2017 30th June	2016 30th June
Sales	3	4,287,587	4,148,336
Other income	18.1	55,886	49,966
TOTAL INCOME		4,343,473	4,198,302
Goods and other consumables used	18.2	(3,341,835)	(3,248,543)
Personnel expenses	18.3	(419,905)	(417,918)
Operating expenses	18.4	(338,363)	(304,441)
Amortisation and depreciation	18.5	(117,107)	(111,313)
Impairment	18.5	(2,502)	(1,889)
Losses on disposal of fixed assets	18.6	(9,096)	(3,923)
RESULTS FROM OPERATING ACTIVITIES		114,665	110,275
Finance income	18.7	2,689	4,632
Finance expenses	18.7	(32,873)	(31,346)
Profit of companies accounted for using the equity method	8	(379)	(259)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		84,102	83,302
Income tax	16	(20,379)	(16,949)
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		63,723	66,353
Gains net of taxes of discontinued operations	12	(9,728)	(6,559)
NET PROFIT		53,995	59,794
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITYHOLDERS OF THE PARENT		54,018	59,812
PROFIT FROM CONTINUING OPERATIONS		63,746	66,371
PROFIT FROM DISCONTINUED OPERATIONS		(9,728)	(6,559)
Losses from continuing operations attributable to non-controlling interests		(23)	(18)
Basic and diluted earnings per share, in euros			
Profit on continuing operations		0.10	0.11
Profit on discontinued operations		(0.01)	(0.01)
Profit for the period		0.09	0.10

(*) see note 12

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (III)

for the six-month periods ended 30 June 2017 and 2016

(Expressed in thousands of Euros)

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

	2017 30th June	2016 30th June
Net profit for the year	53,995	59,794
Other comprehensive income:		
Items not subject to reclassification to income statement	-	-
Items subject to reclassification to income statement		
Translation differences of financial statements of foreign operations	(22,130) (22,130)	24,633 24,633
Value adjustments due to cash flow hedges	(192)	13
Tax effect	48 (144)	(3) 10
Other comprehensive income, net of income tax	(22,274)	24,643
Total comprehensive income, net of income tax	31,721	84,437
Attributed to:		
Equityholders of the Parent	31,744	84,455
Non-controlling interests (note 13.5)	(23)	(18)
	31,721	84,437

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (IV)

for the six-month periods ended 30 June 2017 and 2016

(Expressed in thousands of Euros)

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

Equity attributable to equityholders of the Parent

	Registered capital	Reserves and accumulated earnings	Own shares	Other own equity instruments	Value adjustments due to cash flow hedges	Translation differences	Equity attributable to the Parent	Minority interests	Total equity
At 1st January 2016	62,246	386,544	(53,561)	11,647	50	(93,683)	313,243	(18)	313,225
Net profit for the period	-	59,812	-	-	-	-	59,812	(18)	59,794
Other comprehensive income net of income tax	-	-	-	-	10	24,633	24,643	-	24,643
Translation differences of financial statements of foreign	-	-	-	-	-	24,633	24,633	-	24,633
Value adjustments due to cash flow hedges	-	-	-	-	10	-	10	-	10
Total comprehensive income for the period	-	59,812	-	-	10	24,633	84,455	(18)	84,437
Transactions with equityholders or owners	-	(124,501)	1,075	5,476	-	-	(117,950)	-	(117,950)
Distribution of the profit of the previous year	-	(122,855)	-	-	-	-	(122,855)	-	(122,855)
Issuance of share-based payments (note 17)	-	-	-	10,382	-	-	10,382	-	10,382
Transactions with own shares or equity holdings	-	(1,646)	1,075	(4,906)	-	-	(5,477)	-	(5,477)
At 30th June 2016	62,246	321,855	(52,486)	17,123	60	(69,050)	279,748	(36)	279,712
At 1st January 2017	62,246	435,151	(66,571)	21,013	92	(59,773)	392,158	(60)	392,098
Net profit for the period	-	54,018	-	-	-	-	54,018	(23)	53,995
Other comprehensive income net of income tax	-	-	-	-	(144)	(22,130)	(22,274)	-	(22,274)
Translation differences of financial statements of foreign	-	-	-	-	-	(22,130)	(22,130)	-	(22,130)
Value adjustments due to cash flow hedges	-	-	-	-	(144)	-	(144)	-	(144)
Total comprehensive income for the period	-	54,018	-	-	(144)	(22,130)	31,744	(23)	31,721
Transactions with equityholders or owners	-	(130,965)	5,784	(3,751)	-	-	(128,932)	-	(128,932)
Distribution of the profit of the previous year	-	(128,384)	-	-	-	-	(128,384)	-	(128,384)
Issuance of share-based payments (note 17)	-	-	-	1,520	-	-	1,520	-	1,520
Transactions with own shares or equity holdings	-	(2,581)	5,784	(5,271)	-	-	(2,068)	-	(2,068)
At 30th June 2017	62,246	358,204	(60,787)	17,262	(52)	(81,903)	294,970	(83)	294,887

CONSOLIDATED STATEMENTS OF CASH FLOWS (V)

for the six-month periods ended 30 June 2017 and 2016

(Expressed in thousands of Euros)

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

	Notes	2017 30th June	Re-expressed (*) 2016 30th June
Operating activities			
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		84,102	83,302
Loss before tax from discontinued operations	12	(9,728)	(6,559)
Profit before income tax		74,374	76,743
Adjustments to Profit and Loss:		157,580	147,249
Amortisation and depreciation	18.5	117,107	111,313
Impairment	18.5	2,502	1,889
Losses on disposal of fixed assets	18.6	9,096	3,923
Finance income	18.7	(2,689)	(4,632)
Finance expenses	18.7	32,873	31,346
Net reversals of provisions and grants		1,491	(5,598)
Other adjustments to Profit and Loss		(3,179)	8,749
Profit/(loss) of companies accounted for using the equity method net of dividends		379	259
Adjustments to working capital:		(254,141)	24,786
Changes in trade and other receivables		(84,725)	(106,572)
Changes in inventories		10,228	(62,290)
Changes in trade and other payables		(169,085)	161,138
Changes in consumer loan and refinancing commitments		190	10
Changes in other assets		(5,085)	9,288
Changes in other liabilities		(1,422)	(13,809)
Changes in assets held for sale and liabilities	12	293	4,226
Current income tax paid	16	(4,535)	32,795
Net cash flows from/(used in) operating activities		(22,187)	248,778
Investing activities			
Acquisition of intangible assets	5.1 and 5.2	(7,684)	(4,429)
Acquisition of property, plant and equipment	4	(116,790)	(179,950)
Acquisition of financial instruments		(9,254)	(18,776)
Disposals of property, plant and equipment	18.6	5,741	1,646
Payments for other financial assets		5,862	18,651
Interest received		1,195	2,894
Investing flows of discontinued operations	12	2,294	(1,000)
Net cash flows used in investing activities		(118,636)	(180,964)
Financing activities			
Acquisition of own shares		(5,706)	(4,048)
Borrowings made	14.1	300,000	300,000
Borrowings repaid	14.1	(271,227)	(269,753)
Payments/(Collections) for other financial liabilities		(859)	(442)
Interest paid		(32,523)	(30,768)
Financing flows of discontinued operations	12	(32,924)	1,305
Net cash flows from financing activities		(43,239)	(3,706)
Net changes in cash and cash equivalents		(184,062)	64,108
Net foreign exchange differences		24,181	375
Cash and cash equivalents at 1st January	11	364,600	154,627
Cash and cash equivalents at 30th June	11	204,719	219,110

(*) see note 12

Explanatory Notes to the Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2017 (VI)

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

1. CORPORATE INFORMATION

Distribuidora Internacional de Alimentación, S.A. (hereinafter “the Parent” or “DIA”) was incorporated in Spain on 24 June 1966 as a public limited liability company (“sociedad anónima”). Its registered office is located in Las Rozas, Madrid.

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

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

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

Relevant events occurring during the six-month period

The Group has classified the assets and liabilities of its companies in China – DIA Tian Tian Management Consulting Service & Co. Ltd. and Shanghai DIA Retail Co. Ltd. – as held for sale at 30 June 2017 (see notes 3 and 12).

In March 2017 the Group exercised the second and final extension to the Euros 225,000 syndicated loan arranged in April 2015. Under the terms of the aforementioned extension, the loan matures in April 2020 (see note 14).

On 27 March 2017, the Parent successfully completed a bond issue amounting to Euros 300,000 thousand, with an issue price of 99.092%. These bonds were issued on the Irish Stock Exchange (see note 14).

On 7 April 2017 the Parent carried out a swap with a portion of the bonds from the aforementioned issue that were issued on the same day, comprising 1,943 bonds (with a nominal value of Euros 194,300 thousand) from the issue carried out on 22 July 2014. Once the swap had been carried out, the Parent redeemed and cancelled the bonds acquired, leaving 3,057 bonds from that issue outstanding (see note 14).

On 18 April 2017, the DIA Group and the EROSKI Group entered into an agreement to incorporate Red Libra Trading Services, S.L., a new company whose statutory activity will be to negotiate with suppliers of distributor brands on behalf of these two companies, and to acquire other materials and utilities needed for their activity, with a view to maximising the value for money offered to consumers. The company will run its operations from Madrid and its capital is held in equal parts by the DIA Group and Eroski.

On 12 June 2017, DIA Portugal II, S.A. was incorporated to operate a market in Lisbon. It has share capital of Euros 50,000 divided into 50,000 shares of Euros 1 par value each, fully subscribed by DIA Portugal, S.A.

On 28 June 2017, the Parent signed a novation of the existing syndicated loan agreement, which was scheduled to mature on 3 July 2019, reducing the amount from Euros 400,000 thousand to Euros 300,000 thousand and extending the term thereof by five years to 28 June 2022 (see note 14).

2. BASIS OF PRESENTATION

2.1. Basis of preparation of the condensed consolidated interim financial statements

The Parent's directors have prepared these condensed consolidated interim financial statements for the six-month period ended 30 June 2017 on the basis of the accounting records of Distribuidora Internacional de Alimentación, S.A. and subsidiaries. These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required of a complete set of annual accounts prepared under International Financial Reporting Standards (IFRS). However, selected explanatory notes are included to explain events and transactions that are significant to enable an understanding of the changes in the DIA Group's

financial position and performance since the last consolidated annual accounts as at and for the year ended 31 December 2016.

The DIA Group has adopted the latest versions of all applicable standards issued by the IASB and endorsed by the European Union Regulatory Committee that are for mandatory application at 30 June 2017.

The condensed consolidated interim financial statements have been prepared using figures for the six-month periods ended 30 June 2017 and 2016, except for the consolidated statement of financial position, which is presented at 30 June 2017 and 31 December 2016.

The income statement and statement of cash flows for the six-month period ended 30 June 2016 have been restated to facilitate comparison of the profit and loss and cash flows of discontinued operations (see note 12).

Distribuidora Internacional de Alimentación, S.A. is the Parent of a group of subsidiaries (hereinafter the DIA Group or the Group) which are either equity-accounted or fully consolidated.

On a half-yearly basis, the seasonal nature of the Group's performance is in line with historical trends in consolidated results. Historically, sales for the first half of each year represent approximately 48% of the Group's annual sales.

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

2.2. Significant accounting principles

The condensed consolidated interim financial statements for the first half of 2017 have been prepared by the DIA Group applying the accounting principles and measurement criteria described in note 3 to the consolidated annual accounts for 2016.

Standards and interpretations issued and not applied:

At 30 June 2017, the date of the accompanying condensed consolidated interim financial statements, the following standards have been issued but are not yet effective. The Group expects to adopt these standards as of 1 January 2018 or at a later date:

- IFRS 9 Financial Instruments. Effective for annual periods beginning on or after 1 January 2018. The Group has started their assessment of the potential impact of its adoption to the consolidated financial statements. The only potential impact resides in the new model to calculate impairment of financial assets, inasmuch as the calculation is based on the expected credit losses during the life of the asset. However, the Group estimates that it will not have a significant impact.

- IFRS 15 Revenue from Contracts with Customers. Effective for annual periods beginning on or after 1 January 2018. The Group plans to adopt IFRS 15 for its consolidated financial statements for the year ended 31 December 2018, using a prospective approach. The conclusion drawn from the Group's initial assessment of the potential impact of applying IFRS 15 to its consolidated financial statements is that it will be very limited.

- IFRS 16 Leases. Effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities applying IFRS 15 at the initial effective date of IFRS 16 or before. The Group has started an initial assessment of the possible impact on its consolidated financial statements. To date, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases associated with warehouses and commercial premises. Furthermore, the nature of these lease expenses will now change, as IFRS 16 replaces the straight-line expensing of operating leases with an amortisation charge for the right-of-use assets and an expense for interest on the lease liabilities. As the lessee, the Group can apply the standard with a retrospective approach or a modified retrospective approach with optional practical expedients. The lessee applies the chosen option consistently to all leases. At the present date, the Group plans to apply IFRS 16 for the first time on 1 January 2019. It has not yet decided which transition approach it will use. As the lessor, the Group is not obliged to make any adjustments to leases in which it is the lessor, except when it is an intermediary lessor in a sublease. The Group has not yet quantified the impact of adopting IFRS 16 on the assets and liabilities recognised. The quantitative impact will depend, inter alia, on the transition method selected, the degree to which the Group uses the practical expedients and the recognition exemptions, as well as all the additional leases the Group arranges. The Group considers that the analysis to be made of the lease term and the discount rate to be used are especially relevant in the application of this standard and in quantifying the impact thereof. The Group expects to disclose its transition approach and quantitative information before adoption, and in any case expects that applying this standard will have a significant impact on the Group's financial statements.

3. INFORMATION ON OPERATING SEGMENTS

For management purposes the Group is organised into business units, based on the countries in which it operates. At 30 June 2017 the operating segments are Iberia (Spain, Portugal and Switzerland) and Emerging Countries (Brazil, Argentina and Paraguay). At 31 December 2016 Emerging Countries included China. At 30 June 2017 and 2016, China has been classified as discontinued operations (see note 12).

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

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

A breakdown of key segment data in the income statement is as follows:

<u>Thousands of Euros</u>	<u>Segment</u> <u>- Iberia -</u>	<u>Segment</u> <u>- Emerging -</u>	<u>Consolidated</u>
At 30th June 2017			
Sales (1)	2,717,394	1,570,193	4,287,587
EBITDA (2)	191,141	52,229	243,370
% of sales	7.0%	3.3%	5.7%
At 30th June 2016			
Sales (1)	2,827,563	1,320,773	4,148,336
EBITDA (2)	190,875	36,525	227,400
% of sales	6.8%	2.8%	5.5%

(1) Sales eliminations arising from consolidation are included in segment Iberia

(2) EBITDA = operating income before depreciation, amortisation and impairment of tangible and intangible assets, profit/(loss) on changes in fixed assets.

A breakdown of EBITDA by line item in the consolidated income statements is as follows:

<u>Thousands of Euros</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
Results from operating activities	114,665	110,275
Amortisation	(117,107)	(111,313)
Impairment	(2,502)	(1,889)
Losses on disposal of fixed assets	(9,096)	(3,923)
Total EBITDA	243,370	227,400

Key segment data included in the consolidated statements of financial position are as follows:

Thousands of Euros	Segment - Iberia -	Segment - Emerging -	Consolidated
At 30th June 2017			
Non-current assets	1,955,092	492,330	2,447,422
Liabilities	2,739,394	752,498	3,491,892
Number of outlets	5,466	1,949	7,415
Acquisition of tangible and intangible assets in the first six months of 2017.			
	88,568	55,818	144,386
At 31st December 2016			
Non-current assets	1,969,600	537,662	2,507,262
Liabilities	2,636,161	888,070	3,524,231
Number of outlets	5,498	2,301	7,799
Acquisition of tangible and intangible assets in the first six months of 2016.			
	146,763	33,340	180,103

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

Thousands of Euros	Sales		Tangible and intangible assets	
	30/06/2017	30/06/2016	30/06/2017	31/12/2016
Spain	2,391,011	2,503,390	1,329,396	1,336,634
Portugal	326,383	324,173	260,884	264,168
Argentina	701,303	606,549	143,931	154,407
Paraguay	56	-	-	-
Brazil	868,834	714,224	277,143	291,056
China	-	-	-	18,133
Switzerland	-	-	2	3
Total	4,287,587	4,148,336	2,011,356	2,064,401

4. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment during the six-month periods ended 30 June 2017 and 2016, and movement, 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 2016	146,839	1,200,319	1,352,528	109,360	77,222	132,128	3,018,396
Additions	59	37,999	84,960	10,316	19,193	23,147	175,674
Disposals	(89)	(5,245)	(16,563)	(1,140)	(17)	(740)	(23,794)
Transfers	-	16,754	60,933	(11,981)	(66,626)	8,400	7,480
Other movements	-	(1,866)	(2,689)	(53)	(84)	(78)	(4,770)
Translation differences	1,738	11,236	15,525	437	1,621	4,161	34,718
At 30th June 2016	148,547	1,259,197	1,494,694	106,939	31,309	167,018	3,207,704
At 1st January 2017	140,043	1,322,993	1,589,224	137,648	28,565	173,461	3,391,934
Additions	734	35,857	73,940	6,775	12,601	6,795	136,702
Disposals	(224)	(9,995)	(20,806)	(7,128)	153	(6,507)	(44,507)
Transfers	-	4,351	3,275	2,164	(10,715)	839	(86)
Transfers to assets held for sale	-	(16,424)	(19,781)	(8,305)	(146)	(3,534)	(48,190)
Translation differences	(1,438)	(24,157)	(24,736)	(7,247)	(2,082)	(4,370)	(64,030)
At 30th June 2017	139,115	1,312,625	1,601,116	123,907	28,376	166,684	3,371,823
Depreciation							
At 1st January 2016	-	(579,494)	(885,692)	(50,613)	-	(110,524)	(1,626,323)
Amortisation and depreciation (note 18.5)	-	(28,157)	(64,157)	(6,304)	-	(7,873)	(106,491)
Disposals	-	3,032	12,386	735	-	692	16,845
Transfers	-	(1,913)	(11,245)	5,014	-	(351)	(8,495)
Other movements	-	1,012	1,532	(347)	-	(33)	2,164
Translation differences	-	(2,999)	(9,110)	62	-	(2,322)	(14,369)
At 30th June 2016	-	(608,519)	(956,286)	(51,453)	-	(120,411)	(1,736,669)
At 1st January 2017	-	(659,219)	(1,042,959)	(67,690)	-	(124,035)	(1,893,903)
Amortisation and depreciation (note 18.5)	-	(28,062)	(67,183)	(7,397)	-	(9,375)	(112,017)
Disposals	-	4,037	11,856	6,401	-	6,105	28,399
Transfers	-	(102)	2,816	(2,766)	-	(1)	(53)
Other movements	-	(415)	(564)	(195)	-	(68)	(1,242)
Transfers to assets held for sale	-	10,394	13,619	4,260	-	3,098	31,371
Translation differences	-	4,180	10,920	2,998	-	2,391	20,489
At 30th June 2017	-	(669,187)	(1,071,495)	(64,389)	-	(121,885)	(1,926,956)
Impairment							
At 1st January 2016	(612)	(14,711)	(4,705)	(32)	-	(3)	(20,063)
Allowance (note 18.5)	-	(1,636)	(84)	-	-	-	(1,720)
Distribution	-	600	595	-	-	-	1,195
Reversals (note 18.5)	-	4	21	-	-	-	25
Other movements	-	-	1	-	-	-	1
Transfers	-	293	(261)	23	-	-	55
Translation differences	-	(136)	(4)	-	-	-	(140)
At 30th June 2016	(612)	(15,586)	(4,437)	(9)	-	(3)	(20,647)
At 1st January 2017	(612)	(19,884)	(8,444)	(10)	-	(3)	(28,953)
Allowance (note 18.5)	-	(2,220)	(158)	(3)	-	(7)	(2,388)
Distribution	-	1,338	761	3	-	-	2,102
Reversals (note 18.5)	-	2	81	-	-	-	83
Transfers	-	-	51	-	-	-	51
Transfers to assets held for sale	-	-	193	-	-	-	193
Translation differences	-	102	1	-	-	1	104
At 30th June 2017	(612)	(20,662)	(7,515)	(10)	-	(9)	(28,808)
Net carrying amount							
At 30th June 2016	147,935	635,092	533,971	55,477	31,309	46,604	1,450,388
At 1st January 2016	146,227	606,114	462,131	58,715	77,222	21,601	1,372,010
At 30th June 2017	138,503	622,776	522,106	59,508	28,376	44,790	1,416,059
At 1st January 2017	139,431	643,890	537,821	69,948	28,565	49,423	1,469,078

Additions in the first half of 2017 of Euros 136,702 thousand (Euros 175,674 thousand in the first half of 2016) include Euros 70,065 thousand of additions in the first half of 2017 (Euros 130,383 thousand in the first half of 2016) were in Spain and comprise new store openings, refurbishment works and store refits to new formats. Additions in Portugal during the period total Euros 11,243 thousand and reflect store refits to new formats (Euros 12,698

thousand in the first half of 2016). Additions in emerging countries during the first half of 2017, as in the first half of the previous year, are the result of new store openings, refurbishments and remodelling to new formats, amounting to Euros 20,034 thousand in Argentina (Euros 18,810 thousand in the first half of 2016) and Euros 34,539 thousand in Brazil (Euros 12,452 thousand in the first half of 2016).

Disposals in the first half of 2017 primarily comprise items replaced as a result of the aforementioned improvements, the sale of DIA Group buildings to third parties, and streamlining of the store network. Assets with a total carrying amount of Euros 11,317 thousand were derecognised in Spain in the first half of 2017 (Euros 4,150 thousand at 30 June 2016). Other disposals in the first half of 2017 and 2016 relate to the adaptation of stores in other countries in which the DIA Group operates. Losses incurred on the derecognition of property, plant and equipment amount to Euros 8,100 thousand (Euros 3,902 thousand in the first half of 2016).

Finance leases

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

The Group has included the following items of property, plant and equipment under finance leases and hire purchase contracts:

Thousands of Euros	30/06/2017	31/12/2016
Land	176	176
Cost	176	176
Buildings	458	481
Cost	527	527
Accumulated depreciation	(69)	(46)
Equipment, fixtures and fittings and machinery	26,222	29,350
Cost	43,776	46,407
Accumulated depreciation	(17,554)	(17,057)
Other installations, utensils and furniture	-	3
Cost	-	4
Accumulated depreciation	-	(1)
Other fixed assets (transports)	11,192	12,422
Cost	16,358	15,902
Accumulated depreciation	(5,166)	(3,480)
Net carrying amount	38,048	42,432

Interest costs incurred on finance leases amounted to Euros 1,195 thousand during the first half of 2017 and Euros 2,274 thousand at 30 June 2016 (see note 18.7).

Future minimum lease payments for assets acquired under finance leases, and their present value, are as follows:

Thousands of Euros	30/06/2017		31/12/2016	
	Minimum payments	Present value	Minimum payments	Present value
Less than one year	12,402	10,857	13,420	11,634
Two to five years	26,917	24,685	30,088	27,480
More than 5 years	3,204	3,123	3,963	3,825
Total minimum payments and present value	42,523	38,665	47,471	42,939
Less current portion (note 14.1)	(12,402)	(10,857)	(13,420)	(11,634)
Total non-current (note 14.1)	30,121	27,808	34,051	31,305

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

Thousands of Euros	30/06/2017	31/12/2016
Minimum future payments	42,500	47,448
Purchase option	23	23
Unaccrued finance expenses	(3,858)	(4,532)
Present value	38,665	42,939

5. INTANGIBLE ASSETS

5.1. Goodwill

At 30 June 2017 and 31 December 2016, goodwill has been allocated as follows:

Thousands of Euros	30/06/2017	31/12/2016
Spain	517,586	518,064
Portugal	39,754	39,754
Total	557,340	557,818

5.2. Other intangible assets

Details of other intangible assets during the six-month periods ended 30 June 2017 and 2016, and movement, are as follows:

Thousands of Euros	Development cost	Industrial property	Leaseholds	Computer software	Other intangible assets	Total
Cost						
At 1st January 2016	4,818	8,196	27,102	34,184	15,550	89,850
Additions/Internal development	2,684	-	-	1,691	54	4,429
Disposals	-	-	(106)	(414)	(74)	(594)
Transfers	(2,508)	1,272	200	1,992	4	960
Other movements	(1)	-	-	-	-	(1)
Translation differences	-	-	-	313	248	561
At 30th June 2016	4,994	9,468	27,196	37,766	15,782	95,206
At 1st January 2017	9,376	9,945	24,447	39,772	18,612	102,152
Additions/Internal development	6,315	105	-	1,251	13	7,684
Disposals	-	(925)	(3,932)	(786)	(2,677)	(8,320)
Transfers	(5,439)	-	88	5,439	-	88
Transfers to assets held for sale	-	-	-	(2,046)	-	(2,046)
Translation differences	-	-	-	(561)	(169)	(730)
At 30th June 2017	10,252	9,125	20,603	43,069	15,779	98,828
Depreciation						
At 1st January 2016	-	(2,897)	(21,879)	(24,609)	(5,308)	(54,693)
Amortisation and depreciation (note 18.5)	-	(910)	(551)	(3,115)	(246)	(4,822)
Disposals	-	-	106	384	-	490
Other movements	-	-	-	(224)	-	(224)
Translation differences	-	-	-	(209)	(101)	(310)
At 30th June 2016	-	(3,807)	(22,324)	(27,773)	(5,655)	(59,559)
At 1st January 2017	-	(4,736)	(22,599)	(30,821)	(5,944)	(64,100)
Amortisation and depreciation (note 18.5)	-	(988)	(493)	(3,362)	(247)	(5,090)
Disposals	-	925	3,847	786	2,073	7,631
Transfers to assets held for sale	-	-	-	1,018	-	1,018
Other movements	-	-	-	(136)	-	(136)
Translation differences	-	-	-	313	64	377
At 30th June 2017	-	(4,799)	(19,245)	(32,202)	(4,054)	(60,300)
Impairment						
At 1st January 2016	-	-	(51)	-	(343)	(394)
Allowance (note 18.5)	-	-	(48)	-	(146)	(194)
Distribution	-	-	-	-	74	74
At 30th June 2016	-	-	(99)	-	(415)	(514)
At 1st January 2017	-	-	(64)	-	(483)	(547)
Allowance (note 18.5)	-	-	(10)	-	(187)	(197)
Distribution	-	-	-	-	173	173
At 30th June 2017	-	-	(74)	-	(497)	(571)
Net carrying amount						
At 30th June 2016	4,994	5,661	4,773	9,993	9,712	35,133
At 1st January 2016	4,818	5,299	5,172	9,575	9,899	34,763
At 30th June 2017	10,252	4,326	1,284	10,867	11,228	37,957
At 1st January 2017	9,376	5,209	1,784	8,951	12,185	37,505

Additions in the first half of 2017 of Euros 7,684 thousand (Euros 4,429 thousand in the first half of 2016) include development costs reflect IT projects produced in-house in Spain (Euros 2,684 thousand in the first half of 2016). Transfers of development costs during the first six months of 2017 comprise transfers to computer software (Euros 1,272 thousand in the same period of 2016 reflected transfers to industrial property for investments in the development of commercial models and product ranges, and Euros 1,341 thousand comprised transfers to computer software). Computer software costing Euros 1,251 thousand was purchased in the first half of 2017 (Euros 1,691 thousand in the same period of 2016).

6. FINANCIAL ASSETS

Details of financial assets included in the statements of financial position are as follows:

Thousands of Euros	30/06/2017	31/12/2016
Non-current assets		
Trade and other receivables	67,259	69,345
Non-current financial assets	63,668	58,657
Consumer loans from financing activities	339	401
Current assets		
Trade and other receivables	345,466	260,862
Consumer loans from financing activities	6,092	6,220
Other current financial assets	10,703	19,734
TOTAL	493,527	415,219

6.1. Trade and other receivables

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

Thousands of Euros	30/06/2017	31/12/2016
Trade and other receivables	67,259	69,345
Total non-current	67,259	69,345
Trade and other receivables	103,677	121,657
Receivables from suppliers	236,549	131,644
Advances to suppliers	1,727	2,709
Receivables from associates companies (note 20)	3,513	4,852
Total current	345,466	260,862

a) Trade and other receivables

This balance primarily comprises current and non-current trade receivables for merchandise sales. The Group provides financing to its franchisees, the present value of which at 30 June 2017 amounts to Euros 83,419 thousand (Euros 86,381 thousand at 31 December 2016), as a result of the rise in sales to franchisees. Interest of Euros 1,289 thousand was generated on these trade receivables in the first half of 2017 (Euros 1,461 thousand in the same period of the prior year), which has been recognised in the consolidated income statement.

b) Receivables from suppliers

This item mainly reflects balances receivable in respect of non-trading income negotiated with suppliers totalling Euros 236,549 thousand (Euros 222,728 thousand at 30 June 2016).

In the first half of 2017, the Group entered into agreements to transfer supplier trade receivables without recourse. Costs of Euros 150 thousand were accrued on the transfer of these receivables during this period (Euros 66 thousand in the same period of the prior year) (see note 18.7). Receivables transferred at 30 June 2017 amounted to Euros 101,594 thousand (Euros 56,981 thousand at 30 June 2016).

c) Trade receivables from associates

In the first half of 2017 transactions were carried out with ICDC and Red Libra. These were basically commercial transactions and the related balance receivable at 30 June 2017 was Euros 3,151 thousand were conducted with ICDC and Euros 362 thousand with Red Libra (at 31 December 2016 transactions totalling Euros 4,852 thousand were conducted with the associate ICDC).

d) Impairment

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

Thousands of Euros	30/06/2017	30/06/2016
At 1st January	(43,479)	(37,013)
Charge	(15,282)	(8,395)
Applications	4,005	97
Reversals	2,689	7,344
Transfers to assets held for sale	189	-
Translation differences	2,274	(321)
At 30th June	(49,604)	(38,288)

6.2. Other current and non-current financial assets

Details of financial assets are as follows:

Thousands of Euros	30/06/2017	31/12/2016
Equity instruments	88	88
Security and other deposits	51,815	46,269
Other guarantees	2,000	2,000
Other loans	543	572
Other financial assets	9,222	9,728
Total non current	63,668	58,657
Security and other deposits	3,484	10,324
Credits to personnel	2,339	2,920
Other loans	1,083	1,219
Derivatives (note 7)	-	123
Current account with associated companies	80	-
Other financial assets	3,717	5,148
Total current	10,703	19,734

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

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

In 2017, as in the preceding period, the effective interest rate of credit card receivables in Spain ranged from 0% for customers who pay upfront to a variable monthly nominal rate of 2.16% for customers making use of revolving credit facilities, which may be reviewed subject to prior individual notice to the customer. In Argentina the annual nominal interest rate for customers making use of revolving credit facilities for the first six months of 2017 was 48.58% on average, while the annual nominal rate for financing purchases with payment in 2 to 24 instalments was 76.17%.

Interest and similar income from these assets recognised in the consolidated income statement amounted to Euros 913 thousand for the first six months of 2017 and Euros 789 thousand for the first half of 2016 (see note 18.7).

7. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGES

Details of the main derivative financial instruments at 30 June 2017 and 31 December 2016 are as follows:

Thousands of Euros	30/06/2017	31/12/2016
Exchange derivatives - Cash flows hedges (note 6.2)	-	123
Exchange and interest derivatives - Fair value hedges (note 14.1)	(2,684)	(6,589)
Exchange derivatives - Cash flows hedges (note 14.1)	(71)	(11)
Total	(2,755)	(6,477)

The DIA Group has arranged several hedging instruments to mitigate possible adverse effects of exchange rates and interest rates. The principal derivative financial instrument is that arranged in Brazil in connection with bank loans vis-à-vis third parties.

The effect of these instruments on the consolidated income statements in the two periods was not significant.

8. OTHER EQUITY-ACCOUNTED INVESTEEES

Profit and loss of equity-accounted investees reflects 50% of the results generated in the first six months of the year by ICDC Services, Sàrl, which was incorporated in 2015 and commenced operations in the first half of 2016, and 50% of the results of Red Libra, which was acquired in the first half of 2017 (see note 1).

9. OTHER ASSETS

Details of other assets are as follows:

Thousands of Euros	30/06/2017 Current	31/12/2016 Current
Prepayments for operating leases	2,808	3,191
Prepayments for guarantees	191	481
Prepayments for insurance contracts	1,129	657
Other prepayments	8,605	3,811
Total other assets	12,733	8,140

10. INVENTORIES

Details of inventories are as follows:

Thousands of Euros	30/06/2017	31/12/2016
Goods for resale	641,465	662,640
Other supplies	6,300	6,952
Total inventories	647,765	669,592

At 30 June 2017 there are no restrictions of any kind on the availability of inventories.

11. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents are as follows:

Thousands of Euros	30/06/2017	31/12/2016
Cash and current account balances	178,779	165,778
Cash equivalents	25,940	198,822
Total	204,719	364,600

The decrease in cash equivalents is due to the partial cancellation of the deposits that the Group had in Spain and Brazil at 31 December 2016. At 30 June 2017 this item reflects deposits in Brazil with a maturity of less than three months.

12. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the first quarter of 2017, DIA Group has started exploring strategic alternatives in relation to its business in China, classifying the assets and liabilities of their companies, DIA Tian Tian Management Consulting Service & Co. Ltd. and Shanghai DIA Retail Co. Ltd., as discontinued operations (see note 3).

The profit and loss from these discontinued operations for the six-month periods ended 30 June 2017 and 2016 are as follows:

Thousands of Euros	30/06/2017	30/06/2016
Income	89,367	95,391
Amortisation and depreciation	(1,379)	(2,789)
Expenses	(96,567)	(98,464)
Gross Margin	(8,579)	(5,862)
Financial income	359	251
Financial expenses	(1,508)	(948)
Loss before taxes of discontinued operations	(9,728)	(6,559)

The impact on cash flows of the discontinued operations during these periods is as follows:

Thousands of Euros	30/06/2017	30/06/2016
Net cash flows from operating activities	293	4,226
Net cash flows used in investing activities	2,294	(1,000)
Net cash flows used in financing activities	(32,924)	1,305
Total cash flows	(30,337)	4,531

Details of the assets and liabilities of discontinued operations classified as held for sale at 30 June 2017 are as follows:

Thousands of Euros	30/06/2017
Assets	
Tangible fixed assets	16,834
Other Intangible assets	989
Other non-current financial assets	1,379
Inventories	11,667
Trade and other receivables	7,164
Current tax assets	2,532
Other current financial assets	29
Other assets	1,174
Non-current assets held for sale	41,768
Liabilities	
Non-current borrowings	539
Current borrowings	9,871
Trade and other payables	46,868
Current income tax liabilities	401
Other financial liabilities	1,493
Liabilities directly associated with non-current assets held for sale	59,172

13. EQUITY

13.1. Capital

At 30 June 2017 DIA's share capital is Euros 62,245,651.30, represented by 622,456,513 shares of Euros 0.10 par value each, subscribed and fully paid. These shares are freely transferable.

The Parent's shares are listed on the Spanish stock markets. According to public information filed with the Spanish National Securities Market Commission (CNMV), at 30 June 2017 the members of the board of directors control approximately 0.258% of the Parent's share capital.

The same public information shows that the most significant interests in the Company's share capital at 30 June 2017 are as follows:

Baillie Gifford & CO	10.488%
Blackrock INC.	6.516%
Black Creek Investment Management INC	4.988%
Morgan Stanley	4.132%
Norges Bank	3.033%
LSV Asset Management	3.003%

13.2. Reserves and retained earnings

Details of reserves and retained earnings are as follows:

Thousands of Euros	30/06/2017	31/12/2016
Legal reserve	13,021	13,021
Capital redemption reserve	5,688	5,688
Other reserves	285,477	242,399
Profit attributable to equityholders of the parent	54,018	174,043
Total	358,204	435,151

The distribution of the Parent's profit for 2016, ultimately approved by the shareholders at the ordinary general meeting held on 28 April 2017, is as follows:

Basis of distribution	Euros
Profit for the year	207,384,982.56
Total	207,384,982.56
Basis of allocation	Euros
Dividends	128,383,655.19
Other reserves	79,001,327.37
Total	207,384,982.56

The dividend is recognised under other financial liabilities at 30 June 2017 (see notes 14.4 and 22).

13.3. Own shares and other own equity instruments

a) Own shares

During the first half of 2017 the Group's directors and management received 721,914 shares (amounting to Euros 4,326 thousand) as remuneration, representing an expense of Euros 432 thousand.

At 30 June 2017 the Group holds 10,383,860 own shares of the Parent with an average purchase price of Euros 5.8540 per share, representing a total amount of Euros 60,787,368.77, which have been earmarked to meet share obligations with executives under the plans described in note 17.

b) Other own equity instruments

This reserve includes obligations derived from equity-settled share-based payment transactions following the approval by the board of directors and shareholders of the 2014-2016 and 2016-2018 long-term incentive plans (see note 17).

13.4. Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the Parent for the six-month periods ended 30 June 2017 and 2016 by the weighted average number of ordinary shares outstanding during the two periods.

	30-jun-2017	30-jun-2016
Average number of shares	611,694,040	614,654,113
Profit for the period in thousands of Euros	54,018	59,812
Profit per share in Euros	0.09	0.10

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

	Weighted average ordinary shares in circulation at 30/06/2017	Ordinary shares at 30/06/2017	Weighted average ordinary shares in circulation at 30/06/2016	Ordinary shares at 30/06/2016
Total shares issued	622,456,513	622,456,513	622,456,513	622,456,513
Own shares	(10,762,473)	(10,383,860)	(7,802,400)	(8,222,043)
Total shares available and diluted	611,694,040	612,072,653	614,654,113	614,234,470

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.

13.5. Non-controlling interests

At 30 June 2017 and 31 December 2016 the balance included by the DIA Group in this item relates entirely to Compañía Gallega de Supermercados, S.A.

13.6. Translation differences

Details of translation differences at 30 June 2017 and 31 December 2016 are as follows:

Thousands of Euros	30/06/2017	31/12/2016
Argentina	(39,362)	(36,384)
Brazil	(38,874)	(17,131)
China	(3,667)	(6,258)
Total	(81,903)	(59,773)

14. FINANCIAL LIABILITIES

Details of financial liabilities in the consolidated statements of financial position at 30 June 2017 and 31 December 2016 are as follows:

Thousands of Euros	30-jun-2017	31-dic-2016
Non-current liabilities		
Non-current borrowings	942,748	1,062,273
Other non-current financial liabilities	2,606	2,785
Current liabilities		
Current financial debt	281,858	180,734
Trade and other payables	1,736,368	1,952,848
Other financial liabilities	287,239	134,642
Total financial liabilities	3,250,819	3,333,282

14.1. Borrowings

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

Thousands of Euros	30-jun-2017	31-dic-2016
Debentures and bonds long term	890,978	794,652
Syndicated credits (Revolving credit facilities)	-	97,360
Mortgage loans	1,844	2,632
Other bank loans	11,329	126,351
Finance lease payables (note 4)	27,808	31,305
Guarantees and deposits received	10,357	9,469
Other non-current borrowings	432	504
Total non-current borrowings	942,748	1,062,273
Debentures and bonds long term	5,459	5,587
Mortgage loans	1,528	2,218
Other bank loans	167,189	61,819
Finance lease payables (note 4)	10,857	11,634
Credit facilities drawn down and others	57,477	41,355
Expired Interests	414	520
Liabilities derivatives	3,149	5,817
Derivate instruments liabilities (note 7)	2,755	6,600
Other current borrowings	33,030	45,184
Total current borrowings	281,858	180,734

a) Bonds

The Parent has outstanding bonds with a nominal value of Euros 905,700 thousand at 30 June 2017 (Euros 800,000 thousand at 31 December 2016), all of which were issued as part of a Euro Medium Term Note programme approved by the Central Bank of Ireland. Details of bond issues in force are as follows:

Issuer	Currency	Coupon	Maturity in thousand of euros					Total
			2019	2020	2021	2022	2023	
DIA, S.A. - Abr 2017	EUR	0.875%	-	-	-	-	300,000	300,000
DIA, S.A. - Abr 2016	EUR	1.000%	-	-	300,000	-	-	300,000
DIA, S.A. - Jul 2014	EUR	1.500%	305,700	-	-	-	-	305,700

The fair value of these non-current bonds is measured in accordance with their market price, and amounts to Euros 916,925 thousand at 30 June 2017.

Movement in bond issues during 2016 and 2017 was as follows:

Thousands of Euros	Bond Issue
At 1st January 2016	500,000
Issues	300,000
At 31st December 2016	800,000
Issues	300,000
Amortizatos	(194,300)
At 30st June 2017	905,700

On 27 March 2017, the Parent successfully completed a bond issue amounting to Euros 300,000 thousand, with an issue price of 99.092%. These bonds were issued on the Irish Stock Exchange.

On 7 April 2017 the Parent carried out a swap with a portion of the bonds from the aforementioned issue that were issued on the same day, comprising 1,943 bonds (with a nominal value of Euros 194,300 thousand) from the issue carried out on 22 July 2014. Once the swap had been carried out, the Parent redeemed and cancelled the bonds acquired, leaving 3,057 bonds from that issue outstanding.

On 18 April 2016, the Parent successfully completed a second bond issue amounting to Euros 300,000 thousand, with an issue price of 99.424%. These bonds were issued on the Irish Stock Exchange.

b) Loans and borrowings

Syndicated loans

These types of loans have been extended to the Parent by various national and foreign entities. Details at 30 June 2017 are as follows:

Description	Limit in thousand of euros	Currency	Amount used in thousand of euros		Start date	Expiration date thousand euros	
			Jun-17	Dec-16		75.000	21.04.2018
Syndicated loan	300,000	EUR	-	99,000	21.04.2015	225.000	21.04.2020
Syndicated loan	300,000	EUR	-	-	28.06.2017		28.06.2022

On 28 June 2017, the Parent signed a novation of the existing syndicated loan agreement, which was scheduled to mature on 3 July 2019, reducing the amount from Euros 400,000 thousand to Euros 300,000 thousand and extending the term thereof by five years to 28 June 2022.

In March 2017 the Group exercised the second and final extension to the Euros 225,000 syndicated loan arranged in April 2015. Under the terms of the aforementioned extension, the loan matures in April 2020. The first annual extension of this loan was exercised in March 2016.

These loans are subject to compliance with certain covenant ratios linked thereto, as defined in the agreement. At 30 June 2017 all covenant ratios, which are calculated on the basis of the DIA Group's consolidated financial statements, have been met. Details are as follows:

Financial covenant	Syndicated loans 2014 and 2015
Total net debt/EBITDA	< 3,50x

The net debt and EBITDA indicators used to calculate the covenants are determined based on the definitions set out in the financing agreement and, therefore, differ from those detailed in notes 3 and 13.1 of these consolidated financial statements.

Mortgage and other bank loans

Details of the maturity of mortgage and other bank loans, grouped by type of operation and company, at 30 June 2017 and 31 December 2016 are as follows:

At 30st June 2017			Maturity in thousand of euros				Total
Type	Owner	Currency	Less than one year	One to two years	Two to three years	Three to four years	
Mortgage	Beauty by DIA	EUR	610	519	425	180	1,734
Mortgage	Twins Alimentación	EUR	918	720	-	-	1,638
	Mortgage Loans	EUR	1,528	1,239	425	180	3,372
Loan	DIA	EUR	121,023	7,811	-	-	128,834
Loan	DIA Brasil	EUR	42,553	-	-	-	42,553
Loan	Grupo El Arbol	EUR	841	2,000	-	-	2,841
Loan	DIA Argentina	EUR	2,772	1,518	-	-	4,290
	Other Loans	EUR	167,189	11,329	-	-	178,518

At 31st December 2016			Maturity in thousand of euros				Total
Type	Owner	Currency	Less than one year	One to two years	Two to three years	Three to four years	
Mortgage	Beauty by DIA	EUR	1,324	632	421	394	2,771
Mortgage	Twins Alimentación	EUR	894	942	243	-	2,079
	Mortgage Loans	EUR	2,218	1,574	664	394	4,850
Loan	DIA	EUR	10,017	121,014	-	-	131,031
Loan	DIA Brasil	EUR	46,637	-	-	-	46,637
Loan	Grupo El Arbol	EUR	1,805	500	2,000	-	4,305
Loan	DIA Argentina	EUR	3,360	2,270	567	-	6,197
Loan	Other Loans	EUR	61,819	123,784	2,567	-	188,170

Mortgage loans have been secured by certain properties owned by the Group and accrued interest at rates between 1.95% and 5.07% at 31 December 2016.

On 7 April 2017 the Parent repaid in advance a Euros 543 thousand mortgage arranged in November 2010, which had been scheduled to mature on 23 November 2017.

In 2016 the Parent repaid in advance a Euros 60,000 thousand loan signed in December 2015 and another Euros 50,000 thousand loan arranged in 2016. A new loan amounting to Euros 101,000 thousand was arranged in December 2016.

Credit facilities and others

The Group has arranged credit facilities and others with various financial institutions, subject to the following limits (in thousands of Euros):

Year	Limit granted	Amount available	Amount used
30.06.2017	200,459	139,733	60,726
31.12.2016	178,357	137,002	41,355

At 30 June 2017 the Euros 60,726 thousand drawn down includes Euros 3,249 thousand that has been reclassified under liabilities directly associated with non-current assets held for sale.

Moreover, at 30 June 2017 the Parent has other uncommitted credit facilities, with a limit of Euros 210,000 thousand (limit of Euros 210,000 thousand at 31 December 2016). The credit facilities held by the Group have accrued interest at market rates.

c) Other current borrowings

This item primarily comprises the prevailing equity swap contracts signed by the Parent. At 30 June 2017 the Group has an equity swap agreement in force for a nominal value of Euros 34,238 thousand (6,000,000 shares) and maturing on 22 December 2017 (at 31 December 2016, for a nominal value of Euros 39,944 thousand).

d) Maturity of borrowings

The maturities of borrowings are as follows:

Thousands of Euros	30/06/2017	31/12/2016
Less than one year	281,858	180,734
One to two years	21,944	232,976
Three to five years	618,485	816,003
Over five years	302,319	13,294
Total	1,224,606	1,243,007

14.2. Other non-current financial liabilities

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

Thousands of Euros	30/06/2017	31/12/2016
Capital grants	606	785
Other non-current financial liabilities	2,000	2,000
Total grants and other non-current financial liabilities	2,606	2,785

Other non-current financial liabilities include the amount withheld from the sellers, with maturity of five years, in the acquisition of stores from the Eroski Group in 2015, in accordance with the addendum to the framework contract signed on 7 August 2015.

14.3. Trade and other payables

Details are as follows:

Thousands of Euros	30/06/2017	31/12/2016
Suppliers	1,585,593	1,754,389
Advances received from receivables	4,234	2,454
Trade payables	146,541	196,005
Total Trade and other payables	1,736,368	1,952,848

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

Trade and other payables do not bear interest.

At 30 June 2017 the Group has reverse factoring facilities with a limit of Euros 672.891 thousand (31 December 2016: Euros 678,061 thousand), of which Euros 305.862 thousand has been used (31 December 2016: Euros 333,258 thousand).

14.4. Other financial liabilities

Details of other financial liabilities are as follows:

Thousands of Euros	30/06/2017	31/12/2016
Personnel	75,790	69,262
Suppliers of fixed assets	82,101	60,300
Other current liabilities	129,348	5,080
Total other liabilities	287,239	134,642

The increase in other current liabilities is primarily due to the Euros 128,384 thousand dividend pending distribution to the shareholders of the DIA Group's Parent (see notes 13.2 and 22).

15. PROVISIONS

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

Thousands of Euros	Provisions for long-term employee benefits under defined benefit plans	Tax provisions	Social security provisions	Legal contingencies provisions	Other provisions	Total provisions
At 1st January 2016	2,700	24,316	12,094	9,291	3,102	51,503
Charge	157	85	4,250	1,829	526	6,847
Applications	-	-	(1,488)	(1,107)	(197)	(2,792)
Reversals	(327)	(283)	(5,631)	(3,901)	(147)	(10,289)
Other movements	30	55	-	-	5	90
Translation differences	-	(19)	929	260	(43)	1,127
At 30th June 2016	2,560	24,154	10,154	6,372	3,246	46,486
At 1st January 2017	2,725	23,208	11,499	6,723	1,686	45,841
Charge	324	493	6,725	2,351	335	10,228
Applications	-	(94)	(2,813)	(880)	(132)	(3,919)
Reversals	(2)	(142)	(1,526)	(1,033)	-	(2,703)
Other movements	17	55	-	-	3	75
Translation differences	-	(1)	(1,095)	(397)	(95)	(1,588)
At 30th June 2017	3,064	23,519	12,790	6,764	1,797	47,934

In the first half of 2017, charges and applications of provisions for lawsuits filed by employees (related to social security contributions) include charges for social security contingencies of Euros 3,933 thousand in Brazil, Euros 1,413 thousand in Argentina and Euros 1,266 thousand in Spain. Applications primarily comprise applications of Euros 2,548 thousand in respect of this type of contingency in Brazil.

At 30 June 2017 provisions related to litigation with third parties (legal provisions) amount to Euros 6,763 thousand compared with Euros 6,723 thousand at 31 December 2016.

16. TAX ASSETS AND LIABILITIES AND INCOME TAX

Details of tax assets and liabilities at 30 June 2017 and 31 December 2016 are as follows:

Thousands of Euros	30-jun-2017	31-dec-2016
Deferred tax assets	304,800	314,273
Taxation authorities, VAT	36,195	39,816
Taxation authorities	30,913	31,271
Current income tax assets	3,003	8,832
Total tax assets	374,911	394,192
Deferred tax liabilities	43,009	44,109
Taxation authorities, VAT	41,377	46,448
Taxation authorities	33,581	39,046
Current income tax liabilities	16,000	15,505
Total tax liabilities	133,967	145,108

The Spanish companies Distribuidora Internacional de Alimentación, S.A. (Parent), Twins Alimentación, S.A., Pe-Tra Servicios a la Distribución, S.L., Beauty by DIA, S.A., Grupo El Árbol, Distribución y Supermercados, S.A., Compañía Gallega de Supermercados, S.A. and Dia Eshopping, S.L. (subsidiaries) file consolidated tax returns pursuant to Title VII, Chapter VI of Spanish Corporate Income Tax Law 27/2014 of 27 November 2014.

The Spanish companies Distribuidora Internacional de Alimentación, S.A., Twins Alimentación, S.A., Beauty by Dia, S.A., Grupo El Árbol, Distribución y Supermercados, S.A. and Compañía Gallega de Supermercados, S.A. file VAT returns under the special regime for groups of companies set forth in Title IX, Chapter IX of Value Added Tax Law 37/1992 of 28 December 1992.

The effective tax rate applied to continuing operations at 30 June 2017 is 24.23%, while the effective tax rate applied at 30 June 2016 was 20.34%. Under the corporate income tax reform approved in Spain through Law 27/2014 of 27 November 2014 the corporate income tax rate for 2016 and subsequent years has been determined at 25%.

Details of the income tax expense recognised in the consolidated income statement are as follows:

Thousands of Euros	30-jun-2017	30-jun-2016
Current income taxes		
Current period	15,379	13,230
Prior periods' current income taxes	362	(559)
Total current income taxes	15,741	12,671
Deferred taxes		
Source of taxable temporary differences	4,127	4,366
Source of deductible temporary differences	(3,829)	(10,350)
Reversal of taxable temporary differences	(5,229)	(1,404)
Reversal of deductible temporary differences	9,569	11,666
Total deferred taxes	4,638	4,278
TOTAL INCOME TAX	20,379	16,949

The interim income tax expense has been calculated using the tax rate expected to apply to the total income budgeted for the year, i.e. the annual average effective tax rate expected to apply to pre-tax income for the interim period.

On 30 June 2016, the Parent was informed by the taxation authorities of the commencement of an inspection of the following taxes for the following periods:

Tax	Periods
Corporate income tax	2011-2012
Value added tax	2012
Personal income tax	2012

The inspection is ongoing at the close of these consolidated financial statements, although no probable contingencies for the Parent have been identified. The directors do not expect that any major additional liabilities in relation to the consolidated financial statements taken as a whole will arise as a result of these inspections, the years open to inspection or the appeals submitted.

17. SHARE-BASED PAYMENT TRANSACTIONS

The costs recognised in respect of the 2014-2016 and 2016-2018 long-term incentive plans in force during the first half of 2017 amounted to Euros 1,270 thousand (Euros 10,132 thousand in the same period of 2016) and are included under personnel expenses in the consolidated income statement. In both cases the balancing entry has been recognised under other own equity instruments.

The equity instruments granted during the first six months of 2017 have led to a net movement in other equity instruments of Euros 4,194 thousand, reflecting the distribution of 721,914 own shares (see note 13.3 (a)).

Similarly, during the first half of 2017, as in the preceding period, the directors accrued remuneration of Euros 250 thousand.

18. OTHER INCOME AND EXPENSES

18.1. Other income

Details of other income are as follows:

Thousands of Euros	30/06/2017	30/06/2016
Fees and interest to finance companies (note 6.2)	913	789
Service and quality penalties	15,038	14,459
Revenue from lease agreements	15,439	13,095
Other revenue from franchises	6,918	6,622
Other income	17,578	15,001
Total other operating income	55,886	49,966

18.2. Merchandise and other consumables used

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

18.3. Personnel expenses

Details of personnel expenses are as follows:

Thousands of Euros	30/06/2017	30/06/2016
Salaries and wages	322,654	317,364
Social Security	84,358	81,551
Defined contribution plans	282	(166)
Other employee benefits expenses	11,053	9,050
Parcial total personnel expenses	418,347	407,799
Expenses for share-based payment transactions	1,558	10,119
Total personnel expenses	419,905	417,918

18.4. Operating expenses

Details of operating expenses are as follows:

Thousands of Euros	30/06/2017	30/06/2016
Repairs and maintenance	23,849	24,068
Utilities	39,299	42,119
Fees	14,337	12,077
Advertising	29,239	28,900
Taxes	11,906	11,379
Rentals, property	158,094	144,888
Rentals, equipment	3,606	3,053
Other general expenses	58,033	37,957
Total operating expenses	338,363	304,441

18.5. Amortisation, depreciation and impairment

Details are as follows:

Thousands of Euros	30/06/2017	30/06/2016
Amortisation of intangible assets (note 5.2)	5,090	4,822
Depreciation of property, plant and equipment (note 4)	112,017	106,491
Total amortisation and depreciation	117,107	111,313
Impairment of intangible assets and goodwill (note 5)	197	194
Impairment of property, plant and equipment (note 4)	2,305	1,695
Total impairment	2,502	1,889

18.6. Gains and losses on the disposal of fixed assets

Net losses incurred on asset disposals amounted to Euros 9,096 thousand in the first half of 2017 and Euros 3,923 thousand in the same period of 2016. Losses in Spain totalled Euros 8,108 thousand and Euros 2,033 thousand, respectively. These amounts relate mainly to property, plant and equipment and derive from the streamlining of the store network.

Proceeds from the sale of these fixed assets totalled Euros 5,741 thousand in the first half of 2017 (Euros 1,646 thousand in the first half of 2016) and mostly derived from the sale of DIA Group buildings to third parties.

18.7. Finance income and finance costs

Details of finance income are as follows:

Thousands of Euros	30/06/2017	30/06/2016
Interest on other loans and receivables	347	1,168
Exchange gains (note 18.8)	303	838
Change in fair value of financial instruments	6	-
Other finance income	2,033	2,626
Total financial income	2,689	4,632

Details of finance costs are as follows:

Thousands of Euros	30/06/2017	30/06/2016
Interest on bank loans	7,123	6,288
Intereses on debentures and bonds	6,235	4,954
Finance expenses for finance leases (note 4)	1,195	2,274
Exchange losses (note 18.8)	1,288	680
Change in fair value of financial instruments	246	-
Financial expenses assignment of receivables operations (notes 6.1)	150	66
Other finance expenses	16,636	17,084
Total financial expenses	32,873	31,346

At 30 June 2017 and 30 June 2016, interest on bank loans includes the finance costs associated with syndicated, mortgage and bank loans, primarily in Spain and Brazil.

Interest on bonds includes the interest and costs accrued as a result of the bond issues described in note 14.1.

Other finance costs at 30 June 2017 and 2016 primarily reflect the bank debit and credit interest rates in Argentina in relation to payments and receipts made.

18.8. Foreign currency transactions

The transactions in foreign currency carried out by the DIA Group during the six-month period ended 30 June 2017 and 2016 are not significant. However, details of exchange differences arising on transactions in foreign currency are as follows:

Thousands of Euros	30/06/2017	30/06/2016
Currency exchange losses (note 18.7)	(1,288)	(680)
Currency exchange gains (note 18.7)	303	838
Trade exchange losses	(212)	(533)
Trade exchange gains	840	598
Total	(357)	223

18.9. Non-recurring income and expenses

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

Thousands of Euros	30/06/2017	30/06/2016
Commercial margin	(4,653)	(975)
Personnel expenses	24,560	27,358
Operating expenses	13,710	5,703
Parcial total non-current expenses	33,617	32,086
Share-based payments transactions expenses	1,308	9,868
Amortisation and depreciation	1,724	-
Total non-current expenses	36,649	41,954

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

19. COMMITMENTS AND CONTINGENCIES

a) Commitments

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

Off-balance-sheet cash commitments comprise:

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

Expansion operation commitments were undertaken for expansion at Group level.

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

19.1. Pledged:

Thousands of Euros at 30th June 2017	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	29,588	519	926	10,028	41,061
Credit facilities to customers (finance companies)	79,213	-	-	-	79,213
Cash	108,801	519	926	10,028	120,274
Purchase options	2,014	17,728	900	38,226	58,868
Commitments related to commercial contracts	14,770	3,120	1,185	394	19,469
Other commitments	1,898	1,108	2,810	19,185	25,001
Transactions / properties / expansion	18,682	21,956	4,895	57,805	103,338
Total	127,483	22,475	5,821	67,833	223,612

Thousands of Euros at 30th June 2016	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	39,023	56	544	11,196	50,819
Credit facilities to customers (finance companies)	78,798	-	-	-	78,798
Cash	117,821	56	544	11,196	129,617
Purchase options	9,630	-	20,642	37,725	67,997
Commitments related to commercial contracts	18,751	4,162	2,495	11	25,419
Other commitments	2,520	3,388	1,450	22,823	30,181
Transactions / properties / expansion	30,901	7,550	24,587	60,559	123,597
Total	148,722	7,606	25,131	71,755	253,214

Furthermore, future minimum lease payments under operating leases for real estate at 30 June 2017 and 31 December 2016 are as follows:

Thousands of Euros	30/06/2017	31/12/2016
Less than one year	94,737	103,823
One to five years	121,239	93,931
Over five years	31,742	39,792
Total	247,718	237,546

Future minimum lease payments under operating leases for movable goods at 30 June 2017 and 31 December 2016 are as follows:

Thousands of Euros	30/06/2017	31/12/2016
Less than one year	2,295	5,094
One to five years	1,928	5,321
Over five years	14	26
Total	4,237	10,441

19.2. Received:

Thousands of Euros at 30th June 2017	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Available credit facilities	139,733	-	-	-	139,733
Available syndicated revolving credit facilities	600,000	-	-	-	600,000
Available confirming lines	367,029	-	-	-	367,029
Cash	1,106,762	-	-	-	1,106,762
Guarantees received for commercial contracts	27,672	6,235	20,380	44,784	99,071
Transactions / properties / expansion	27,672	6,235	20,380	44,784	99,071
Total	1,134,434	6,235	20,380	44,784	1,205,833

Thousands of Euros at 30th June 2016	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Available credit facilities	146,679	-	-	-	146,679
Available revolving credit facilities	601,000	-	-	-	601,000
Available confirming lines	376,533	-	-	-	376,533
Cash	1,124,212	-	-	-	1,124,212
Guarantees received for commercial contracts	33,098	5,625	20,341	30,344	89,408
Other commitments	-	-	-	162	162
Transactions / properties / expansion	33,098	5,625	20,341	30,506	89,570
Total	1,157,310	5,625	20,341	30,506	1,213,782

b) Contingencies

In 2014 DIA Brazil was inspected by the local taxation authorities, as a result of which it has received two additional tax assessments, one amounting to Euros 11,451 thousand (Brazilian Reais 43,054 thousand) in relation to a discrepancy concerning tax on income from discounts received from suppliers, and another amounting to Euros 66,636 thousand (Brazilian Reais 250,551 thousand) in relation to the recognition of movements of merchandise and the consequent impact on inventories.

In 2016, the initial administrative ruling on the discrepancy concerning income from suppliers was unfavourable. A legal defence is being mounted and the legal counsel believe there are sufficient grounds to win a ruling favourable to DIA Brazil. As regards the latter proceedings, an unfavourable decision was handed down via administrative channels, despite the stock movements having been shown to be in line with the criteria followed in all the countries in which the DIA Group operates. A ruling has yet to be handed down on the appeal filed against this ruling. Nevertheless, based on the reports from the external legal counsel, the probability of losing this lawsuit continues to be considered remote.

20. RELATED PARTIES

Details of related party balances and transactions are as follows:

Transactions and balances with associates

Transactions with ICDC in the first half of 2017 totalled Euros 13,532 thousand (Euros 1,696 thousand in the first half of 2016) and primarily consisted of commercial transactions, with the balance receivable amounting to Euros 3,151 thousand (Euros 4,852 thousand at the 2016 year end). In addition, in the first half of 2017, transactions with Red Libra totalled EUR 15 thousand and the balance receivable amounted to EUR 362 thousand (see Note 6.1 (c)).

Transactions with directors and senior management personnel

The Parent's directors accrued remuneration of Euros 604 thousand for their role as directors in the six-month period ended 30 June 2017 (Euros 500 thousand in the first half of 2016).

In the six-month period ended 30 June 2017, the Group recognised salaries accrued by directors and other senior executives amounting to Euros 2,967 thousand (Euros 2,348 thousand in the first half of 2016) and Euros 250 thousand in the form of shares (Euros 284 thousand in the first half of 2016).

At 30 June 2017 and 2016 no advances or loans have been received by senior management personnel or directors, nor has the Group extended any guarantees on their behalf.

21. OTHER INFORMATION

Employee information

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

	30/06/2017	30/06/2016
Management	210	208
Middle management	1,755	1,622
Other employees	39,621	40,395
Total	41,586	42,225

22. EVENTS AFTER THE REPORTING PERIOD

On 18 July 2017 DIA paid out a dividend for a gross amount of Euros 0.21 per share. The total amount of this dividend was Euros 128,535 thousand (see note 13.2).

On 24 July 2017 DIA paid Euros 4,586 thousand for the third coupon of the bonds mentioned in note 14.1.

NET SALES

In H1 2017, net sales increased by 3.4% to EUR 4,287.6m. The currency appreciation had a positive impact of 2.4% on net sales growth in the semester.

OPERATING RESULTS

Adjusted EBITDA rose by 3.3% to EUR278.3m, 1.7% growth ex-currency.

Adjusted EBITDA margin was flat in the first half of 2017 at 6.5%, despite the expansion of adjusted EBITDA margins reflected in Iberia and emerging markets in the period (12bps and 45 bps respectively). This flat performance of margins is entirely due to the higher relative contribution of emerging markets which delivers a lower margin than Iberia.

Depreciation and amortization increased by 3.6% in Euros to EUR115.4m, but decreased by 1.0% ex-currency, which reveals a 2.7% effect of currencies and the impact from the increase of depreciation in emerging markets.

Adjusted EBIT increased by 3.1% to EUR162.9m, 2.2% up ex-currency respect the previous year.

Non-recurring items increased by 1.0% in the first half of 2017 to EUR48.2m. Non-recurring cash items only increased by 4.8% in the first half to EUR33.6m. Conversely, other non-recurring 'non-cash' items related with impairment and gains and losses on the disposal of assets surged by 129.1% to EUR13.3m in the first half of 2017 (linked to the network rationalization process).

EBIT rose by 4.0% in the first half of 2017 to EUR114.7m (2.9% ex-currency).

PROFITS

Net profit from continuing operations declined by 4.0% to EUR63.7m, due to the 13% higher financial expenses (linked with emerging markets), and 20% increase in corporate taxes due to the increase in corporate taxes due to the increase in effective tax rate from 20.3% to 24.2%.

Underlying net profit climbed by 4.3% to EUR106.0m, up 3.2% ex-currency.

Thousands of Euros	30/06/2017	%	INC	FX effect	INC w/o FX
Net sales	4,287.6	100.0%	3.4%	2.4%	1.0%
Cost of sales & other income	(3,290.4)	-76.7%	2.9%	2.6%	0.3%
Gross profit	997.1	23.3%	5.0%	1.7%	3.3%
Labour costs	(394.0)	-9.2%	3.5%	1.2%	2.3%
Other operating expenses	(169.0)	-3.9%	8.5%	2.4%	6.1%
Real estate rents	(155.8)	-3.6%	8.3%	2.0%	6.2%
Adjusted EBITDA (1)	278.3	6.5%	3.3%	1.7%	1.7%
D&A	(115.4)	-2.7%	3.6%	2.7%	1.0%
Adjusted EBIT (1)	162.9	3.8%	3.1%	0.9%	2.2%
Non-recurring items	(48.2)	-1.1%	1.0%	0.5%	0.5%
Non-recurring cash items	(33.6)	-0.8%	4.8%		
Long-Term Incentive Plans	(1.3)	0,0%	-86.7%		
Other non-recurring items	(13.3)	-0.3%	129.1%		
EBIT	114.7	2.7%	4.0%	1.1%	2.9%
Net financial income/expenses	(30.2)	-0.7%	13.0%	0.3%	12.7%
EBT	84.1	2.0%	1.0%	1.4%	-0.4%
Income taxes	(20.4)	-0.5%	20.2%	2.1%	18.2%
Consolidated profit	63.7	1.5%	-4.0%	1.2%	-5.2%
Minorities & discontinuing operations	(9.8)	-0.2%		0,0%	
Net attributable profit	54.0	1.3%	-9.7%	1.7%	-11.4%
Underlying net profit	106.0	2.5%	4.3%	1.0%	3.2%

(1) Adjusted by non-recurring items

UNDERLYING NET PROFIT

Thousands of Euros	30/06/2017	30/06/2016	INC	FX effect	INC w/o FX
Net attributable profit	54.0	59.8	-9.7%	1.7%	-11.4%
Non-recurring items	48.2	47.8	1.0%	0.5%	0.5%
Other financials	5.1	1.1			
Taxes	(11.1)	(13.6)			
Discontinuing operations	9.7	6.6			
Underlying net profit	106.0	101.7	4.3%	1.0%	3.2%

TREASURY STOCK & EPS

Thousands of Euros	30/06/2017	30/06/2016	INC
Number of shares outstanding	622,456,513	622,456,513	0,0%
Average number of treasury shares	10,762,473	7,802,400	37.9%
End of period number of treasury shares	10,383,860	8,222,043	26.3%
Weighted average number of shares	611,694,040	614,654,113	-0.5%
EPS	€0.088	€0.097	-9.3%
Underlying EPS	€0.173	€0.165	4.8%

At constant currencies, underlying EPS would have increased by 3.7% in H1 2017 to EUR0.172 (1.1% positive currency effect).

▪ WORKING CAPITAL

DIA's negative trade working capital increased in EUR47.2m at the end of June 2017 versus the same period last year (from EUR695.9m to EUR743.1m). This improvement of 6.8% change in Euros would have been 9.6% excluding the FX impact.

Inventories were EUR34m higher than in H1 2016 (up 5.5%, 8.8% higher ex-currency). The value of stock was higher due to the expansion of the assortment, the company's effort to reduce its out-of-stock ratio, and the impact of new regions opened in Brazil.

Trade and other receivables rose by 6.0% in H1 2017 (7.8% at constant currency). This EUR19.5m hike in debtors is namely due to the expansion of the franchised activity.

The value of trade and other payables climbed by EUR100.7m from EUR1.64bn to EUR1.74bn (6.2% up, 8.9% higher at constant currency). Almost half of this increase in trade payables is attributable to the higher value of non-recourse factoring from receivables from our suppliers. At the end of June 2017 it amounted to EUR101.6m, EUR44.6m higher than in the same date last year.

Thousands of Euros	30/06/2017	Change	Change (ex-FX)
Inventories (A)	647.8	5.5%	8.8%
Trade & other receivables (B)	345.5	6.0%	7.8%
Trade & other payables (C)	1,736.4	6.2%	8.9%
Total working capital (1)	(743.1)	6.8%	9.6%

(1) Trade working capital defined as (A+B-C)

▪ NET DEBT

Net debt at the end of June 2017 amounted to EUR1,020m, which is EUR104m lower than in the same period last year. The increase in net debt versus the end of 2016 is in line with previous years and is due to the seasonality of the business.

As of June 2017, the ratio of net debt over the last twelve months' adjusted EBITDA was 1.6x, which compares with 1.8x in the same period last year.

Thousands of Euros	30/06/2017	31/12/2016	30/06/2016
Net debt	1,019.9	878.3	1,123.6
Net debt /LTM adj. EBITDA	1,6x	1,4x	1,8x

▪ STORE COUNT AND CAPEX

NUMBER OF STORES

At the end of June 2017, DIA operated a total of 7,415 stores. Adjusted for DIA China, this is 41 more stores than in the same period last year.

The number of supermarkets decreased from 395 to 333 over the last year in Spain; although this conversion process is almost over now (only 14 El Arbol stores were converted in H1 2017).

DIA converted 291 stores into the new versions in Iberia in H1 2017, in line with company plans.

Clarel continued its dynamic expansion with an increase of 61 stores over the last twelve months, (36 in H1 2017) reaching a total of 1,269 stores at the end of June 2017. This format continues to add new partners, reaching a total of 125 stores operated by franchisees by the end of June 2017, 48 more than a year ago. Franchised Clarel stores represent 9.9% of this format.

In emerging markets, DIA operated 1,949 stores at the end of June 2017, 135 more than in the same period last year. This number of openings in emerging markets was impacted by the closure of 38 Cada DIA stores in Argentina carried out in the second half of 2016.

Over the last twelve months, the number of Dia banner stores operated under franchised models in Iberia increased by 40, totaling 2,298 stores, which represents 59.5% of the banner. In the emerging markets, the number of stores franchised increased by 55 during this period, reaching a total of 1,229 stores, representing 63.1% of the total (66.2% in Argentina and 60.4% in Brazil).

IBERIA	30/06/2017				30/06/2016				LTM change
	COCO	Franchise	Total	%	COCO	Franchise	Total	%	
DIA Market	903	1,941	2,844	52.0%	1,017	1,868	2,885	51.9%	(41)
Cada DIA / Mais Perto	0	253	253	4.6%	0	299	299	5.4%	(46)
Total DIA Market	903	2,194	3,097	56.7%	1,017	2,167	3,184	57.3%	(87)
DIA Maxi	663	104	767	14.0%	682	91	773	13.9%	(6)
Total DIA banner stores	1,566	2,298	3,864	70.7%	1,699	2,258	3,957	71.2%	(93)
% of DIA banner	40.5%	59.5%	100%		42.9%	57.1%	100%		
El Arbol / La Plaza	333	0	333	6.1%	395	0	395	7.1%	(62)
Clarel	1,144	125	1,269	23.2%	1,131	77	1,208	21.7%	61
Total Iberia stores	3,043	2,423	5,466	100%	3,225	2,335	5,560	100%	(94)
% of Iberia stores	55.7%	44.3%	100%		58.0%	42.0%	100%		

EMERGING	30/06/2017				30/06/2016				LTM change
	COCO	Franchise	Total	%	COCO	Franchise	Total	%	
DIA Market	408	1,014	1,422	73.0%	475	940	1,415	78.0%	7
Cada DIA / Mais Perto	0	165	165	8.5%	0	180	180	9.9%	(15)
Total DIA Market	408	1,179	1,587	81.4%	475	1,120	1,595	87.9%	(8)
DIA Maxi	312	50	362	18.6%	165	54	219	12.1%	143
Total Emerging stores	720	1,229	1,949	100%	640	1,174	1,814	100%	135
% of Emerging stores	36.9%	63.1%	100%		35.3%	64.7%	100%		

TOTAL GRUPO	30/06/2017				30/06/2016				LTM change
	COCO	Franchise	Total	%	COCO	Franchise	Total	%	
DIA Market	1,311	2,955	4,266	57.5%	1,492	2,808	4,300	58.3%	(34)
Cada DIA / Mais Perto	0	418	418	5.6%	0	479	479	6.5%	(61)
Total DIA Market	1,311	3,373	4,684	63.2%	1,492	3,287	4,779	64.8%	(95)
DIA Maxi	975	154	1,129	15.2%	847	145	992	13.5%	137
Total banner stores	2,286	3,527	5,813	78.4%	2,339	3,432	5,771	78.3%	42
% of DIA banner	39.3%	60.7%	100%		40.5%	59.5%	100%		
El Arbol / La Plaza	333	0	333	4.5%	395	0	395	5.4%	(62)
Clarel	1,144	125	1,269	17.1%	1,131	77	1,208	16.4%	61
Total DIA stores	3,763	3,652	7,415	100%	3,865	3,509	7,374	100%	41
% DIA stores	50.7%	49.3%	100%		52.4%	47.6%	100%		

CAPEX

DIA invested EUR144.4m in the first half of 2017, 19.8% less than in the same period last year.

In Iberia, capital expenditure declined by 39.6% to EUR88.6m. There was an improvement in the different formats (Dia Market, Dia Maxi and La Plaza banners) but with a lower intensity and expenditure than last year.

In Emerging Markets, investment increased by 67% in Euros to EUR55.8m, implying 54% growth ex-currency.

Thousands of Euros	30/06/2017	%	Change	Change (ex-FX)
Iberia	88.6	61.3%	-39.6%	-39.6%
Emerging markets	55.8	38.7%	67.4%	53.9%
Total Capex	144.4	100.0%	-19.8%	-22.3%

▪ BUSINESS REVIEW BY GEOGRAPHY

IBERIA

Net sales fell by 3.9% in H1 2017 to EUR2.72bn, mostly due to the closure of some El Arbol and Dia stores in Spain (reflected in a 3.0% reduction in store selling area) and the temporary closures related to the high number of store upgrades completed during the period. Calendar effect was also very negative in Spain in this period.

In the first half of 2017 adjusted EBITDA declined by 2.4% to EUR224.3m. The adjusted EBITDA margin increased by 12 bps in the first half of 2017 to 8.3% thanks to the impact of store rationalization.

In H1 2017 D&A went down by 6.0% to EUR84.3m. This reduction in D&A is related to the growing volume of assets fully depreciated but still in perfect operating condition.

In the first half of 2017 adjusted EBIT was almost the same as in H1 2016, at EUR140.0m (-0.1%). With these figures, adjusted EBIT margin improved by 19 bps in this period to 5.2%.

Thousands of Euros	30/06/2017	Change
Net sales	2.717.4	-3.9%
Adjusted EBITDA (1)	224.3	-2.4%
Adjusted EBITDA margin	8.3%	12 bps
D&A	(84.3)	-6.0%
Adjusted EBIT (1)	140.0	-0.1%
Adjusted EBIT margin	5.2%	19 bps

(1) Adjusted by non-recurring items

EMERGING MARKETS

In the first half of 2017, net sales rose by 18.9% in Euros to EUR1.57bn, and this growth was 7.5% supported by the average appreciation of currencies.

Adjusted EBITDA climbed by 36.8% in the first half of the year to EUR54.0m. The adjusted EBITDA margin, increased by 45 bps in the first half of the year to 3.4% thanks to: 1) a lower volume of openings in the first half of the year, 2) an excellent operational and cost performance, 3) enhanced purchasing conditions and 4) the improving profitability of new regions in Brazil.

D&A increased by 30.1% ex-currency in the first half of the year to EUR31.1m. This increase in D&A is attributable to the higher level of investment in the region in recent years.

In the first half of the year, adjusted EBIT increased by 28.1% to EUR22.9m (19.9% ex-currency). This performance boosted the adjusted EBIT margin by 11 bps in the first half of 2017 to 1.5%.

Thousands of Euros	30/06/2017	Change	Change (ex-FX)
Net sales	1,570.2	18.9%	11.4%
Adjusted EBITDA (1)	54.0	36.8%	25.5%
Adjusted EBITDA margin	3.4%	45 bps	
D&A	(31.1)	43.9%	30.1%
Adjusted EBIT (1)	22.9	28.1%	19.9%
Adjusted EBIT margin	1.5%	11 bps	

(1) Adjusted by non-recurring items

SALES BY COUNTRY

H1 2017 gross sales under banner increased by 4.1% (1.9% ex-currency) to EUR5,127.4m. Comparable sales growth amounted to 4.3% (excluding a -0.7% calendar effect).

GROSS SALES UNDER BANNER

Thousands of Euros	30/06/2017	%	Change	FX effect	Change (ex-FX)
Spain	2,833.9	55.3%	-3.6%	0,0%	-3.6%
Portugal	408.7	8.0%	1.5%	0,0%	1.5%
Total Iberia	3,242.6	63.2%	-3.0%	0,0%	-3.0%
Argentina	880.3	17.2%	15.7%	-7.2%	22.9%
Brazil	1,004.5	19.6%	22.2%	20.0%	2.2%
Total Emerging markets	1,884.8	36.8%	19.1%	7.0%	12.1%
Total DIA	5,127.4	100.0%	4.1%	2.2%	1.9%

NET SALES

Thousands of Euros	30/06/2017	%	Change	FX effect	Change (ex-FX)
Spain	2,391.0	55.8%	-4.5%	0,0%	-4.5%
Portugal	326.4	7.6%	0.7%	0,0%	0.7%
Total Iberia	2,717.4	63.4%	-3.9%	0,0%	-3.9%
Argentina	701.3	16.4%	15.6%	-7.2%	22.8%
Brazil	868.8	20.3%	21.6%	19.9%	1.7%
Total Emerging markets	1,570.2	36.6%	18.9%	7.5%	11.4%
Total DIA	4,287.6	100,0%	3.4%	2.4%	1.0%

GLOSSARY

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

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

LFL sales growth under banner: growth rate of gross sales under banner at constant currency of the stores that have been operating for more than thirteen months under the same business conditions.

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

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

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

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

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

Cash From Operations: adjusted EBITDA less non-recurring cash items less recurrent capex.

▪ **OTHER INFORMATION**

- **Risks and uncertainties**

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 corporate policies.

A summary of the management policy used for each risk type, as proposed by the Parent company's board of directors is as follows:

• **Financial risks factors**

The Group's Global Risk Management Policies focuses on uncertainty in the financial markets and aim to minimise potential adverse effects on the Group and shareholders' profits.

Risk management is controlled by management of the Group's Finance Department. This department identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units.

The Group's activities are exposed to various financial risks: market risk (exchange rate, interest rate), credit risk and liquidity risk.

a) **Currency risk**

Currency risk is associated with commercial and financial flows in a currency other than the accounting currency. The Group operates internationally and is therefore exposed to currency risks.

Currency risk arises from future commercial transactions in which recognized assets and liabilities are presented in a foreign currency other than the functional currency of the Company. In order to control this risk, Group entities use forward currency contracts negotiated by the Treasury Department.

During the H1 2017 and 2016 the Group has performed no significant transactions in currencies other than the functional currency of each company. However, for isolated transactions in US Dollars the Group has contracted exchange rate insurance policies in that currency.

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

b) Credit risk

The Group is not significantly exposed to credit risk. The Group has policies to ensure that its wholesale customers have adequate credit records. Retail sales are associated with a lower risk, because there are settle in cash or by credit card.

Derivative and cash transactions are only performed with financial institutions that have high credit ratings with an applicable rating equal or greater than BBB. In the countries which the rating is lower than this classification, the Group performs with local financial institutions that have high credit ratings, according local standards. The Group has policies to limit the amount of risk with any one financial institution.

c) Liquidity risk

The Group applies a cautious policy to cover its liquidity risks, ensuring the compliance of the commercial and financing payment commitments acquired, for a minimum period of 12 months, covering the financial needs by recurring generation of cash in their business, as well as the long-term loans and financing lines contracts.

d) Rate risks

The Group's Rate risks arise from the fluctuations of the rates that affects to the financial costs of the long-term debt issued at variable rates.

The Group performs several hedging transactions to mitigate interest rate exposure under its Risk Management Policy.

Moreover, the Group's Policy for financial assets is to keep them ready to liquidity for use. These amounts are held on first level financial entities.

As the Group does not have a considerable amount of remunerated assets, income and cash flows from operating activities are mostly external from fluctuations in market interest rates.

- Environmental issues

The DIA Group is committed to environmental issues and aims to minimise its activity's impact on the environment, although it never loses sight of the economic cost of its actions. It strongly supports environmental protection as well as the development and management of a sustainable activity based on efficiency, on going improvements and finding new tools to control and reduce the impact caused by its business.

- **Research and development expenses**

DIA's R&D costs are minimal as a percentage of the total expenditure incurred in carrying out its statutory activities.

- **Parent company own shares**

During the first half of 2017 the Group's directors and management received 721,914 shares (amounting to Euros 4,326 thousand) as remuneration, representing an expense of Euros 432 thousand.

At 30 June 2017 the Group holds 10,383,860 own shares of the Parent with an average purchase price of Euros 5.8540 per share, representing a total amount of Euros 60,787,368.77, which have been earmarked to meet share obligations with executives under the plans described in note 17 of the interim condensed financial statements.

- **Events after the reporting period**

On 18 July 2017 DIA paid out a dividend for a gross amount of Euros 0.21 per share. The total amount of this dividend was Euros 128,535 thousand (see note 13.2 of the interim condensed financial statements).

On 24 July 2017 DIA paid Euros 4,586 thousand for the third coupon of the bonds mentioned in note 14.1. of the interim condensed financial statements.