Distribuidora Internacional de Alimentación, S.A. and Subsidiaries

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

for the twelve-month period

ended 31 December 2019

(unaudited)

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

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Distribuidora Internacional de Alimentación, S.A. and Subsidiaries

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the twelve-month period ended 31 December 2019

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION(I)

At 31 December 2019 and 2018

(Expressed in thousands of Euros)

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

ASSETS	Notes	2019 31st December	Restated (*) 2018 31st December
Property, plant and equipment	4	1,055,580	1,328,007
Goodwill	5.1	489,051	503,583
Right of use	5.2	700,037	-
Other intangible assets	5.3	40,593	48,927
Investments accounted for using the equity method	7	551	9,182
Trade and other receivables	6.1	46,010	73,121
Other non-current financial assets	6.2	64,043	77,721
Non-current tax assets	15	52,297	43,888
Deferred tax assets	15	-	74,672
Non-current assets		2,448,162	2,159,101
Inventories	9	496,517	597,355
Trade and other receivables	6.1	110,971	193,469
Consumer loans from financial activities		1,409	20
Current tax assets	15	76,768	38,029
Current income tax assets	15	6,932	10,143
Other current financial assets	6.2	8,706	11,361
Other assets	8	6,418	7,392
Cash and cash equivalents	10	163,550	239,843
		871,271	1,097,612
Non-current assets held for sale	11	-	15,100
Current assets		871,271	1,112,712
TOTAL ASSETS		3,319,433	3,271,813

(*) Restated data (see note 2)

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION(I)

At 31 December 2019 and 2018

(Expressed in thousands of Euros)

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

EQUITY AND LIABILITIES	Notas	2019 31st December	Restated (*) 2018 31st December
Capital	12.1	66,780	62,246
Share premium	12.2	544,997	-
Reserves	12.3	(93,655)	246,701
Own shares	12.4	(7,252)	(55,861)
Other own equity instruments	12.5 y 16	89	6,820
Net losses for the period	12.3	(790,468)	(352,587)
Translation differences	12.6	(70,993)	(73,394)
Value adjustments due to cash flow hedges		-	13
Equity attributable to equityholders of the Parent		(350,502)	(166,062)
Total Equity		(350,502)	(166,062)
Non-current borrowings	13.1	1,865,716	920,354
Provisions	14	61,306	47,604
Other non-current financial liabilities	13.2	3,806	2,291
Deferred tax liabilities	15	11,440	-
Non-current liabilities		1,942,268	970,249
Current borrowings	13.1	325,536	775,592
Trade and other payables	13.3	1,215,446	1,448,928
Current tax liabilities	15	64,679	76,046
Current income tax liabilities	15	9,151	664
Other current financial liabilities	13.4	111,583	166,396
		1,726,395	2,467,626
Liabilities directly associated with non-current assets held for sale	11	1,272	-
Current liabilities		1,727,667	2,467,626
TOTAL EQUITY AND LIABILITIES		3,319,433	3,271,813

(*) Restated data (see note 2)

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CONSOLIDATED INCOME STATEMENTS (II)

for the twelve-month periods ended 31 December 2019 and 2018

(Expressed in thousands of Euros)

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

INCOME STATEMENT	Notes	2019 31st December	Restated (*) 2018 31st December
Sales	3 y 17	6,870,435	7,576,087
Other income	18.1	77,156	103,472
TOTAL INCOME		6,947,591	7,679,559
Goods and other consumables used	18.2	(5,240,748)	(5,606,349)
Personnel expenses	18.3	(934,536)	(916,192)
Operating expenses	18.4	(675,383)	(920,667)
Depreciation and amortization	18.5	(518,366)	(245,767)
Impairment of non-current assets	18.5	(57,509)	(117,609)
Impairment of trade debtors	6.1	(31,327)	(27,150)
Losses on disposal of fixed assets	18.6	(69,968)	11,617
LOSSES FROM OPERATING ACTIVITIES		(580,246)	(142,558)
Finance income	18.7	41,640	6,781
Finance expenses	18.7	(196,209)	(90,236)
Gain from net monetary positions	18.9	63,705	67,505
Losses from financial instruments	18.10	(6,043)	-
Profit/(losses) of companies accounted for by using the equity method	18.11	196	(1,183)
LOSSES BEFORE TAX FROM CONTINUING OPERATIONS		(676,957)	(159,691)
Income tax	15	(91,669)	(188,360)
LOSSES AFTER TAX FROM CONTINUING OPERATIONS		(768,626)	(348,051)
Losses net of taxes of discontinued operations	11	(21,842)	(4,536)
LOSSES		(790,468)	(352,587)
Atributted to:			
Equityholders of the Parent		(790,468)	(352,587)

(*) Restated data (see note 2)

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (III)

for the twelve-month periods ended 31 December 2019 and 2018

(Expressed in thousands of Euros)

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

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

(*) Restated data (see note 2)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (IV)

for the twelve-month periods ended 31 December 2019 and 2018

(Expressed in thousands of Euros)

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

	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY										
	Registered capital	Share premium	Reserves and accumulated earnings	Net (losses)/profit	Own shares	Other own equity instruments	Value adjustments due to cash flow hedges	Translation differences	Equity attributable to the Parent	Minority interests	Total equity
At 1 January 2018	**62,246**	**-**	**244,256**	**101,208**	**(60,359)**	**10,773**	**(55)**	**(100,777)**	**257,292**	**(100)**	**257,192**
Transfer of translation differences to reserves (Argentina)	-	-	(45,178)	-	-	-	-	45,178	-	-	-
Argentina hyperinflation adjustments	-	-	55,650	-	-	-	-	-	55,650	-	55,650
Transfer of the (losses)/profit of the previous year	-	-	101,208	(101,208)	-	-	-	-	-	-	-
Net losses for the period	-	-	-	(352,587)	-	-	-	-	(352,587)	-	(352,587)
Other comprehensive income, net of income tax	-	-	-	-	-	-	68	(17,795)	(17,727)	-	(17,727)
Translation differences of financial statements of foreign operations	-	-	-	-	-	-	-	(17,795)	(17,795)	-	(17,795)
Value adjustments due to cash flow hedges	-	-	-	-	-	-	68	-	68	-	68
Total comprehensive income for the period	**-**	**-**	**-**	**(352,587)**	**-**	**-**	**68**	**(17,795)**	**(370,314)**	**-**	**(370,314)**
Transactions with equityholders or owners	-	-	(109,235)	-	4,498	(3,953)	-	-	(108,690)	100	(108,590)
Dividends distribution	-	-	(110,324)	-	-	-	-	-	(110,324)	-	(110,324)
Issuance of share-based payments	-	-	-	-	-	1,602	-	-	1,602	-	1,602
Transactions with own shares or equity holdings	-	-	(134)	-	4,498	(5,555)	-	-	(1,191)	-	(1,191)
Settlement of subisidiary Compañía Gallega de Supermercados, S.A.	-	-	1,223	-	-	-	-	-	1,223	100	1,323
At 31 December 2018 (restated)	**62,246**	**-**	**246,701**	**(352,587)**	**(55,861)**	**6,820**	**13**	**(73,394)**	**(166,062)**	**-**	**(166,062)**
At 1 January 2019	**62,246**	**-**	**246,701**	**(352,587)**	**(55,861)**	**6,820**	**13**	**(73,394)**	**(166,062)**	**-**	**(166,062)**
Argentina hyperinflation adjustments	-	-	(878)	-	-	-	-	-	(878)	-	(878)
Transfer of the (losses)/profit of the previous year	-	-	(352,587)	352,587	-	-	-	-	-	-	-
Net losses for the period	-	-	-	(790,468)	-	-	-	-	(790,468)	-	(790,468)
Other comprehensive income, net of income tax	-	-	-	-	-	-	(13)	2,401	2,388	-	2,388
Translation differences of financial statements of foreign operations	-	-	-	-	-	-	-	2,401	2,401	-	2,401
Value adjustments due to cash flow hedges	-	-	-	-	-	-	(13)	-	(13)	-	(13)
Total comprehensive income for the period	**-**	**-**	**-**	**(790,468)**	**-**	**-**	**(13)**	**2,401**	**(788,080)**	**-**	**(788,080)**
Transactions with equityholders or owners	4,534	544,997	13,109	-	48,609	(6,731)	-	-	604,518	-	604,518
Capital reduction	(56,021)	-	56,021	-	-	-	-	-	-	-	-
Capital increase	60,555	544,997	(6,218)	-	-	-	-	-	599,334	-	599,334
Issuance net share-based payment	-	-	-	-	-	269	-	-	269	-	269
Value adjustment share-based payment	-	-	6,018	-	-	(6,018)	-	-	-	-	-
Issuance of share-based payments	-	-	(2,073)	-	2,692	(982)	-	-	(363)	-	(363)
Transactions with own shares or equity holdings	-	-	(40,662)	-	45,917	-	-	-	5,255	-	5,255
Other variations in shareholders' equity	-	-	23	-	-	-	-	-	23	-	23
At 31 December 2019	**66,780**	**544,997**	**(93,655)**	**(790,468)**	**(7,252)**	**89**	**-**	**(70,993)**	**(350,502)**	**-**	**(350,502)**

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CONSOLIDATED STATEMENTS OF CASH FLOWS (V)

for the twelve-month periods ended 31 December 2019 and 2018

(Expressed in thousands of Euros)

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

	Notes	2019 31st December	Restated (*) 2018 31st December
Operating activities			
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		(676,957)	(159,691)
Loss before tax from discontinued operations		(21,842)	(7,487)
Loss before income tax		*(698,799)*	*(167,178)*
Adjustments to Profit and Loss:		*860,471*	*450,628*
Amortisation and depreciation	18.5	518,366	245,767
Impairment of non current assets	18.5	57,509	117,609
Impairment of trade debtors	6.1	31,327	27,150
Losses on disposal of the non current assets	18.6	69,968	(11,617)
Losses on disposal of financial instruments operations		6,043	-
Finance income	18.7	(41,640)	(6,781)
Finance expenses	18.7	196,209	90,236
Changes of provisions and grants		7,783	(2,883)
Other adjustments of discontinued operations	11	1,420	-
Other adjustments to Profit and Loss		13,682	(10,036)
Share of (Profit)/loss of companies accounted for by using the equity method net of dividends	7	(196)	1,183
Adjustments to working capital:		*(101,331)*	*(419,419)*
Changes in trade and other receivables		68,069	6,582
Changes in inventories		100,838	11,649
Changes in trade and other payables		(241,600)	(352,103)
Changes in consumer loan and refinancing commitments		(1,389)	1,051
Changes in other assets		(40,997)	(20,658)
Changes in other liabilities		(2,054)	(17,049)
Changes in working capital of discontinued operations	11	15,100	(28,544)
Current income tax paid		702	(20,347)
Net cash flows from/(used in) operating activities		*60,341*	*(135,969)*
Investing activities			
Payments of intangible assets		(4,770)	(6,151)
Development cost		(6,011)	(14,958)
Payments of property, plant and equipment		(151,705)	(319,906)
Payments of financial instruments		31,048	(21,577)
Disposals of intangible assets		1,147	-
Disposals of property, plant and equipment		13,464	93,926
Collections for other financial assets		3,954	7,081
Interests received		3,403	3,735
Investing flows of discontinued operations	11	-	(10,007)
Acquisition of subsidiaries net of cash acquired		769	-
Net cash flows used in investing activities		*(108,701)*	*(267,857)*
Financing activities			
Capital increase, net of cost	12.1	599,334	-
Dividends paid to the shareholders of the Parent Company		-	(110,325)
Charge for sale of own shares	12.4 a)	5,255	-
Financial lease payments	13.1 c)	(327,522)	-
Borrowings repaid		(379,756)	(220,619)
Borrowings made		164,752	646,874
(Payments) /Collections from other financial liabilities		1,697	(2,660)
Interests paid		(92,577)	(83,750)
Net cash flows from financing activities		*(28,817)*	*229,520*
Net changes in cash and cash equivalents		*(77,177)*	*(174,306)*
Net foreign exchange differences		884	67,633
Cash and cash equivalents at 1st January		*239,843*	*346,516*
Cash and cash equivalents at 31th December		*163,550*	*239,843*

(*) Restated data (see note 2)

Explanatory Notes to the Condensed Consolidated Interim Financial Statements for the twelve-month period ended 31 December 2019 (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 company ("sociedad anónima") for an unlimited period of time. Its registered office is located in Las Rozas de 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, DIA Maxi, Minipreço, La Plaza de DIA, Clarel and DIA&go.

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

Relevant events occurring during 2019

1.1. *Appointment of a new auditor*

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

1.2. Change of control and redress of the balance and structure of the Company's equity

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

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

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

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

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

PTB

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

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

On 17 April 2019 LetterOne extended the Bid's acceptance term from 23 April 2019 to 30 April 2019. In light of this extension and certain preliminary information available to the Parent company, on 26 April an update was given on the operating performance and the business during the first quarter of 2019, prior to the publication of its unaudited

financial reporting for this period, which was ultimately published on 14 May 2019. Also, on 26 April 2019 the Parent company informed the market of the signing of a modifying novation of the prevailing financing lines amounting to Euros 912,119,190 (”Existing Syndicated Loan”) by virtue of which the term was extended to 31 May 2019, to agree and promote an increase in share capital or any other type of instrument equivalent to share capital in satisfactory terms for the lenders.

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

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

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

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

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

Renewal of the Board of Directors

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

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

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

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

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

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

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

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

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

Board of Directors:

Chairman: Stephan DuCharme (external proprietary director).

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

Directors: Michael Joseph Casey (external proprietary director).

Christian Couvreux (independent director).

Sergio Antonio Ferreira Dias (external proprietary director).

Jaime García-Legaz Ponce (independent director).

José Wahnon Levy (independent director).

Audit and Compliance Committee:

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

Jaime García-Legaz Ponce (independent director).

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

Appointments and Remuneration Committee:

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

Stephan DuCharme (external proprietary director).

Jaime García-Legaz Ponce (independent director).

Capital and Financial Structure Committee:

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

Michael Casey (external proprietary director).

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

Christian Couvreux (independent director).

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

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

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

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

Board of Directors:

Chairperson: Stephan DuCharme (external proprietary director).

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

Directors: Christian Couvreux (independent director).

Sergio Antonio Ferreira Dias (external proprietary director).

Jaime García-Legaz Ponce (independent director).

Basola Vallés Cerezuela (independent director).

José Wahnon Levy (independent director).

Agreement with the syndicated loan lenders

After the settlement of the LetterOne Bid and the renewal of the Board of Directors, on 25 June 2019 the market was informed of the agreement reached between LetterOne and all the lenders of the syndicated loan held by DIA subject to certain Suspensive Conditions, establishing the deadline for completion or withdrawal of these conditions,

at the earliest between (a) the "Lock-Up Agreement" date in accordance with its terms, and (b) 15 July 2019 (or any subsequent date agreed by a majority of the lenders).

The main agreements reached include:

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

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

iii. The possibility of obtaining new secured super senior funding lines, under terms that the Parent company considers satisfactory, for a total amount of up to Euros 280 million, of which binding commitments have been obtained for approximately Euros 270.8 million (see note 13b)).

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

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

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

Approval of the Hive Down imposed by the syndicated lenders

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

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

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

(iii) In particular, as a first milestone, no later than 31 December 2019, and subject to the aforementioned exceptions, the Company must transfer to subsidiaries indirectly wholly-owned by DIA: a) all real estate owned by DIA in Spain; b) certain specific commercial establishments of DIA representing 58% of the Restricted EBITDA (as defined and calculated in the Financing Agreement); and c) the interests held by DIA in the Brazilian, Argentinean and Portuguese subsidiaries, to the extent to which it is viable from the legal, fiscal and regulatory perspective.

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

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

On 26 December 2019, DIA's Board of Directors agreed to commence executing the Hive Down with effect from 1 January 2020, which would mean starting a complex, sequential process entailing several transactions and legal proceedings over the first few months of 2020 to transfer the main business units of the Company to subsidiaries which, at the end of the process, as required by the syndicated lenders in the Syndicated Financing Agreement, will be directly or indirectly held by different Luxembourg holding companies, which are, in turn, wholly-owned by DIA directly and/or indirectly. Subject to certain exceptions agreed with the syndicated lenders, the transfer of the Company's main business units will include all assets, liabilities, corporate interests, contracts and personnel comprising the Spanish retail and wholesale business, the overseas business and the central services of DIA. Similarly, as part of the business units transferred in the Hive Down, part of the debt included under the Syndicated Financing will be transferred to certain Spanish subsidiaries wholly-owned by DIA indirectly, and directly and indirectly held by Luxembourg holding companies, also at the request of the syndicated lenders. Lastly, in compliance with the Syndicated Financing, the shares or participations, bank accounts and receivables of the directly and indirectly wholly-owned subsidiaries of DIA involved in the Hive Down will be pledged.

Capital reduction and subsequent capital increase of Euros 605.6 million

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

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

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

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

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

1.3. Other corporate transactions

The Group has classified the assets and liabilities of its Cash & Carry business (Max Descuento stores) as held for sale in the consolidated financial statements and as discontinued activities in the consolidated income statement since June 2018 (see note 11) and has finalised the sale or liquidation of this business in the Spain segment during the second half of 2019. The result of the divestment of this transaction in the consolidated income statement has had a negative impact of approximately Euros 16.2 million in line with the estimates made.

In December 2018 the Company decided to commence the process to dispose of its interest in the Clarel business (Beauty by Dia, S.A.) and the Group classified this business as held for sale in the consolidated financial statement and as discontinued activities in the consolidated income statement at December 2018. In 2019 the Company decided to reverse this classification, restating the 2018 figures and recording the Clarel business in the

consolidated financial statements as discontinued activities in the consolidated income statement, in line with the nature thereof, as the Company's Board of Directors has agreed to continue managing, developing and remodelling this business.

On 28 June 2018, 50% of the shares of FINANDIA E.F.C., S.A. were sold to CaixaBank Consumer Finance E.F.C., S.A.U. (CaixaBank) for Euros 9,306 thousand. This stake was recorded as an equity-accounted investee at 31 December 2018. After the settlement of the voluntary Public Takeover Bid by LetterOne, the Company has proceeded to acquire 50% of the share held by Caixabank Consumer Finance E.F.C., S.A.U. by virtue of the purchase option it held subject to a change of control of the Parent company. On 19 July 2019, the partners of Finandia, EFC, S.A. decided to reduce the share capital of Finandia. Its current share capital amounts to Euros 3,500,000, represented by 7,000,000 shares of Euros 0.50 par value. On the same date, Distribuidora Internacional de Alimentación, S.A. acquired the 3,500,000-share interest held by Caixabank Payments &Consumer, E.F.C., E.P., S.A.U., rendering it sole shareholder. At 31 December 2019, this company is integratedto fully consolidated status. At 31 December 2019, the Group has recognised a loss of Euros 12.5 million for the impact of this operation (see notes 13.4, 18.6 and 18.10): Euros 5.8 million in the caption losses on disposal of financial instruments and Euros 6.7 million under losses on disposal of non-current assets. Moreover, Finandia is no longer classified as a credit institution, and its registered name has been changed to Finandia, S.A.U.

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

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

Within the framework of the Hive Down, on 22 August 2019, Distribuidora Internacional de Alimentación, S.A. acquired 100% of seven Luxembourg companies. In addition, on 2 August 2019, the company DIA FINANCE, S.L.U. was incorporated.

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

With respect to the structure of the consolidated Group, at 31 December 2018, the following changes have taken place:

1. The company Horizon International Services, S.a.r.l. was incorporated on 15 February 2019. Its activity consists of negotiating international services with the main suppliers of national brands and DWT holds a 25% shareholding therein.
2. On 19 February 2019 the company DISTRIBUIDORA PARAGUAYA DE ALIMENTOS S.A. left the consolidated Group, since the shares held by Dia Paraguay in DISTRIBUIDORA PARAGUAYA DE ALIMENTOS S.A. (equivalent to a 10% stake) were sold on that date.
3. On 3 June 2019 a capital increase of Brazilian reals 174,350,000 was carried out, equivalent to Euros 40 million. This capital increase was conducted in two tranches: Euros 10 million (Brazilian reals 43,850,000) at 30 May 2019, and Euros 30 million (Brazilian reals130,500,000) at 3 June 2019. The capital of DIA Brazil went from Brazilian reals 670,950,037 to Brazilian reals 845,300,037. DIA holds 845,300,036 shares and DIA Argentina holds one share in the share capital of DIA Brazil.
4. On 19 June 2019 the company DIA AMÉRICA LATINA ESTUDOS, PESQUISAS E TREINAMENTOS LTDA. was incorporated. Its share capital amounts to 1 Brazilian real, represented by 1 share with a nominal value of 1 Brazilian real. The sole shareholder is Brazilian company DBZ. Its statutory activity consists of rendering services in Latin American countries relating to market research and surveys on the retail sector and holding capital holdings in other companies.
5. On 19 July 2019, Distribuidora Internacional de Alimentación, S.A. acquired the Finandia S.A.'s 3,500,000 shares held by Caixabank Payments &Consumer, E.F.C., E.P., S.A.U., thereby becoming sole shareholder. At 31 December 2019, this company has returned to fully consolidated status.
6. Within the framework of the Hive Down, on 22 August 2019, Distribuidora Internacional de Alimentación, S.A. acquired 100% of seven Luxembourg companies, all of which have a share capital of Euros 12,000 represented by 12,000 shares of Euros 1 par value each and whose sole shareholder is Distribuidora Internacional de Alimentación, S.A. Furthermore, on 2 August 2019, the company DIA FINANCE, S.L.U. was incorporated, with a share capital of Euros 3,000 represented by 3,000 shares of Euros 1 par value each. Its sole shareholder is Distribuidora Internacional de Alimentación, S.A.

1.4. Profit/(loss) evolution during the year

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

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

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

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

4. The product selection underwent a streamlining process, which involved a full review of the selections in every country, resulting in a significant reduction in the number of references, in the interest of greater simplification, improved productivity and better quality and value for the customer. This initiative has meant significant losses were recorded (especially in Brazil) in relation to the corresponding inventory liquidation (affecting the cost of goods sold).

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

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

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

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 twelve-month period ended 31 December 2019 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 endorsed by the European Union ("IFRS-EU"). 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 2018.

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 31 December 2019.

Comparative information in the condensed consolidated interim financial statements refers to the years ended 31 December 2019 and 2018.

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

- The consolidated financial statement at 31 December 2018 has been restated because it did not recognise the Clarel business as held for sale, as described in notes 1.3 and 11. Details of the restatement are as follows:

ASSETS	Clarel business (*)
Property, plant and equipment (Note 4)	59,407
Goodwill (Note 5.1)	10,818
Other intangible assets (Note 5.3)	1,630
Trade and other receivables (Note 6.1)	9,815
Other non-current financial assets (Note 6.2)	3,665
Deferred tax assets	1,326
Non-current assets	**86,661**
Inventories (Note 9)	65,691
Trade and other receivables (Note 6.1)	1,191
Current tax assets	(1)
Other current financial assets (Note 6.2)	59
Other assets (Note 8)	37
	66,977
Non-current assets held for sale (Note 11)	(153,638)
Current assets	**(86,661)**
TOTAL ASSETS	**-**

EQUITY AND LIABILITIES	Clarel business (*)
Non-current borrowings (Note 13)	1,284
Provisions (Note 14)	1,696
Non-current liabilities	**2,980**
Current borrowings (Note 13)	3,238
Trade and other payables (Note 13.3)	6,432
Current tax liabilities	1,708
Other current financial liabilities (Note 13.4)	8,749
	20,127
Liabilities directly associated with non-current assets held for sale (Note 11)	(23,107)
Current liabilities	**(2,980)**
TOTAL EQUITY AND LIABILITIES	**-**

(*) Amounts in thousands of Euros

- Below are details of the restatement for the 2018 income statement:
  a) for not recognising the Clarel business for Spain and Portugal as a discontinued activity,
  b) presenting the cost of logistics platforms according to their nature, as they were presented as an increase in merchandise and other consumables used, and the correction of CDSI's elimination errors, and
  c) the results generated on the sale of assets to third parties for Euros 28,115 thousand and the sale of 50% of Finandia to Caixa Bank for Euros 9,265 thousand have been reclassified.

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

(*) Amounts in thousands of Euros

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.

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

2.2. Accounting Principles

The condensed consolidated interim financial statements for 2019 have been prepared by the DIA Group applying the accounting principles and measurement criteria described in note 3 to the consolidated annual accounts for 2018, except those criteria that are applied for the first time.

First-time application of accounting standards:

During 2019 the Group applied the following for the first time: IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments.

IFRS 16 Leases

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

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

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

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

  - Excluding leases with low-value underlying assets.
  - Instead of reviewing the impairment at the initial application date, the Company has based its measurement on the onerousness of the leases, applying IAS 37 Provisions, contingent liabilities and contingent assets immediately before the initial application date, adjusting the right-of-use asset at the initial application date by the amount of the provision for onerous contracts recognised, where applicable, in the financial statement immediately before the initial application date.

- The effect of applying this standard in the condensed interim consolidated financial statements is detailed in note 5.2 Rights of use and note 13.1 c) Financial lease payables.

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

IFRIC 23 Uncertainty over Income Tax Treatments:

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

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or as a whole, based on the approach that will best predict the resolution of the uncertainty.

- that the company must assume that the tax authorities will examine the uncertain tax treatments and will have full knowledge of all related information, i.e. detection risk must be ignored.

- that the company must show the effect of the uncertainty in its income tax accounting when it is unlikely that the tax authorities will accept the treatment.

- that the impact of the uncertainty should be measured using the most likely amount method or the expected value method, depending on which one best predicts the resolution of the uncertainty, and that the judgements and estimates made must be reassessed whenever circumstances change or new information arises that could affect the judgements.

The interpretation is effective for all periods commencing on or after 1 January 2019. The Group has applied the standard for the first time on 1 January 2019 and it has not had an impact on the condensed interim consolidated financial accounts.

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

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

2.3. Classification of Argentina as a hyperinflationary country

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

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

- Hyperinflation accounting has been applied to all the assets and liabilities of the DIA Argentina subsidiary before translation.

- The historical cost of non-monetary assets and liabilities and the equity items of this Company from their date of acquisition or inclusion in the consolidated statement of financial position to each period-end has been adjusted to reflect changes in the purchasing power of the currency arising from inflation.

- The initial equity recorded in the uniform currency is subject to the accumulated effect of the restatement due to inflation of non-monetary items from the date they were first recognised and the effect of translating these balances to the closing rate at the start of the year. The Group opted to recognise the difference between equity at the closing of the prior year and equity at the start of the current year in reserves, together with the accumulated exchange differences up to that date, 1 January 2018.

- The Group has adjusted the consolidated income statement at 31 December 2019 and 31 December 2018 to reflect the financial profit relating to the impact of inflation on net monetary assets.

- The different items in the consolidated income statement and the consolidated cash flow statement at 31 December 2019 and 31 December 2018 have been adjusted by the inflation rate since their generation, with a balancing entry in financial results and net exchange differences, respectively.

The inflation rate considered for this calculation at 31 December 2019 was 54.51% (49.9% at 31 December 2018). This rate was obtained from the information issued by INDEC (National Statistics and Census Institute), a public body, through the publication of the Consumer Price Index which measures variations in the price of goods and services comprised in domestic consumer spending.

The monthly evolution of the price index was as follows:

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

The most significant impacts on the consolidated financial statement deriving from inflation in Argentina relate to the revaluation of property, plant and equipment (see note 4) and the corresponding effect on deferred tax assets and liabilities. The impact of inflation on non-monetary items has been included in reserves.

Furthermore, the impact of the change in the net monetary position at 31 December 2019 and 2018 has been recognised as a financial profit (see note 18.9).

2.4. Going concern

The Parent's directors have prepared these condensed consolidated interim financial statements for the twelve-month period ended 31 December 2019 on a going concern basis.

At 31 December 2019, consolidated equity amounted to a negative amount of Euros 351 million (a negative amount of Euros 166 million at 31 December 2018) and working capital, calculated as current assets less current liabilities, excluding assets and liabilities held for sale, was also negative, amounting to Euros 855 million (a negative amount of Euros 1,370 million at 31 December 2018, once restated). The loss for 2019 amounts to Euros 790 million (a loss of Euros 353 million in 2018) and the net variation in cash and cash equivalents was a negative amount of Euros 77 million (a negative amount of Euros 174 million in 2018).

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

At 31 December 2019, once the capital increase mentioned in note 1.2 had been approved, the Parent company's equity structure has been re-established and the grounds for dissolution removed. The Parent company's equity amounts to Euros 223 million and working capital, calculated as current assets less current liabilities, is also a positive amount of Euros 256 million. The 2019 result amounts to a loss of Euros 282 million.

At the date on which these condensed consolidated interim financial statements were presented, the Parent company has updated the business plan at the reporting date, which has been formulated on the basis of fundamental assumptions consisting of strongly developing the Group's own brand and fresh produce, which will increase customer loyalty and frequency of the visits to the stores, and supporting the franchised network and improving service levels in stores.

In conclusion, the Parent company's Directors believe that based on the effectiveness of modifying and refinancing the Syndicated Loan, the new lines of funding obtained and the capital increase carried out in November 2019, the clearing of the grounds for dissolution due to losses will be consolidated, securing a viable long-term capital structure for the Parent company. The cash flow requirements of the Parent company and its Group will be based on a sustainable capital structure with a payment deferral of financial liabilities for the Parent company and its Group and the refinancing of the second bond issue maturing in April 2020, in line with the new, updated business plan, which will ultimately enable the Group to continue operating as a going concern and achieve its long-term targets.

3. INFORMATION ON OPERATING SEGMENTS

Information is provided on the following operating segments:

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

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

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

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

A breakdown of key segment data is as follows:

Thounsands of Euro at 31st December 2019	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	Consolidated
Sales (1)	4,177,181	593,933	917,268	1,182,052	6,870,435
Adjusted EBITDA	18,156	9,618	12,051	(130,680)	(90,855)
% of sales	0.43%	1.62%	1.31%	(11.06)%	(1.32)%
Non-current assets	1,620,239	257,238	170,003	400,682	2,448,162
Liabilities	2,733,785	218,258	208,405	508,215	3,668,663
Liabilities directly aasociated with non-current assets held for sale	1,272	-	-	-	1,272
Acquisition of non-current assets (2)	33,765	9,242	9,432	40,536	92,975
Number of outlets	4,236	576	934	880	6,626

Miles de euros a 31 de diciembre de 2018	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	Consolidated
Sales (1)	4,551,526	644,870	970,574	1,409,117	7,576,087
Adjusted EBITDA	252,384	30,723	39,036	54,032	376,175
% of sales	5.55%	4.76%	4.02%	3.83%	4.97%
Non-current assets	1,405,661	209,202	162,943	381,295	2,159,101
Non-current assets held for sale	15,100	-	-	-	15,100
Liabilities	2,612,210	184,532	220,935	420,198	3,437,875
Acquisition of non-current assets	206,955	20,191	29,652	58,480	315,278
Number of outlets	4,669	603	979	1,172	7,423

(1) Sales eliminations arising from consilidation are included in segment Spain
(2) Rigth of use not included

The 2018 figures have been restated because they did not recognise the Clarel business as held for sale, as described in notes 1.3 and 2.1.A reconciliation between adjusted EBITDA and items in the consolidated income statement is as follows:

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

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

4. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment for 2019 and 2018 are as follows:

Net carrying amount	2019	2018
At 1 January	**1,328,007**	**1,410,739**
Additions	82,194	294,169
Amortisation and depreciation (note 18.5)	(208,494)	(233,202)
Impairment (note 18.5)	(44,540)	(66,380)
Disposals	(86,211)	(86,417)
Hyperinflation	54,083	102,298
Transfers to assets held for sale	(170)	(3,783)
Transfers IFRS 16	(29,637)	-
Translation differences	(64,300)	(96,757)
Other movements	24,648	7,340
At 31 December	**1,055,580**	**1,328,007**

Property, plant and equipment recorded in the consolidated annual accounts at 31 December 2018 at Euros 1,268,000 thousand have been restated at Euros 59,407 thousand, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1.3 and 2.1).

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

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

As a result of the impairment tests conducted on the basis of the new business plan, an impairment loss of Euros 44,540 thousand was recognised in 2019, relating mainly to stores in Brazil and, in the case of Spain, to warehouses and fruit display stands. The impairment loss of €66,380 thousand posted in 2018 related to 365 stores that were expected to be closed or sold and to a further 304 stores. Virtually all the impairment recognised in 2018 related to Spain and Portugal, as well as a residual amount for Argentina and Brazil.

5. INTANGIBLE ASSETS

5.1. Goodwill

At 31 December 2019 and 2018, goodwill has been allocated as follows:

Thousands of Euros	2019	2,018
Spain	449,297	463,829
Portugal	39,754	39,754
Total	**489,051**	**503,583**

Spain's goodwill recorded in the consolidated annual accounts at 31 December 2018 at Euros 453,011 thousand has been restated at Euros 10,818 thousand, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1.3 and 2.1).

The change of Euros 14,532 thousand is mainly due to impairment testing, having recorded an impairment loss in 2019 for Euros 13,477 thousand (see note 18.5), which relates to impairment of the goodwill allocated to the stores where the analysis has led to the need to reflect impairment and impairment of the goodwill of the Dia Eshopping subsidiary, following the decision made in June 2019 to wind it up, as mentioned in note 1. The remaining goodwill arising on consolidation, which is tested for impairment at the entity level, has not reflected a need for any impairment.

5.2. Right-of-use

IFRS 16 Leases was adopted for the first time in 2019, as mentioned in note 2.2 First-time application of accounting standards.

The Group has chosen to apply IFRS 16 using the modified retroactive method, recognising the right-of-use asset for an amount equal to the lease liability (see note 13.1.c). In applying this approach, the Group does not restate comparative information.

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

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

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

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

5.3. Other intangible assets

Details of other intangible assets in 2019 and 2018 are as follows:

Net carrying amount	2019	2018
At 1 January	**48,927**	**43,492**
Additions	10,781	21,109
Amortisation and depreciation (note 18.5)	(18,658)	(12,565)
Impairment (note 18.5)	508	(1,683)
Disposals	(1,783)	(1,302)
Hyperinflation	913	468
Translation differences	(811)	(652)
Exit from the consolidation perimeter	-	(662)
Other movements	716	722
At 31 December	**40,593**	**48,927**

Other intangible assets recorded in the consolidated annual accounts at 31 December 2018 at Euros 47,297 thousand have been restated at Euros 1,630 thousand, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1.3 and 2.1).

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

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

6. FINANCIAL ASSETS

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

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

The financial assets recorded in the consolidated annual accounts at 31 December 2018 at Euros 340,962 thousand have been restated at Euros 14,730 thousand, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1.3 and 2.1).

6.1. Trade and other receivables

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

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

The balances of these captions recorded in the consolidated annual accounts at 31 December 2018 at Euros 63,306 thousand in non-current and Euros 192,278 thousand in current, have been restated at Euros 9,815 thousand and Euros 1,191 thousand, respectively, as a result of the decision made in 2019 to reverse the classification of Clarel as held for sale (see notes 1.3 and 2.1).

The decrease in current and non-current trade receivables for sales is due to the closure and insourcing of 844 franchised stores.

a) Trade receivables

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

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

b) Receivables from suppliers

This caption includes balances receivable from suppliers.

In 2019 and 2018, the Group entered into agreements to transfer supplier trade receivables without recourse. Costs of Euros 947 thousand were accrued on the transfer of these receivables during this period (Euros 263 thousand in the same period of the prior year) (see note 18.7).

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

c) Trade debts with other related parties

In 2019 and 2018, transactions have been carried out with the companies ICDC, Horizon, Red Libra and Finandia (see note 20), mainly corresponding to trade operations. Balances at 31 December 2019 and 2018 are shown below:

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

d) Impairment

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

2019				
Thousands of Euros	Customer for sales (note 6.1 a))	Other debtors	Credits receivable from suppliers	Total
At 1st January	**(36,556)**	**(8,077)**	**(9,063)**	**(53,696)**
Charge	(36,746)	(2,768)	(5,918)	(45,432)
Applications	3,742	2,706	6,485	12,933
Reversals	9,977	863	3,265	14,105
Translation differences	3,268	34	(29)	3,273
At 31st December de 2019	**(56,315)**	**(7,242)**	**(5,260)**	**(68,817)**

6.2. Other financial assets

Details of financial assets are as follows:

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

The balance of this caption recorded in the consolidated annual accounts at 31 December 2018 at Euros 74,056 thousand in non-current and Euros 11,302 thousand in current, has been restated at Euros 3,665 thousand and Euros 59 thousand, respectively, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1.3 and 2.1).

Non-current security and other deposits are the amounts pledged to lessors to secure lease contracts. These amounts are presented at their present value and the difference between this and their nominal value is recognised as a current and non-current prepayment. The interest on these assets included in the consolidated income statement in 2019 amounted to Euros 225 thousand (Euros 236 thousand in 2018).

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

At 31 December 2018 Other non-current guarantees consist of the amount withheld from the sellers in the acquisition of establishments from the Eroski Group, which will be released after five years, in accordance with the addendum to the framework contract signed on 7 August 2015. This guarantee has been used as per its purpose once the store in question was closed in 2019 (see note 13.2).

Other loans in both years mainly relate to loans granted by the Group to employees.

The other non-current financial assets caption, amounting to Euros 10,522 thousand at 31 December 2018, related to ICMS taxes in Brazil and was transferred to non-current tax assets in 2019 (see note 15).

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	2019	2018
ICDC Services Sárl	50%	50%
Horizon International Services Sàrl	25%	-
Finandia, S.A.	-	50%
Distribuidora Paraguaya de Alimentos , S.A (DIPASA)	-	10%
RED LIBRA Trading Services , S.L	50%	50%

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

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

8. OTHER ASSETS

Details of other assets are as follows:

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

The balance of other assets recorded in the consolidated annual accounts at 31 December 2018 at Euros 7,355 thousand as current has been restated at Euros 37 thousand, as a result of the decision made in 2019 to reverse the classification of Clarel as held for sale (see notes 1.3 and 2.1).

9. INVENTORIES

Details of inventories are as follows:

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

Inventories recorded in the consolidated annual accounts at 31 December 2018 at Euros 531,664 thousand have been restated at Euros 65,691 thousand, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1.3 and 2.1).

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

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

10. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents are as follows:

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

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

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

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

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

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

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

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

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

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

Details of the assets and liabilities of discontinued operations classified as held for sale at 31 December 2019 and 2018 related solely to the Cash & Carry business, as the figures were restated at 31 December 2018 because the Clarel business was not considered as held for sale (see notes 1.3 and 2.1). The details are as follows:

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

12. EQUITY

12.1. Capital

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

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

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

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

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

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

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

According to the same public information recorded with the Spanish National Securities Market Commission (CNMV), the most significant shareholdings at the date on which these condensed consolidated interim financial statements were presented are as follows:

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

12.2. Share premium

As mentioned in note 12.1 above, the capital increase was carried out by issuing 6,055,522,466 new ordinary shares of Euros 0.01 par value each, with a share premium of Euros 0.09, amounting to a share premium total of Euros 544,997,021.94.

12.3. Reserves and retained earnings

Details of reserves and retained earnings are as follows:

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

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

As agreed at the General Shareholders' Meeting on 22 October 2019, losses have been offset by charging Euros 23,527 thousand to reserves. Losses of Euros 56,021 thousand from the capital reduction mentioned in note 12.1.

12.4. Own shares and other own equity instruments

a) Own shares

During 2019, 365,590 shares were received, amounting to Euros 2,140 thousand, as remuneration through the 2016-2018 incentive plan. Furthermore, directors have received share-based remuneration relating to 2018 for a total of 94,247 shares amounting to Euros 552 thousand.

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

At 31 December 2019 the Company holds 1,238,790 own shares of the Parent with an average purchase price of Euros 5.8540 per share, representing a total amount of Euros 7,251,906.77.

b) Other own equity instruments

This reserve includes obligations derived from share-based payment transactions to the Parent company's Directors. At 31 December 2018, it also included obligations derived from share-based payment transactions following approval by the Board of Directors and the General Shareholders' Meeting of the 2016-2018 long-term incentive plan. At 31 December 2019, there is no reserve for obligations arising from the long-term incentive plan (see note 16).

12.5. Losses per share

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

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

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

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

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

12.6. Translation differences

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

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

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

13. FINANCIAL LIABILITIES

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

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

The balance of this caption recorded in the consolidated annual accounts at 31 December 2018 at Euros 3,293,858 thousand has been restated at Euros 19,703 thousand (Euros 4,522 thousand relate to non-current and current borrowings, Euros 6,432 thousand relate to Trade and other payables and Euros 8,749 thousand relate to Other financial liabilities), as a result of the decision made in 2019 to reverse the classification of Clarel as held for sale (see notes 1.3 and 2.1).

13.1. Borrowings

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

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

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

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

a) Bonds

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

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

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

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

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

b) Loans and borrowings

Multi-product Syndicated Loan and other credit facilities

On 31 December 2018, the Parent company signed a Financing Agreement with several national and overseas entities. AgenSynd, S.L. acted as Financing Agent. This financing, which was initially granted for an amount of Euros 894,687 thousand, was divided into several tranches, based on the financial instrument, the amount and the entities providing the financing. These agreements were intended to provide access to short-term financing, enabling the DIA Group to meet the working capital needs of the Company and part of the Group's subsidiaries. In addition, the agreement involved the cancellation of some credit facilities that were not drawn down. The maturity date was set as 31 May 2019, with the exception of some of the Revolving Credit Facility tranches for which the maturity date was set in 2020 and 2022.

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

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

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

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

This new financing agreement matures on 31 March 2023, except for the Super Senior Supplier tranche, which matures on 17 July 2020 with the option of two renewal periods of one extra year each.

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

- Personal obligations (to do and not to do certain things) and the provision of information customary in this type of financing transaction in accordance with the company's current rating.
- Not to distribute Company dividends to shareholders without the agreement of the financing institutions until the debt held with them has been repaid in full.
- To provide a new, updated business plan for the Company no later than 31 December 2019.
- Financial Leverage Ratio: this ratio will be measured on 30 June and 31 December of each year, with the first measurement taking place on 31 December 2020. Deviation is set at up to 35% of the Adjusted Net Debt / Adjusted EBITDA ratio forecast in the updated business plan, according to the definition of these concepts in the syndicated financing.
- Liquidity Ratio: a minimum of Euros 30 million in cash and cash equivalents is fixed, excluding trapped cash, to be verified on 31 December 2019 for each quarter of the following 12-month period up to 31 December 2020.
- Capital expenditure ratio and restructuring costs: from 31 December 2019 capital expenditure and restructuring costs may not exceed 12.5% and 20%, respectively, of the aggregate total of both items included in the updated business plan to be delivered in December 2019.
- From 31 December 2021 onwards, an annual cash sweep of excess free cash flow will be applied, with the first repayment, if applicable, from the second quarter of 2022 onwards, calculated on the basis of 50% of available cash flow once the investment and restructuring costs provided for in the updated business plan have been fully paid. These amounts will be used to repay early and cancel any outstanding amounts in the following order: a) firstly, the Supplier Facility, b) secondly, any other New Financing Facilities (if required to do so under the terms of such New Financing Facilities), and c) thirdly, the Financing Agreement.

- The obligation to repay the syndicated financing facilities with (a) the funds obtained from the divestment of Max Descuento and/or Clarel (b) the funds obtained from the capital increase that took place in the final quarter of 2019 (c) any participating loan granted by LetterOne prior to the capital increase is removed.
- At least 80% of the Group's cash must be held in bank accounts subject to guarantees securing the financing and held by Syndicated Lenders (if applicable) providing cash deposit services in the jurisdiction in which the Group company operates.

Authorisation is given to the Company to obtain additional financing of Euros 400 million to refinance the bond maturing in 2021, although the Company is not obliged to undertake this refinancing.

Furthermore, the financing sets out certain guarantees, some of which have already been granted during 2019, including:

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

In addition, as part of the guarantees package imposed by the financing institutions on the Company in the new financing contract, the Group is obliged to implement a Hive Down, whereby (a) new companies and Company subsidiaries have been set up, (b) certain Company assets, liabilities and contracts will be transferred to certain subsidiaries indirectly held by the Company, and in particular, no later than 01 January 2020 (1) the securities and rights linked to certain specific commercial establishments of the Company representing at least 58% of the Spanish Group's Restricted EBITDA (as defined in the Financing Agreement), as well as the Company's real estate located in Spain, must be transferred to the Spanish operating subsidiary, and (2) to the extent to which it is viable from the legal, fiscal and regulatory perspective, the interests held by the Company in the Brazilian, Argentinean and Portuguese subsidiaries should be transferred to other subsidiaries, (c) the new Spanish operating subsidiary and the Spanish financing subsidiary will become additional borrowers under the new Financing Agreements, and (d) the Company will issue new pledges on the shares of the new subsidiaries set up in the hive down, the Spanish operating subsidiary and the Spanish financing subsidiary.

This Hive Down was approved by the General Shareholders' Meeting on 30 August 2019 (see note 1.3)

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

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

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

At 31st december 2019	Limit	Amount used	Conf/Fact	Amount avaible
Revolving Credit Facility (RCF)	149,914	149,914	-	-
Syndicated credits (Term loan)	377,268	377,268		
Credit Facility - syndicated financiation	233,363	169,952	10,059	53,352
Loans	*13,500*	*1,915*	*-*	*11,585*
Loans may be balanced with confirming	*165,761*	*124,332*	*-*	*41,429*
Loans may be balanced with reverse factoring	*54,102*	*43,705*	*10,059*	*338*
Confirming - syndicated financiation	212,674	-	*212,249*	425
Total Syndicated Multiproduct Financiation	973,219	697,134	222,308	53,777
Credit lines facilities drawn down (not included in syndicated credits)	26,049	26,049	-	-

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

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

Financial Covenants

- Liquidity ratio:

  From 31 December 2019 to 31 December 2020, a minimum of Euros 30 million is fixed for the Group' s cash and cash equivalents, excluding trapped cash.

  This will be measured quarterly throughout the established period.

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

- Financial Leverage Ratio:

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

  This will be measured quarterly, each 30 June and 31 December.

  Deviation is set at up to 35% of the Adjusted Net Group Debt / Adjusted EBITDA ratio forecast in the Group's updated Business Plan for the years 2020 to 2024 (the "Covenant Plan"). This was presented to the lenders on 27 December 2019, establishing the following limits:

Thousands of Euros	2020B	2021E	2022E	2023E	2024E
Target LR -35%	1.025,9X	14,2X	5,6X	4,2X	3,5X

- Capital expenditure ratio and restructuring costs:

  From 31 December 2019, it is established that capital expenditure and restructuring costs may not exceed 12.5% and 20%, respectively, of the aggregate total of both items included in the Business Plan for the period from 31 December 2019 to 31 December 2023, establishing the following limits:

Thousands of Euros	Limit
Expenses related with the capital increase	187,500
Restructuring costs	23,300

Debt baskets

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

- Additional Super Senior debt (“Additional Super Senior Financing”), provided the total amount of the Super Senior debt does not exceed Euros 380,000 thousand (reducing the amount as the Super Senior borrowing is cancelled or permanently paid off and/or to the extent that the Super Senior commitments outstanding at 17 July 2022 are less than Euros 380 thousand), provided that the Super Senior leveraging is less than 4.5 times the leveraging on a pro forma basis of the last twelve months upon entering into the new financing and in addition for the debt exceeding Euros 280,000 thousand, that it is granted under standard market terms.

  In this regard, in addition to the Super Senior tranche for Suppliers amounting to Euros 70,793 thousand, on 31 January 2020, the Group signed a binding Super Senior financing agreement for Euros 200 million with DEA Finance S.à r.l. (committed Financing form L1R amounting to Euros 200,000 thousand).

  The lender of the Super Senior tranche for Suppliers is the Parent company, however, as part of the Hive Down process, the obligations will be passed on to DIA Retail España, S.A. (formerly Twins Alimentacion S.A.).

  DIA Finance S.A. is the lender of the Committed Financing of Euros 200,000 and will also be the lender of any additional Super Senior Debt until the Super Senior Suppliers tranche has been fully repaid and settled, at which time a portion of the said debt amount may be granted or passed on to DIA Retail España, S.A. (formerly Twins Alimentación S.A.).

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

- The Financing Agreement also allows the Group to borrow additional financing to refinance the 2021 bonds for up to Euros 400,000 thousand. Any amount above the amount of the 2021 bonds will be used to pay off part of the Financing Agreement debt in advance, provided the following conditions are met:

  - The end date of the new Financing agreement cannot be before the end date of any financing entered into under the Syndicated Financing Agreement.
  - The Financing cannot be secured, unless classified after the tranche A and B financing and before the C, D, E and F tranches.
  - If financing is not secured, the debt must be formalised by the Company; if the financing is secured, it must be formalised by DIA Finance, S.A.

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

Bank loans

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

At 31st December 2019

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

At 31st December 2018

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

During 2019 the following transactions were carried out:

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

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

- Three bilateral loans for Euros 58,425 thousand, maturing in the first quarter of 2021.
- Two bilateral loans for Euros 41,152 thousand, maturing in January and February 2020. The Euros 26,867 thousand loan has been renewed until July 2020 and the other loan will be repaid in regular amounts on a monthly basis until January 2022.
- In addition to the Financing Agreement signed on 17 July 2019, the Parent company signed a binding commitment that guaranteed the availability of additional financing granted either by the Company's majority shareholder, L1R Invest1 Holding, S.à.r.l., or by another entity appointed by this company, by way of a Super Senior Loan (Term Loan Tranche) for Euros 200 million, subject to compliance with certain terms. On 31 January 2020, the Parent company's subsidiary, DIA Finance, S.A., arranged the financing agreement with the lender DEA Finance S.à. R.l., for the abovementioned amount, thus fulfilling the obligation of the Company's majority shareholder, L1R Invest1 Holdings S.à r.l., as per their letter of intent. The applicable interest rate is 7% plus Euribor.

c) Finance lease payables

IFRS 16 Leases was adopted for the first time on 1 January 2019, as mentioned in note 2.2 First-time application of accounting standards.

The Group has chosen to apply IFRS 16 using the modified retroactive method, recognising the right-of-use asset for an amount equal to the lease liability (see note 5.2). In applying this approach, the Group does not restate comparative information.

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

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

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

The transfers on account of IFRS 16 amounting to Euros 9,611 and Euros 20,678 thousand as current and non-current debt, respectively, correspond to the debt on goods under finance leases already existing at 31 December 2018, which comprise certain commercial premises, technical installations, machinery and other property, plant and equipment (vehicles) (see note 5.2). The debt on goods under finance leases for these elements at 31 December 2019 amounts to Euros 18,120 thousand (non-current) and Euros 8,747 thousand (current).

d) Participating loans

In order to provide the Company with liquidity, while the formalities for executing the capital increase mentioned in notes 1.2 and 12.1 of these condensed consolidated interim financial statement were completed, the following participating loans were arranged with its majority shareholder:

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

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

At 31 December 2019 both participating loans were cancelled and have accrued joint interest of Euros 3,709 thousand (see note 18.7).

13.2. Other non-current financial liabilities

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

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

Other non-current financial liabilities at 31 December 2019 include Euros 3,806 thousand relating to the debt with Caixa Bank for the purchase of 50% of the Finandia subsidiary on 19 July 2019. At 31 December 2018 this heading includes the amount withheld from the sellers, with maturity of five years, in the acquisition of stores from the Eroski Group in 2015, in accordance with the addendum to the framework contract signed on 7 August 2015. This withholding was released in 2019 (see note 6.2).

13.3. Trade and other payables

Details are as follows:

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

The balance of this caption recorded in the consolidated annual accounts at 31 December 2018 at Euros 1,442,496 thousand has been restated at Euros 6,432 thousand (Euros 1,124 thousand relate to Suppliers and Euros 5,308 thousand to Trade payables), as a result of the decision made in 2019 to reverse the classification of Clarel as held for sale (see notes 1.3 and 2.1).

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

Trade and other payables do not bear interest.

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

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

13.4. Other financial liabilities

Details of other financial liabilities are as follows:

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

The balance of this caption recorded in the consolidated annual accounts at 31 December 2018 at Euros 157,647 thousand has been restated at Euros 8,749 thousand (Euros 4,850 thousand relate to personnel, Euros 3,847 thousand to suppliers and Euros 52 thousand to other current liabilities), as a result of the decision made in 2019 to reverse the classification of Clarel as held for sale (see notes 1.3 and 2.1).

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

13.5. Fair value estimates

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between parties by mutual agreement and not in a forced or settlement transaction.

Generally speaking, the Group applies the following hierarchy to calculate the fair value of financial assets and liabilities:

- Level 1: firstly, the Group applies the quoted prices of the most advantageous active market to which it has immediate access, adjusted where necessary to reflect any difference in credit risk between the instruments commonly traded and the instrument being measured. For this purpose, the bid price is used for assets purchased or liabilities to be issued and the offer price for assets to be purchased or liabilities issued. If the Group has assets and liabilities that offset market risks against each other, average market prices are used for the offset risk positions, applying the appropriate price to the net position.
- Level 2: if there are no market prices available, the prices of recent transactions are used, adjusted for conditions.
- Level 3: Otherwise, the Group applies generally accepted valuation techniques using, insofar as is possible, market data and, to a lesser extent, specific Group data.

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

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

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

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

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

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

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

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

14. PROVISIONS

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

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

The balance of this caption recorded in the consolidated annual accounts at 31 December 2018 at Euros 45.908 thousand has been restated at Euros 1,696 thousand, as a result of the decision made in 2019 to reverse the classification of Clarel as held for sale (see notes 1.3 and 2.1).

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

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

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

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

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

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

The Group may at any time be party to litigation or a pre-litigation claim arising in the ordinary course of business. They all relate to civil, criminal or tax disputes involving the Group. The most relevant court proceedings to date are summarised below. See details of tax contingencies in note 15.

Arbitration

In June 2018, the Company applied for arbitration to the Spanish Civil and Commercial Court of Arbitration ("CIMA") against Eroski and Cecosa (jointly, the "Eroski Group") in relation to Red Libra Trading Services, S.L., the joint venture set up by the Company and the Eroski Group ("Red Libra"). The Company argues that the Eroski Group's decision to unilaterally terminate the agreements related to Red Libra was a bad faith breach of contract. Specifically, the Company considers the Eroski Group did not fulfil its contractual obligations due to the unilateral termination decision and must therefore pay damages to the Company. The Company has estimated total damages of €40 million. In July 2018, the Eroski Group filed a counterclaim against the Company's arbitration application. The Eroski Group alleges breach of contract by DIA in connection with the Red Libra joint venture agreements. The Eroski Group has estimated total damages of €59.8 million. To date, the arbitration proceeding with the Eroski Group is in an early stage and the reciprocal accusations of breach of contract, the level of risk and the financial implications for the parties have not yet been resolved. However, the Company's management considers that this arbitration is unlikely to have an adverse impact on the Group. No contingent assets or liabilities have been recognised.

Administrative proceedings

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

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

Court proceedings in Argentina

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

According to the AFIP's hypothesis, the franchisees are Company employees and therefore their Social Security debts may be claimed from DIA Argentina, S.A. This hypothesis is undermined by the Company's defence, based essentially on (i) similar court proceedings resolved in the Company's favour in the past; and (ii) favourable resolutions by the National Ministry for Work where the self-employed and independent figures of franchisor and franchisee are recognised.

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

In addition to the above proceeding, on 18 February 2019 DIA Argentina, S.A. became formally involved in the investigation of the Argentinean Association of Entrepreneurs (the “AMEA”) in a criminal and economic proceeding. This proceeding is in the preliminary investigation stage. On 16 July 2019, DIA Argentina, S.A. was formally accused of being a participant in unauthorised financial intermediary activities led by the AMEA, and issued a pre-judgement seizure order in the amount of ARS 100 million. This accusation is essentially based on the fact that the Company had a mutual commercial relationship with this association at the time of the events. This resolution was appealed and a decision from a superior collegiate court is pending.

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

Criminal proceedings before the Spanish National Court

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

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

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

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

Procedure relating to LetterOne's acquisition of shares in DIA

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

Other litigation

In addition, the Company has other non significant third party claims provisioned.

15. TAX ASSETS AND LIABILITIES AND INCOME TAX

Details of tax assets and liabilities at 31 December 2019 and 2018 are as follows:

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

Non-current tax assets comprise ICMS, which correspond to tax on the circulation of goods and services, and tax on purchases of property, plant and equipment in Brazil, which is equivalent to VAT in other jurisdictions. The current part of this tax is included under the VAT receivable heading. In relation to the tax on circulation of goods and services (ICMS), in March 2017 the Supreme Court sentence of October 2016 was ratified, allowing the companies to recover a portion of the ICMS tax paid. This decision was confirmed by the final court ruling of May 2019 in favour of DIA Brazil.

At 31 December 2018, DIA Brazil recorded a non-current asset on its balance sheet on account of ICMS for Euros 43,888 thousand, Euros 10,522 thousand in the other non-current financial assets caption (see note 6.2) and Euros 5,076 thousand under the VAT receivable heading. At 31 December 2019, DIA Brazil has recognised non-current tax assets of Euros 52,297 thousand on account of ICMS and VAT receivable of Euros 7,492 thousand. The entire amount capitalised, totalling Euros 59,789 thousand is expected to be recovered over the coming 10 years from the Brazilian tax authorities, offset against future ICMS. The recovery over the 10-year period is based on historic tax collection amounts as well as the growth in sales.

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

	2019	2018
Capitalised tax loss carryforwards	-	53,275
+ Deferred tax assets	24,424	99,352
Total deferred tax assets	24,424	152,627
Assets offset	(24,424)	(77,955)
Impuesto Diferido de Activo	**-**	**74,672**
Deferred tax liabilities	35,864	77,955
Liabilities offset	(24,424)	(77,955)
Deferred tax liabilities	**11,440**	**-**

In 2019, the Group has derecognised all capitalised tax bases and has only recognised deferred tax assets to the extent that there are deferred tax liabilities relating to the same tax authority.

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

Subsequent to the reporting date of these condensed consolidated interim financial statements, the inspections and investigations being carried out by the Spanish tax authorities on the following items and tax periods in Spain have concluded, without any findings of misconduct or penalties applied:

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

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

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

16. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

The equity instruments granted during 2019 have led to net movement in other equity instruments of Euros 2,782 thousand, reflecting the distribution of 365,590 own shares net of withholdings relating to the 2016-2018 Plan (768,277 own shares net of withholdings were distributed in 2018 totalling Euros 5,347 thousand relating to the

2014-2016 Plan). In addition, these instruments for undelivered shares were derecognised in the amount of Euros 3,984 thousand Furthermore, the April 2019 delivery and the cancellation of the second delivery in January 2020 have had an impact on reserves of Euros 6,018 thousand due to the impact of the non-market condition caused by the difference in the share price taken as the reference. At 31 December 2019, following cancellation of the second delivery of the 2016-2018 Plan, there is no incentive plan in force.

17. SALES

17.1. Revenue from contracts with customers

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

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

18. OTHER INCOME AND EXPENSES

18.1. Other income

Details of other income are as follows:

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

18.2. Merchandise and other consumables used

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

Details of the main items are as follows:

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

18.3. Personnel expenses

Details of personnel expenses are as follows:

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

The increase in Termination benefits is mainly due to the costs linked to the redundancy scheme undertaken in 2019 mentioned in note 1.4.

18.4. Operating expenses

Details of operating expenses are as follows:

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

18.5. Amortisation, depreciation and impairment

Details are as follows:

Thousands of Euros	2019	2,018
Amortisation of intangible assets (Note 5.3)	18,658	12,565
Depreciation of property, plant and equipment (Note 4)	208,494	233,202
Depreciation of uses rights (Note 5.2)	291,214	-
Total amortisation and depreciation	**518,366**	**245,767**
Impairment of goodwill (Note 5.1)	13,477	49,546
Impairment of intangible assets (Note 5.3)	(508)	1,683
Impairment of property, plant and equipment (Note 4)	44,540	66,380
Total impairment	**57,509**	**117,609**

Depreciation of right-of-use assets arises from the application of IFRS 16 in 2019.

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

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

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

Thousands of Euros	2019	2018
Losses on disposal of non current assets (notes 4 y 5)	(63,260)	(25,766)
Gains on disposal of fixed assets (note 4)	-	28,118
Profit on the sale of subsidiaries	(6,708)	9,265
Total	**(69,968)**	**11,617**

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

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

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

On 19 July 2019 the Group once again acquired 50% of the stake as a result of Caixabank Consumer Finance E.F.C., S.A.U. exercising the purchase option it held in the event of a change of control in the Dia Group. As a result of this acquisition, a loss of Euros 2,514 thousand has been recorded, of which Euros 6,708 thousand has been included under Profit/(loss) on the sale of subsidiaries and Euros 5,806 thousand has been included under Profit or loss on financial instruments (see note 18.10).

18.7. Finance income and finance cost

Details of finance income are as follows:

Thousands of Euros	2019	2018
Interest on other loans and receivables	207	482
Exchange gains (note 18.8)	3,343	1,618
Change in fair value of financial instruments	293	1,176
Other finance income	37,797	3,505
Total finance income	**41,640**	**6,781**

The increase in other finance income derives mainly from the financial restatement of assets in Brazil relating to the ICMS tax (see note 15), other taxes and amounts deposited to guarantee contingent liabilities.

Details of finance cost are as follows:

Thousands of Euros	2019	2018
Interest on bank loans	49,962	34,921
Interest on debentures and bonds	11,021	13,466
Finance expenses for finance leases	70,777	2,011
Interest on shareholder's loan (note 13.1 d)	3,706	-
Exchange losses (note 18.8)	17,614	8,873
Change in fair value of financial instruments	-	1,645
Financial expenses assigment of receivables operations (notes 6.1 (b))	947	263
Other finance expenses	42,182	29,057
Total finance expenses	**196,209**	**90,236**

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

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

18.8. Foreign currency transactions

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

Thousands of Euros	2019	2018
Currency exchange losses (note 18.7)	(17,614)	(8,873)
Currency exchange gains (note 18.7)	3,343	1,618
Trade exchange losses	(1,605)	(4,392)
Trade exchange gains	2,973	1,056
Total	**(12,903)**	**(10,591)**

18.9. Gain or loss on net monetary position

This caption mainly includes the positive financial effect of the impact of inflation on monetary assets, which amounted to Euros 63.7 million in 2019 and Euros 67.5 million in 2018 (see note 2.3). The majority of this amount is generated by trade payables.

In Argentina, the sales margin dropped by 13.1% in 2019 (14.7% in 2018). The sales margin in 2019, before applying IAS 29, was 16.7% (17.9% in 2018). This drop in sales margin in 2018 was largely due to the effect of the restatement due to the inflation of the cost of goods sold. The method of restating this item is based on the measurement of the initial inventories at the rate corresponding to the period immediately prior to the start of the year, in this case December 2018. This is considered an average inventory turnover of 30 days. This methodology means that the restatement adjustment has a greater effect on the cost of goods sold than the rest of the lines in the income statement. In 2019 the margin also decreased, but it was due to other causes, such as the market downturn as a result of the crisis in the country.

18.10. Profit or loss on financial instruments

This heading mainly includes an amount of Euros 5,806 thousand for the negative adjustment to the measurement of the investment in Finandia linked to the purchase of 50% of this company (see note 18.6).

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

This heading includes the profit/(loss) attributable to equity-accounted companies amounting to Euros 196 thousand (see notes 1.3 and 7).

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;

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

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

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

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

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

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

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

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

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

In addition, the Parent company has extended guarantees with the Brazil subsidiary, details of which are as follows:

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

19.2. Received:

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

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

At 31 December 2019, within the framework of the financing agreement signed with the syndicated lenders, the Super Senior loan of Euros 200,000 thousand is established as the amount granted under the Super Senior Suppliers tranche. On 31 January 2020, the Parent company's subsidiary, DIA Finance, S.A., arranged the financing agreement with the lender DEA Finance S.à. R.l., for the aforementioned amount (see note 13.1 b).

b) Contingencies

The Group is undergoing legal proceedings and tax inspections in a number of jurisdictions, some of which have been completed by the taxation authorities at 31 December 2019 and appealed by Group companies (see note 15). If it is probable that an obligation exists at year-end that will result in an outflow of resources, a provision is recognised if the amount can be reliably estimated. Consequently, Management exercises significant judgement in determining whether an outflow of resources is likely to result from the resolution of these proceedings and in estimating the amount.

Note 14 contains details of legal contingencies and note 15 includes details of tax contingencies.

20. RELATED PARTIES

Details of related party balances and transactions are as follows:

Transactions and balances with associates

During the twelve-month period ended 31 December 2019 and 2018 the Group has carried out transactions with the following associates: ICDC, HIS, Red Libra, LetterOne and Finandia, mainly relating to commercial transactions. The trade payables balance at 31 December 2019 and 2018 is shown in notes 6.1 and 13.3. The transactions carried out with associates during both years are as follows:

Thousands of Euros	2019	2018
ICDC	15,470	25,845
HIS	2,021	-
Red Libra	(163)	(731)
LetterOne	(6,748)	-
Finandia	(200)	(406)
Total transactions	**10,380**	**24,708**

Transactions with directors and senior management personnel

Total remuneration accrued by the Group's directors and senior management during 2019 and 2018 is as follows:

Miles de euros			
2019		2018	
Board Members	Management	Board Members	Management
3,246	8,299	3,972	4,581

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

In 2019 and 2018 the Group recognised salaries accrued by executive directors and other members of senior management for Euros 10,483 thousand and Euros 5,318 thousand, respectively. Furthermore, in 2019 and 2018 the Group recognised the accrual of termination benefits and non-compete agreements for Euros 354 thousand and Euros 2,153 thousand, respectively.

As a result of the new remunerations policy approved by shareholders at the Extraordinary General Meeting held on 30 August 2019, there is deferred remuneration in shares for non-proprietary directors, the accrual of which has initially been estimated at Euros 50 thousand. The accrual of shares allocated under the previous remunerations policy, net of retentions, amounts to Euros 27 thousand in 2019 (a gross amount of Euros 39 thousand).

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

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

21. OTHER INFORMATION

Employee information

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

	2019	2018
Management	175	183
Middle management	1,613	1,652
Other employees	38,000	38,549
Total	**39,788**	**40,384**

22. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

DIA

CONDENSED CONSOLIDATED INTERIM DIRECTOR’S REPORT

2019 HIGHLIGHTS

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

The sequence of relevant facts in 2019:

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

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

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

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

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

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

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

THE RECAPITALIZATION

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

THE TRANSFORMATION

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

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

• Rebuilding DIA's culture and trust, fostering long-term relationship with all key stakeholders, and creating a new performance-based culture and principles-oriented leadership.

• Transforming DIA's Customer Value Proposition based on a new assortment, improving the fresh offer and private brand, adapting pricing and promotions, investing in the network of stores and re-inventing the franchise model

In advance of the transformation, a series of decisions have been taken with the objective of cleaning the bad legacy from the past. Those measures have included: (i) sizable headcount reduction initiatives (mostly in Brazil and Spain) to improve productivity, (ii) the closure of 861 unprofitable stores with permanent negative contribution, (iii) transferring poorly-run franchised stores to wholly-owned (COFO to COCO) affecting 385 stores, (iv) an assortment optimization initiative to achieve a manageable minimum common offer among the formats and improve operations, (v) the discontinuation of non-core activities (i.e.: e-shopping, Bahia masterfranchise or Mini Preço in Brazil) to reduce complexity and improve efficiency and focus, and (vi) the recognition of accruals, losses, impairments or write-offs in connection with certain receivables, investments, tax credits, risks and liabilities.

A key task also developed and well advanced has been to build the new team. More than 80 new professionals, top international retailers, joined the management team in all levels (CEO-1, CEO-2, etc.) and across all relevant functional areas of the Group (Commercial, Operations, Logistics, etc.) adding food retail expertise and capabilities and complementing the existing talents. The Group also promoted to leading positions internal talents forming a winning team. The new team has been fully engaged in diagnosing issues, setting action plans, and developing the roadmap to achieve the transformation targets.

Among the transformation pillars, several initiatives were already well developed in Spain: (i) improvements in the fresh offer focusing in quality, presentation, freshness and pricing, (ii) new franchise model has been developed and tested after a big effort to sanitise the network of poorly-run stores, and (iii) the operational excellence initiative started with the deployment of optimised in-store processes and improved logistics in order to satisfy shorter service levels for fruits & vegetables.

EARLY SINGNS OF RECOVERY

The stabilization, recapitalization and early transformation activity described above has implied a formidable effort in a very short time.

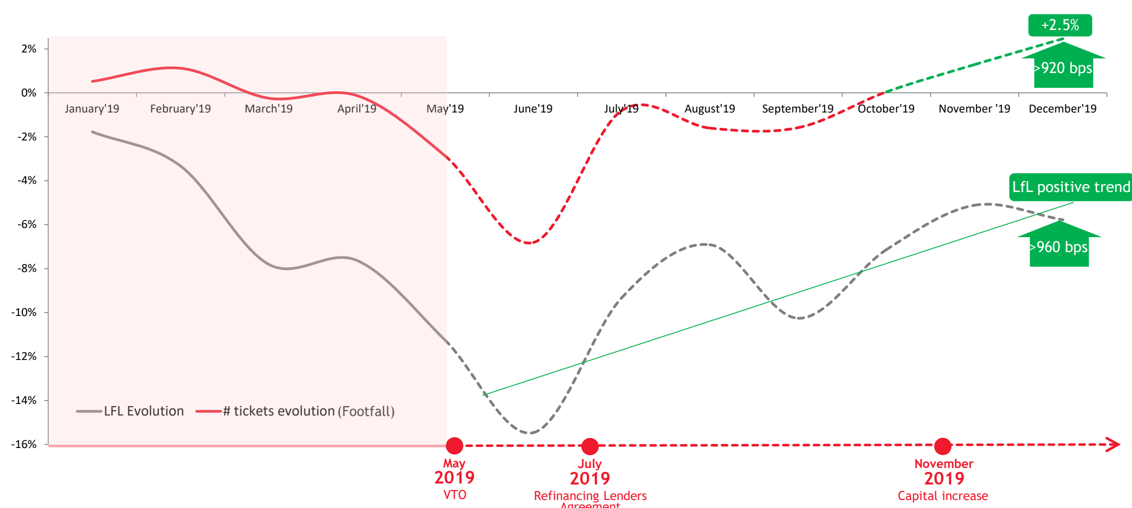
The disruption in the first half of the year and the actions linked to the preparation for transforming DIA have caused an unavoidable significant negative impact in the 2019 P&L.

In order to facilitate the understanding of 2019 performance, all the related restructuring and one-offs items that had to be charged to the income statement in the year (most of which are non-cash) have been properly disclaimed in this document.

The early signs of the transformation become visible through the Like-for-like Sales. In 2019 LfL went down by 7.6%, but the footfall (Tickets LfL) remained largely unchanged (-0.7%), which proves the formidable resilience of our customer base and the fundamental strength of the proximity format of DIA.

The trend at the end of the year showed a clear recovery in footfall, growing at positive rates consistently every month in the Q4.

Since the all-time lows reached in June, both footfall and LfL Sales grew by over 920 bps and 960 bps respectively until 2019 year-end.



The full recovery of positive LfL sales will take longer, as our customers will discover an enhanced and attractive customer value proposition (CVP) that will drive them to increase substantially their average basket.

The Group believes that the fundamental strengths of DIA are intact and that with its leading team, execution discipline and customer focus, the Group is just at the beginning of an exciting transformation journey.

GROUP PERFORMANCE[1]

Financial summary (€m)	31/12/2019	31/12/2018(*)	Change (%)	Change (% ex-FX)
Net sales	6,870.5	7,576.0	-9.3%	-2.2%
Adjusted EBITDA (ex one-offs)	34.1	376.2		
Losses from operating activities	(580.2)	(142.6)		
Losses	(790.5)	(352.6)		

(*)2018 figures include Clarel as a continued activity.

During 2019, Gross Sales Under Banner fell by 19.5% to Euros 8,675 million (9.2% down ex-currency with a strong FX impact of 10.3%). Comparable (Like-for-Like) sales decreased 7.6% for the Group compared to a negative 3.5% in the same period of 2018, showing a negative trend and the sharp deterioration caused by the out-of-stock levels in our warehouses and stores resulting from the business disruption context suffered during 2019.

Net attributable loss amounted Euros 790.5 million, compared to the Euros 352.6m losses shown in the same period of 2018, as a result of the strongly negative earnings impact related to the sharp sales decline and also to the exceptional one-off effects registered in the period in connection with the different measures implemented to set the right basis for the long term turnaround of the Group, which will translate into visible positive effects on sales and profitability only in the medium to long-term, as explained further in this report.

Also, a detailed risk and recoverability analysis has resulted in the recognition of previously not addressed write-offs, losses, and provisions for risks associated to the business.

The main items affecting the Group's negative performance in 2019, include:

1. The sharp sales deterioration caused by the extraordinary out-of-stock levels and business disruption context described above.
2. The closure of poorly-performing stores which has affected a total of 861 stores during 2019 (mostly in Spain and Brazil), which ultimately translated into: lower sales, the write-off of related assets, an increase in Opex due to the expenses related to the handover of the leases and the recognition of provisions in respect of doubtful accounts receivables from related franchisees. These closings will have a positive impact derived from the elimination of their negative margin contribution.
3. A strong de-franchising process aimed at improving the quality of our franchisee network, which has affected a total of 385 stores during 2019 (mostly in Spain and Brazil), resulting in higher labor and opex expenses, and the recognition of additional provisions on related accounts receivables.
4. An initial commercial assortment rationalization process carried out, in all regions resulting in a meaningful SKUs reduction, seeking greater simplification, productivity improvement and best value-for-money proposition for customers. This initiative led to the recognition of significant losses (especially in Brazil) related to the corresponding stock liquidation (impacting negatively Cost of Goods Sold).
5. The impact of some logistic improvement initiatives implying the closing of warehouses to seek greater efficiency, which translated in the short term into higher logistic costs, additional write-offs of assets and provisions for committed lease payments to the owners.
6. The increased focus on our core business, which led to decisions/actions (i.e.: the closing of the operations in Bahia and Mini Preço in Brazil, or the discontinuation of the non-food e-commerce activities in Spain through e-Shopping) which have increased the restructuring costs and the losses on impairment of assets.

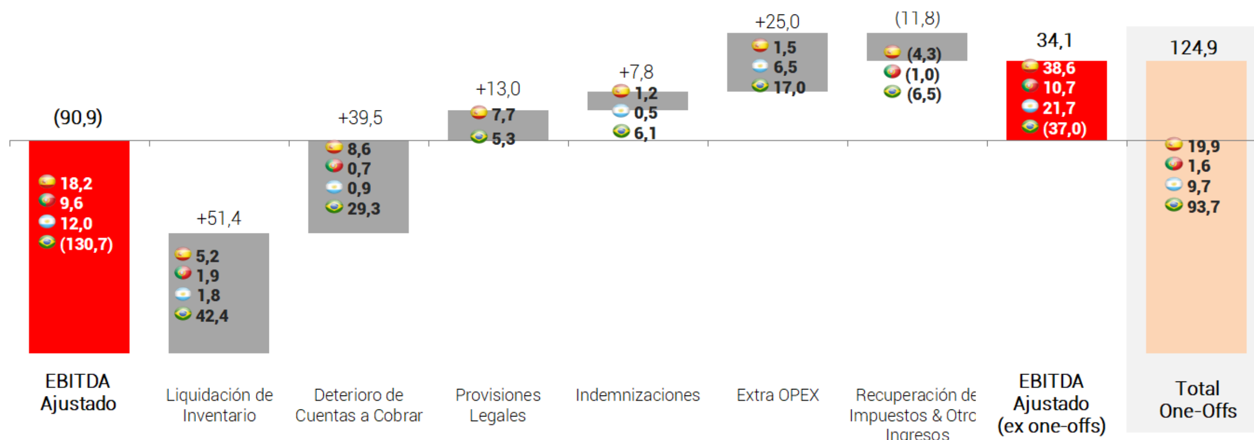
[1] The Group has decided to keep its Clarel business and to strengthen it with the appointment of a new CEO and a dedicated management team who will work on reformulating its customer value proposition. Accordingly, the financial information and the comparable data for 2018 includes Clarel figures fully consolidated as continued operations.

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

   - The Collective Dismissal process implemented in Spain together with other headcount reduction decisions taken in other countries (mainly Brazil) to improve productivity in the stores, warehouses and head offices, impacting Restructuring Costs.
   - The complex and multi-phased syndicated debt refinancing process and advisory work related to the capital increase presented by the former board in the Annual General Shareholders' Meeting (including financial and corporate advice, auditors, forensic services, legal advice and strategy consultants), impacting Restructuring Costs and Financial Results.
   - The repurchase by DIA of the 50% of Finandia due to change of control which triggered the recognition of losses impacting in Financial Results.

8. The recognition of additional accruals in connection with certain legal and tax risks and liabilities identified that needed to be provisioned, and write offs and others.

The following chart shows the one-off impacts included in Adjusted EBITDA, totaling Euros (124.9) million, which are mainly concentrated in Brazil (Euros 93.7 million) and Spain (Euros 19.9 million). The largest impacts in Adjusted EBITDA relate to stock liquidation efforts and to accounts receivable write-offs.



These impacts are recorded in the consolidated income statement, in line with the nature thereof, in particular:

- Allocations for the insolvency of franchises during the first six months in Brazil are recorded in Impairment of receivables, recognising their impact chiefly under the heading Impairment of trade receivables.
- The costs relating to the closure of businesses and the termination of contracts are recorded in Legal provisions under Operating costs, and specifically, Other general costs.
- Costs relating to compensation and litigation with employees, particularly in Brazil, are recorded in Termination benefits under the heading Personnel expenses.
- Taxes, repair and maintenance expenses and other general costs in Brazil are recorded in Extra opex.
- Various headings in the Recovery of taxes and other caption in the income statement are affected, such as purchases, sales and other operating expenses with a positive net effect.
- Lastly, liquidation of inventory (specifically due to the aforementioned streamlining of product selection) not only includes the impact of the provision for obsolescence of inventories recorded under Merchandise and other consumables used, but also the lower than standard sales price absorbed indirectly in the income statement as loss of profit and reflected in the lower turnover figure.

FY 2019 RESULTS

(€m)	31/12/2019	%	31/12/2018(*)	%	Change (%)	Change (% ex-FX)
Net sales	**6,870.5**	**100.0%**	**7,576.0**	**100.0%**	**-9.3%**	**-2.2%**
Cost of goods sold & other income	(5,552.0)	-80.8%	(5,909.0)	-78.0%	-6.0%	1.9%
Gross profit	**1,318.5**	**19.2%**	**1,667.0**	**22.0%**	**-20.9%**	**-16.7%**
Labour costs	(741.0)	-10.8%	(703.1)	-9.3%	5.4%	10.6%
Other operating expenses	(362.0)	-5.3%	(319.8)	-4.2%	13.2%	24.6%
Leased property expenses	(18.8)	-0.3%	(304.3)	-4.0%	-93.8%	-92.8%
Restructuring costs	(131.1)	-1.9%	(130.7)	-1.7%	0.3%	0.3%
EBITDA	**65.6**	**1.0%**	**209.2**	**2.8%**	**-68.6%**	**-12.5%**
D&A	(518.4)	-7.5%	(245.8)	-3.2%	110.9%	
Impairment	(57.5)	-0.8%	(117.6)	-1.6%	-51.1%	
Write-offs	(70.0)	-1.0%	11.6	0.2%	-703.4%	
EBIT	**(580.2)**	**-8.4%**	**(142.6)**	**-1.9%**	**307.0%**	
Net financial results	(96.7)	-1.4%	(17.1)	-0.2%	465.5%	
EBT	**(677.0)**	**-9.9%**	**(159.7)**	**-2.1%**	**323.9%**	
Income taxes	(91.7)	-1.3%	(188.4)	-2.5%	-51.3%	
Consolidated profit	**(768.6)**	**-11.2%**	**(348.0)**	**-4.6%**	**120.8%**	
Discontinuing operations	(21.8)	-0.3%	(4.5)	-0.1%	384.4%	
Net attributable profit	**(790.5)**	**-11.5%**	**(352.6)**	**-4.7%**	**124.2%**	

(*) 2018 figures include Clarel as a continued activity

The reconciliation between the EBITDA indicated in the intermediate financial states and the one indicated in the preceding table, due to the assignment due to the nature of the logistical costs attributed to the stores and the restructuring cost for 2019 and 2018, is explained in the next table:

(€m)	Income statement	Logistics cost	Restructuring cost	Total 2019
Net sales	**6,870.5**	**-**	**-**	**6,870.5**
Cost of goods sold & other income	**(5,194.9)**	**(365.1)**	**8.1**	**(5,552.0)**
Goods and other consumables used	(5,240.8)	(365.1)	0.3	(5,605.6)
Other income	77.2	-	-	77.2
Impairment of trade debtors	(31.3)	-	7.8	(23.5)
Gross profit	**1,675.6**	**(365.1)**	**8.1**	**1,318.5**
Labour costs	(934.5)	130.1	63.4	(741.0)
Other operating expenses	(629.0)	233.6	33.4	(362.0)
Leased property expenses	(46.4)	1.4	26.2	(18.8)
Restructuring costs	-	-	(131.1)	(131.1)
EBITDA	**65.6**	**-**	**-**	**65.6**

(€m)	Income statement	Logistics cost	Restructuring cost	Total 2018 (*)
Net sales	**7,576.0**	**-**	**-**	**7,576.0**
Cost of goods sold & other income	**(5,530.0)**	**(386.5)**	**7.5**	**(5,909.0)**
Goods and other consumables used	(5,606.3)	(386.5)	-	(5,992.8)
Other income	103.5	-	-	103.5
Impairment of trade debtors	(27.2)	-	7.5	(19.7)
Gross profit	**2,046.0**	**(386.5)**	**7.5**	**1,667.0**
Labour costs	(916.2)	139.2	73.9	(703.1)
Other operating expenses	(573.8)	216.5	37.5	(319.8)
Leased property expenses	(346.9)	30.8	11.8	(304.3)
Restructuring costs	-	-	(130.7)	(130.7)
EBITDA	**209.2**	**-**	**0.0**	**209.2**

(*) 2018 figures include Clarel as a continued activity

During 2019, the DIA Group's Net Sales decreased by 9.3% to Euros 6,870.5 million, but were down only by 2.2% in local currency. This sales performance reflected a 7.1% negative effect from currencies due to the 40.8.% and 2.7% depreciation of the Argentinean Peso and Brazilian Real, respectively, in the period.

Comparable Sales (Like-for-Like) in 2019 was negative -7.6%, but driven by a -0.7% in the number of tickets and a -7.0% decline in the average basket, showing the strong resilience of our customer base despite the difficult context of the Group.

The monthly evolution of Like-for-Like (see table attached) shows two different phases, with the first one characterized by a progressive and accelerating deterioration during the first six months of the year (peaking in June with -15.5% driven by the negative impact caused by the uncertainty surrounding the Group's financial situation and the supplier tightening resulting from it), and the second one showing a gradual recovery of the business from July until December, which is especially noteworthy considering that it is happening despite having discontinued in 2019 certain commercial practices which were used in 2018 to unsustainably boost sales (like the Day-without-VAT promotions in Spain, or the wholesale sales and the push sales to franchisees made in Brazil).

LxL (*)	Jan	Feb	March	April	May	Jun
DIA Group	-1.6%	-3.2%	-7.7%	-7.5%	-11.1%	-15.5%
LxL (*)	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**
DIA Group	-9.1%	-6.9%	-10.0%	-7.1%	-5.1%	-5.8%

(*) With Clarel

Gross Profit (as a percentage of Net Sales) decreased in 2019 to 19.2% (versus 22.0% in 2018) reflecting principally the negative impact of the stock liquidation initiatives referred to above, write-off of receivables related to franchisees, and also some erosion caused by the supplier tightening.

Adjusted EBITDA[2] amounted to negative Euros 90.9 million in 2019, compared to the Euros 376.2 million in the same period last year, as a result of the negative earnings impact related to the sales decline and to the exceptional one-off effects of Euros -124.9 million registered in the period mainly related to stock liquidation and write-off of accounts receivables in Spain and Brazil. Also, the Group has adopted a new more conservative definition of Adjusted EBITDA in 2019 which does not exclude certain cost items.

EBITDA in 2019 fell to Euros 65.6 million compared to positive Euros 209.2 million in the same period of last year. In addition to the negative operational impacts already described above, the negative impact from one-off restructuring items of Euros -131.1 million and the additional Impairment of Euros -57.5 million were more than offset by the sizeable Euros 321.4 million positive effect resulting from the application of IFRS 16.

[2] The adjusted EBITDA definition has been updated in 2019 (see "Definition of APMs") to: (i) exclude the effect of IAS 29 negatively impacting EBITDA and IFRS 16 positively impacting by transferring rental expenses to Depreciation and Amortization, and (ii) include as ordinary operational expenses or revenues -to be more conservative- those related to store remodelling and closings, long-term incentive programs (LTIP), and write-offs of account receivables related to franchisees.

The following table further explains the Adjusted EBITDA performance during the period:

EBITDA to Adjusted EBITDA reconciliation

(€m)	31/12/2019	31/12/2018(*)	Change
EBITDA	**65.6**	**209.2**	**(143.6)**
Restructuring costs	**131.1**	**130.7**	**0.4**
Store remodellings	-	22.4	(22.4)
COCO to COFO transfers	-	12.3	(12.3)
Store closings	13.4	30.4	(17.0)
DC closings	24.2	1.1	23.1
Efficiency projects & severance packages	62.9	35.1	27.8
Advisory fees & other special items	30.6	28.5	2.1
LTIP share based payments	-	1.0	(1.0)
IFRS 16 lease effect	**(321.4)**	**-**	(321.4)
IAS 29 hyperinflation effect	**33.9**	**36.3**	**(2.4)**
Adjusted EBITDA	**(90.9)**	**376.2**	**(467.0)**

(*)2018 figures include Clarel as a continued activity.

The Restructuring Costs in 2019 are primarily resulting from:

- Euros 37.6 million costs incurred in connection with the exceptional closing of stores and warehouses executed in the period, of which Euros 26.2 million related to the committed lease payments, Euros 8.1 million for the close of business with the Bahia Master Franchise and other operating expenses for Euros 3.3 million
- Euros 62.9 million provision accrued for the total estimated costs related to the Collective Dismissal approved in Spain and dismissals in other countries
- Euros 30.6 million of exceptional one-off fees related to: financial and corporate advice, auditors, forensic services, legal advice, strategy consultants, and the preparation of the Euros 600 million capital increase presented at the Annual Shareholders' Meeting, including cost as operating expenses for Euros 30.1 million and Euros 0.5 million and other social expenses

The effect of the initial application in 2019 of new IFRS 16 (without restating 2018 for comparative purposes), and that of IAS 29 is shown separately in the table, and complete the explanation of the evolution of the items excluded from Adjusted EBITDA.

It is important to note that the Adjusted EBITDA definition has been updated in 2019 to: (i) exclude the effect of IAS 29 and IFRS 16, and (ii) include –to be more conservative– as ordinary operational expenses or revenues, those related to store remodellings and closings, long-term incentive programmes (LTIP) and write-offs of account receivables related to franchisees.

Depreciation and amortisation almost doubled during 2019 (from Euros 245.8 million to Euros 518.4 million) due to the new application of IFRS 16.

Financial Results

(€m)	31/12/2019	31/12/2018(*)	Change
Finance income	38.3	5.2	33.1
Interest expense	(65.6)	(48.7)	(16.9)
Other financial expenses	(33.9)	(17.2)	(16.7)
Refinancing costs	(8.3)	(11.9)	3.6
FX differences	(14.3)	(7.3)	(7.0)
IFRS 16 related financial costs	(70.8)	(2.0)	(68.8)
Gains from net monetary position (IAS 29)	63.7	67.5	(3.8)
Change in fair value of financial instruments	-	(1.6)	1.6
Results from financial instruments	(6.0)	-	(6.0)
P&L from companies accounted under equity method	0.2	(1.2)	1.4
Net financial results	**(96.7)**	**(17.1)**	**(79.6)**

(*)2018 figures include Clarel as a continued activity.

In terms of financial results, in 2019, the Group's net financial expenses amounted to Euros 96.7 million, which compares with Euros 17.1 million expenses during last year. This Euros 79.6 million increase is firstly due to the new application of IFRS 16 in 2019, which had a Euros 68.8 million impact on the financial results.

Other financial expenses at 31 de December in 2019 and 2018 include the bank credit rate in Argentina. Furthermore in 2019 expenses are recorded for financial updating of liabilities in Brazil. Also, in 2019 and 2018 included costs related to the refinancing process for Euros 8.3 million and Euros 11.8 million respectively.

On the other hand, the financial income increased mainly due to the activation related to ICMS tax of Brazil, other taxes and for deposits delivered in guarantee of contingent liabilities

INFORMATION BY COUNTRY

DIA GROUP (€m)	31/12/2019	%	31/12/2018(*)	%	Change (%)	Change (%ex-FX)
Gross sales under banner	**8,675.3**		**10,772.5**		**-19.5%**	**-9.2%**
Like-for-like sales growth	-7.6%		-3.5%			
Net sales	**6,870.5**	**100.0%**	**7,576.0**	**100.0%**	**-9.3%**	**-2.2%**
Adjusted EBITDA ex one-offs	**34.1**	**0.5%**	**376.2**	**5.0%**	**-90.9%**	

SPAIN (€m)	31/12/2019	%	31/12/2018(*)	%	Change (%)
Gross sales under banner	**5,023.0**		**5,491.3**		**-8.5%**
Like-for-like sales growth	-6.4%		-2.1%		
Net sales	**4,177.2**	**60.8%**	**4,551.4**	**60.1%**	**-8.2%**
Adjusted EBITDA ex one-offs	**38.6**	**0.9%**	**252.4**	**5.5%**	**-84.7%**

PORTUGAL (€m)	31/12/2019	%	31/12/2018(*)	%	Change (%)
Gross sales under banner	**767.9**		**828.0**		**-7.3%**
Like-for-like sales growth	-4.6%		-4.4%		
Net sales	**593.9**	**8.6%**	**644.9**	**8.5%**	**-7.9%**
Adjusted EBITDA ex one-offs	**10.7**	**1.8%**	**30.7**	**4.8%**	**-65.1%**

ARGENTINA (€m)	31/12/2019	%	31/12/2018	%	Change (%)	Change (%ex-FX)
Gross sales under banner	**1,540.5**		**2,813.5**		**-45.2%**	**-7.5%**
Like-for-like sales growth	-10.2%		-2.8%			
Net sales	**917.3**	**13.4%**	**970.6**	**12.8%**	**-5.5%**	**47.2%**
Adjusted EBITDA ex one-offs	**21.7**	**2.4%**	**39.0**	**4.0%**	**-44.4%**	

BRAZIL (€m)	31/12/2019	%	31/12/2018	%	Change (%)	Change (%ex-FX)
Gross sales under banner	**1,344.0**		**1,639.6**		**-18.0%**	**-15.6%**
Like-for-like sales growth	-8.8%		-8.1%			º
Net sales	**1,182.1**	**17.2%**	**1,409.1**	**18.6%**	**-16.1%**	**-14.1%**
Adjusted EBITDA ex one-offs	**(37.0)**	**-3.1%**	**54.0**	**3.8%**	**-168.5%**	

(*)2018 figures include Clarel as a continued activity.

Gross Sales Under Banner in Spain declined by 8.5% in 2019 to Euros 5,023 million, while Net Sales also went down 8.2% during the period to Euros 4,177.2 million, very affected by the out of stock situation, the negative media environment around the Group and substantially lesser promotion investment. This negative performance was driven by the negative -6.4% Comparable Sales, while the store selling area during the period also went down 9.3%.

The Adjusted EBITDA ex one-offs generated in the country decreased by 84.7% to EUR 38.6m, reflecting 460bps margin erosion to 0.9% strongly impacted by one-off impacts of Euros -19.9 million.

With regards to Portugal, Gross Sales Under Banner went down by 7.3% in 2019 to Euros 767.9 million, while Net Sales decreased by 7.9% during the same period to Euros 593.9 million. This negative

performance was related to the negative 4.6% Comparable Sales and the contraction of the commercial space by 5.3%. Adjusted EBITDA ex one-offs went down by 65.1% to Euros 10.7 million, a 300bps margin erosion to 1.8%.

In Argentina, Gross Sales Under Banner declined by 45.2% (in local currency) to Euros 1,540.5m and by 7.5% in constant currency. Net sales decreased by 5.5% to Euros 917.3 million after applying IAS 29, but down 11.6% before IAS 29 (up 47.2% in constant currency), affected by the challenging macroeconomic environment and the sharp decline in private consumption related to the high inflation and the severe currency depreciation, business in local currency performed relatively well in 2019. The volume Comparable Sales declined by 10.2%. Adjusted EBITDA ex one-offs in 2019 was Euros 21.7 million, reflecting a 160 bps decline in the Adjusted EBITDA margin ex one-offs to 2.4%.

In Brazil, Gross Sales Under Banner fell by 18.0% to Euros 1,344.0 million (-15.6% in local currency) with comparable sales down by 8.8%. The Adjusted EBITDA ex one-offs of the period declined to Euros -37 million highly impacted by one-off adjustments of Euros -93.7 million related mainly to stock liquidation and accounts receivables write-offs associated to the de-franchising process. The actions taken by the Group in Brazil to improve its operations and the commercial proposition, and to clean up the store network and the legacy from the past, have enabled a substantial recovery with Like-for-Like reaching levels of -9.3% in December after having an all-time low level in June of -29.1%.

BALANCE SHEET

(€m)	31/12/2019	31/12/2018(*)
Non-current assets	2,448.2	2,159.1
Inventories	496.5	597.4
Trade & Other receivables	111.0	193.5
Other current assets	100.2	66.9
Cash & Cash equivalents	163.6	239.8
Non-current assets held for sale	-	15.1
Total assets	**3,319.4**	**3,271.8**
Total equty	(350.5)	(166.1)
Long-term debt	1,865.7	920.4
Short-term debt	325.5	775.6
Trade & Otherpayables	1,215.4	1,448.9
Provisions & Other	262.0	293.0
Liabilities associated with assets held for sale	1.3	-
Total equity & liabilities	**3,319.4**	**3,271.8**

(*)2018 figures include Clarel as a continued activity.

The application in 2019 of the new IFRS 16 has resulted in an incremental impact of Euros 705.4 million on the Group's consolidated balance sheet (mostly in the Non-current Assets, and the Long & Short-term Debt captions).

At 31st December 2019, the shareholders' equity balance in the individual financial statements of the Parent Company (which are those who are used for the purpose of computing the legal dissolution or capital increase obligation) amount to Euros 222.7 million, thereby providing a sufficient equity buffer.

NET DEBT

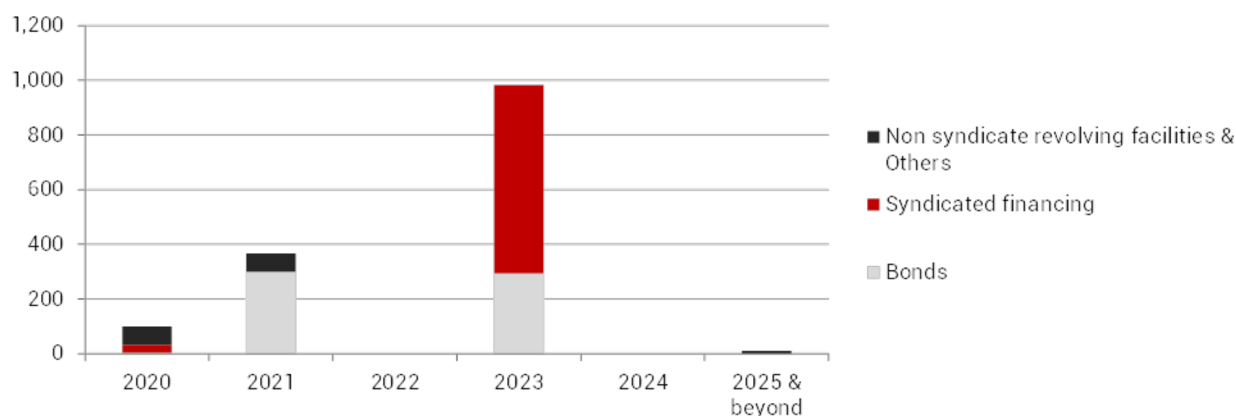
(€m)	31/12/2019	31/12/2018(*)
Net financial debt	1,322.2	1,456.0
Other net debt (IFRS 16)	705.4	-
Total net debt	**2,027.7**	**1,456.0**

(*)2018 figures include Clarel as a continued activity.

Total Net Debt at the end of 2019 amounted to Euros 2,027.7 million, of which Euros 705.4 million corresponded to the application of the new accounting standard IFRS 16. Therefore, Net Financial Debt was Euros 1,322.3 million at the end of 2019, Euros 133.8 million less than at year-end 2018.

The Debt maturity profile has been significantly enhanced after the long-term refinancing agreement signed and the bond repayment in July. We highlight the following maturities: (i) Non-Syndicated Revolving Facilities & Others: Euros 96.1 million by 2020, Euros 0.5 million by 2021 and Euros 10.7 million from 2025 onwards, (ii) Bonds: Euros 299.3 million in April 2021 and Euros 293.7 million in April 2023, and (iii) syndicated financing: Euros 3,5 million by 2020 and Euros 66.7 million in 2021 and Euros 688.6 million in 2023.

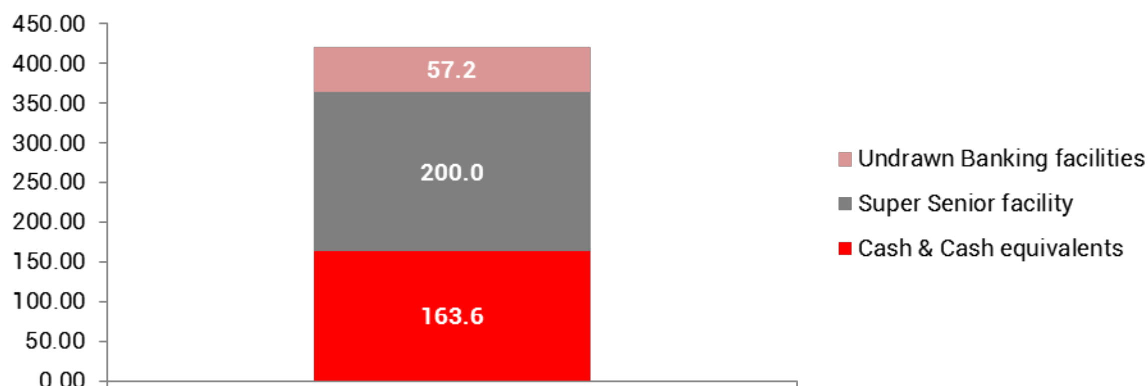
Actual Gross Debt Maturity Profile as of 31 December 2019 (€1.460m disposed)



(*)Not including lease payments (IFRS 16)

Available Liquidity

At 31st December 2019, the Group had Euros 420.8 million of liquidity available as detailed below:



TRADE WORKING CAPITAL

(€m)	31/12/2019	31/12/2018(*)	Change
Non recourse factoring	14.1	126.5	(112.3)
Inventories (A)	496.5	597.4	(100.8)
Trade & other receivables (B)	111.0	193.5	(82.5)
Trade & other payables (C)	1,215.4	1,448.9	(233.5)
Total working capital (1)	**(608.0)**	**(658.1)**	**50.1**

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

(*)2018 figures include Clarel as a continued activity.

From December 2018 to December 2019, DIA's negative Trade Working Capital declined by 7.6% to Euros 608 million. This Euros 50.1 million decrease in the value of negative Trade Working Capital is attributable to:

I. The declining volume of sales in the period, both related to the underlying performance of the business.

II. The shorter payment period to suppliers in 2019, linked to the financial disruption occurred in the first half of the year.

III. The lower volume of commercial financing (non-recourse factoring).

IV. Continued depreciation of currencies in Argentina in 2019.

The value of inventories declined by 16.9% versus December 2018, Euros 100.8 million down to Euros 496.5 million due to a more efficient management of stock in stores and distribution centers and the stock liquidation measures activated by the Group.

Trade and other receivables decreased by 42.6% compared to year-end 2018. This Euros 82.5 million decline in the value of debtors is due to the declining volume of activity with franchisees.

The value of Trade & other payables decreased by 16.1%, from Euros 1,448.9 million to Euros 1,215.4 million. This decline of Euros 233.5 million relates to stock liquidation strategy and the decrease on the volume of sales (and therefore in the volume of purchase), that have taken place in 2019.

Non-recourse factoring from receivables from our suppliers amounted to Euros 14.1 million by the end of the year, having a material impact in the evolution of Trade Working Capital figures, which compares with Euros 126.5 million at the end of 2018.

As of December 2019, confirming increased to Euros 250.3 million compared to Euros 199.9 million as of December 2018.

CAPEX

(€m)	31/12/2019	%	31/12/2018(*)	%	Change (%)
Spain	33.8	36.3%	207.0	65.6%	-83.7%
Portugal	9.2	9.9%	20.3	6.4%	-54.4%
Argentina	9.4	10.1%	29.7	9.4%	-68.2%
Brazil	40.5	43.6%	58.5	18.5%	-30.7%
Total Capex	**93.0**	**100.1%**	**315.3**	**100.0%**	**-70.5%**

(*)2018 figures include Clarel as a continued activity.

DIA decreased its investment activity to Euros 93 million in 2019 (of which 56.8% were related to on-going and maintenance investments), Euros 222.3 million less than in the same period of last year (a 70.5% decrease), which reflects the Group´s tight control with respect to new investments.

STORE COUNT

At the end of 2019, DIA operated a total of 6,626 stores, 812 less than at the end of the same period last year, accumulating 49 new openings and 861 closures in the period.

The number of stores declined by 448 in Spain (from 4,684 to 4,236), after the opening of 10 new stores and the closure of 458 stores during 2019 (of which 101 were Cada DIA. 327 DIA, 22 Clarel and 8 La Plaza), Furthermore, during 2019 the Group closed 34 stores of Cash Carry. This year was also special in terms of franchised activity, as the Group transferred 255 net stores back to owned from franchised operations. This change is due to the new Group policy to seek higher-quality franchise partners to provide customers with a better shopping experience.

In Portugal, the total number of stores declined by 27 in the period, from 603 to 576. The net number of stores transferred from owned to franchised was 25, and 29 stores were closed.

Argentina ended 2019 with 934 stores in operation, 45 less than in December 2018, totalling 8 openings and 53 closures during the period. With regards to franchised activity, a total of 30 net stores were transferred to owned during the period.

In Brazil, the Group has presence in 3 regions (Sao Paulo, Belo Horizonte and Porto Alegre), it closed 321 stores (including operations in Bahia) in the period and opened 29 points of sale. The total number of stores was reduced by 292 net stores, from 1,172 to 880.

SUMMARY OF STORES

DIA GROUP	Owned	Franchised	Total
Total stores 31 December 2018 (*)	3,693	3,745	7,438
New openings	31	18	49
Owned to franchised net transfers	385	-385	0
Closings	-384	-477	-861
Total DIA GROUP stores at 31 December 2019	**3,725**	**2,901**	**6,626**

SPAIN	Owned	Franchised	Total
Total stores 31 December 2018 (*)	2,615	2,069	4,684
New openings	4	6	10
Owned to franchised net transfers	255	-255	0
Closings	-303	-155	-458
Total DIA Spain stores at 31 December 2019	**2,571**	**1,665**	**4,236**

PORTUGAL	Owned	Franchised	Total
Total stores 31 December 2018 (*)	294	309	603
New openings	0	2	2
Owned to franchised net transfers	25	-25	0
Closings	-21	-8	-29
Total DIA Portugal stores at at 31 December 2019	**298**	**278**	**576**

ARGENTINA	Owned	Franchised	Total
Total stores 31 December 2018	298	681	979
New openings	8	0	8
Owned to franchised net transfers	30	-30	0
Closings	-13	-40	-53
Total DIA Argentina stores at at 31 December 2019	**323**	**611**	**934**

BRAZIL	Owned	Franchised	Total
Total stores 31 December 2018	486	686	1,172
New openings	19	10	29
Owned to franchised net transfers	75	-75	0
Closings	-47	-274	-321
Total DIA Brazil stores at at 31 December 2019	**533**	**347**	**880**

(*)2018 figures include Clarel as a continued activity.

EVENTS FOLLOWING THE CLOSE OF THE PERIOD

As of 17h February 2020, DIA Group has appointed Marcelo Maia as Executive Chairman for DIA Brazil.

As of 11th February 2020, DIA Group has appointed Ricardo Álvarez as new CEO for DIA Spain.

As of 15th January 2020, the Board of Directors approved the appointment by co-optation of Ms. Basola Vallés Cerezuela as independent director of the Company. Additionally, with effect as of 14th January 2020, Mr. Michael Casey has resigned from his position as member of the Board of Directors of the Company and, therefore, also as member of the Finance and Capital Structure Committee.

The implementation of the "Hive Down Transaction", as requested by the syndicated lenders, has started as of 1st January 2020. This transaction implies to initiate a complex sequential process of several transactions and legal steps during the first months of 2020 for the transfer of the Company's main business units to certain subsidiaries which will be directly or indirectly owned by several intermediate Luxembourg companies, wholly owned, directly or indirectly by DIA.

DEFINITION OF APMs

In the preparation of the financial information that is reported internally and externally, the Directors of DIA have adopted a series of Alternative Performance Measures (APMs) to gain a better understanding of the business performance. These APMs have been chosen according to the Company's activity profile and taking into account the information of business performance commonly published by other international peers. Nevertheless, these APMs may or may not be totally comparable with those of other companies in the same industry. In all cases, APMs should be considered as data that are not intended to replace (or be superior to) IFRS measurements.

PURPOSE

The purpose of these APMs is to assist in the understanding of the business performance by providing additional useful information about the underlying performance of the activity and financial position of the Company.

APMs are also used to enhance the comparability of information between reporting periods and geographical units by adjusting for other cost and revenue items or uncontrollable factors that affect IFRS measures. APMs are therefore used by Directors and management for performance analysis, planning, reporting, and incentive-setting purposes.

CHANGES TO APMs

The Adjusted EBITDA definition has been updated in 2019 to:

I. Exclude the effect of IAS 29 and IFRS 16,

II. Include as ordinary operational expenses or revenues –to be more conservative – those related to store remodellings and closings, long-term incentive programs (LTIP), and write-off of account receivables related to franchisees.

Gross Sales Under Banner: Total turnover value obtained in stores, including indirect taxes (sales receipt value) in all the Company's stores, both owned and franchised.

NET SALES TO GROSS SALES UNDER BANNER RECONCILIATION

(€m)	31/12/2019	31/12/2018(*)	Change (%)
Net sales	6,870.5	7,576.0	-9.3%
VAT and other	1,804.8	3,196.5	-43.5%
Total Gross sales under banner	**8,675.3**	**10,772.5**	**-19.5%**

(*)2018 figures include Clarel as a continued activity.

LFL growth of Gross Sales Under Banner: Growth rate of gross sales under banner at constant currency of the stores that have been operating for more than thirteen months under the same conditions. To be more conservative in applying this definition, LFL figures reported in this document exclude from the comparison base of calculation only those stores that have been closed for significant remodelling activities or severely impacted by external objective reasons. Additionally, the LFL figures

corresponding to Argentina have been deflated using internal inflation to reflect volume LFL, avoiding hyperinflationary misleading nominal calculations.

Adjusted EBITDA: Operating profit that is calculated after adding back to EBIT depreciation and amortisation (including amortization related to the closing of stores and impairment of fixed assets), losses on the write-down of fixed assets, impairment of fixed assets, restructuring costs, gain and losses on disposal of fixed assets and the effect related to the application of IAS 29 and IFRS 16.

OPERATING PROFIT TO ADJUSTED EBITDA RECONCILIATION

(€m)	31/12/2019	31/12/2018(*)	Change
Operating profit (EBIT)	(580.2)	(142.6)	(437.7)
Depreciation & Amortization	518.4	245.8	272.6
Losses on write-down of fixed assets	70.0	(11.6)	81.6
Impairment of fixed assets	57.5	117.6	(60.1)
Gross operating profit (EBITDA)	**65.6**	**209.2**	**(143.6)**
Restructuring costs	131.1	130.7	0.4
IFRS 16 lease effect	(321.4)	-	(321.4)
IAS 29 hyperinflation effect	33.9	36.3	(2.4)
Adjusted EBITDA	**(90.9)**	**376.2**	**(467.0)**

(*)2018 figures include Clarel as a continued activity.

Net Financial Debt: Is the result of subtracting from the total value of the Group's short-term and long-term debt, the total value of its cash, cash equivalents, and other liquid assets and the debt related effect from the application of IFRS 16. All the information necessary to calculate the Group's net debt is included in the balance sheet.

NET DEBT RECONCILIATION

(€m)	31/12/2019	31/12/2018(*)	Change
Long-term debt	1,377.5	920.4	457.2
Short-term debt	108.3	775.6	(667.3)
Cash & Cash equivalents	163.6	239.8	(76.3)
Total net debt	**1,322.2**	**1,456.0**	**(133.8)**
IFRS 16 related debt effect	705.4	-	705.4
Net financial debt	**2,027.7**	**1,456.0**	**571.6**

(*)2018 figures include Clarel as a continued activity.