Audit Report on the Financial Statements
issued by an Independent Auditor

DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2021

Building a better
working world

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AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

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

Audit report on the financial statements

Opinion

We have audited the financial statements of Distribuidora Internacional de Alimentación, S.A. (the "Company"), which comprise the balance sheet at December 31, 2021, the income statement, the statement of changes in equity, the statement of cash flows, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 a) to the accompanying financial statements) and, specifically, the accounting principles and policies contained therein.

Basis of the opinion

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

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

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

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Key audit matters

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

Application of the going concern principle

Description

Notes 1.b) and c), 2.b), 16.a) and c) and 19.b) to the financial statements for 2021 describe the measures adopted by the Company's Board of Directors and management to ensure that the going concern principle is correctly applied.

In this regard, note 1.c) to the financial statements explains that on March 24, 2021, as a result of negotiations between the Company, its majority shareholder (see note 16.a) to the accompanying financial statements), DEA Finance S.à.r.l. and its syndicated lenders, the Company reached an agreement with the latter, providing a path for a more comprehensive capitalization and refinancing transaction for the Company (the "Comprehensive Transaction"). The implementation of this agreement ensures, in the opinion of the Company's directors, a stable long-term capital and financial structure for both the Company and its Group, of which it is the parent. Note 1.c) to the accompanying financial statements also describes the main terms and conditions, all of which are contingent upon one another, that are included in the "Comprehensive Transaction."

In note 2.b) to the financial statements, the Company's directors state that during the 2021 financial year, the main terms and conditions of the Comprehensive Transaction were met and thus it became effective on September 2, 2021. In note 2.b), the Company's directors state that the Comprehensive Transaction has made it possible to recover and significantly strengthen the Company's equity, substantially reduce its financial indebtedness, eliminate refinancing risk in the medium term, considerably lower its interest rate burden, provide additional liquidity to ensure that operational financing needs are met, improve and accelerate its ability to access financial debt markets under normal conditions, and a stable term capital structure for the Company in the long term, enabling management to fully focus on executing its business plan. In view of the above, the Company's directors consider that the Company will continue to operate on a going concern basis.

Due to the relevance of the actions taken by the Company's Board of Directors and management in the context of the Comprehensive Transaction to guarantee the continuity of the Group's operations, we determined this to be a key audit matter.

Our response

Our audit procedures related to this matter included:

- Identifying and understanding the matters that could raise significant doubts as to the Company's capacity to continue as a going concern.
- Gaining an understanding, based on conversations with the Company's executives, of the significant events that occurred in 2021, described in Notes 1.b) and c), 2.b), 16.a) and c) and 19.b) to the accompanying financial statements, aimed at restoring the Company's equity and financial position and reaching agreements designed to ensure the continuity of its business.

- Obtaining and analyzing the significant events communicated by the Company to the Spanish National Securities Market Commission (CNMV) and the minutes related to the agreements approved by the Company's General Shareholders' Meeting, its directors, and the remaining management bodies and committees in 2021 and 2022 up to the date of this report.
- Verifying management's assessment of the Company's capacity to continue as a going concern, after considering the measures adopted to restore its equity and financial position. This verification included reviewing the Company's five-year business plan and expected financial performance over the next twelve years.
- Obtaining and analyzing the documentation supporting the agreement with syndicated lenders entered into on March 24, 2021 ("Lock-Up Agreement" of the " Comprehensive Transaction") disclosed in notes 1.c) and 2.b) to the accompanying financial statements.
- Obtaining and analyzing the documentation relating to the loans acquired by the Company's majority shareholder from DEA Finance S.à.r.l. which, where applicable, have been converted to new debt instruments prior to their conversion to capital, as explained in notes 1.c), 16.c) and 19.b) to the accompanying notes to the financial statements.
- Obtaining and analyzing the documentation relating to the transfer to the Company from DIA Finance, S.L of the super senior term loan facility that this subsidiary owed to DEA Finance S.à.r.l, prior to its conversion to capital, as described in notes 1.c), 16.c) and 19.b) to the accompanying financial statements.
- Obtaining and analyzing the documentation relating to the loan granted to the Company by its majority shareholder to finance the payment at maturity of the principal of the 2021 bonds not acquired and which has been capitalized as explained in notes 1.c), 16.c) and 19.b) to the accompanying financial statements.
- Obtaining and analyzing the documentation pertaining to the fulfillment of the suspensive conditions affecting the validity of the "Comprehensive Transaction" described in notes 1.c) and 19. b) to the accompanying financial statements.
- Obtaining and analyzing the documentation relating to the resolutions adopted at the Company's General Shareholders' Meeting, which approved the capital increase provided for in the "Comprehensive Transaction," as described in notes 1.b) and 16.a) to the accompanying financial statements.
- Reviewing the disclosures made in the notes to the financial statements, assessing whether they are in conformity with the applicable regulatory financial reporting framework.

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

Description As explained in notes 5, 6, 11 and 12.a) to the accompanying financial statements, at December 31, 2021, the Company recorded property, plant, and equipment amounting to 87,398 thousand euros, goodwill amounting to 1,478 thousand euros and investments related to equity instruments, as well as loans and current accounts granted to Group companies amounting to 823,138 thousand euros and 35,450 thousand euros, respectively.

For purposes of calculating impairment loss on property, plant, and equipment and goodwill, the carrying amount of these non-current assets is assigned to each of the corresponding cash-generating units, which in the case of the Company is determined at store level. Each subsidiary tests for impairment loss on investments in Group companies, taking into account both the shares and the remaining loans pending collection from the various companies.

Company management assesses, at least at the end of each reporting period, whether there are indications of impairment and writes down these investments whenever there is objective evidence that the carrying amount of the assets linked to stores and investments in Group companies is no longer recoverable, recognizing an impairment loss for the amount of the difference between the carrying amount and recoverable amount. In both cases, the recoverable amount is determined taking into account the value in use of cash-generating units, as applicable.

Since determining recoverable amount requires Company management to make estimates using significant judgment to establish the assumptions used for these estimates, we determined this to be a key audit matter.

Information on the applicable measurement standards and non-current assets subject to amortization/depreciation and on investments in Group companies are provided in note 4.d) and 4.f) viii) to the accompanying financial statements.

Our response

Our audit procedures related to this matter included:

- Understanding the process designed by Company management to determine whether there are indications of impairment as well as the recoverable amount of non-current assets subject to amortization/depreciation and investments in Group companies, and assessing the design and implementation of the relevant controls in place in that process, involving our valuation specialists.
- Evaluating management's analysis of indications of impairment and reasonableness of the methodology used and the principal assumptions made to determine the recoverable amount of assets linked to stores and investments in Group companies (in particular, with regard to the assumptions underlying projected cash flows and long-term growth and discount rates), with the involvement of our valuation specialists.
- Comparing the consistency applied in projecting future profit used as a basis for determining the recoverable amount assets linked to stores and the investments in Group companies with the Group's latest budget for 2022 approved by the Company's Board of Directors, and with the various companies' business plans prepared by management.
- Assessing, with the involvement of our valuation specialists, the sensibility of the analyses used to evaluate changes in the main assumptions used.
- Reviewing the disclosures made in the notes to the financial statements, assessing whether they are in conformity with the applicable regulatory financial reporting framework.

Other information: Management report

Other information refers exclusively to the 2021 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

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

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

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

Based on the work performed, as described above, we have verified that the information referred to in a) above has been provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2021 financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the directors and the audit committee for the financial statements

The directors are responsible for formulating the attached financial statements so that they reflect a true and fair image of the assets, financial situation and earnings of the company, in accordance with the regulatory framework for financial information applicable to the company in Spain, which is identified in note 2.a) in the attached report, and the internal control they deem necessary to enable the preparation of the financial statements to be free from material misstatements due to fraud or error.

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

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

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

Report on other legally stipulated disclosure requirements

European Single Electronic Format

We have examined the digital file of the European single electronic format (ESEF) of Distribuidora Internacional de Alimentación, S.A. for the 2021 financial year, consisting of an XHTML file containing the financial statements for the year, which will form part of the annual financial report.

The directors of Distribuidora Internacional de Alimentación S.A. are responsible for submitting the annual financial report for the 2021 financial year in accordance with the format requirements set out in the European Commission Delegated Regulation (EU) 2019/815, of December 17, 2018 (the "ESEF Regulation"). For this reason, the Annual Corporate Governance Report and the Annual Report on Remuneration of Directors have been included in the management report for reference.

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

In our opinion, the digital file examined corresponds in its entirety to the audited financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

Additional report to the audit committee

The opinion given in this report is coherent with what is set out in our additional report for the Company's audit and control committee dated April 8, 2022.

Term of engagement

During the Ordinary General Shareholders' Meeting held on March 20, 2019, we were appointed auditors for a period of three years, commencing the year ended December 31, 2019.

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

(Signed on the original Spanish version)

José Luis Ruiz
(Registered in the Official Register of
Auditors under No. 5217)

April 8, 2022

Distribuidora Internacional de Alimentación, S.A.

Annual Accounts and Management Report

31 December 2021

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

BALANCE SHEET

At 31 December 2021

(Expressed in thousands of euro)

ASSETS	Notes	2021 31 December	2020 31 December
Intangible assets	5	**1,881**	**2,311**
Concessions		83	91
Goodwill		1,478	1,867
Computer software		3	-
Other intangible assets		317	353
Property, plant and equipment	6	**87,398**	**77,928**
Land and buildings		32,385	33,712
Technical installations, machinery, equipment, furniture and other items		53,913	44,076
Under construction and advances		1,100	140
Non-current investments in group companies and associates	11	**823,138**	**825,052**
Equity instruments		823,138	825,052
Non-curent investments	12 (b)	**9,666**	**10,286**
Equity instruments		36	36
Loans to third parties		28	28
Other financial assets		9,602	10,222
Trade and other receivables		**2,178**	**3,162**
Trade receivables (exceeding operating cycle)	12 (b)	2,178	3,162
Non-current prepayments	14	**461**	**470**
Total non-current assets		**924,722**	**919,209**
Inventories	13	**21,396**	**27,787**
Goods for resale		21,322	27,713
Raw materials and other supplies		28	28
Advances to suppliers		46	46
Trade and other receivables	12 (b)	**32,939**	**35,683**
Current trade receivables	10(d)	25,021	21,388
Trade receivables from group companies and associates		3,532	10,300
Other receivables		941	1,262
Personnel		48	66
Current tax assets	20	1,476	805
Public entities, other	20	1,921	1,862
Current investments in group companies and associates	12 (a)	**35,450**	**11,110**
Other financial assets		35,450	11,110
Current investments	12 (b)	**354**	**395**
Other financial assets		354	395
Prepayments for current assets	14	**710**	**247**
Cash and cash equivalents	15	**111,314**	**16,584**
Cash		111,314	16,584
Total current assets		**202,163**	**91,806**
TOTAL ASSETS		**1,126,885**	**1,011,015**

The attached report forms an integral part of the annual accounts for the financial year 2021.

BALANCE SHEET

At 31 December 2021

(Expressed in thousands of euro)

EQUITY AND LIABILITIES	Notes	2021 31 December	2020 31 December
Capital and reserves without valuation adjustments	16	**837,822**	**(41,853)**
Capital		**580,655**	**66,780**
Registered capital		580,655	66,780
Share premium		**1,058,873**	**544,997**
Reserves		**3,110**	**9,872**
Other reserves		3,110	9,872
(Own shares)		**(3,842)**	**(5,763)**
Negative results from previous years		**(657,989)**	**(393,269)**
Profit for the year		**(143,401)**	**(264,720)**
Other equity instruments		**416**	**250**
Total equity		**837,822**	**(41,853)**
Non-current provisions	17	**40,732**	**40,993**
Long-term employee benefits		3,206	1,649
Other provisions		37,526	39,344
Non-current payables	19 (b)	**37,580**	**305,213**
Bonds and other securities		30,800	295,599
Debt with financial institutions		-	301
Finance lease payables	7	1,513	2,323
Other financial liabilities		5,267	6,990
Deferred tax liabilities	20	**235**	**332**
Total non-current liabilities		**78,547**	**346,538**
Current provisions	17	**3,624**	**1,265**
Current payables	19 (b)	**29,675**	**329,783**
Bonds and other securities		467	303,795
Debt with financial institutions		293	295
Finance lease payables	7	1,837	1,835
Other financial liabilities		27,078	23,858
Group companies and associates, current	19 (a)	**2,034**	**106,613**
Trade and other payables	19 (c)	**175,179**	**268,662**
Current suppliers		4,861	9,778
Suppliers, group companies and associates, current		133,950	219,384
Other payables		30,641	30,653
Personnel (salaries payable)		1,857	1,837
Public entities, other	20	3,863	6,954
Advances to customers		7	56
Current accruals		**4**	**7**
Total current liabilities		**210,516**	**706,330**
TOTAL EQUITY AND LIABILITIES		**1,126,885**	**1,011,015**

The attached report forms an integral part of the annual accounts for the financial year 2021.

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2021
(Expressed in thousands of euro)

INCOME STATEMENT	Notes	2021	2020
Revenues	23 (a)	**835,246**	**2,166,985**
Sales		815,969	2,151,734
Service Delivery		19,277	15,251
Supplies	23 (b)	**(643,439)**	**(1,967,149)**
Merchandise used		(607,593)	(1,921,156)
Raw materials and consumables used		(2,268)	(8,541)
Subcontracted work		(33,504)	(38,076)
Impairment of merchandise, raw materials and other supplies	13	(74)	624
Other operating income		**29,682**	**92,054**
Non-trading and other operating income	23 (f)	29,682	92,060
Operating grants taken to income		-	(6)
Personnel expenses	23 (c)	**(5,423)**	**(15,590)**
Salaries and wages		(3,576)	(12,753)
Employee benefits expense		(296)	(1,188)
Provisions		(1,551)	(1,649)
Other operating expenses		**(199,478)**	**(267,863)**
External services	23 (d)	(192,048)	(251,299)
Taxes		(2,551)	(3,211)
Losses, impariment and changes in trade provisions		(2,774)	757
Other operating expenses		(2,105)	(14,110)
Amortisation and depreciation	5 and 6	**(19,384)**	**(21,036)**
Impairment and gains/(losses) on disposal of fixed assets	5, 6 and 23 (e)	**(5,202)**	**1,513**
Impairment and losses		(2,673)	(33)
Gains/Losses on disposal and other		(2,529)	1,546
Results form operating activities		**(7,998)**	**(11,086)**
Finance income		**10,998**	**7,557**
Other investment income		**10,998**	**7,557**
Group companies and associates		-	6,469
Other		10,998	1,088
Finance expenses		**(12,136)**	**(25,311)**
Group companies and associates		(4,746)	(127)
Other		(7,353)	(25,147)
Provision adjustments		(37)	(37)
Exchange gains		**168**	**53**
Impairment and losses on disposal of financial instruments		**(134,000)**	**(237,843)**
Impairment and losses	11 and 12(a)	(134,000)	(237,843)
Net finance income		**(134,970)**	**(255,544)**
Losses before income tax		**(142,968)**	**(266,630)**
Income tax	20	**(433)**	**1,910**
LOSSES FOR THE YEAR		**(143,401)**	**(264,720)**

The attached report forms an integral part of the annual accounts for the financial year 2021.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

A) Statement of recognised revenue and expenses

(Expressed in thousands of euro)

	2021	2020
Profit for the year	(143,401)	(264,720)
Income and expense recognised directly in equity		
Cash flow hedges	-	-
Tax effect	-	-
Total income and expense recognised directly in equity	-	-
Amounts transferred to the income statement		
Grants, donations and bequests	-	-
Tax effect	-	-
Total amounts transferred to the income statement	-	-
Total recognised income and expense	(143,401)	(264,720)

The attached report forms an integral part of the annual accounts for the financial year 2021.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

B) Total statement of changes in net equity

(Expressed in thousands of euro)

	Registered capital	Share premium	Reserves	(Own shares)	Retained earnings	Profit for the year	Other equity instruments	Total
Balance at 31 December 2019	**66,780**	**544,997**	**11,322**	**(7,252)**	**(111,726)**	**(281,543)**	**89**	**222,667**
Recognised income and expense	-	-	-	-	-	(264,720)	-	(264,720)
Transactions with equity holders or owners	-	-	(1,450)	1,489	-	-	161	200
Issuance of share-based payments	-	-	-	-	-	-	200	200
Own shares operations	-	-	(1,450)	1,489	-	-	(39)	-
Distibution of profit for the year	-	-	-	-	(281,543)	281,543	-	-
Transfer of profit for the previous year	-	-	-	-	(281,543)	281,543	-	-
Balance at 31 December 2020	**66,780**	**544,997**	**9,872**	**(5,763)**	**(393,269)**	**(264,720)**	**250**	**(41,853)**
Recognised income and expense	-	-	-	-	-	(143,401)	-	(143,401)
Transactions with equity holders or owners	513,875	513,876	(3,563)	1,921	-	-	166	1,026,275
Increase Capital	513,875	513,876	(1,217)	-	-	-	-	1,026,534
Issuance of share-based payments	-	-	-	-	-	-	227	227
Own shares operations	-	-	(2,346)	2,395	-	-	(61)	(12)
Buying own shares	-	-	-	(474)	-	-	-	(474)
Other variations in shareholders´equity	-	-	(3,199)	-	-	-	-	(3,199)
Distibution of profit for the year	-	-	-	-	(264,720)	264,720	-	-
Transfer of profit for the previous year	-	-	-	-	(264,720)	264,720	-	-
Balance at 31 December 2021	**580,655**	**1,058,873**	**3,110**	**(3,842)**	**(657,989)**	**(143,401)**	**416**	**837,822**

The attached report forms an integral part of the annual accounts for the financial year 2021.

CASH FLOW STATEMENT

for the year ended 31 December 2021

(Expressed in thousands of euro)

	Notes	2021	2020
Cash flows from operating activities			
Profit for the year before tax		**(142,968)**	**(266,630)**
Adjustmens for:		**160,003**	**286,000**
Amortisation and depreciation	5 and 6	19,384	21,036
Impairment		139,521	236,495
Changes in provisions		536	11,485
Gains on disposal of fixed assets	23 (e)	2,529	(1,546)
Finance income		(10,998)	(7,557)
Finance expenses		12,136	25,311
Exchange losses		(168)	(53)
Other income and expenses		(2,937)	829
Changes in operating assets and liabilities		**(84,583)**	**903**
Inventories		6,317	5,317
Trade and other receivables		3,117	(2,173)
Other current assets	14	(463)	257
Trade and other payables		(93,338)	(8,714)
Provisions		(1,206)	(6,961)
Other current liabilities		(3)	(457)
Other non-current assets and liabilities	12 (c) and 14	993	13,634
Other cash flows from operating activities		**2,387**	**(18,991)**
Interest paid		(8,244)	(21,291)
Interest received		10,891	7,156
Income tax paid (received)		(260)	(4,856)
Cash flows from operating activities		**(65,161)**	**1,282**
Cash flows from investing activities			
Payments for investments		**(133,726)**	**(305,880)**
Group companies and associates	11 and 2 (a)	(97,479)	(280,146)
Intangible assets	5	(38)	(335)
Property, plant and equipment	6 and 19(b)	(36,209)	(12,078)
Other financial assets	12 (b)	-	(13,321)
Proceeds from sale of investments		**1,997**	**17,724**
Intangible assets	5	35	27
Property, plant and equipment	6	1,381	3,199
Other financial assets		581	14,498
Cash flows used in investing activities		**(131,729)**	**(288,156)**
Cash flows from financing activities			
Proceeds from and payments for equity instruments		**256,860**	**-**
Issue of equity instruments		257,334	-
Disposal of own equity instruments		(474)	-
Proceeds form and payments for financial liability intstruments		**34,760**	**250,926**
Issue		**39,746**	**253,807**
Debt with financial institutions		-	32,853
Payable to group and associated companies		39,067	217,851
Other payables		679	3,103
Redemption and repayment of		**(4,986)**	**(2,881)**
Bonds and other securities	19 (b)	-	(2,881)
Debt with financial institutions		(4,986)	-
Cash flows used in financing activities		**291,620**	**250,926**
Net increase/decrease in cash and cash equivalents		**94,730**	**(35,948)**
Cash and cash equivalents at beginning of year		**16,584**	**52,532**
Cash and cash equivalents at year end		**111,314**	**16,584**

The attached report forms an integral part of the annual accounts for the financial year 2021.

REPORT

1. NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company holds stakes in subsidiaries. As a result, the Company is the parent company of a Group of companies in accordance with the laws in force. Information regarding stakes in group companies is set out in Note 11 of this report.

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

The presentation of the consolidated annual accounts is necessary, in accordance with generally accepted accounting principles and standards, to present a true and fair view of the Group's financial situation and results of operations, changes in equity and cash flows.

On 30 March 2022 the company directors drew up the consolidated annual accounts of Distribuidora Internacional de Alimentación, S.A. and subsidiaries for the 2021 financial year, in accordance with the terms of the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and the other provisions of the applicable regulatory financial reporting framework, presenting consolidated losses attributed to the Parent Company amounting to 257,331 thousands of euros and a consolidated net equity attributable to the Parent Company amounting to 93,570 thousands of euros.

Relevant events occurring during 2021

a) Changes to the Board of Directors and its committees

Christian Couvreux sadly passed away on 15 February 2021. Christian was a member of the DIA Group's Board since May 2019 and chairman of the Appointments and Remuneration Committee. He sat on the Board's Finance and Capital Structure Committee and was Lead Independent Director.

On 10 December 2020, the Board of Directors approved the appointment by co-option of Marcelo Maia Tavares de Araújo as a director of the Company, effective from 1 January 2021.

On 28 April 2021, the Board of Directors agreed to dissolve the Finance and Capital Structure Committee, considering it had satisfactorily completed its function as a result of the agreement reached in relation to the global capitalisation and refinancing operation, the implementation of which will allow for a stable long-term capital and financial structure for the DIA Group.

On 26 May 2021, the Board of Directors appointed independent director Jaime García-Legaz Ponce as Chairperson of the Appointments and Remunerations Committee and as Lead Independent Director (positions that had become vacant as a result of the death of Christian Couvreux) and external director Marcelo Maia Tavares de Araújo as a new member of the Appointments and Remunerations Committee.

On 31 May 2021, the Company's General Meeting of Shareholders approved the appointment of Luisa Desplazes de Andrade Delgado as an independent director for the statutory period of three years, effective from 1 November 2021.

On 29 September 2021, the Board of Directors approved the appointment by co-option of Vicente Trius as an independent director of the Company.

On 1 November 2021, the Board of Directors agreed to appoint Luisa Desplazes de Andrade Delgado as a member and new Chairperson of the Appointments and Remunerations Committee and as the new Lead Independent Director.

At 31 December 2021, the Company's Board of Directors and committees were thus made up as follows:

Board of Directors:

Chairperson:	Mr. Stephan DuCharme (executive chair).
Directors:	Mr. Sergio Antonio Ferreira Dias (external proprietary director).
	Mr. Marcelo Maia Tavares de Araújo (another external director).
	Mr. Jaime García-Legaz Ponce (independent director).
	Ms. Basola Vallés Cerezuela (independent director).
	Mr. Vicente Trius (independent director).
	Mr. José Wahnon Levy (independent director).
	Mr. Luisa Desplazes de Andrade Delgado (independent director).

Audit and Compliance Committee:

Chairperson:	Mr. José Wahnon Levy (independent director).
Directors:	Mr. Sergio Antonio Ferreira Dias (external proprietary director).
	Mr. Jaime García-Legaz Ponce (independent director).

Appointments and Remuneration Committee:

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

Directors: Ms. Basola Vallés Cerezuela (independent director).

Mr. Marcelo Maia Tavares (another external director).

b) General Meeting of Shareholders

The Company's General Meeting of Shareholders was held on 31 May 2021 and the following resolutions, among others, were adopted: (i) Approval of the annual accounts, the individual and consolidated management reports, the non-financial reporting statement and the proposed allocation of the results of the 2020 financial year; (ii) Approval of the management of the Board of Directors during the 2020 financial year; (iii) Ratification of the appointment by co-option and re-election of Marcelo Maia Tavares de Araújo as a new external director of the Company; (iv) Appointment of Luisa Desplazes de Andrade Delgado as an independent director effective from 1 November 2021; (v) Consultative vote on the annual remuneration report of the directors for the 2020 financial year; (vi) Increase in share capital for an effective amount of up to 1,027,751,102 euro (the "Capital Increase"), through the issuance and release of 51,387,555,100 new ordinary shares of a par value of 0.01 euro each, with a share premium of 0.01 euro per share, in other words, an effective amount of 0.02 euro per share (par value plus share premium), in two separate tranches of (a) credit offsetting and (b) monetary contributions, with recognition of the right of first refusal and provision for incomplete subscription and delegation to the Board of Directors, with powers of subsidiary delegation, of the powers required to enact the resolution and establish the conditions thereof in all aspects not decided by the General Meeting.

c) Global capitalisation and refinancing operation

On 30 November 2020, the Company published a communication of inside information (registration no. 613), informing the market that, following negotiations between L1R Invest1 Holdings S.à.r.l. ("L1R"), DEA Finance S.à.r.l. ("DEA Finance"), DIA and its syndicated financial lenders (the "Syndicated Lenders"), DIA had reached an agreement with all Syndicated Lenders regarding a capitalisation and refinancing operation (the "Original Operation") to implement a stable long-term capital and financial structure for DIA Group.

On 24 March 2021, as a result of certain subsequent negotiations between DIA, L1R, DEA Finance and its Syndicated Lenders, DIA reached a new agreement with all its Syndicated Lenders (the "Lock-Up Agreement") that would provide a way for a global capitalisation and refinancing operation (the "Global Operation") whose implementation would guarantee stable, long-term capital and a financial structure for DIA Group that would provide a clear runway for management to focus entirely on the implementation of the business plan.

The Global Operation included the following main elements (conditional upon each other):

i. A capital increase at DIA amounting to 1,027.8 million euro, in two tranches, completed on 6 August 2021:

1. A credit capitalisation tranche for a total amount of 769.2 million euros to be subscribed by L1R by offsetting credits for the following DIA Group financial debt (said credits were acquired by L1R from DEA Finance in April 2021 prior to capitalisation), for the nominal value of said debt:

   - 200 million euros that DIA Finance, S.L.U. ("DIA Finance") owed to DEA Finance as principal under the Super Senior Term Loan Facility ("SS facility") (this debt was transferred from DIA Finance, S.L.U. to DIA in April 2021).

   - 292,6 million euros that DIA owed to DEA Finance as principal under the bonds issued by DIA for an aggregate principal amount of 300 million euros, with a coupon of 1.000% and maturing on 28 April 2021 ("2021 bonds") and that prior to their maturity were transferred from DEA

Finance to L1R for subsequent capitalisation. The remaining amount of 2021 bonds not owned by DEA Finance was repaid by DIA on the due date.

- 7,4 million euros of debt under a loan granted by L1R in April 2021 to DIA to finance (or refinance) DIA's payment of the principal of the 2021 bonds to holders of said bonds other than DEA Finance (or L1R) on 28 April 2021 (referred to in the paragraph above); and

- 269,2 million euros owed by DIA to DEA Finance as principal under the bonds issued by DIA for an aggregate principal amount of 300 million euros, with a coupon of 0.875% and maturing on 6 April 2023 ("2023 bonds") and which were transferred by DEA Finance to L1R in the month of April 2021; and

2. a cash tranche of up to 258,6 million euros, first reserved for all shareholders other than L1R so they could exercise their preferential subscription right and subscribe new shares to maintain their percentage stake in the share capital prior to the capital increase at the same issue price as the new shares to be issued in the credit capitalisation tranche. The funds obtained in the cash tranche would be available to DIA for general corporate purposes, including the acceleration of its business transformation plan. The cash tranche would be subject to the subscription rounds and proration rules in the event of oversubscription typical for this type of operation and would not be underwritten in the event of incomplete subscription.

ii. The amendment and re-establishment of the current syndicated financing agreement ("SFA") for a total amount of 973,219,190 euro to (a) extend the maturity date of the A-F facilities (totalling 902,426,478 euro) (the "senior facilities") from 31 March 2023 to 31 December 2025 and (b) amend other terms and conditions of the SFA (detailed in Note 13.1 of the consolidated annual accounts).

iii. Amendment of the terms and conditions of the 2023 bonds in the amount of 30,8 million euros to (a) extend their maturity date from 6 April 2023 to 30 June 2026 and (b) increase the coupon from the date of amendment to 3.5% per annum (3% cash and 0.50% PIK), plus an interest increase of 1% PIK in certain circumstances where applicable under the SFA ("2023 bond amendment"). On 20 April 2021, the Company announced that the meeting of bondholders of the 2023 bonds held that same day had approved the 2023 bond amendment and that it would take effect upon fulfilment or waiver of the remaining conditions to which the effectiveness of the Global Operation was subject and other conditions customary in this type of amendment; and

iv. The extension of the maturity dates of certain bilateral facilities and credit facilities arranged between various DIA Group companies with some of the Syndicated Lenders or entities of their respective groups ("bilateral facilities").

The effectiveness of the Global Operation (and therefore main elements (i) to (iv) above) was subject to the fulfilment or waiver of certain conditions precedent by the deadlines indicated therein, which were deemed fulfilled as detailed in Note 13.1 of the consolidated annual accounts, with the Global Operation taking effect on 2 September 2021.

The capitalisation of DIA Group in an amount of up to 1,027.8 million euros, together with the release of a financial liability of 769.2 million euros to cancel the principal amount under the SS facility, the 2021 bonds and the 2023 bonds, plus the extension of the maturity dates of the senior facilities, the remaining 2023 bonds and the bilateral facilities, as well as the additional liquidity injection of up to 258.6 million euros from the cash tranche of the capital increase makes it possible to recover and significantly strengthen DIA's net equity (which at 30 June 2021 was in a negative equity situation), substantially reduce DIA Group's financial debt, eliminate the risk of refinancing in the medium term, significantly reduce DIA Group's interest burden, provide additional liquidity to ensure that operational financing needs are met, improve and accelerate DIA's capacity to access financial debt markets on normalised conditions and provide DIA with a stable long-term capital structure.

d) Credit rating

On 11 March 2021, DIA announced that the services relating to the Company's long-term corporate rating, default probability rating, long-term senior unsecured rating and senior unsecured MTN program rating provided by Standard & Poor's Financial Services ("S&P") and Moody's Investors Service ("Moody's") had been cancelled.

e) Impact of Coronavirus – Covid-19

The World Health Organisation (WHO) declared a global public health emergency on 11 March 2020 as a result of the Covid-19 pandemic.

On 25 October 2020, the Spanish Government declared a second nationwide state of emergency to stop the spread of the virus, which ended on 09 May 2021. During this period, the general public's circulation on streets and public spaces was restricted to certain hours of the day and residents were to remain within their own autonomous community or city, except for certain limited essential activities.

The different extraordinary measures approved acknowledged at all times the importance and essential nature of the distribution of food and essential items, which constitutes the Company's main activity, especially within the context of the social distancing strategy designed to tackle the spread of the virus among the population.

The economic impacts of this exceptional situation on the Group's sales cannot be reliably and objectively quantified. The costs associated with protecting staff and customers, such as providing face masks and gloves, were classified as recurring operating expenses.

Given the complexity of the situation in the various countries where the Group operates with regards population vaccination processes and the emergence of new variants of the virus, there is a high level of uncertainty as to the evolution of the pandemic in the coming months and its potential impact on sales and production volumes, supply and distribution chains, companies, consumers, capital markets and the economy in general. It is not possible at this time to objectively and reliably perform a quantified estimate of its potential impact on the Company in the DIA Group. It will, where applicable, be recorded prospectively in the financial statements at the time of occurrence.

In accordance with the above, to date, based on the best information available at this time, and its current cash position, the Company determines that this situation does not compromise the application of the going concern principle.

f) Implementation of the hive-down imposed by the syndicated lenders

An Extraordinary General Meeting of Shareholders was held on 30 August 2019, approving the modification of the syndicated financing and the new financing facilities, as well as the granting, ratification and extension of guarantees and approval of the hive-down. This operation was imposed by the Syndicated Lenders within the context of the Syndicated Financing and entailed the implementation of a complex sequential process of several transactions and legal measures during 2020 for the transfer to certain directly or indirectly wholly owned subsidiaries of the Company of its main business units, including all assets, liabilities and contracts comprising DIA's Spanish retail and wholesale business, overseas business and central services.

However, as provided in the Syndicated Financing, the hive-down excluded the following elements: a) the European medium-term notes currently issued by the Company; b) any assets, liabilities or 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 Company's business or that of its group; d) any assets, liabilities or contracts whose transfer would incur a cost for the corporate group (including taxes or loss of tax assets) exceeding 5,000,000 euro; and, e) any lease agreements on real estate whose transfer or transmission would entitle the lessor to demand a rent increase or terminate the lease. As the abovementioned exceptions apply, as agreed with the Syndicated Lenders, the transfer of DIA's holding in the Brazilian and Argentine subsidiaries and 26% of the Portuguese subsidiary could not be executed as part of the hive-down.

As part of the business units transferred in the hive-down, it was agreed, at the request of the Syndicated Lenders, to transfer the debt under the Syndicated Financing to certain Spanish subsidiaries wholly owned by DIA directly. Moreover, it was agreed with the Syndicated Lenders that the shares or participations, bank accounts and receivables of the (directly and indirectly) wholly owned subsidiaries of DIA involved in the Syndicated Financing would be pledged.

The main milestones achieved during financial year 2020 are described in the report on the annual accounts for the 2020 financial year.

Proceeding with the hive-down is an obligation required by the Syndicated Lenders in the Syndicated Financing Agreement and its implementation is expected to help facilitate access by the Company and its Group to possible future financing or refinancing.

g) Other company operations

With regards the Company's shares, the following events were of note:

2021

- During the 2021 financial year, the sum contributed in Brazil amounted to 113,464 thousands of euro and was produced by cancelling debt at DIA Brasil in the amount of 16,103 thousands of euro and a cash contribution of 97,361 thousands of euro. DIA Brasil capital rose from 2,427,353,318.50 reals at 31 December 2020 to 3,061,993,256.10 reals at 31 December 2021, represented by 2,144,009,027 shares of an approximate value of 1.43 reals of nominal value.
- During the 2021 financial year there were debt waivers at DIA Argentina amounting to 17,521 thousands of euro, of which the Company contributed 16,645 thousands of euro, equivalent to 95% of its direct stake in the subsidiary.

2020

- DIA ESHOPPING S.L.U. in liquidation was dissolved, liquidated and wound up by the agreements of its Sole Shareholder on 14 July 2020, and registered as such in the Companies Register on 26 October 2020, and therefore no longer forms part of the Group's consolidation scope.
- Red Libra Trading Services, S.L. was dissolved and put into liquidation by agreement of the General Shareholders' Meeting of 6 July 2020, its registered name from that date being Red Libra Trading Services, SL. en liquidación. This company was dissolved, liquidated and wound up with effect from 15 October 2020, and registered as such with the companies register on 18 November 2020.
- CD Supply Innovation, S.L. was dissolved and put into liquidation by agreement of the General Shareholders' Meeting of 4 August 2020, its registered name from that date being CD Supply Innovation, S.L. en liquidación.
- During 2020 several capital increases of DIA Brasil Sociedade Limitada were carried out through the conversion into capital of loans and intra-group debt balances as well as cash contributions that amounted in total to 257,817 thousand euros. The capital of DIA Brasil increased from 845,300,037 reals as of 31 December 2019 to 2,427,353,318.50 reals as of 31 December 2020, represented by 2,144,009,027 shares of an approximate value of 1.13 Reals of nominal value. On December 7, 2020, DIA Brasil became a sole proprietorship when its partner DIA Argentina ceded its quota to Distribuidora Internacional de Alimentación, S.A.
- Finally, on 28 December 2020, there was a cancellation of intra-group debt balances to DIA Argentina for the amount of 16,531 thousand euros through a contribution from partners.

h) Profit/(loss) evolution during the year

The evolution of the Company's operating result during the 2021 financial year is affected because in the first half of 2020 the Company carried out the commercial and warehouse operations, through which DIA functioned as a purchasing center for all subsidiaries. As of the second half of 2020, the Company transferred this operation to Dia Retail and therefore ceased to recognize merchandise transfers made to its subsidiaries in Spain (see note 22 b)). If we isolate this effect in 2020, the turnover presented a negative evolution in 2021, since the Company experienced an extraordinary activity due to supply purchases due to COVID-19 in the months of March to June 2020 and that hinder the year-on-year comparison. The evolution of the operating result has been improved by 3 million euros, despite the impact of the rise in the prices of electricity, diesel, and raw materials on operating results.

DIA Group's main priorities during financial year 2021 continued to focus on the ongoing development of the DIA commercial value proposition with the enhancement of the fresh produce range and the development of a new proprietary brand combining quality, value for money and attractive packaging. The Group also completed the comprehensive rollout of the updated franchise model in Spain that began during the second half of 2020 and launched store refurbishments. The expansion of the online sales and express delivery service continued in all countries, while the focus was kept strictly on cost efficiency and reducing complexity across all business areas, committing to digitalisation and technological transformation.

2. BASIS OF PRESENTATION

a. Comparative information

The annual accounts were drawn up on the basis of the accounting records of the Company and presented in accordance with the corporate legislation in force, the regulations set out in the General Accounting Standards approved by Royal Decree 1514/2007 of November 16, which since its publication has been subject to several modifications, the last of them through Royal Decree 1/2021 of January 12 and its implementing rules, as well as the rest of current commercial legislation, in order to present a true and fair view of the net equity, the financial position and the results of the Company, and an accurate portrayal of the cash flows included in the statement of cash flows.

The directors believe the annual accounts for the 2021 financial year, formulated on 30 March 2022, will be approved by the General Meeting of Shareholders without amendment.

In addition to the figures for the 2021 financial year, the annual accounts for the 2021 financial year present the figures from the previous financial year for comparative purposes and for each item on the balance sheet, profit and loss account, statement of recognised revenue and expenses, statement of changes in equity, cash flow statement and report on the annual accounts. As a result of the hive-down (see Note 1(f)), the income statements and changes in the various line items of the balance sheet are not comparable between the two years.

b. Going concern

The directors drew up these annual accounts at 31 December 2021 in accordance with the going concern principle.

At 31 December 2021, net equity amounted to 838 million euros (minus 42 million euros at 31 December 2020). The working capital, calculated as current assets less current liabilities, was negative and amounted to 8 million euros at 31 December 2021 (minus 615 million euros euro at 31 December 2020). The consolidated loss for the year amounted to 143 million euros (consolidated loss of 265 million euros in 2020) and the net consolidated variation in cash and cash equivalents was a positive amount of 95 million euros in 2021 (negative amount of 36 million euros in 2020).

In accordance with the Spanish Companies Act, when losses bring a company's equity to less than half the 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/s deemed necessary to clear the grounds for dissolution.

Royal Decree-Law 27/2021 of 23 November 2021 on procedural and organisational measures to address Covid-19 in the justice system ("RDL") establishes that, solely for the purpose of determining the grounds for dissolution due to losses incurred reducing net equity to less than half the share capital – as stipulated in the Spanish Companies Act (article 363.1 e) – losses posted in 2020 and 2021 will not be considered in financial year 2021. Consequently, the Company was not in either 2021 or 2020 subject to dissolution at the date of drawing up these consolidated annual accounts.

In the context of the Global Operation announced by the Company on 24 March 2021, under which the Company had reached a new agreement with all its financial creditors and principal shareholder to provide an avenue for a global capitalisation and refinancing operation as explained in Note 1, on 31 May 2021 the General Meeting of Shareholders approved a capital increase for an amount of 1,028 million euro, comprising a credit capitalisation tranche for an amount of 769 million euro to be subscribed by L1R by offsetting credits, whose creditor at the date of its capitalisation was L1R, and a cash tranche for an amount of up to 259 million euro reserved in the first instance for all shareholders other than L1R. The capital increase was completed on 6 August 2021, resulting in a share capital increase of 513.9 million euro and a share premium increase of 513.9 million euro (see Notes16 and 19).

In addition, on 2 September 2021 the remaining conditions precedent to the Global Operation were deemed to have been fulfilled and it therefore took effect, as described in Note 19.

The directors therefore consider that the planned recapitalisation of DIA Group, together with the release of a material amount of financial liabilities for the cancellation of the SS facility, the 2021 bonds and most of the 2023 bonds, as well as the extension of the maturity date of the senior and bilateral facilities, will significantly shore up the Company's equity situation, substantially reduce DIA Group's financial debt, eliminate the risk of refinancing in the medium term, significantly reduce DIA Group's interest burden, provide additional liquidity to ensure operational financing requirements are in place, improve and accelerate DIA Group's ability to access debt financing markets on normalised terms and provide a stable long-term capital structure for DIA Group that will provide a clear runway for management to focus entirely on the implementation of the business plan.

In addition, at 31 December 2021, the Group had available liquidity at the consolidated level of 515.4 million euro. Within this context, the Directors consider the Group will continue to operate on a going concern basis.

c. Functional and Presentation Currency

The annual accounts are presented in thousands of euro, rounded to the nearest thousand, this being the Company's functional currency and currency of presentation.

d. Critical aspects of the interpretation and valuation of uncertainty and relevant judgments in the application of accounting policies

Preparing the annual accounts requires the application of significant accounting estimates and the application of judgements, estimates and hypotheses in the process of applying the Company's accounting policies. In this regard, a summary is set out below of the details of those aspects involving the greatest degree of judgement and complexity, or where hypotheses or estimates are significant in preparing the annual accounts.

Significant Book Estimates and Hypotheses

- Assessment of the potential value impairment of investments in group and associated companies classified as equity instruments (see notes 4(f) and 11).
- Assessment of the potential value impairment of non-financial assets subject to amortisation or depreciation: see notes 4(b), (c) and (d).
- Assessment of the potential impairment of goodwill: see note 4 (b).
- Analysis of possible contingencies or liabilities linked to processes in progress: (See note 17).

Estimates and judgements are assessed annually on the basis of the assumptions outlined in the business plan. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and are considered reasonable.

3. IMPLEMENTATION OF RESULTS

The proposal for the allocation of the 2021 losses prepared by the Board of Directors for submission to the Annual General Meeting of Shareholders was to take all the losses for the year, totalling 143,401,140.77 euro, to prior-year losses.

4. RECORDING AND APPRAISAL STANDARDS

The main recording and appraisal standards used by the Company in preparing its annual accounts were the following:

a) Foreign currency transactions, balances and cash flows

Foreign currencies transactions were converted into euro by applying the spot exchange rate on the dates when they were performed to the amount in foreign currency.

The positive and negative differences that arise when foreign-denominated transactions are settled, or when monetary assets and liabilities denominated in foreign currencies are converted, are taken to income.

b) Intangible fixed assets

Assets included in intangible fixed assets are booked at acquisition or production cost. Intangible fixed assets are presented on the balance sheet at cost value less depreciation and value adjustments for accumulated impairment.

The costs incurred in carrying out activities that help develop the business value of the Company overall, such as goodwill, trademarks and similar items generated internally, as well as establishment costs, are recognised on the profit and loss account as they are incurred.

i. Development

The Company capitalises the development expenses incurred in specific and individualised projects for each activity, essentially IT applications and industrial property, complying with the following conditions:

- There is a specific and individualized project that allows to reliably assess the disbursement attributable to the realization of the project.
- There is a clear allocation, assignment, and recognition of the costs of each project.
- There are reasonable grounds to expect technical success in project implementation, both in the case of direct exploitation and third-party sales, and the economic/commercial profitability of the project is reasonably assured.
- The economic-commercial profitability of the project is reasonably assured.
- The finance to complete execution thereof, availability of adequate technical or other resources to complete the project and to use or sell the intangible asset are reasonably assured.
- There is an intention to complete the intangible asset.

The expenses assigned to results in previous financial years cannot subsequently be capitalised when they fulfil the conditions.

Development costs are reclassified to IT applications at project completion.

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

ii. Business combinations and goodwill

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

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

The cost of the business combination excludes any disbursement that is not part of the exchange for the acquiree. Acquisition costs are recognised as an expense when incurred.

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

Goodwill represents the excess, on the acquisition date, of the cost of the business combination over the fair value of the identifiable net assets acquired in the transaction. Goodwill is consequently recognised only when it has been acquired for consideration and corresponds to future economic benefits from assets that cannot be individually identified and recognised separately.

Goodwill is allocated to the cash generating units (CGU) expected to benefit from the business combination in which the goodwill arose.

Goodwill recognised separately is amortised on a straight-line basis over its estimated useful life, being valued at its acquisition price less the cumulative amortisation and, where applicable, the cumulative amount of recognised impairment value adjustments. Useful life is determined separately for each CGU to which it has been allocated and is estimated to be 10 years (unless proven otherwise). At least annually, it is analysed whether there are any indications of impairment of the value of the CGUs to which goodwill was allocated and its possible impairment is ascertained.

From initial recognition through to 31 December 2015, goodwill is valued at cost less accumulated losses from value impairment. As of 1 January 2016, in accordance with the provisions of the single transitional provision of Royal Decree 602/2016, of 2 September goodwill is valued at cost less accumulated amortisations and value adjustments from impairment.

iii. Computer software

Computer applications purchased and developed by the company, including all applications relating to point-of-sale terminals, warehouses, offices and microcomputing, are booked at their acquisition or production cost. The costs of maintaining IT applications are recorded under expenses at the point at which they are incurred.

iv. Leaseholds

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

v. Patents, licences, trademarks and similar

Industrial property is carried at cost less accumulated amortisation and the accumulated amount of impairment corrections to the recognised value. Amortisation is performed on a straight-line basis to allocate the cost of trademarks and licences over their estimated useful life of ten years, along with investment in the development of commercial models and the development of ranges, which are amortised over four years.

vi. Subsequent costs

Subsequent costs incurred in intangible fixed assets are recorded as an expense, unless the expected future economic benefits of the assets increase.

vii. Useful life and amortisation

Amortisation of intangible fixed assets is determined on a straight-line basis by applying the following estimated useful life:

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

Goodwill, in accordance with Royal Decree 602/2016 of 2 December 2016, began to be amortised prospectively from 1 January 2016 onwards.

The Company reviews the residual value, useful life and amortisation method for the intangible fixed assets at the close of each financial year. Changes to the initially established criteria are considered changes in estimates.

viii. Impairment of fixed assets

The Company evaluates and determines value adjustments for impairment and reversals of impairment losses for intangible fixed assets according to the criteria indicated in subsection (d) of this note.

c) Tangible fixed assets

i. Initial recognition

Assets included in tangible fixed assets are booked at acquisition or production cost. Production cost is capitalised under the “Work performed by the company for its assets” line item of the profit and loss account. Tangible fixed assets are presented in the balance sheet at cost value less amortisation and value adjustments for accumulated impairment.

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

Investments of a permanent nature made in real estate leased by the Company by means of an operational lease agreement are classified as tangible fixed assets. Investments are amortised over the shorter of their useful life or term of the lease.

Tangible fixed assets incorporated prior to 31 December 1996 are valued at acquisition price plus any updates made in accordance with the provisions of the legal standards concerned.

ii. Amortisation

The amortisation of tangible fixed assets is performed on a systematic basis over their useful life. For this purpose, the amortisation amount is defined as purchase cost less residual value. The Company determines the depreciation charge independently for each component that has a significant cost in relation to the total cost of the asset and a different useful life to the rest of the assets in its class.

Amortisation of tangible fixed assets is determined on a straight-line basis by applying the following estimated useful life:

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

Gains and losses on the sale of tangible fixed assets are calculated by comparing the revenue obtained from the sale with the book value and recorded in the profit and loss account.

The Company reviews the estimated residual values and the amortisation methods and periods applied at the end of each year. Changes to the initially established criteria are considered changes in estimates.

iii. Subsequent costs

Following the initial recognition of an asset, costs incurred are only capitalised insofar as they represent an increase in its capacity or productivity or an extension of its useful life, and the book value of replaced items must be derecognised. In this regard, the daily maintenance costs of tangible fixed assets are recorded in profit and loss as they are incurred.

iv. Impairment of assets

The Company evaluates and determines value adjustments for impairment and reversals of impairment losses for tangible fixed assets according to the criteria indicated in subsection (d) of this note.

d) Impairment of non-financial assets subject to amortisation

The Company applies the evaluation of evidence method revealing the potential value impairment of non-financial assets subject to amortisation or depreciation in order to check whether the book value of said assets exceeds their recoverable value, understood as the highest fair value, less sale costs and useful value.

Losses from impairment are recognised in the profit and loss account.

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

In accordance with historical experience, the Company considers indications of value impairment to exist when the operating result of a mature store (i.e., one more than two years old) has been negative for the past two years and also those stores where impairment has been recorded in the past, considering its adjusted EBITDA (understood as the operating result before amortisation and impairment, result in fixed asset operations, restructuring cost and income and Long-term incentive Plans expenditure) of a mature store (one that has been in operation for more than two years) has been negative during the past two years and also those stores where impairment were recorded in the past. When indications of impairment exist, the Company estimates the recoverable amount of the assets allocated to each CGU, calculated as the higher between fair value less costs to sell and value in use. Value in use is determined by discounting estimated future cash flows, applying a post-tax discount rate which reflects the value of money over time and the specific risks associated with the asset.

Determining this value in use and evaluating whether signs of CGU impairment exist requires judgement by management and the use of estimates.

To estimate the cash flow projections used to determine value in use, the Company uses the hypotheses set out in the updated business plan. This strategic plan covers a five-year period. For longer periods, projections based on the strategic plan are used as of the fifth year, applying a constant expected growth rate up until the end of the asset's useful life, including a residual or disposal value of the asset at the end of its useful life, in accordance with accounting standards.

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

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

e) Lease

i. Lessor accounting

The Company has assigned to its licensees the right to use certain spaces within DIA commercial establishments under sublease agreements, as well as establishments leased to DIA Group franchisees and subsidiaries, which are contracts where the risks and benefits inherent to ownership of the assets are not substantially transferred to third parties.

– Operating leases

Assets leased to third parties under operating lease agreements are presented in accordance with the nature thereof and subject to the accounting principles set out in subsection (c).

Revenue from operating leases, net of incentives granted, is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis of allocation is more representative because it more appropriately reflects the time pattern of consumption of the benefits arising from the use of the leased asset.

ii. Lessee accounting

The Company has assigned the right to use certain assets by means of lease agreements.

Lease agreements which at the outset essentially transfer to the Company all risks and benefits inherent to ownership of the assets are classified as financial leases, or otherwise as operating leases.

– Financial leases

At the start of the lease term, the Company recognises an asset and a liability for whichever is the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are included as an increase in the value of the asset. Minimum payments are divided between the financial charge and the reduction in the debt pending payment. Financial expenses are imputed to the profit and loss account through application of the effective interest rate method.

Contingent lease payments are registered as an expense when it is probable that they will be incurred.

The accounting principles applied to assets used by the Company through the signing of financial leasing agreements are the same as those developed in subsection (c). However, if at the start of the lease there is no reasonable certainty that the Company will obtain ownership at the end of the lease, the asset is amortised over its useful life or term, whichever is shorter.

– Operating leases

Instalments from operating leases, net of incentives granted, is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis of allocation is more representative because it more appropriately reflects the time pattern of consumption of the benefits arising from the use of the leased asset.

Contingent lease payments are registered as an expense when it is probable that they will be incurred.

iii. Sale and leaseback operations

Asset sale operations connected with leaseback operations fulfilling the conditions inherent to a financial lease are considered financing operations, so the nature of the asset is not modified and no result is recognised.

f) Financial instruments

i. Classification and separation of financial instruments

Financial instruments are classified at their initial recognition as a financial asset, a financial liability or an equity instrument, according to the economic fund of the contractual agreement and the definitions of financial asset, financial liability or equity instrument.

The Company classifies financial instruments in accordance with their nature and the Company's intentions at the time of initial recognition.

ii. Principles of compensation

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

iii. Financial assets and financial liabilities at fair value with changes in the profit and loss account

Financial assets and liabilities at fair value with changes to in the profit or loss account are initially recognised at fair value. Transaction costs directly attributable to the purchase or issue are recognised as an expense in the profit and loss account as they are incurred.

Following initial recognition, they are recognised at fair value by recording changes in results. The fair value is not reduced by the transaction costs that may be incurred due to its eventual sale or disposal by other means. Interest and dividends accrued are included under the headings according to their nature.

iv. Loans and receivables

Loans and receivables are credits on trade or non-trade transactions with fixed or determinable payments that are not quoted on an active market and are not classified under any other heading.

These financial assets are initially measured at fair value, including transaction costs directly attributable to them, and subsequently at amortised cost, recognising the interest accrued according to their effective interest rate, taken as the discount rate equalling the book value of the instrument with all estimated cash flows to maturity. Notwithstanding the foregoing, trade receivables maturing within one year are measured, both initially at recognition and subsequently, at face value provided that the effect of not discounting the cash flows is insignificant.

v. Investments in group companies

Group companies are those over which the Company exercises control, either directly or indirectly through subsidiaries, as provided in Article 42 of the Commercial Code, or when they are controlled by any means by one or more natural or legal persons acting jointly or under sole management through agreements or statutory clauses.

Control is the power to decide a company's financial and operating policies in order to obtain profit from its activities and considering for these purposes the potential voting rights exercisable or convertible at year-end in the hands of the Company or of third parties.

Investments in group, associated and multi-group companies are initially recognised at cost, which is the fair value of the consideration given. Investments in Group companies acquired prior to 1 January 2010 include the transaction costs incurred in the acquisition cost.

If an investment no longer qualifies for this category it is reclassified to available-for-sale investments and valued as such from the reclassification date.

vi. Interest and dividends

Interest is recognised by the effective interest rate method.

Dividend income from investments in equity instruments is recognised when the rights to receive it have arisen for the Company. If the allocated dividends are unequivocally derived from results generated prior to the acquisition date because amounts greater than the profits generated by the investee have been allocated since the acquisition, they are not recognised as revenue and the book value of the investment is reduced.

vii. Derecognising financial assets

Financial assets are derecognised when the rights to receive the cash flows related to them have expired or been transferred and the Company has substantially transferred the risks and rewards of ownership.

Derecognising a financial asset in full involves recognition of results based on the difference between the book value and the sum of the consideration received, net of the transactional expenses, including the assets obtained or liabilities assumed and any loss or profit deferred under revenue and expenditure recognised in net equity.

viii. Impairment losses of financial assets

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

The Company records the appropriate value adjustments for impairment of loans and receivables and debt instruments when there has been a reduction or delay in the estimated future cash flows due to debtor insolvency.

– Value impairment of financial assets valued at amortised cost

The amount of the value impairment loss from financial assets valued at amortised cost is the difference between the book value of the financial asset and the present value of the estimated future cash flows, excluding future credit losses not incurred, discounted at the original effective interest rate of the asset. For variable interest rate financial assets, the effective interest rate corresponding to the valuation date in accordance with the contractual conditions is employed. For debt instruments classified as investments on maturity, the Company uses their market value, provided this is sufficiently reliable to consider it representative of the value that could be recovered.

The recognised impairment loss is charged to results and is reversible in subsequent financial years if the reduction can be objectively linked to an event following recognition. Nonetheless, loss reversal is limited to the amortised cost the assets would have had if the value impairment loss had not been recorded.

– Value impairment of investments in group companies and equity instruments valued at cost

The impairment calculation is determined as a result of comparing the book value of the investment with its recoverable value, understood as the higher between the value in use or the fair value less selling costs.

In this regard, value in use is calculated in accordance with the Company stake in the present value of the estimated cash flows from ordinary activities and the final disposal or estimated flows expected to be received from the distribution of dividends and the final disposal of the investment.

Impairment loss or reversal is recognised in the profit and loss account, except where it must be posted to equity.

Nonetheless, and in certain cases, unless there is better evidence of the recoverable amount of the investment, the estimation of impairment of this asset class considers the investee company equity adjusted, where applicable, to the applicable generally accepted Spanish accounting principles and standards, corrected by the net tacit capital gains existing on the valuation date.

Value impairment reversals are recognised in subsequent financial years to the extent that there is an increase in the recoverable value up to the limit of the book value the investment would have had if the value impairment had not been recognised.

The value adjustment for impairment of the investment is limited to its value, except where the Company assumed contractual legal or implicit obligations or made payments on behalf of the companies. In the latter case, a provision is recognised in accordance with the criteria set out in subsection (o)Provisions.

ix. Financial liabilities

Financial liabilities, including trade and other payables not classified as held for trading or as financial liabilities at fair value through profit or loss, are initially recognised at fair value less any transaction costs directly attributable to the issuance thereof. Following their initial recognition, liabilities classified under this heading are measured at amortised cost using the effective interest rate method.

However, financial liabilities without an established interest rate, which mature or which are expected to be received in the short term and for which discounting to present value has no significant effect, are measured at nominal value.

The Company derecognises a financial liability or part thereof when the fundamental obligation specified in the contract is discharged or cancelled by legal process or by the creditor.

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

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

The difference between the book value of a financial liability or part thereof, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

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

The Company recognises exchanges of debt instruments with a lender -provided the instruments have substantially different conditions- as a cancellation of the original financial liability and subsequent recognition of a new financial liability. Similarly, a substantial change in the terms of an existing financial liability or part thereof is recognised as a cancellation of the original financial liability and subsequent recognition of a new financial liability. The difference between the book value of the cancelled financial liability and the consideration paid, which includes any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

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

x. Reverse factoring

The Company has contracted reverse factoring operations with various financial institutions in order to manage payment to its suppliers. Commercial liabilities the settlement of which is managed by financial institutions are shown under the trade payables by credit institutions heading, line-item "Trade and other payables" on the balance sheet up to the point at which settlement, cancellation or expiry occurs.

Revenue paid in consideration of acquisitions of invoices or payment documents for commercial liabilities recorded by the Company is recognised when it is granted under the heading "Other operating income" on the profit and loss account.

xi. Deposits

Deposits received as a result of sublease agreements are valued at their nominal value, since the effect of updating is not significant.

Deposits received as a result of rental agreements are valued in accordance with the criteria set out for financial assets. The difference between the amount received and the fair value is recognised as an advance imputed to profit and loss during the term of the lease.

g. Own equity instruments held by the Company

Acquisition by the Company of equity instruments is presented by acquisition cost separately as a reduction of equity on the balance sheet. No gains or losses on transactions with own equity instruments are recognised on the profit and loss account.

Subsequent amortisation of the instruments entails a capital reduction equivalent to the par value of the shares and the positive or negative difference between the acquisition cost and the nominal amount of the shares is charged or credited to reserves.

Transaction costs related to own equity instruments, including issue costs connected with a business combination, are recorded as a reduction in reserves, following consideration of any tax effect.

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

Agreements obliging the Company to acquire own equity instruments in cash or by receiving a financial asset are recognised as a financial liability at the fair value of the amount redeemable against reserves. Transaction costs are likewise recognised as a reduction in reserves. Subsequently, the financial liability is measured at amortised cost or at fair value on the profit or loss account in line with the redemption conditions. If the Company does not ultimately exercise the agreement, the book value of the financial liability is reclassified to reserves.

h) Stocks

Stocks are initially measured at purchase price.

Purchase price comprises the amount invoiced by the seller after deducting any discounts, rebates, non-trading income or similar, plus any additional costs incurred to bring the goods to a saleable condition, other costs directly attributable to the acquisition, and indirect taxes not recoverable from the Spanish tax office.

Purchase returns are recognised as a reduction in the book value of returned stock, except where it is not feasible to identify these items, in which case they are booked as a reduction in stock on a weighted average cost basis.

Cost of stock is adjusted when cost exceeds net realisable value. Net realisable value is understood as sale price reduced by sale costs.

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

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits at banks. This line item also includes other highly liquid current investments, provided they are convertible into determinate cash amounts and subject to insignificant risk as regards changes in value. For these purposes this includes investments maturing within three months after acquisition date.

The Company sets out in the statement of cash flows the payments and collections derived from high-rotation financial assets and liabilities on the basis of the net amount. For these purposes the rotation period is considered high if the period between acquisition date and maturity does not exceed six months.

Bank overdrafts drawable on demand and included in the Company's cash management processes are treated as cash and cash equivalents in the cash flow statement. Bank overdrafts are booked as financial liabilities through bank borrowings.

j) Trade and other payables

These amounts relate to liabilities for goods and services provided to the Company both billed and unbilled before the end of the financial year for which payment is pending. Trade and other payables are presented as current liabilities unless payment does not fall due within 12 months from the end of the reporting period. They are initially recognised at fair value. At year-end and based on historical experience, the amount unbilled for different reasons is determined and booked as a lower amount of the year supplies. The Group's expense relating to raw materials and other supplies is reduced as a result of the different kinds of discounts, depending on the commercial terms and conditions agreed with suppliers. Some discounts are fixed while others are variable, subject to the accumulated volume of sales over the contract term or the volume of sales made by the Company at its stores of the corresponding supplier items.

Discounts awarded by suppliers via procurement company DIA Retail are recognised as a reduction in the cost of stocks when it is probable that the conditions for discounts to be received will be met. Any unallocated discounts are used to reduce the balance of merchandise and other consumables used in the consolidated income statement. The main discounts applied to suppliers are as follows:

- Volume discounts: these are negotiated with suppliers as a percentage based on the volume of purchases.
- Advertising income: this results from credits negotiated with suppliers based on the inclusion of references in brochures, displays, shelving etc.
- Income from loyalty programmes and surrender of coupons: this relates to income from credits negotiated with suppliers based on the surrender of coupons by customers at stores using the CLUB DIA card or special offers.
- Other lower-value items established in accordance with other variables agreed with suppliers, such as a percentage of damaged goods or an improvement in the service provided by the supplier's haulier.

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

k) Grants, donations and bequests

Grants, donations and bequests are recorded as income and expenses recognised in equity when officially granted and the conditions for their granting have been met or there are no reasonable doubts about their receipt.

Grants, donations and bequests of a monetary nature are valued at the fair value of the amount granted, while those of a non-monetary nature are valued at the fair value of the good received.

In subsequent financial years grants, donations and bequests are posted to results in accordance with their purpose.

Capital grants are posted to the result for the financial year in proportion to the amortisation corresponding to the assets financed therewith or, where applicable, when they are disposed of, derecognised or valued for impairment.

In the case of non-depreciable assets, the grant is posted to the result for the financial year in which they are disposed of, derecognised or valued for impairment.

The write-down amount equivalent to the subsidised part is recorded as an irreversible loss of assets directly against their value.

l) Defined benefit plans

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

The defined benefit liability recognised in the balance sheet corresponds to the present value of commitments made at closing date, less the fair value at closing date of plan assets, less unrecorded past service costs. The Company recognises in recognised income and expenses the actuarial gains and losses in the year in which they occur.

In the event that the result of the operations described in the paragraph above is negative, i.e., it results in an asset, the Company recognises the resulting asset up to the limit of the unrecognised amount of the past service costs plus the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As a result, the Company immediately recognises the cost of past services for the current year to the extent that they exceed any reduction in the present value of the abovementioned economic benefits. If there is no change or there is an increase in the present value of the economic benefits, the amount of past service costs for the current period is recognised immediately. The present value of defined benefit obligations, cost for services provided and past service cost are calculated annually by independent actuaries using the projected credit unit method.

The discount interest rate is determined on the basis of the market rates of high-credit corporate bonds, denominated in the currency in which the benefits will be paid and with maturity periods similar to those of the corresponding benefits.

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

m) Termination benefits

Involuntary redundancy payments are recognised from the moment when there is a formal detailed plan and a valid expectation has arisen among the affected workforce that the workers will be terminated, whether because the plan has started to be implemented or because its main features have been announced.

n) Employee compensation

The Company recognises the expected cost of remuneration in the form of paid leave, the rights of which accrue as employees provide the services granting them this entitlement. If leave is not cumulative, the expense is recognised as the leave arises.

The Company recognises the expected cost of profit-sharing or employee incentive schemes when a present, legal or implicit obligation exists as a result of past events and a reliable estimate of the value of the obligation can be made.

o) Provisions

i. General criteria

Provisions are recognised when the Company has an obligation, whether legal, contractual, implicit or tacit, as the result of a past event; it is likely there will be an outflow of resources that include future economic benefits to cancel said obligation; and the amount of the obligation may be estimated reliably. No provisions are recognised for future operating losses.

Amounts recognised on the balance sheet correspond to the best estimate at the date of close of the disbursements required to cancel the present obligations, once the risks and uncertainties related to the provisions have been considered and, where significant, the financial effect produced by the discount, provided the disbursements to be made in each period can be reliably determined. The discount rate is determined before taxes, considering the time value of money, as well as the specific risks that were not considered in the future flows related to the provision at each closing date.

The financial effect of provisions is recognised as financial expenses in the profit and loss account.

Provisions do not include the tax effect or gains expected from the disposal or abandonment of assets.

Reimbursement rights which may be demanded of third parties to settle the provision are recognised as a separate asset when there are no doubts that they will effectively be collected. The reimbursement is recognised as income in the profit and loss account in accordance with the nature of the expense, subject to the limit of the amount of the provision.

In short-term Provisions, liabilities are recorded for onerous contracts related to the costs of resolving lease contracts for those stores / warehouses either due to the forecast of closure or to expected negative flows that required a total impairment of their assets.

Provisions are reversed against results when it is unlikely that there will be outgoing resources required to settle the obligation.

ii. <u>Tax provisions</u>

The amount of tax provisions corresponds to the estimated amount of tax debts determined in accordance with the general criteria set out above.

Provisions are endowed with a charge to profits tax for the financial year, financial expenses for late-payment interest and other results for the penalty. The effects of changes in the estimate of provisions from previous financial years are recognised under the headings by their nature, unless they involve the correction of an error.

p) Revenues from the sale of goods

Revenues from the sale of goods are recognised at the fair value of the consideration received or receivable. Discounts for early payment, bulk orders or other discounts and interest added to the nominal amount of credit granted are deducted from the aforementioned revenues.

However, the Company includes interest incorporated in trade-related loans maturing in no more than one year that do not have a contractual interest rate, when the effect of not discounting cash flows is not significant.

Discounts granted to clients are recognised at the point when the conditions establishing the granting thereof are deemed probable to be fulfilled, as a reduction in revenue through sales.

Advances on account of future sales are valued at the amount received.

– <u>Revenues on sales</u>

Revenues on sales of goods are recognised when:

- All the risks and rewards of ownership of the asset are substantially transferred to the buyer.
- The asset is no longer part of the operating assets of the Company to the extent usually associated with ownership, and effective control is not retained.
- The value of revenues and costs incurred or to be incurred may be measured reliably.
- It is probable that the economic benefits associated with the sale will be received.
- The costs related to the transaction incurred or to be incurred may be measured reliably.

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

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

q) Profits tax

The profits tax expense or income includes both the current and deferred tax expense or income.

Current profits tax assets and liabilities are measured at the expected amounts to be paid or collected from the tax authorities, using the regulations and interest rates in force or approved at the time and awaiting official announcement at the end of the reporting period.

Both current and deferred income tax are recognised in the profit or loss for the year, except when a transaction or economic event arises that has been recognised against net equity or a business combination in the same or another financial year.

Deductions and other tax advantages from the profits tax granted by authorities as a reduction of the share of said tax and that are in substance classified as official subsidies are recognised in accordance with the criteria set out in subsection (k) grants, donations and bequests.

In the 2021 financial year the Company paid taxes under the consolidated regime with the subsidiaries Dia Retail España, S.A.U., Petra Servicios a la Distribución, S.L.U., Beauty by Dia, S.A.U., Grupo El Árbol Distribución y Supermercados S.A.U., DIA Finance S.L.U. and Finandia, S.A.U., under the special tax regime for tax consolidation set out in Chapter VI, Title VII of Corporation Tax Act 27/2014 of 27 November 2014 (see Note 20).

i. Recognition of deferred tax liabilities

The Company recognises deferred tax liabilities in all cases, unless they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and there is no impact at the date of the transaction on either the book result or the taxable base.

ii. Recognition of deferred tax assets

The Company recognises deferred tax assets provided it is probable that there will be sufficient future taxable profits to offset them, except in cases where the differences arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and there is no impact at the date of the transaction on either the book result or the taxable base.

iii. Measurement

Deferred tax assets and liabilities are measured at the tax rates which will be applicable in the financial years when the assets are expected to be realised and the liabilities settled, using the regulations and interest rates in force or approved at the time and awaiting official announcement, taking into account the tax effects of the form in which the Company expects to realise the assets or settle the liabilities.

For these purposes, the Company has considered deduction for the reversal of temporary measures developed in the transitional provision 37 of Corporation Tax Act 27/2014 of 27 November 2014, as an adjustment to the tax rate applicable to the deductible temporary difference associated with the non-deductibility of amortisations performed in the 2013 and 2014 financial years.

Since 2019, in accordance with the considerations published by the European Securities Market Authority (ESMA), the Company has deregistered all capitalised negative taxable bases and recognises deferred tax assets to the extent that there are deferred tax liabilities at the Company or any of the companies of the Tax Consolidation Group.

iv. Compensation and classification

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

Assets and liabilities for deferred tax are recorded on the balance sheet as non-current assets and liabilities, independently of the expected date of realisation or settlement.

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r) Transactions with payments based on equity instruments

The Company recognises goods or services received or acquired in a share-based payment transaction at the time the goods are obtained or the services are received. If the goods or services are received in a transaction with share-based payments settled in equity instruments, an increase in equity is recognised, while if they are settled in cash, a liability is recognised, with a counterpart in the profit and loss account or on the asset side of the balance sheet.

The Company recognises transactions with share-based payments settled through own equity instruments, including capital increases due to non-monetary contributions, as well as the corresponding net equity increase related thereto, for the fair value of the goods or services received, unless such fair value cannot be reliably estimated, in which case the value is determined by reference to the fair value of the equity instruments received.

Deliveries of equity instruments in consideration of services provided by Company employees or third parties providing similar services are measured by reference to the fair value of the equity instruments offered.

i. Equity-settled share-based payment transactions to employees and directors

Payments to employees and/or directors settled by issuing equity instruments are recorded using the following criteria:

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

The Company determines the fair value of instruments granted to employees and/or directors on the date of grant.

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

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

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

ii. Tax effect

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

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

Assets and liabilities are presented on the Company balance sheet as current or non-current. For these purposes, current assets and liabilities are those that meet the following criteria:

- Assets are classified as current assets when they are expected to be realised, sold or consumed during the Company's normal operating cycle, are maintained basically for negotiation, are expected to be realised within twelve months after closing date or are cash or cash equivalents, except where they cannot be exchanged or used to cancel liabilities, at least in twelve months after closing date.
- Liabilities are classified as current when they are expected to be liquidated during Company's the normal operating cycle, are maintained basically for negotiation, must be paid within twelve months after closing date

or when the Company has no unconditional right to delay the cancellation of liabilities for at least twelve months after closing date.

– Financial liabilities are classified as current if they must be settled within 12 months after closing date even if the original period was greater than 12 months and there exists a refinance or restructuring agreement for long-term periods concluding after closing date and prior to the preparation of the annual accounts.

t) Environmental issues

The Company carries out operations whose main purpose is to prevent, reduce or repair potential damage caused to environment as a result of its activities.

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

u) Transactions between group companies

Transactions between group companies, except those related to mergers, divisions or non-monetary business contributions, are recognised at the fair value of the goods or service received or delivered. The difference between that value and the agreed amount is recorded according to the underlying economic nature of the operation.

5. INTANGIBLE ASSETS

The composition and movements of the intangible assets recorded on the income, excluding goodwill, were as follows:

	Thousands of Euro					
	Development	Concessions	Patents, licences, trademarks and similar rights	Computer software	Other intangible assets	Total
Cost						
At 1 January 2021	**-**	**200**	**-**	**198**	**2,000**	**2,398**
Additions	-	-	-	38	-	38
Disposals	-	-	-	(41)	(30)	(71)
Transfers	-	-	-	(3)	-	(3)
At 31 December 2021	**-**	**200**	**-**	**192**	**1,970**	**2,362**
Amortisation						
At 1 January 2021	**-**	**(109)**	**-**	**(198)**	**(1,468)**	**(1,775)**
Amortisation	-	(8)	-	(1)	(35)	(44)
Disposals	-	-	-	7	29	36
Transfers	-	-	-	3	(2)	1
At 31 December 2021	**-**	**(117)**	**-**	**(189)**	**(1,476)**	**(1,782)**
Impairment						
At 1 January 2021	**-**	**-**	**-**	**-**	**(179)**	**(179)**
Transfers	-	-	-	-	2	2
At 31 December 2021	**-**	**-**	**-**	**-**	**(177)**	**(177)**
Carrying amount at 31 December 2021	**-**	**83**	**-**	**3**	**317**	**403**

Restated	Development	Concessions	Patents, licences, trademarks and similar rights	Computer software	Other intangible assets	Total
	Thousands of Euro					
Cost						
At 1 January 2020	**6,833**	**200**	**2,684**	**69,520**	**4,348**	**83,585**
Additions	221	-	-	114	-	335
Disposals	-	-	-	(47)	(4)	(51)
Transfers	(26)	-	98	26	(1)	97
Transfers Hive Down	(7,028)	-	(2,782)	(69,415)	(2,343)	(81,568)
At 31 December 2020	**-**	**200**	**-**	**198**	**2,000**	**2,398**
Amortisation						
At 1 January 2020	**-**	**(101)**	**(1,803)**	**(49,531)**	**(2,990)**	**(54,425)**
Amortisation	-	(8)	-	-	(90)	(98)
Disposals	-	-	-	19	4	23
Transfers	-	-	(98)	-	(3)	(101)
Transfers Hive Down	-	-	1,901	49,314	1,611	52,826
At 31 December 2020	**-**	**(109)**	**-**	**(198)**	**(1,468)**	**(1,775)**
Impairment						
At 1 January 2020	**-**	**-**	**-**	**-**	**(226)**	**(226)**
Reversal	-	-	-	-	7	7
Transfers	-	-	-	-	4	4
Transfers Hive Down	-	-	-	-	36	36
At 31 December 2020	**-**	**-**	**-**	**-**	**(179)**	**(179)**
Carrying amount at 31 December 2020	**-**	**91**	**-**	**-**	**353**	**444**

In the 2020 financial year a transfer of 28,706 thousand of euros of intangible assets was made to the company Dia Retail España, S.A.U. as a result of the hive-down performed in the 2020 financial year as demanded by the Syndicated Lenders.

a. Goodwill and value impairment

The composition and movement in goodwill was as follows:

	Thousands of Euro	
	2021	2020
Cost		
At 1 January	**6,433**	**65,041**
Disposals	(287)	(735)
Transfers Hive Down	-	(57,873)
At 31 December	**6,146**	**6,433**
Amortisation		
At 1 January	**(3,145)**	**(24,453)**
Amortisation	(389)	(390)
Disposals	65	82
Transfers Hive Down	-	21,616
At 31 December	**(3,469)**	**(3,145)**
Impairment		
At 1 January	**(1,421)**	**(12,821)**
Disposals	222	653
Transfers Hive Down	-	10,747
At 31 December	**(1,199)**	**(1,421)**
Carrying amount at 31 December	**1,478**	**1,867**

In the 2020 financial year, a net book value of goodwill amounting to 25,510 thousands of euros was transferred to Dia Retail España, S.A.U., associated with the stores transferred to the company as a result of the hive-down performed in the 2020 financial year as demanded by the Syndicated Lenders.

At the end of 2021 and 2020, the Company has carried out the corresponding impairment tests on the different Cash Generating Units (UGEs) with associated goodwill, after which no impairments have been identified.

b. Fully amortised assets

The cost of intangible fixed assets fully amortised and still in use at 31 December was as follows:

	Thousands of Euro	
	2021	2020
Computer software	187	198
Other intengible assets	1,285	475
Total	**1,472**	**673**

6. TANGIBLE FIXED ASSETS

The composition and movement in the accounts included under Tangible Fixed Assets was as follows:

	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	Total
Cost							
At 1 January 2021	**557**	**178,179**	**262,263**	**10,665**	**140**	**15,954**	**467,758**
Additions	-	7,325	26,089	1,498	1,585	543	37,040
Disposals	(120)	(12,484)	(24,180)	(1,973)	-	(1,779)	(40,536)
Transfers	-	570	1,816	61	(625)	-	1,822
Transfers Hive Down	-	(1,524)	(6,023)	(102)	-	(692)	(8,341)
At 31 December 2021	**437**	**172,066**	**259,965**	**10,149**	**1,100**	**14,026**	**457,743**
Depreciation							
At 1 January 2021	**-**	**(141,115)**	**(217,874)**	**(8,447)**	**-**	**(14,831)**	**(382,267)**
Depreciation	-	(5,036)	(12,192)	(1,076)	-	(647)	(18,951)
Disposals	-	9,912	21,666	1,878	-	1,685	35,141
Transfers	-	(741)	(1,291)	(67)	-	(3)	(2,102)
Transfers Hive Down	-	991	4,657	78	-	645	6,371
At 31 December 2021	**-**	**(135,989)**	**(205,034)**	**(7,634)**	**-**	**(13,151)**	**(361,808)**
Impairment							
At 1 January 2021	**-**	**(3,909)**	**(3,498)**	**(112)**	**-**	**(44)**	**(7,563)**
Charge	-	(1,845)	(2,043)	(95)	-	(4)	(3,987)
Disposals	-	715	697	6	-	1	1,419
Reversal	-	731	583	-	-	-	1,314
Transfers	-	179	96	7	-	(2)	280
At 31 December 2021	**-**	**(4,129)**	**(4,165)**	**(194)**	**-**	**(49)**	**(8,537)**
Carrying amount at 31 December 2021	**437**	**31,948**	**50,766**	**2,321**	**1,100**	**826**	**87,398**

Restated	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	Total
	Thousands of Euro						
Cost							
At 1 January 2020	**51,867**	**592,634**	**889,204**	**40,557**	**878**	**81,914**	**1,657,054**
Additions	-	1,012	11,585	108	249	901	13,855
Disposals	-	(8,589)	(54,258)	(2,478)	(32)	(917)	(66,274)
Transfers	-	(18)	49	7	(34)	-	4
Transfers Hive Down	(51,310)	(406,860)	(584,317)	(27,529)	(921)	(65,944)	(1,136,881)
At 31 December 2020	**557**	**178,179**	**262,263**	**10,665**	**140**	**15,954**	**467,758**
Depreciation							
At 1 January 2020	**-**	**(399,972)**	**(708,264)**	**(28,309)**	**-**	**(68,924)**	**(1,205,469)**
Depreciation	-	(5,364)	(12,931)	(1,447)	-	(806)	(20,548)
Disposals	-	6,679	51,989	2,382	-	815	61,865
Transfers	-	(627)	(183)	(11)	-	-	(821)
Transfers Hive Down	-	258,169	451,515	18,938	-	54,084	782,706
At 31 December 2020	**-**	**(141,115)**	**(217,874)**	**(8,447)**	**-**	**(14,831)**	**(382,267)**
Impairment							
At 1 January 2020	**(9,467)**	**(25,348)**	**(12,572)**	**(100)**	**-**	**(2)**	**(47,489)**
Charge	-	(1,279)	(1,716)	(110)	-	(4)	(3,109)
Disposals	-	1,637	1,098	6	-	-	2,741
Reversal	-	2,202	857	10	-	-	3,069
Transfers	-	570	283	2	-	(38)	817
Transfers Hive Down	9,467	18,309	8,552	80	-	-	36,408
At 31 December 2020	**0**	**(3,909)**	**(3,498)**	**(112)**	**-**	**(44)**	**(7,563)**
Carrying amount at 31 December 2020	**557**	**33,156**	**40,891**	**2,106**	**140**	**1,079**	**77,928**

a. General

The net book value of fixed assets transferred as a result of the hive-down amounted to 1,970 thousands of euros at 31 December 2021 (317,767 thousands of euros at 31 December 2020). This operation was essentially performed in the 2020 financial year and was demanded by the Syndicated Lenders.

The registrations of tangible fixed assets performed during the 2021 and 2020 financial years corresponded essentially to the reforms and reconversions performed in accordance with the new format of commercial establishments, with an increase in the reconversions occurring during this financial year. Assets under financial leasing in both financial years are detailed in Note 7.

One store owned by the Company was sold to a third party in the 2021 financial year. In addition, in both financial years deregistrations were made with regards the elements replaced by the aforementioned reforms and reconversions as well as the closure of establishments.

There were no individually significant tangible fixed assets as a consequence of the hive-down at 31 December 2021 or 2020.

b. Fixed asset impairment

As described in Note 4 d), based on past experience, the Company considers indications of impairment to exist when a mature store (i.e., one that has been operating for more than two years) has posted negative results for the past two years and stores where impairment were recorded in the past. Also, all stores allocated individual goodwill were analysed to identify the existence of a potential impairment.

Considering the business plan updated at the close of year, the Company performed an analysis to verify whether the book value of said assets exceeded their recoverable value.

Hypotheses used to calculate the impairment:

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

The key assumptions used in the business plan for Spain without Clarel bussines, are detailed as follows:

	Spain	
	From	To
Sales growth rate (1)	4.4%	6.9%
Growth rate (2)	1.7%	1.7%
Discount rate (3)	6.2%	6.2%
% Gross profit (4)	24.1%	22.5%

(1) Weighted growth rate of sales for the five-year projected period.
(2) Weighted average growth rate used to extrapolate cash flows beyond the period after five years.
(3) Post-tax discount rate calculated at a date close to the end of the financial year applied to cash flow projections.
(4) % Gross Profit, average over the 2022-2026 period.

Discount rates included in the table above reflect the return required for stores with growth rates falling within the ranges of expected rates based on the expected growth in the short and medium term of private consumption and GDP in Spain. Additionally, for stores whose sale growth exceeded the upper range of the expected growth rate, an incremental discount rate of 8.7% was used.

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

Sales growth rate

The average annual growth rate for the forecast period was determined on the basis of Management's expectations of market development and the Company's strategic plan, and taking into account the plans to improve stores, store reconversions to new formats and the evolution of macroeconomic indicators (population, food price inflation, etc.).

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

Long-term growth rate

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

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

Post-tax discount rate

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

% Gross Profit

%Gross Pofit is calculated according to the Alternative Performance Measures of the Consolidated Director's Report.

The impairment test was performed in accordance with the criteria indicated in Note 4(d).

As a result of the impairment tests performed, net impairment of 2,673 thousands of euros was recognised in 2021 in relation to fixed tangible assets. This impairment corresponds to the impairment of 50 stores in the amount of 3,733 thousands of euros, the estimated closure of 8 stores in the amount of 157 thousands of euros, and the reversal of impairment of fruit furniture in the amount of 131 thousands of euros, which were endowed in 2019; on the other hand, we proceeded to reverse the impairment of stores from previous financial years in the amount of 1,086, thousands of euros.

The impairment recorded in 2020 in the amount of 40, thousands of euros in relation to tangible fixed assets corresponded to the impairment of 31 stores in the amount of 2,514 thousands of euros, the estimated closure of 24 stores in the amount of 550 thousands of euros, and the reversal of the impairment of fruit furniture in the amount of 318 thousands of euros, which were endowed in 2019. In addition, the impairment of stores in prior years amounting to 2,706 thousands of euros was reversed. Seven thousand euro of intangible fixed assets were reversed as a result of these impairment tests.

Details of the sensitivity of the tangible fixed asset evaluation to changes in key assumptions are set forth below, the rest of the variables remaining constant:

- A reduction in the average sales growth rate of 100 basis points would have led to an additional impairment of 543 thousands of euros.
- A decrease of 20 basis points in % gross profit would have led to an additional impairment of 134 thousands of euros.
- An increase of 100 basis points in the discount rate would have led to an additional impairment of 89 thousands of euros
- Or a drop in the perpetual growth rate of 100 basis points would have led to an additional impairment of 155 thousands of euros

c. Fully amortised assets

The cost of fully amortised tangible fixed assets still in use was as follows:

	Thousands of Euro	
	2021	2020
Buildings	100,328	100,734
Technical installations and machinery	169,342	173,218
Other installations, equipment and furniture	5,332	4,882
Other property, plant and equipment	12,390	13,656
Total	**287,392**	**292,490**

d. Insurance

The Company has various insurance policies to cover the risks to which its tangible assets are subject. The coverage of these policies is considered sufficient.

e. Tangible fixed assets subject to guarantees

At 31 December 2021 and 2020 the Company had provided mortgage guarantees on the majority of its real estate assets.

7. FINANCE LEASES - LESSEE

At 31 December 2021 and 2020 the Company had the following classes of assets contracted under financial leasing included under Tangible Fixed Assets:

	Thousands of Euro			
	2021			
	Technical installations and machinery	Other installations, equipment and furniture	Other assets	Total
Cost	5,657	17	468	6,142
Accumulated depreciation	(3,149)	(9)	(320)	(3,478)
Carrying amount at 31 December	**2,508**	**8**	**148**	**2,664**

	Thousands of Euro			
	2020			
	Technical installations and machinery	Other installations, equipment and furniture	Other assets	Total
Cost	6,648	16	468	7,132
Accumulated depreciation	(3,666)	(4)	(218)	(3,888)
Carrying amount at 31 December	**2,982**	**12**	**250**	**3,244**

The amount of the cost indicated in the detail above corresponds in all cases to the fair value of the assets on the date when the financial lease agreements were signed.

The amount of interest expenditure on financial leases during the 2021 and 2020 financial years was 220 and 257 thousands of euros, respectively.

The minimum future lease payments under financial lease agreements, together with their present value, are as follows:

	Thousands of Euro			
	2021		2020	
	Minimum payments	Present value (note 19(b))	Minimum payments	Present value (note 19(b))
Less than one year	1,975	1,837	2,001	1,835
Two to five years	1,646	1,507	2,201	2,001
Over five years	6	6	322	322
Total minimum payments and presen	**3,627**	**3,350**	**4,524**	**4,158**
Less current portion	(1,975)	(1,837)	(2,001)	(1,835)
Total non-current	**1,652**	**1,513**	**2,523**	**2,323**

The reconciliation between the minimum future payment amount and their present value is as follows:

	Thousands of Euro	
	2021	2020
Future minimum payments	3,627	4,524
Unaccrued finance expenses	(277)	(366)
Present value	**3,350**	**4,158**

During 2021 and 2020 there was no subleasing of tangible fixed asset elements recognised under financial leasing.

8. OPERATING LEASES - LESSOR

The Company had approximately 1,115 lease agreements in effect at 31 December 2021 (1,158 at 31 December 2020). In general terms, the operating leases on stores only establish the payment of a fixed monthly charge which is reviewed annually in line with and index linked to the rate of inflation. Operating leases generally do not include clauses establishing variable amounts such as turnover-based fees, or contingent rent amounts.

Leases on warehouses generally have the same characteristics as for stores.

No store sale agreement with subsequent leases was signed in the 2021 or 2020 financial years.

In some logistical contracts, following the minimum commitment periods, it is envisaged that other mandatory periods will be initiated until the full duration of the contract has been reached. This was not considered by the Company for the purposes of determining the lease term and the classification of the lease as there was no reasonable certainty of permanence in these additional periods.

The main operating lease agreement on property in force at 31 December 2021 was that of the warehouse in Santiago de Compostela (La Coruña), with a minimum term of up to 2030.

The amount of the operating lease payments recognised in the profit and loss account in the 2021 and 2020 financial years was as follows:

	Thousands of Euro	
	2021	2020
Property lease payments	53,088	64,219
Sublease payments	1,265	949
Total	**54,353**	**65,168**

The total future minimum payments for non-cancellable operating leases were as follows:

	Thousands of Euro	
	2021	2020
Less than one year	14,885	18,065
Two to five years	10,557	20,523
Over five years	1,442	9,171
Total minimum property lease payments	**26,884**	**47,759**
Less than one year	180	340
Two to five years	78	147
Over five years	-	34
Total minimum movable goods lease payments	**258**	**521**

Most of the lease contracts for stores signed by the Company contain clauses allowing them to be terminated at any time throughout their useful lives once the mandatory tie-in period has elapsed. To do so, the lessor must be notified of this decision with the agreed period of notice, generally under three months. Total lease commitments were lower than the annual lease expense.

9. OPERATING LEASES - LESSOR

Revenue through sublease instalments for the 2021 financial year received from disposals of use to franchisees, along with the amounts received from the licensees for them to perform their operations, amounted to 1,054 thousands of euros (3,977 thousands of euros at 31 December 2020). In general, the duration of these contracts is less than one year, which may be tacitly extended, establishing a fixed monthly income plus a fee in accordance with the invoicing of the licenses. The reduction in this revenue in 2021 compared with 2020 was essentially the result of the transfer to management of the new 2020 franchise model by which a percentage of the sales figure at the franchisee point of sale terminal is invoiced and recorded as "service provisions" within the net turnover.

Subleasing fees are also invoiced to the Spanish subsidiaries, mainly to DIA Retail España, as a result of the hive-down and included in "Ancillary and other current management revenue" as other revenue.

10. RISK MANAGEMENT AND POLICY

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

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

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

a. Financial risk factors

The Company's activities are exposed to various financial risks: market risk (including exchange rate risk, interest rate risk at fair value and price risk), credit risk, liquidity risk and interest rate risk in cash flows. The Company's global risk management programme is focused on the uncertainty of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company employs derivatives to hedge certain risks.

Risks are managed by the Company's Finance Department. This department identifies, evaluates and hedges financial risks in strict cooperation with the Company's operational units.

b. Currency risk

The Company operates in the international sphere and is therefore exposed to exchange rate risk through operations in foreign currency, in particular the US dollar.

Currency risk arises from future commercial transactions and assets and liabilities denominated in a currency other than the functional currency of the relevant DIA Group company. To control this risk, the Company uses forward currency contracts, negotiated by the Treasury Department.

In 2021 and 2020 the Company performed no significant transactions in currencies other than the functional currency.

In 2021 and 2020 the Company performed no significant commercial transactions in currencies other than the functional currency and nor did it perform hedging operations in either financial year.

The Company has several investments in foreign operations, the net assets of which are exposed to currency risk. Currency risk affecting net assets of the Company's foreign operations in Argentinian pesos and Brazilian reals is mitigated primarily through borrowings in the foreign currencies concerned. Only certain liabilities were formalised in euro currency at 31 December 2021, specifically, the balances with group companies that the Company maintains with the countries located in the LATAM zone amount to 141 thousand euros (as of December 31, 2020, the Company had no balance with these subsidiaries).

The Company's exposure to currency risk at 31 December 2021 and 2020 in respect of the balances outstanding in currencies other than the functional currency was immaterial.

Changes in exchange rates at 31 December 2021 and 2020 due to outstanding balances in currencies other than the functional currencies would not have a material impact on the Company's income statements.

c. Price risk

The Company is not significantly exposed to risk derived from price.

d. Credit risk

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

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

The Company has policies to ensure that wholesale sales of products are made to clients with an appropriate credit record. Retail customers pay in cash or by credit card. Derivative transactions are only arranged with financial institutions that have a high credit rating so as to mitigate credit risk. The Company has in place policies to limit the sum of risk with any financial institution.

The credit risk presented by the Company was the result of its operations with most of its franchisees, mitigated by the guarantees and sureties received, as referred to in Note 25(b), along with the deposits demanded of the franchisees that were transferred to management of the new 2020 franchise model, according to which collection is performed in accordance with the cash generated at the franchisee point of sale terminal, as indicated below:

Thousands of Euro	2021	2020
Commercial transactions non current (note 12 (b))	2,178	3,162
Commercial transactions current	25,021	21,388
Guarantees and deposits received current	(8,996)	(7,204)
Commercial contract commitments (note 25 (b))	(10,482)	(14,361)
Total	**7,721**	**2,985**

Non-current commercial transactions reflect the financing of the starting inventory of the franchisees, which is repaid monthly based on the cash generation profile of the business. This funding of the initial inventory order corresponds to the traditional DIA franchise model, which was essentially based on payment for delivery of goods. Clients through current sales correspond to the financing of the supply of goods and to maturities of less than 12 months from the initial financing of the traditional model. Under the new 2020 franchise model, the franchisee pays for the sale of both the initial stock and the recurring sale, and not for the goods invoiced at the time of reception, in other words collection is performed in accordance with the takings generated at the franchisee point of sale terminal. The evolution of the non-current and current balances of "Clients through Sales" at the close of each financial year is explained by the migration of franchises from the traditional model to the 2020 model and by the outsourcing produced during the 2021 financial year.

The Company did not sign commercial credit assignment agreements for non-recourse suppliers in 2021. The Company entered into agreements to transfer supplier trade receivables without recourse during the first half of 2020 (see Note 12 (b)). At 31 December 2020, the balance was zero euro.

The Company's exposure to credit risk at 31 December 2021 and 2020 is shown below. The accompanying tables reflect the analysis of financial assets by remaining contractual maturity dates:

Thousands of Euro	Maturity	2021
Loans to third parties	2023	28
Deposits and guarantees	per contract	9,602
Trade receivables and service delivery	2023-2036	2,178
Non-current financial assets		**11,808**
Trade receivables	2022	25,021
Trade receivables from group companies and associates	2022	3,532
Other receivables	2022	941
Personnel	2022	48
Current account with group companies	2022	35,450
Deposits and guarantees	2022	354
Current financial assets		**65,346**

Thousands of Euro	Maturity	2020
Loans to third parties	2021-2022	28
Deposits and guarantees	per contract	10,222
Trade receivables and service delivery	2021-2037	3,162
Non-current financial assets		**13,412**
Trade receivables	2021	21,388
Trade receivables from group companies and associates	2021	10,300
Other receivables	2021	1,262
Personnel	2021	66
Current account with group companies	2021	11,110
Deposits and guarantees	2021	395
Current financial assets		**44,521**

The returns on these financial assets totalled 844 thousands of euros in 2021 and 7,557 thousands of euros in 2020.

Details of non-current and current trade and other receivables by maturity in 31 December 2021 and 2020 were as follows:

	Thousands of Euro			
Non-current	Total	1 - 2 years	3 - 5 years	> 5 years
31 December 2021	2,178	555	1,179	444
31 December 2020	3,162	775	1,615	772

	Thousands of Euro					
Current	Total	Not expired	Less than 1 month	2-3 months	4-6 months	7-12 months
31 December 2021	32,939	32,863	5	71	-	-
31 December 2020	35,683	34,638	135	190	219	501

Details of the impairment policy can be found in Note 4(f).

e. Liquidity risk

The Company undertakes prudent management of liquidity risk based on maintaining sufficient cash and tradable securities, the availability of finance by means of a sufficient sum of agreed credit facilities and enough capacity to liquidate market positions. Given the dynamic nature of its underlying business, the Group's Finance Department aims to be flexible with regards financing through drawdowns on contracted credit facilities.

Within the context of the recapitalisation and global refinancing in progress, on 2 September 2021 the Company formalised the modification and overhaul of the SFA, by virtue of which, effective from the abovementioned date, (i) the maturity date of Facilities A-F was extended (amounting to a total of 902,426 thousands of euro) ("Senior Facilities") from 31 March 2023 to 31 December 2025, (ii) the margin applicable to Senior Facilities in favour of Syndicated Lenders was increased from 2.5% to 3.0% per year, and (iii) other terms and conditions of the SFA were modified.

Also on 2 September 2021, the amendment to the terms and conditions of the 2023 bonds approved by the Board of Bondholders on 20 April 2021 came into effect. This comprised (a) extension of the maturity date from 6 April 2023 to 30 June 2026, and (b) increase in the coupon of the 2023 bonds, effective from 02 September 2021, to 3.5% per annum (3% cash and 0.50% PIK), plus an increase of 1% PIK in certain circumstances provided for in the SFA agreed within the context of the Global Operation (see further detail in note 19 (b)).

The directors therefore believe that the capitalisation of DIA Group, together with the release of a material part of its financial liabilities, as well as the extension of the maturity date of certain financial debts, have allowed to reinforce the Company's equity situation, substantially reduce the DIA Group financial debt, eliminate the risk of refinancing in the medium term, ensure that operational financing needs are met and provide a long-term viable capital structure for DIA Group.

The Company's exposure to liquidity risk at 31 December 2021 and 2020 is shown below. The tables below reflect the analysis of financial liabilities by contracted maturity.

Thousands of Euro	Maturity	2021
Bonds and other securities	2026	30,800
Debt with financial institutions		(13)
Other financial liabilities	2025	*(13)*
Finance lease payables	2023-2027	1,513
Guarantees and deposits received	per contract	4,791
Suppliers of fixed assets	2023	489
Total non-current financial liabilities		**37,580**
Bonds and other securities	2022	467
Debt with financial institutions		293
Interests	*2022*	*293*
Finance lease payables	2022	1,837
Suppliers of fixed assets	2022	15,115
Other debts	2022	609
Other non-current liabilities	2022	2,306
Guarantees and deposits received	2022	9,048
Payables to group companies	2022	2,034
Suppliers	2022	4,861
Suppliers, group companies	2022	133,950
Other payables	2022	30,641
Personnel	2022	1,857
Advances to customers	2022	7
Total current financial liabilities		**203,025**

Thousands of Euro	Maturity	2020
Bonds and other securities	2022 and 2023	295,599
Debt with financial institutions		301
Credit facilities drawn down	2023	*301*
Finance lease payables	2022-2025	2,323
Guarantees and deposits received	per contract	4,196
Suppliers of fixed assets	2022	489
Other non current liabilities	2022	2,305
Total non-current financial liabilities		**305,213**
Bonds and other securities	2021	303,795
Debt with financial institutions		295
Interests	2021	*295*
Finance lease payables	2021	1,835
Suppliers of fixed assets	2021	14,286
Other debts	2021	587
Other non-current liabilities	2021	1,500
Current interest on payables	2021	213
Guarantees and deposits received	2021	7,272
Payables to group companies	2021	106,613
Suppliers	2021	9,778
Suppliers, group companies	2021	219,384
Other payables	2021	30,653
Personnel	2021	1,837
Advances to customers	2021	56
Total current financial liabilities		**698,104**

The decrease in obligations and other current and non-current marketable securities is explained by the implementation of the Global Operation, as explained in Notes 1, 16 and 19 (b).

The evolution of balances with Group companies is explained in Note 19 (a) and (c).

2021 Thousands of Euro	Total	2023	2024-2026	From 2027
Bonds and other securities	30,800	-	30,800	-
Other financial liabilities	(13)	-	(13)	-
Finance lease payables	1,513	639	868	6
Guarantees and deposits received	4,791	-	-	4,791
Other non current liabilities	489	489	-	-
Total non-current financial debt	**37,580**	**1,128**	**31,655**	**4,797**

2020 Thousands of Euro	Total	2022	2023-2025	From 2026
Bonds and other securities	295,599	-	295,599	-
Credit facilities drawn down	301	-	301	-
Finance lease payables	2,323	876	1,125	322
Guarantees and deposits received	4,196	-	-	4,196
Other non current liabilities	2,794	2,794	-	-
Total non-current financial debt	**305,213**	**3,670**	**297,025**	**4,518**

The finance costs accrued on these financial liabilities totalled 11,246 and 24,900 thousands of euro in 2021 and 2020, respectively.

f. Cash flow and fair value interest rate risks

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

The Company contracts different interest rate hedges to mitigate its exposure, in accordance with its risk management policy. At 31 December 2021 and 2020 there were no outstanding derivatives contracted with external counterparts to hedge interest rate risk related to long-term financing.

During 2021 fixed-rate debt as a percentage of the volume of average gross debt totalled 9.76%, compared to 61.31% the previous year.

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

In terms of sensitivity, a 0.5% rise in interest rates for all terms would have led to a variation in the net result after tax of 173 thousands of euros in 2021 (3,897 thousands of euros in 2020).

11. INVESTMENTS IN GROUP COMPANY EQUITY INSTRUMENTS

Below is information on stakes in group companies which in general are subject to mandatory audits at 31 December 2021 and 2020:

Information on Group companies
for the year ended 31 December 2021
(expressed in thousands of Euros)

Name	Registered Offices	Activity	Auditor	% of ownership and vote		Holding company indirect	Total	Capital	Reserves	Results for the year from continuing operations	Total equity	Carrying amount of investment	Dividends received in 2021
				% direct interest	% indirect interest								
Dia Portugal Supermercados, S.A. and Subsidiary	Lisbon	Wholesale and retail sale of food products and the subsidiary sale of toiletries and perfume products.	EY	26	74	Luxembourg Investment Company 322 Sárl	100	51,803	7,213	(14,731)	44,285	20,942	-
Dia Argentina, S.A. and Subsidiary	Buenos Aires	Wholesale and retail distribution of food products	EY	95	5	PE-TRA, Servicios a la Distribución S.LU.	100	181,192	(96,658)	(9,915)	74,619	173,881	-
Dia Brasil Sociedade Limitada and Subsidiary	Sao Paulo	Wholesale and retail distribution of consumer products	EY	100	-	-	100	622,938	(492,554)	(36,734)	93,650	250,938	-
Finandia, S.A.U.	Madrid	Loan and credit operations, including customer credit, mortgage loans and financing of commercial transactions, as well as the issue and management of credit and debit cards.	N/A	100	-	-	100	3,500	(667)	(10)	2,823	3,500	-
Dia Retail España, S.A.U.	Madrid	Distribution of food products and toiletries though supermarkets and the subsidiary, sub-lease of premises primarily to its sole shareholder.	EY	-	100	Luxembourg Investment Company 320 S.à.r.l.	100	36,169	404,345	(80,552)	359,962	-	-
PE-TRA, Servicios a la Distribución S.L.U.	Madrid	Subletting of premises, mainly to Dia Retail España, S.A.	EY	-	100	Dia Retail España, S.A.U.	100	8,527	(75)	1,008	9,460	-	-
Dia World Trade, S.A.U. (*)	Geneva	Supply services to the companies of the DIA Group.	EY	-	100	Dia Retail España, S.A.U.	100	84	867	57	1,008	-	102
Beauty by DIA, S.A.U.	Madrid	Sale of toiletries and perfume products.	EY	-	100	Dia Retail España, S.A.U.	100	9,616	17,004	(8,605)	18,015	-	-
Grupo El Árbol, Distribución y Supermercados, S.A.U.	Madrid	Wholesale and retail sale of food products and others.	EY	-	100	Dia Retail España, S.A.U.	100	12,000	57,162	(44,562)	24,600	-	-
CD Supply Innovation S.L. en liquidación	Madrid	Management of finantial and provisioning services for own brand.	EY	50	-	-	50	1,000	317	(25)	1,292	500	-
Luxembourg Investment Company 317, S.à.r.l.	Luxembourg	Share holding company	EY	100	-	-	100	12	373,294	(45)	373,261	373,377	-
Luxembourg Investment Company 318, S.à.r.l.	Luxembourg	Share holding company	EY	-	100	Luxembourg Investment Company 317 S.à.r.l.	100	12	373,169	(43)	373,138	-	-
Luxembourg Investment Company 319, S.à.r.l.	Luxembourg	Share holding company	EY	-	100	DIA FINANCE, S.L.U	100	12	689,769	(44)	689,737	-	-
Luxembourg Investment Company 320, S.à.r.l.	Luxembourg	Share holding company	EY	-	100	Luxembourg Investment Company 319 S.à.r.l.	100	12	629,670	(44)	629,638	-	-
Luxembourg Investment Company 321, S.à.r.l.	Luxembourg	Share holding company	N/A	-	100	Luxembourg Investment Company 319 S.à.r.l.	100	12	29	(35)	6	-	-
Luxembourg Investment Company 322, S.à.r.l.	Luxembourg	Share holding company	EY	-	100	Luxembourg Investment Company 319 S.à.r.l.	100	12	59,639	(44)	59,607	-	-
Luxembourg Investment Company 323, S.à.r.l.	Luxembourg	Share holding company	N/A	-	100	Luxembourg Investment Company 319 S.à.r.l.	100	12	30	(36)	6	-	-
DIA FINANCE, S.L.U.	Madrid	Import, export, acquisition, distribution and wholesale and retail sale of food, beverages, household goods and in general other products for domestic use and consumption	EY	-	100	Luxembourg Investment Company 318 S.à.r.l.	100	3	353,755	(28,128)	325,630	-	
												823,138	102

(*) Dividends received in 2021 have been recorded in Dia Retail.

Information on Group companies
for the year ended 31 December 2020
(expressed in thousands of Euros)

Name	Registered Offices	Activity	Auditor	% of ownership and vote: % direct interest	% of ownership and vote: % indirect interest	Capital	Reserves	Results for the year from continuing operations	Total equity	Carrying amount of investment	Dividends received in 2020
Dia Portugal Supermercados, S.A. and Subsidiary	Lisbon	Wholesale and retail sale of food products and the subsidiary sale of toiletries and perfume products.	EY	26	74	51,803	13,116	(5,903)	59,016	20,942	-
Dia Argentina, S.A. and Subsidiary	Buenos Aires	Wholesale and retail distribution of food products	EY	95	5	163,671	(101,079)	(14,913)	47,679	157,236	-
Dia Brasil Sociedade Limitada and Subsidiary	Sao Paulo	Wholesale and retail distribution of consumer products	EY	100	-	509,474	(296,875)	(174,134)	38,465	271,474	-
Finandia, S.A.U.	Madrid	Loan and credit operations, including customer credit, mortgage loans and financing of commercial transactions, as well as the issue and management of credit and debit cards.	N/A	100	-	3,500	(812)	146	2,834	3,500	-
Dia Retail España, S.A.U.	Madrid	Distribution of food products and toiletries though supermarkets and the subsidiary, sub-lease of premises primarily to its sole shareholder.	EY	-	100	36,169	442,915	(37,725)	441,357	-	-
PE-TRA, Servicios a la Distribución S.L.U.	Madrid	Subletting of premises, mainly to Dia Retail España, S.A.	EY	-	100	8,527	2,012	954	11,493	-	-
Dia World Trade, S.A.U. (*)	Geneva	Supply services to the companies of the DIA Group.	EY	-	100	84	866	75	1,025	-	251
Beauty by DIA, S.A.U.	Madrid	Sale of toiletries and perfume products.	EY	-	100	9,616	34,032	(22,028)	21,620	-	-
Grupo El Árbol, Distribución y Supermercados, S.A.U.	Madrid	Wholesale and retail sale of food products and others.	EY	-	100	12,000	32,609	(55,446)	(10,837)	-	-
CD Supply Innovation S.L. en liquidación	Madrid	Management of finantial and provisioning services for own brand.	EY	50	-	1,000	589	(272)	1,317	500	-
Luxembourg Investment Company 317, S.à.r.l.	Luxembourg	Share holding company	EY	100	-	12	371,369	(52)	371,329	371,400	-
Luxembourg Investment Company 318, S.à.r.l.	Luxembourg	Share holding company	EY	-	100	12	371,304	(52)	371,264	-	-
Luxembourg Investment Company 319, S.à.r.l.	Luxembourg	Share holding company	EY	-	100	12	687,658	(54)	687,616	-	-
Luxembourg Investment Company 320, S.à.r.l.	Luxembourg	Share holding company	EY	-	100	12	627,796	(53)	627,755	-	-
Luxembourg Investment Company 321, S.à.r.l.	Luxembourg	Share holding company	N/A	-	100	12	33	(52)	(7)	-	-
Luxembourg Investment Company 322, S.à.r.l.	Luxembourg	Share holding company	EY	-	100	12	59,638	(68)	59,582	-	-
Luxembourg Investment Company 323, S.à.r.l.	Luxembourg	Share holding company	N/A	-	100	12	33	(51)	(6)	-	-
DIA FINANCE, S.L.U.	Madrid	Import, export, acquisition, distribution and wholesale and retail sale of food, beverages, household goods and in general other products for domestic use and consumption	EY	-	100	3	371,268	(19,372)	351,899	0	
										825,052	251

(*) Dividends received in 2020 have been recorded in Dia Retail.

The detail of stakes in Group companies and their movements during the 2021 and 2020 financial years was as follows:

Company	Balances at 1 January 2021	Additions	Disposals	Transfers Hive Down	Balances at 31 December 2021
	Thousands of Euro				
Dia Portugal Supermercados, S.A.	20,942	-	-	-	20,942
Dia Argentina, S.A.	157,236	16,645	-	-	173,881
Dia Brasil Sociedade Limitada	509,474	113,464	-	-	622,938
Finandia, S.A.U.	3,500	-	-	-	3,500
CD Supply Innovation S.L. en liquidación	500	-	-	-	500
Luxembourg Investment Company 317, S.à.r.l.	371,400	119	-	1,858	373,377
Total cost	**1,063,052**	**130,228**	**-**	**1,858**	**1,195,138**
Impairment	(238,000)	(134,000)	-	-	(372,000)
Carrying amount	**825,052**	**(3,772)**	**-**	**1,858**	**823,138**

Company	Balances at 1 January 2020	Additions	Disposals	Transfers Hive Down	Balances at 31 December 2020
	Thousands of Euro				
Dia Portugal Supermercados, S.A.	80,547	-	-	(59,605)	20,942
Dia Argentina, S.A.	141,531	15,705	-	-	157,236
Dia Brasil Sociedade Limitada	251,657	257,817	-	-	509,474
Finandia, S.A.U.	3,500	-	-	-	3,500
Dia Retail España, S.A.U.	160,748	-	-	(160,748)	-
Dia World Trade, S.A.U.	843	-	-	(843)	-
Beauty by DIA, S.A.U.	51,372	-	-	(51,372)	-
Grupo El Árbol, Distribución y Supermercados, S.A.U.	150,000	-	-	(150,000)	-
DIA ESHOPPING, S.L. en liquidación	1,003	-	(1,003)	-	-
Red Libra Trading Services, S.L	152	-	(152)	-	-
CD Supply Innovation S.L. en liquidación	500	-	-	-	500
Luxembourg Investment Company 317, S.à.r.l.	14	100	-	371,286	371,400
Luxembourg Investment Company 318, S.à.r.l.	15	-	-	(15)	-
Luxembourg Investment Company 319, S.à.r.l.	14	-	-	(14)	-
Luxembourg Investment Company 320, S.à.r.l.	15	-	-	(15)	-
Luxembourg Investment Company 321, S.à.r.l.	14	-	-	(14)	-
Luxembourg Investment Company 322, S.à.r.l.	15	-	-	(15)	-
Luxembourg Investment Company 323, S.à.r.l.	14	-	-	(14)	-
DIA FINANCE, S.L.U.	3	-	-	(3)	-
Total cost	**841,954**	**273,622**	**(1,155)**	**(51,372)**	**1,063,052**
Impairment	(52,527)	(238,000)	1,155	51,372	(238,000)
Carrying amount	**789,427**	**35,622**	**-**	**-**	**825,052**

2021 variations

The additions occurring in the 2021 financial year following the contributions made by DIASA, amounting to 130,228 thousands of euros, occurred in Brazil, Argentina and Luxembourg Investment Company 317 S.á.r.l.

During the financial year, the sum contributed in Brazil amounted to 113,464 thousands of eurosand was produced by cancelling debt at DIA Brasil in the amount of 16,103 thousands of euros and a cash contribution of 97,361 thousands of euros.

During the 2021 financial year there were debt waivers at DIA Argentina amounting to 17,521 thousands of euros, of which the Company contributed 16,645 thousands of euros, equivalent to 95% of its direct stake in the subsidiary. During the 2021 financial year, the Company contributed 119 thousand euros in cash to its subsidiary Luxembourg Investment Company 317 Sárl. Additionally, there was a contribution amounting to 1,858 thousand euros as a continuation of the Hive Down operation carried out in this year.

2020 variations

The additions occurring in the 2020 financial year following the contributions made by the Company, amounting to 273,622 thousands of euros, occurred in Brazil, Argentina and Luxembourg Investment Company 317 Sárl.

The sum contributed in Brazil during the second half of the financial year amounted to 257,817 thousands of euros and was produced by converting intragroup loans and debt balance into capital amounting to 204,444 thousands of euros, in addition to a cash contribution of 53,373 thousands of euros.

On 28 December 2020 a debt cancellation was produced to Dia Argentina amounting to 16,531 thousands of euros through a shareholder contribution, the Company contributed 15,705 thousands of euros, corresponding to 95% of its direct stake in the subsidiary.

With regards deregistrations, they occurred at DIA ESHOPPING S.L. in liquidation, for an amount of 1,003 thousands of euros. The company was dissolved, liquidated and terminated by the resolutions of its Sole Shareholder on 14 July 2020 and registered with the Companies Register on 26 October 2020.

Likewise, 152 thousands of euros corresponding to the stake in Red Libra Trading Services, S.L. in liquidation were deregistered, as the company was dissolved and placed in liquidation by a resolution of the General Meeting of Shareholders on 6 July 2020. The company name since has been Red Libra Trading Services, S.L. in liquidation. The company was dissolved, liquidated and wound up effective from 15 October 2020 and registered as such with the Companies Register on 18 November 2020.

The remaining variations were due to the transfers produced by the hive-down in accordance with the details set out in the table of movements of stakes in group companies.

- **Impairment**

The amount of value adjustments due to impairment and reversals recorded in the various stakes was as follows:

	Thousands of Euro				
Company	**Balances at 1 January 2021**	**Charge**	**Reversals**	**Transfers Hive Down**	**Balances at 31 December 2021**
Dia Brasil Sociedade Limitada	(238,000)	(134,000)	-	-	(372,000)
Total non-current	**(238,000)**	**(134,000)**	**-**	**-**	**(372,000)**

	Thousands of Euro				
Company	**Balances at 1 January 2020**	**Charge**	**Reversals**	**Transfers Hive Down**	**Balances at 31 December 2020**
Dia Brasil Sociedade Limitada	-	(238,000)	-	-	(238,000)
Beauty by DIA, S.A.U.	(16,972)		-	16,972	-
Dia Retail España, S.A.U.	(34,400)	-	-	34,400	-
DIA ESHOPPING, S.L. en liquidación	(1,003)	-	1,003	-	-
Red Libra Trading Services, S.L	(152)	-	152	-	-
Total non-current	**(52,527)**	**(238,000)**	**1,155**	**51,372**	**(238,000)**

In accordance with the terms of Note 4 (f), paragraph viii, the recoverable amount of investments in group companies is determined on the basis of calculations of value in use or fair value less sales costs if greater. For value in use calculations are used cash flow projections based on financial budgets performed by management that cover a five-year period. Cash flows beyond five years are extrapolated using estimated growth rates for the country.

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

	Portugal	
	2021	**2020**
Sales growth rate (1)	6.7%	7.7%
Growth rate (2)	1.4%	1.5%
Discount rate (3)	8.5%	8.3%
% Gross profit (4)	20.6%	21.0%

	Argentina		Brazil	
	2021	2020	2021	2020
Sales growth rate (1)	14.2%	7.0%	10.8%	13.8%
Growth rate (2)	1.7%	1.7%	3.0%	1.7%
Discount rate (3)	16.3%	16.4%	10.2%	8.7%
% Gross profit (4)	17.5%	18.2%	20.8%	20.2%

(1) Weighted average annual growth rate of sales for the five-year projected period
(2) Weighted average growth rate used to extrapolate cash flows beyond the budgeted period.
(3) Post-tax discount rate applied to cash flow projections.
(4) % Gross profit, average for the 2022-2026 period.

At 31 December 2021, the Company recorded an impairment of 134 million euro (238 million euro at 31 December 2020) of the investment in the Brazilian subsidiary.

12. FINANCIAL INVESTMENTS AND TRADE RECEIVABLES

For financial assets recorded at cost or amortised cost, the book value is not significantly different from the fair value.

a. Financial investments in Group companies

The breakdown of financial investments in group companies was as follows:

	Thousands of Euros			
	2021		2020	
Group	Non-current	Current	Non-current	Current
Loans	-	-	-	-
Current account with the Group	-	35,450	-	11,110
Total	**-**	**35,450**	**-**	**11,110**

The Company did not have any loans granted to group companies at 31 December 2021 or 2020.

The breakdown of current accounts with group companies at 31 December 2021 and 2020 was as below:

	Thousands of Euro				
	2021			2020	
	Total	Account receivable	Tax Credit (VAT)	Total	Tax Credit (VAT)
Dia Retail España, S.A.U.	**6,608**	-	6,608	**9,876**	9,876
Beauty by DIA S.A.U.	**1,302**	-	1,302	**1,234**	1,234
DIA FINANCE, S.L.U.	**27,399**	27,399	-	**-**	-
Dia Brasil Sociedade Limitada	**141**	141	-	**-**	-
Total	**35,450**	**27,540**	**7,910**	**11,110**	**11,110**

Current accounts with the group accrued an annual nominal interest rate in 2021, ranging from the 1-month Euribor plus 0.0% for credit balances and 1.40% for debit balances.

Since the 2020 financial year, following the hive- down, DIA SA only holds balances in financial investments with its Spanish subsidiaries for VAT tax credits. The current account is managed only with DIA Finance (see Note 19 (a)).

b. Financial investments

The breakdown of financial investments was as follows:

	Thousands of Euro			
	2021		2020	
Unrelated parties	Non-current	Current	Non-current	Current
Equity instruments	36	-	36	-
Loans	28	-	28	-
Deposits and guarantees	9,602	354	10,222	395
Total	**9,666**	**354**	**10,286**	**395**

Amounts for equity instruments refers to shares held by the Company in the company Ecoembalajes España, S.A. (Ecoembes).

The credit amount included the loans the Company granted to its staff and accrued interest at market rates.

Other financial assets included amounts delivered to lessors by way of deposits and bonds as security for lease contracts contracted with them. These amounts are measured at present value and any difference with their nominal value is recognised under prepayments for current or non-current assets (see Note 14).

In addition, in 2021, this current line item comprised deposits delivered to franchisees amounting to 354 thousands of euros (395 thousands of euros in 2020).

The breakdown of trade and other receivables was as follows:

	Thousands of Euro			
	2021		2020	
	Non-current	Current	Non-current	Current
Trade receivables (note 10(d))	2,178	37,531	3,162	34,460
Trade receivables from group companies and associates	-	3,532	-	10,300
Other payables	-	4,394	-	6,084
Personnel	-	48	-	66
Current tax assets (note 20)	-	1,476	-	805
Public entities, other (note 20)	-	1,921	-	1,862
Impairment	-	(15,963)	-	(17,894)
Total	**2,178**	**32,939**	**3,162**	**35,683**

The customer line item essentially included debts receivable from franchisees and licensees for the sale of goods. The non-current amount of this line item was presented at its current value.

In both financial years, the commercial credits with group companies were mainly for Dia Retail España, S.A.U.

Under the heading of "Other debtors" mainly include balances with suppliers that have been debtors and that are pending collection.

The Company has not signed contracts for the assignment of commercial credits of suppliers without recourse in the year 2021. The Company signed contracts for the assignment of commercial credits of suppliers without recourse during the first half of 2020 (see note 10 (d)), with the balance at 31 December 2020 being zero euros. The financial cost accrued by these assignments of credits during the year 2020 was 179 thousand euros.

As described in note 12(d), these items are provisioned when they are deemed to be of doubtful collectability. As of December 31, 2021, the amount provisioned according to this criterion was 12,511 thousands of euros corresponding to customer headings and 3,452 thousands of euros to other debtors (13,072 thousands of euros and 4,822 thousands of euros, respectively, in the 2020 financial year).

Current tax assets included the collection right generated by estimating the calculation of corporation tax for the 2021 and 2020 financial years, respectively (see Note 20).

c. Impairment

In general, debts receivable from overdue customers older than six months are impaired, unless there is a record of non-payment or lack of a commercial relationship, in which case the balance is previously impaired.

The movement in the adjustment accounts for impairment losses as a result of the credit risk associated with financial assets measured at amortised cost is as follows:

	Thousands of Euro	
	2021	2020
Current		
At 1 January	**(17,894)**	**(20,847)**
Charge	(1,293)	(3,003)
Cancellations	1,362	5
Reversals	1,862	1,368
Transfer Hive Down	-	4,583
At 31 December	**(15,963)**	**(17,894)**

13. STOCKS

The detail of the stocks line item is as follows:

	Thousands of Euro	
	2021	2020
Goods for resale	21,727	28,044
Other supplies	28	28
Advances to suppliers	46	46
Impairment	(405)	(331)
Total	**21,396**	**27,787**

At 31 December 2021 there were no restrictions of any kind on the availability of stocks.

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

14. ACCRUALS AND DEFERRALS

The breakdown of accruals and referrals is as follows:

	Thousands of Euro			
	2021		2020	
	Non-current	Current	Non-current	Current
Prepayments on guarantees and loans (note 12 (b))	461	-	470	57
Other prepayments	-	710	-	190
Total	**461**	**710**	**470**	**247**

15. CASH AND CASH EQUIVALENTS

The balances under the heading 'Cash and other liquid equivalent assets' at 31 December 2021 and 31 December 2020 were 111,314 thousand euros and 16,584 thousand euros, respectively.

Current account balances earn interest at the market rates for that type of account.

The Company has granted a pledge over certain bank accounts. However, there are no restrictions on the availability of such bank accounts to the extent that renders this guarantee ineffective.

16. SHAREHOLDER EQUITY

a. Capital

At 31 December 2021 DIA's share capital was 580,655,340.79 euro, represented by 58,065,534,079 shares of 0.01 euro par value each, subscribed and fully paid up. The shares were freely transferable.

At the General Meeting of Shareholders of the held on 31 May 2021, a share capital increase was agreed as a main element in the Global Operation, as explained in Note 1, for an effective amount up to 1,027,751,102 euro, by issuing and releasing 51,387,555,100 new ordinary shares of a par value of 0.01 euro each, with a share premium of 0.01 euro per share, i.e., for an effective amount of 0.02 euro per share (par plus premium), separated into (a) a first tranche by offsetting credits of the controlling shareholder L1R Invest1 Holdings S.à.r.l. against the Company for a total amount of 769,200,000 euro, and (b) a second tranche of monetary contributions, reserved in the first instance for subscription by the remaining shareholders, amounting to 258,551,102 euro.

The issue price of 0.02 euro per share, which is the same for both the credit capitalisation tranche to be subscribed by L1R Invest1 Holdings, S.à.r.l. ("LetterOne") and for the money contributions tranche, reserved in the first instance for the minority shareholders of DIA, is considered appropriate and justified by the fact that the capital increase had been structured in such a way that DIA voluntarily offers all shareholders the possibility of exercising their preferential subscription rights in the money tranche of the capital increase pro rata of their pre-expansion stake in the share capital at the same price as the majority shareholder (LetterOne) in the credit offsetting tranche. Bearing in mind the above, and the fact that the average price of DIA shares over the last three months prior to approval at the General Meeting of Shareholders was around 0.12 euro per share, the proposed issue price was set at 0.02 euro per share in order to be perceived by the market as an opportunity to subscribe for new shares at an attractive price, with the aim of maximising the engagement of existing shareholders in the capital increase, as well as those investors who could acquire preferential subscription rights on the market, with the aim of ensuring that the monetary tranche was covered to the greatest possible extent.

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

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

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

At 31 December 2020 DIA's share capital was 66,779,789.79 euro, represented by 6,677,978,979 shares of 0.01 euro par value each, subscribed and fully paid up. The shares were freely transferable.

The Company's shares are listed on the Spanish stock markets. According to public information filed with the Spanish National Securities Market Commission, board members control at the reporting date approximately 0.0947% of the Company's share capital.

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

- Letterone Investment Holdings, S.A. indirectly held 77.704%
- Direct ownership was held by L1R Invest1 Holding, S.à.r.l. in the same percentage

b. Share premium

The DIA share premium at 31 December 2020 was 544,997,021.94 euro, corresponding to 6,055,522,466 shares with a share premium of 0.09 euro.

As a result of the capital increase completed in August 2021, the DIA share premium increased by 513,875,551 euro, corresponding to 51,387,555,100 new shares issued with a share premium of 0.01 euro.

As a result, at 31 December 2021 the DIA share premium was 1,058,872,572.94 euro, corresponding to 6,055,522,466 shares with a share premium of 0.09 euro and 51,387,555,100 shares with a share premium of 0.01 euro.

c. Accounting treatment of the first tranche of the capital increase by offsetting majority shareholder credits

The capital increase carried out in the Company for an amount of 1,027,751,102 euro included a first tranche of offsetting credits of the majority shareholder L1R Invest1 Holdings S.à.r.l. vis-à-vis the Company for a total amount of 769,200,000 euro corresponding to the following financial debt of the DIA Group (these credits were acquired in April 2021 by L1R from DEA Finance prior to their capitalisation), at the nominal value of said debt:

- 200,000,000 euro that DIA Finance, S.L.U. ("DIA Finance") owed to DEA Finance as principal under the super senior term loan facility (the "SS facility") (this debt was transferred from DIA Finance, S.L.U. to DIA in April 2021)

- 292,600,000 euro that DIA owed to DEA Finance as principal under the bonds issued by DIA for an aggregate principal amount of 300,000,000 euro, with a coupon of 1.000% and maturing on April 28, 2021 (the "2021 bonds") which prior to their maturity were transferred from DEA Finance to L1R for subsequent capitalisation. The remaining amount of 2021 bonds not owned by DEA Finance was repaid by DIA on the due date.

- 7,400,000 euro of debt under a loan granted by L1R in April 2021 to DIA to finance (or refinance) DIA's payment of the principal of the 2021 bonds to holders of said bonds other than DEA Finance (or L1R) on 28 April 2021 (referred to in the paragraph above); and

- 269,200,000 million euro owed by DIA to DEA Finance as principal under the bonds issued by DIA for an aggregate principal amount of 300,000,000 euro, with a coupon of 0.875% and maturing on 6 April 2023 (the "2023 bonds") which were transferred by DEA Finance to L1R in April 2021 that were previously replaced by a private debt instrument.

The Company registered 6 August 2021 as the date when the debts subject to conversion into capital became liquid, due and payable, and the public deed of the capital increase, i.e., the capital increase operation, was executed, applying the following accounting treatments in the annual accounts with regards the majority-shareholder credit offsetting tranche.

According to ICAC's interpretation of the accounting treatment of debt offset capital increase transactions in BOICAC 79 Consultation 5 and BOICAC 89 Consultation 4, these transactions are accounted for at the fair value of the debts being written off. However, the ICAC decision dated 5 March 2019 developing the criteria for presenting financial instruments and other accounting aspects connected with the commercial regulation of capital companies, which came into effect on 1 January 2020, introduces, in paragraph 3 Article 33, the treatment to be adopted in the event that a company's shares are listed. In this case, the increase in own funds by way of contribution must be booked at the fair value of the shares delivered in exchange, and the result of the difference with the net book value of the debt cancelled will be booked as a financial result in the profit and loss account.

On 28 October 2021, the ICAC published Consultation 1 of BOICAC 127/2021 on the accounting treatment to be adopted for the registration of a capital increase through debt offsetting, indicating that paragraph 3 Article 33 introduces the reference to the quoted price of shares on the premise that in listed companies this amount may be the best estimate of the fair value of the debt on the date when the number of shares to be delivered is agreed. In other words, the reference to the quoted share price should be understood as a check of reliability. However, according to the information provided in the consultation, the ICAC indicated that in cases where it seems clear that the company is issuing shares at a value significantly lower than their fair value, the increase in own funds by way of contribution should be recognised at the fair value of the debt to be estimated using a generally accepted valuation technique for this purpose. On the basis of all the above, the Company opted to value the equity provided at the fair value of the debts cancelled.

The Company estimated the fair value of the credits to be capitalised, discounting the future debt flows at a market IRR obtained internally. A notional credit rating was assigned to the Company based on the financial statements prior to the capital increase and an IRR of a debt with a credit rating and similar maturity was taken into account for the purposes of calculating the fair value of the credit to be capitalised. The difference between the net book value and the fair value of the credits to be capitalised was recorded as a financial result. The amounts recorded in share capital and share premium must be recorded at the nominal value of the debts and any difference with fair value recorded in Reserves.

Consultant expenses and fees related to the capital increase were recorded as reduced reserves.

The summary of the total impacts on the Company's equity resulting from the expansion in millions of euro is as follows:

Share Capital and Share Premium (769.2+258.6)			**1,027.8**
Impact on PL by accrual outstanding expenses			(2.8)
Impact on PL by difference between Net Book Value and Fair Value			10.2
	SS Facility	0.2	
	Bono 2023	10.0	
Impact in reserves by difference between Net Book Value and Fair Value			(3.2)
	SS Facility	6.8	
	Bono 2023	(10.0)	
Impact in reserves for advisory fees			(1.2)
Total Impact Capital Increase Shareholders Equity			**1,030.8**

Note: the impact on the Company's annual accounts of the difference between the net book value and the fair value of the Super Senior debt at the time of capitalisation was only 0.2 million euro, since it corresponded to the updating of the fair value since it was assigned by DIA Finance on 23 April 2021 (a subsidiary that originally held the creditor position). The impact of the updating of the debt to the fair value at Dia Finance at the time of its assignment to the Company was 13.3 million euro of increased financial expenditure.

d. Reserves

The breakdown of the variation in reserves is as follows:

	Thousands of Euro					
	Legal reserve	Capital redemption reserve	Others distributables reserves	Voluntary reserves	Total	Negative results from previous years
At 1 January 2021	**-**	**-**	**15,170**	**(5,298)**	**9,872**	**(393,269)**
Negative earnings 2020						(264,720)
Expenses associated to the capital increase	-	-	-	(1,217)	(1,217)	-
Impact derived from the capital increase differences between Fair Value and Carrying Amount				(3,199)	(3,199)	-
Delivery of own shares	-	-	-	(2,346)	(2,346)	-
Transfer Reserves	-	-	(13,303)	13,303	-	-
At 31 December 2021	**-**	**-**	**1,867**	**1,243**	**3,110**	**(657,989)**

	Thousands of Euro					
	Legal reserve	Capital redemption reserve	Others distributables reserves	Voluntary reserves	Total	Negative results from previous years
At 1 January 2020	**-**	**-**	**15,170**	**(3,848)**	**11,322**	**(111,726)**
Negative earnings 2019						(281,543)
Delivery of own shares	-	-	-	(1,450)	(1,450)	-
At 31 December 2020	**-**	**-**	**15,170**	**(5,298)**	**9,872**	**(393,269)**

The proposal for the application of the results of the parent company for the year 2021 formulated by the Board of Directors that will be presented to the Ordinary General Shareholders' Meeting consists of its full transfer in the amount of 143,401,140.77 euros to negative results of previous years.

The application of losses of the parent company for the year approved by the Ordinary General Meeting of Shareholders on 31 May 2021, to allocate the losses for the 2020 financial year in the amount of 264,719,596.21 euro to negative results from previous financial years.

(i) Legal reserve

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

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

At 31 December 2021 and 2020, the Company had not recognised no amount related to this reserve, as it had been fully offset, for an amount of 13,021 thousands of euros, to compensate for losses, as agreed by the Extraordinary General Meeting of Shareholders on 22 October 2019.

(ii) Capital redemption reserve

At 31 December 2021 and 2020, there was no capital redemption reserve since it was fully offset on 31 December 2019 in the amount of 5,688 thousands of euros euro, having met the requirements for a share capital decrease as previously mentioned. An amount equal to the par value of the own shares redeemed in 2015 and 2013 was appropriated to the redeemed capital reserve, as set forth in article 335.c) of the Spanish Companies Act.

(iii) Differences due to capital redenomination in euro

At 31 December 2021 and 2020, there was no such reserve, which had originated for an amount of 62.07 euro as a result of reducing the share capital in 2001 by rounding the value of each share to euro two decimal places and was fully offset to compensate for losses.

(iv) Other non-distributable reserves

At 31 December 2021, this reserve revealed an amount of 1,867 thousands of euro, following the transfer to freely available voluntary reserves, amounting to 13,303 thousands of euro, approved by the Ordinary General Meeting of Shareholders on 31 May 2021. This reserve amounting to 15,170 thousands of euro was non-distributable and arose as a result of the entry into force of Royal Decree 602/2016, which eliminated the concept of intangible assets with indefinite useful lives, establishing that, from 1 January 2016, they would be subject to amortisation. At 31 December 2016, after the publication of this Royal Decree, this reserve, which up to that date was on account of goodwill, was transferred to voluntary reserves, where it remains non-distributable so long as the net book value of the goodwill exceeds that amount, at which point it may be deemed freely distributable.

(v) Voluntary reserves

These reserves were freely available and at 31 December 2021 presented an amount of 1,243 thousands of euro. See the breakdown of movements during the financial year, as explained in the table presented above, in subsection (d) of this note.

e. Own shares

Changes in own shares in 2021 and 2020 are as follows:

	Number of shares	Average price	Total
At 31 December 2019	**1,238,790**	**5.8540**	**7,251,906.75**
Delivery of shares to Members of Board Director	(254,310)		(1,488,736.91)
At 31 December 2020	**984,480**	**5.8540**	**5,763,169.84**
Delivery of shares to Members of Board Director	(409,177)		(2,395,332.10)
Share purchase	28,332,781		474,177.48
At 31 December 2021	**28,908,084**	**0.1329**	**3,842,015.22**

During the 2021 financial year 409,177 shares valued at 2,395 thousand euros were handed over by way of remuneration to the Directors. The difference between the value of the shares handed over and the value of own shares, amounting to a negative amount of 2,346 thousands of euro, was taken to voluntary reserves.

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

In 2020, 254,310 shares were delivered for an amount of 1,489 thousands of euros, on account of remuneration paid to directors in accordance with the previous policy and which were pending payment at 31 December 2019. The difference between the value of the shares handed over and the value of own shares, amounting to a negative amount of 1,450 thousands of euros, was taken to voluntary reserves.

At 31 December 2021 the Company held 28,908,084 own shares with an average purchase price of 0.1329 euro per share, representing a total amount of 3,842,015.22 euro.

f. Other equity instruments

At 31 December 2021, “Other equity instruments” included the reserve for deferred remuneration in shares for non-proprietary directors (see Note 18).

17. LONG- AND SHORT-TERM PROVISIONS

The breakdown of non-current provisions is as follows:

	Thousands of Euro					
	Provisions for long-term employee benefits	Tax provisions	Labour provisions	Legal provisions	Other provisions	Total
At 1 January 2021	**1,649**	**23,218**	**210**	**14,981**	**935**	**40,993**
Charge	1,557	583	14	663	7	2,824
Applications	-	(151)	-	(1,206)	-	(1,357)
Reversals	-	(1,118)	-	(610)	-	(1,728)
Transfers	-	-	(105)	105	-	-
At 31 December 2021	**3,206**	**22,532**	**119**	**13,933**	**942**	**40,732**

	Thousands of Euro					
	Provisions for long-term employee benefits	Tax provisions	Labour provisions	Legal provisions	Other provisions	Total
At 1 January 2020	**1,619**	**27,214**	**422**	**8,758**	**929**	**38,942**
Charge	1,649	772	22	7,158	6	9,607
Applications	-	(4,768)	-	(145)	-	(4,913)
Reversals	-	-	(234)	(790)	-	(1,024)
Transfers Hive Down	(1,619)	-	-	-	-	(1,619)
At 31 December 2020	**1,649**	**23,218**	**210**	**14,981**	**935**	**40,993**

The fiscal allocations in 2021 and 2020 essentially arose from differences of opinion with the authorities.

The tax reversals in 2021 derived mainly from those aspects resulting from the tax inspections on VAT and personal income tax no longer considered probable.

The tax provisions in 2020 were applied to the payment of settlements arising from inspections into the 2013, 2014 and 2015 tax years.

At 31 December 2021 the tax provisions to cover the risks derived from the public authority inspection proceedings had a balance of 22,532 thousands of euros, and at 31 December 2020 23,218 thousands of euros.

In addition, at 31 December 2021 provisions linked to disputes with (social) workers were included, amounting to 119 thousands of euros, the balance of this type of provisions at 31 December 2020 being 210 thousands of euros.

Provisions linked to (legal) third-party litigation at 31 December 2021 amounted to 13,933 thousands of euros. Provisions in this regard at 31 December 2020 amounted to 14,981 thousands of euros. In 2020, 6,767 thousand euros were endowed in the Company corresponding to a litigation with the Food Information and Control Agency of the Ministry of Agriculture (AICA).

For short-term provisions at 31 December 2021, the Company registered an amount of 3,624 thousands of euros onerous contracts corresponding to stores (1,265 thousands of eurosat 31 December 2020). The total short-term provisions transferred in 2020 as a result of the hive-down amounted to 11,010 thousands of euros.

The Company 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 Company. The most relevant court proceedings to date are summarised below.

Administrative proceedings

In 2016, the Agency for Food Information and Control ("AICA") initiated a number of penalty procedures against the Company for alleged serious infringements under Act 12/2013 of 2 August 2013 on measures to improve the functioning of the food chain. On 13 March 2017, the Ministry of Agriculture, Fisheries, Food and Environment issued a resolution imposing penalties of 6.8 million euro on the Company for serious infringements in the acquisition of foodstuffs (the "Resolution"). The Company appealed the Resolution, first in administrative channels and later in the courts of law. On 3 June 2020 the National High Court notified the Company of its decision dated 15 April 2020 rejecting the appeal filed by the Company. An appeal for this resolution to be reversed can be filed before the Supreme Court. At the close of the 2020 financial year, the Company had filed a written submission with the Supreme Court preparing an appeal against the National High Court judgment. On 17 February 2021, the public law section of the Supreme Court issued a ruling admitting the appeal prepared by the Company, partially upholding the objective cassation interest of the claims included in the preparatory writ. On 31 March 2021, the Company filed the corresponding cassation appeal on time. In judgment number 1529/2021 of 20 December 2021, Section 5 of the Supreme Court Public Law Chamber declared there were no grounds and dismissed the filed appeal, thus confirming the judgment of 15 April 2020. At the date of preparing these annual accounts, the AICA is awaiting the issuance and sending to the Company of the letter of payment of the sanction.

In a decision dated 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 High Court 6, Preliminary Proceedings 45/2019, disciplinary proceedings for a very serious infringement brought against DIA and other persons who held administration and management offices in the company (specifically the office of managing director, four senior executives and the members of the Audit and Compliance Committee) at the time of the facts, due to having reported to the CNMV financial information containing incorrect or untrue data in the individual and consolidated annual accounts for 2016 and 2017. To date, this sanctioning procedure is suspended until a court resolution is reached in the criminal proceedings, the belief being that, if any sanction were to materialise, its economic impact would not in any event be significant.

Criminal proceedings before the Spanish National High Court

On 14 January 2020, the Company became aware of the processing of Preliminary Proceedings 45/209 before the Court of Investigation 6 of the Spanish National High Court, in which the court was investigating certain events involving former executives of DIA. The aforementioned proceedings are derived from action brought by several of the Company's minority shareholders, subsequently joined by 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 was also notified, at its request, of the ruling of 10 January 2020 issued by the abovementioned National High Court 6 in the same preliminary proceedings, determining the facts investigated, the crimes that might have been committed and the persons to be summonsed for investigation, in addition to other investigative measures to be conducted by the Court. Specifically, the ruling of 10 January 2020 stated that the crimes to be investigated in the aforementioned proceedings were 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 of the foregoing, DIA requested that it be allowed to appear in the aforementioned proceedings as an injured party. By a judicial order of 17 January 2020, the National High Court admitted the Company as party to the proceedings.

Following the investigation proceedings deemed appropriate by the Central Court of Investigation, by means of two Rulings of 26 February 2021, the National High Court respectively decided to deny DIA the status of injured party in order to grant it subsidiary civil liability status, and to terminate the investigation phase and begin the intermediate phase prior to the oral trial phase (Abbreviated Proceedings Order).

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

On 4 May 2021, the Central Court of Investigation agreed to open oral proceedings against the defendants and against DIA in its capacity as party to subsidiary civil liability. All the defence counsels, including DIA, submitted their respective defence pleadings. In response to this ruling, DIA filed an objection of nullity of proceedings, and following adhesion by the various defence counsels and the Public Prosecution Office, Central Court of Investigation 6 upheld this on 23 June 2021, definitively expelling the franchisee association (ASAFRAS) which had been the accusation in the proceedings.

The proceedings were referred to the Central Criminal Court, as it is the body responsible for prosecuting the events. The court issued an order to admit evidence on 26 November 2021 and set dates for the oral hearing stage to be held from September 2022.

Notwithstanding the above, in February and March 2021, in response to the aforementioned Orders of 26 February 2021, various petitions for reconsideration and appeal were lodged by the various defence counsels and the private accusation. All petitions for reconsideration were rejected by Central Court of Investigation 6. Meanwhile, with regardst to the aforementioned appeals, the appeal lodged by the Company seeking restitution of its injured party status was dismissed on 5 July 2021 by the National High Court, in accordance with the procedural status at the time in question. Meanwhile, by means of the ruling of 16 December 2021, the National High Court partially upheld one of the appeals of the defence counsels and revoked the Abbreviated Proceedings Order on the basis that there was no evidence of any detriment to minority shareholders, returning jurisdiction to Central Court of Instruction 6 to continue the proceedings in the manner deemed appropriate.

As a result of the above, the Central Criminal Court suspended the oral trial phase, and the hearings scheduled from September 2022 onwards have been cancelled. Meanwhile, having again been assigned jurisdiction to hear the case, Central Court of Instruction 6 has at the date of preparation of the consolidated annual accounts to issue and notify the ruling as to the procedure for the continuation of the case.

Civil proceedings brought by minority shareholders

On 12 June 2020, the Company was notified of the filing of a civil lawsuit for damages by an individual minority shareholder, whereby the shareholder was claiming 110,605 euro in damages suffered, alleging a breach by the Company (and Letterone as condemned) of the obligation to reflect a true and fair view of its equity in the 2016 and 2017 annual accounts, and the decrease in the value of shares as part of the restatement of the Company's annual accounts in 2018. The Company has responded to the lawsuit in a timely and appropriate manner. On 25 June 2021, the first session of the trial proceedings was held, and ended on 19 July 2021. On 30 September 2021, a judgment was handed down from the court of first instance rejecting the claim. On 9 November 2021, the Company received notice of the appeal against the judgment. On 7 January 2022, the Company proceeded to file its opposition to the appeal. The appeal is currently pending a decision by the Provincial Court of Appeals of Madrid.

Other civil proceedings

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

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

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

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

An extraordinary appeal against the referred judgment of the Provincial High Court of Madrid, may be lodged for procedural infringement and/or cassatio, that DIA inteds to file within the established legal term (see note 27).

Other proceedings.

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

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

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

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

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

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

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

As a consequence of which, it was agreed on the same date to approve recognition by LTIP 2020-22 beneficiaries of the right to receive a certain amount in cash, if certain conditions were fulfilled, as a sign of the Group's trust in the executive team. The Incentive generated in favour of said beneficiaries will, where applicable, be paid in FY2023.

The Board of Directors approved on the same date a new LTIP 2021-24, adapted to the current Group and market circumstances and the Group's strategy, intended for certain Group executives. As of this date, some formal elements of this new LTIP 2021-2024 are still pending approval.

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

At 31 December 2021 the total provision made for Long-Term Incentive Plans was 3,206 thousands of euros at the Company (21,927 thousands of euros at DIA Group).

In addition, in application of the remuneration policy approved at the Extraordinary General Meeting on 30 August 2019, deferred remuneration in shares established for non-proprietary Directors accrued in the amount of 227 thousands of euros in the 2021 financial year (200 thousands of euros in the 2020 financial year). See Note 22 c).

19. FINANCIAL DEBTS AND TRADE CREDITORS

For financial debts booked at cost or amortised cost, the book value does not differ significantly from the fair value, except for non-current obligations and bonds, the fair value of which is their listed price at 31 December 2021 of 25,307 thousands of euros (494,676 thousands of euros at 31 December 2020).

(a) Debts with group and associated companies

The breakdown of debts to Group and associated companies is as follows:

	Thousands of Euro	
	Current	Current
Group	2021	2020
Payables	2,034	106,613
Total	**2,034**	**106,613**

The details of current debts with Group companies at 31 December 2021 and 2020 is set out below:

	Thousands of Euro					
	Current Account	Tax Debit (VAT)	Tax Debit (Income tax)	Current Account	Tax Debit (VAT)	Tax Debit (Income tax)
Group		2021			2020	
Dia Retail España, S.A.U.	-	511	-	-	-	410
Beauty by DIA S.A. U.	-	-	1	-	-	1
Grupo El Árbol Distribución y Supermercados, S.A.U.	-	422	72	-	795	67
Finandia, S.A.U.	421	-	-	148	-	-
DIA Finance, S.L.U.	-	-	-	105,192	-	-
CD Supply Innovation, S.L. en liquidación	607	-	-	-	-	-
Total	**1,028**	**933**	**73**	**105,340**	**795**	**478**

At 1 January 2020 and as a consequence of the hive-down (see Notes 1(h) and 2(a)), all current account balances held by DIA SA with its subsidiaries were transferred to Dia Retail España, S.A.U. The Company only has a balance with DIA Finance S.L.U, the company centralising the Group's cash pooling operation. At 31 December 2021, the balance of the current account with DIA Finance, S.L.U. was debit (see Note 12(a)), because following the capitalisation and subsequent modifications to the finance contracts in force, DIA S.A. sent funds to its subsidiaries through DIA Finance, S.L.U.

The current account balance presented with CDSI for an amount of 607 thousand euros corresponds to a transfer from the heading of Suppliers with group companies and associates.

The current accounts with the Group accrued an annual nominal interest rate in 2021 ranging from the 1-month Euribor plus 0.0% for credit balances to 1.40% for debit balances. In 2020, the current accounts with the Group accrued an annual nominal interest rate ranging from the 1-month Euribor plus a margin fluctuating between -0.125%, with a minimum of 0%, for credit balances and 0.2% for debit balances.

(b) Payables

The breakdown of payables is as follows:

	Thousands of Euro							
At 31 December 2021	Total	Current 1 year	2 years	3 years	4 years	5 years	> 5 years	Non-current Total
Bonds and other securities	31,267	467	-	-	-	30,800	-	30,800
Interest	293	293	-	-	-	-	-	-
Finance lease payables (note 7)	3,350	1,837	639	528	243	97	6	1,513
Suppliers of fixed assets	15,604	15,115	489	-	-	-	-	489
Other debts	609	609	-	-	-	-	-	-
Guarantees and deposits received	13,839	9,048	-	-	-	-	4,791	4,791
Other financial liabilities	2,293	2,306	-	-	(13)	-	-	(13)
Total	**67,255**	**29,675**	**1,128**	**528**	**230**	**30,897**	**4,797**	**37,580**

	Thousands of Euro							
At 31 December 2020	Total	Current 1 year	2 years	3 years	4 years	5 years	> 5 years	Non-current Total
Bonds and other securities	599,394	303,795	-	295,599	-	-	-	295,599
Debt with financial institutions								
Interest	295	295	-	-	-	-	-	-
Credit facilities drawn down	301	-	-	301	-	-	-	301
Finance lease payables (note 7)	4,158	1,835	876	684	290	151	322	2,323
Suppliers of fixed assets	14,775	14,286	489	-	-	-	-	489
Other debts	587	587	-	-	-	-	-	-
Current interest on payables	213	213	-	-	-	-	-	-
Guarantees and deposits received	11,468	7,272	-	-	-	-	4,196	4,196
Other financial liabilities	3,805	1,500	2,305	-	-	-	-	2,305
Total	**634,996**	**329,783**	**3,670**	**296,584**	**290**	**151**	**4,518**	**305,213**

– Debentures and other tradable securities

At 31 December 2020, the Company had two bond issues pending amortisation:

- 2021 Euro Medium Term Notes for a principal aggregate amount of 300,000,000 euro with a coupon of 1.000% maturing on 28 April 2021 ("2021 bonds"). DEA Finance held a principal amount of 292,600,000 euro in 2021 bonds.
- 2023 Euro Medium Term Notes for a principal aggregate amount of 300,000,000 euro, with a coupon of 0.875% and due on April 6, 2023 ("2023 bonds"). DEA Finance held a principal amount of 269,200,000 euro in 2023 bonds.

On 6 April 2021, the Company paid the interest on the fourth coupon of the 2023 Euro Medium Term Notes ("2023 bonds"), amounting to 2,625 thousands of euros.

As detailed in Note 1(c), and as part of the Global Operation, a meeting of bondholders of the 2023 bonds was held on 20 April 2021 and approved, subject to completion of the Global Operation, the extension of the maturity date of the 2023 bonds to 30 June 2026 and an increase in the coupon from the effective date of the Global Operation at a rate of 3.5% per annum (3% cash and 0.50% PIK) plus an additional increase in interest of 1% PIK in circumstances where applicable under the Syndicated Financing Agreement.

In addition, on 23 April 2021 the following agreements were implemented:

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

On 28 April 2021, the Company proceeded to repay the 2021 Euro Medium Term Notes (“2021 bonds”) not owned by L1R for an amount of 7,400 thousands of euros, with a coupon of 1.000% and a 5-year term expiring on that date, in addition to payment of the fifth and final coupon amounting to 74 thousands of euros.

On 6 August 2021, the debts subject to conversion into capital indicated above became liquid, due and payable, and the public deed of Capital Increase was executed. On 2 September 2021, following fulfilment of all conditions precedent for the Global Operation, the amendment to the terms and conditions of the 2023 bonds approved by the Board of Bondholders on 20 April 2021, comprising (a) the extension of the maturity date from 6 April 2023 to 30 June 2026 and (b) the increase in the coupon of the 2023 bonds, effective from 9 September 2021, to 3.5% per annum (3% cash and 0.50% PIK), plus an increase of 1% PIK in certain circumstances provided for in the syndicated financing agreement agreed within the context of the Global Operation (the SFA), took effect.

Therefore, the detail of the bond issues that were pending amortisation at 31 December 2021 and remain listed on the Irish Stock Exchange under a Euro Medium Term Note (EMTN) debt issuance programme is as follows:

Issuing Company	Issue date	Amount	Coupon	PIK	Maturity date
DIA, S.A.	07.04.2017	30,800	3.000%	0.500%	30.06.2026

The balance sheet value of these bonds is 31,267 thousands of euros, as detailed in the table at the start of this note, corresponding to their nominal value for a total of 30,800 thousands of euros and the coupon accrued.

– <u>Loans and borrowings</u>

Multi-product Syndicated Financing and other credit facilities

As a result of the hive-down, the Company transferred to Dia Retail España, S.A.U. and DIA Finance, S.L.U. the majority of its debt under the SFA, as explained in Notes 1 f) and 2 a), the detail of the finance lines at 31 December 2021 and 2020 being as follows:

At 31 December 2021	Limit	Amount used	Conf/Fact	Amount avaible
Credit Facility - syndicated financiation	**2,000**	**-**	**-**	**2,000**
Loans	2,000	-	-	2,000
Total Syndicated Multiproduct Financiation	**2,000**	**-**	**-**	**2,000**

At 31 December 2020	Limit	Amount used	Conf/Fact	Amount avaible
Credit Facility - syndicated financiation	**2,000**	**301**	**-**	**1,699**
Loans	2,000	301	-	1,699
Total Syndicated Multiproduct Financiation	**2,000**	**301**	**-**	**1,699**

Likewise, effective from 2 September 2021, the relevant modifications to the existing ancillary facilities contracts were formalised to reflect the margin agreed in the modified and recast SFA of 3% and the extension of maturity to 31 December 2025.

Bank loans

The Company did not amortise or draw down any bank loans in the 2021 financial year.

On 15 June 2020 and 15 December 2020, DIA S.A. amortised the last two partial maturities of the loan from Liberbank, amounting to 7,500 thousands of euros in each amortisation, and it was cancelled in full on 15 December 2020.

– **Guarantees an deposits received**

Within this heading are registered the deposits required of the franchises that have passed to the management of the new franchise model 2020, according to which the collection is made based on the cash generated in the terminal point of sale of the franchisee. The amounts collected for this concept were 8,996 thousand euros at 31 December 2021 (7,204 thousand euros as of 31 December 2020), (see note 10 (d)).

– **Accounting treatment of the refinancing operation for the syndicated financing and 2023 bonds**

The Company followed the criteria established by the Chart of Accounts to determine the treatment to be given in the annual accounts to the modification of the syndicated financing agreement with a limit of 710.6 million of euro of principal (excluding reverse factoring) and the 2023 bonds not capitalised in the capital increase for an amount of 30.8 million of euros.

As a result of the application of these criteria, the 2023 bonds are considered to be a debt substantially different from the previous one, with the former debt being derecognised and a new debt booked at fair value, recognising a financial result for the difference. The Company determined that the fair value of the debt was in this case similar to the net book value of the original debt, so the impact on the income statement was confined to recognition of a loss of 0,2 million of euro as a result of the expenses capitalised through the formalisation of the original bonds, recognised as an expense at the time of the restructuring.

In the case of the SFA, the Company recognised an amount of 13 thousands of euros as expenses pending accrual prior to the refinancing. On the other hand, following the analyses performed it was considered a modification to the original debt, and the book value thereof was not adjusted. The Company found no evidence that this was qualitatively a new debt.

The costs of consultants and fees associated with the finalisation of the refinancing were recognised as professional fee expenses totalling 1,4 million of euro.

Overall, the impacts derived from debt refinancing in the consolidated income statement amount to a loss of 1,6 million of euro

– **Loans with the majority shareholder**

Within the context of the global refinancing operation, the debt under the SS Facility loan of 200,000 thousands of euros granted by DEA Finance to DIA Finance, for which L1R became the creditor, was transferred to the DIA company in April 2021. The transferred amount was 202,365 thousands of euros (including interest accrued and not paid at a rate of 7% per year and incremental unaccrued costs) at a fair value of 215,665 thousands of euros.

As indicated in Notes 1 and 16, this debt was converted into capital as part of the first tranche of the Capital Increase implemented on 6 August 2021 within the context of the Global Operation, the balance at 31 December 2021 being zero.

In summary, by virtue of the Capital Increase undertaken during the 2021 financial year, the Company has been released from the following financial liabilities:

- 200,000 thousands of euros that DIA owed to L1R by way of principal under under SS Facility (super senior term loan facility);
- 292,600 thousands of euros that DIA owed to L1R by way of principal under the bonds issued by DIA for an aggregate principal amount of 300,000 thousands of euros with a coupon of 1.000%, maturing on 28 April 2021 (the “2021 bonds”).
- 7,400 thousands of euros owed by DIA to L1R under a loan and grant by L1R in favour of DIA to finance (or refinance) payment by DIA of the principle of the 2021 bonds to 2021 bond holders other than L1R on 28 April 2021.
- 269,200 thousands of euros that DIA owed to L1R by way of principal under the bonds issued by DIA for an aggregate principal amount of 300,000 thousands of euros with a coupon of 0.875%, maturing on 6 April 2023 (the “2023 bonds”), which were previously replaced by a private debt instrument.

(c) Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Thousands of Euro	
	2021	**2020**
Suppliers	4,861	9,778
Suppliers with subsidiaries and associated companies	133,950	219,384
Other payables	30,641	30,653
Personnel	1,857	1,837
Public entities, other (note 20)	3,863	6,954
Advances to customers	7	56
Total	**175,179**	**268,662**

The book values of commercial and other payables are considered to be consistent with their fair values, due to their short-term nature.

Suppliers and Payables essentially comprise current payables to suppliers of merchandise and services, including accepted giro bills and promissory notes. Following the hive-down, the Company transferred its subsidiary Dia Retail España, S.A.U., debt with suppliers amounting to 478,750 thousands of euros. The decrease in supplier balances with group companies is due to the adjustment in the maturities of commercial invoices. From 2021, commercial balances are transferred on the last day of the month of maturity and in previous periods they were transferred on the first day of the month following maturity.

Suppliers with group and associated companies at 31 December 2021 and 2020 mainly included the debt with Dia Retail España, S.A.U.

Trade and other payables do not bear interest.

The Company had no reverse factoring facilities at the close of the 2021 and 2020 years.

The information required from companies under the reporting requirement established in Spanish Act 15/2010 of 5 July 2010, amending Spanish Act 3/2004 of 29 December 2004 and introducing measures to combat late payments in commercial transactions, is as follows:

	2021	2020
	Days	Days
Average payment period to suppliers	52	46
Payment operations ratio	54	46
Pending payment transactions ratio	42	39
	Amount in euros	Amount in euros
Total payments made	871,545,722	2,497,725,985
*Total payment pending	145,529,099	231,283,159

*This amount does not include non-billed receipts or invoices used as the abovementioned reverse factoring lines at the close of financial year.

The previous average payment period considers in the calculation the confirming with suppliers, being the payment terms established in said agreements less than 90 days.

20. TAX SITUATION

Balances with Public Administrations

The breakdown of balances with public authorities is as follows:

	Thousands of Euro			
	2021		2020	
	Non-current	Current	Non-current	Current
Assets				
Current tax assets	-	1,476	-	805
Other receivables from the Administration	-	1,921	-	1,862
Total	**-**	**3,397**	**-**	**2,667**
		(note 12 (c))		(note 12 (c))
Liabilities				
Deferred tax liabilities	235	-	332	-
Value added tax and similar taxes	-	3,093	-	6,194
Social Security	-	7	-	105
Withholdings	-	763	-	655
Total	**235**	**3,863**	**332**	**6,954**
		(note 19 (c))		(note 19 (c))

Financial years pending examination and inspection proceedings

According to the legislation in force, taxes may not be considered to have been definitively settled until the tax returns filed have been inspected by the tax authorities or the period of limitation of four years has expired.

The partial investigation and verification actions conducted by the tax authorities for Corporation Tax for the 2015 financial year in Spain were concluded in January 2021.

In accordance with the administrative criteria, the financial years open to inspection at 31 December 2021 and 2020, for the main taxes to which the Company is subject, were as follows:

	Periods	
Tax	**2021**	**2020**
Income tax	2015-2020	2015-2019
Value Added tax	2018-2021	2017-2020
Personal income tax	2018-2021	2017-2020
Business activities tax	2018-2021	2017-2020

As a result of, among other factors, differences in interpretations of the applicable tax legislation, additional liabilities may arise as a result of an inspection. In any event, the Company Directors believe these liabilities, if they were to arise, would have no significant impact on the annual accounts.

Income tax

At 31 December 2021, the Company declared under the tax consolidation scheme that it is the parent company of tax group 487/12.

The Group subsidiaries in the 2021 financial year were Dia Retail España S.A.U., Petra Servicios a la Distribución, S.L.U., Beauty By DIA S.A.U., El Árbol Distribución y Supermercados, S.A.U., DIA Finance S.L.U. and Finandia S.A.U.

The Group subsidiaries in the 2020 financial year were Dia Retail España S.A.U., Petra Servicios a la Distribución, S.L.U., Beauty By DIA S.A.U., El Árbol Distribución y Supermercados, S.A.U., DIA Finance S.L.U., DIA Eshopping, S.L.U. and Finandia S.A.U.

All the companies in the tax group jointly determine their tax payment as a single taxable entity for Corporation Tax, subsequently distributing the individual tax charge corresponding to each entity.

The reconciliation between the net amount of revenue and expenditure for the financial year and the Company's taxable base (tax result) in the 2021 financial year is as follows:

2021	Thousands of Euro						
	Income statement			Income and expense taken to equity			
	Increases	Decreases	Net	Increases	Decreases	Net	Total
Income and expenses for the period	**-**	**(143,401)**	**(143,401)**	**-**	**-**	**-**	**(143,401)**
Income tax	433	-	433	-	-	-	433
Profit before tax	433	(143,401)	(142,968)	-	-	-	(142,968)
Permanent differences:							
individual company	141,110	(11,643)	129,467	-	-	-	129,467
Temporary differences:							
individual company							
originating during the year	7,754	-	7,754	-	-	-	7,754
originating in prior years	389	(701)	(312)	-	-	-	(312)
Taxable income	**149,686**	**(155,745)**	**(6,059)**	**-**	**-**	**-**	**(6,059)**

The positive permanent adjustment of 141,110 thousands of euros performed in settlement of Corporation Tax 2021 essentially comprised the non-deductible portfolio impairment of the company Dia Brasil and the fair value adjustment of a debt capitalised during the financial year amounting to 6,774 thousands of euros, which in accordance with the accounting standards and Article 17 of Corporation Tax Act 27/2014 must be valued at the time of capitalisation at its nominal value, which was less than the fair value.

The negative permanent adjustment of 11,643 thousands of euros performed in settlement of Corporation Tax 2021 essentially comprised the adjustment to the fair value of a debt capitalised during the financial year in the amount of 9,973 thousands of euros, which in accordance with the accounting standards and Article 17 of Corporation Tax Act 27/2014 must be valued at the time of capitalisation at its nominal value, which was greater than the fair value, and the expenses derived from capitalisation of the debt in the amount of 1,217 thousands of euros, recorded in the Voluntary Reserves account, considered to be deductible in accordance with the terms of Article 11.3 of Corporation Tax Act 27/2014.

The temporary differences increasing the 2021 taxable base corresponded essentially to the reversal of the freedom of amortisation applied in 2011 and 2012 on the basis of Royal Decree 13/2010 of 3 December 2010; the provision for non-deductible impairment derived from fixed assets, the provision for different non-tax-deductible accounting provisions and the provision established by the employee remuneration plan, which will be deductible at time of payment.

The temporary differences reducing the 2021 taxable base corresponded to the application of different criteria in the amortisation of goodwill, the reversal of different accounting provisions that were not tax-deductible and the payment of different items regarding employee remuneration plans in 2021.

The reconciliation between the net amount of revenue and expenditure for the financial year and the Company's taxable base (tax result) in the 2020 financial year is as follows:

2020	Thousands of Euro						
	Income statement			Income and expense taken to equity			
	Increases	Decreases	Net	Increases	Decreases	Net	Total
Income and expenses for the period	**-**	**(264,719)**	**(264,719)**	**-**	**-**	**-**	**(264,719)**
Income tax	-	(1,909)	(1,909)	-	-	-	(1,909)
Profit before tax	-	(266,628)	(266,628)	-		-	(266,628)
Permanent differences:							
individual company	251,646	(1,523)	250,123	-	-	-	250,123
Temporary differences:							
individual company							
originating during the year	1,925	-	1,925	-	-	-	1,925
originating in prior years	13,954	(28,827)	(14,873)	-	-	-	(14,873)
Taxable income	**267,525**	**(296,978)**	**(29,453)**	**-**	**-**	**-**	**(29,453)**

The positive permanent adjustment of 251,646 thousands of euros performed in the settlement of Corporation Tax 2020 essentially comprised the impairment of the portfolio of the company DIA Brasil, a provision through a legal procedure, the adjustment applied to remuneration and the adjustment derived from the settlement of the company Eshopping in 2020.

The negative permanent adjustment of 1,523 thousands of euros performed in settlement of Corporation Tax 2020 essentially comprised the application of the provision established at the time for the Personal Income Tax and VAT inspection for the 2013 and 2014 financial years and exemption from interest income derived from equity loans in accordance with the terms of Article 21 of Corporation Tax Act 27/2014.

The temporary differences increasing the 2020 taxable base corresponded essentially to the reversal of the freedom of amortisation applied in 2011 and 2012 on the basis of Royal Decree 13/2010 of 3 December 2010; the reversal of the impairment of the tax portfolio in DIA Argentina, in accordance with Royal Decree-Law 3/2016 of 2 December 2016; the application of different criteria in the amortisation of goodwill; and the provision endowed by the 2020 employee remuneration plan, which will be deductible at time of payment.

The temporary differences reducing the taxable base in 2020 corresponded to the reversal of the non-deductible impairment derived from fixed assets and the reversal of different provisions endowed in the accounts that were not deductible in previous financial years.

The reconciliation between the Corporate Tax Base and the amount payable/repayable for the 2021 and 2020 financial years is as follows:

	Thousands of Euro	
	2021	2020
Taxable income	**(6,059)**	**(29,453)**
Tax at (25%)	-	-
Deductions	-	-
Tax payable	**-**	**-**
Total tax payable	(112)	(314)
Withholdings and payments on account	(584)	(478)
Tax payable (+) recoverable (-) by the Company	**(696)**	**(792)**

At the date of presenting these accounts the tax authorities had already returned the 792 thousands of euros forecast at the close of the 2020 financial year.

The relationship between income tax expense and result before taxes for 2021 and 2020 is detailed below:

	Thousands of Euro			Thousands of Euro		
	2021			2020		
	Profit and loss	Equity	Total	Profit and loss	Equity	Total
Income and expenses for the period before tax	**(142,969)**	**-**	**(142,969)**	**(266,628)**	**-**	**(266,628)**
Tax at 25%	-	-	-	-	-	-
Income tax expenses in current year	-	-	-	-	-	-
Income tax expenses in prior years	-	-	-	728	-	728
Other adjustments	433	-	433	(2,638)	-	(2,638)
Income tax expenses / (income) from continuing operations	**433**	**-**	**433**	**(1,910)**	**-**	**(1,910)**

The detail and movement of temporary differences accumulated at 31 December 2021 and their corresponding deferred tax effect on assets or liabilities, in thousands of euro, was as follows:

	TEMPORARY DIFFERENCE					TAX EFFECT				
	2,020	Origin	Reversal	Other	2,021	2,020	Origin	Reversal	Other	2,021
Onerous Contracts	1,265	2,359	-	-	3,624	316	590	-	-	906
Provision for textiles	331	74	-	-	405	82	19	-	-	101
Provision Retirement ERE	3,772	-	-	(434)	3,338	943	-	-	(109)	834
Provision for franchising operations	1,703	261	-	-	1,964	425	65	-	-	490
Other provisions	316	-	(211)	-	105	79	-	(53)	-	26
Differences depreciation Goodwill	1,161	-	(8)	-	1,153	290	-	(2)	-	288
Leaseholds	545	-	-	(106)	439	136	-	-	(27)	109
Amortization intragroup goodwill	1,038	-	(71)	-	967	259	-	(18)	-	241
Equity instruments	1,352	-	-	-	1,352	338	-	-	-	338
Non-deductible impairment of fixed assets	6,067	958	-	(42)	6,983	1,516	239	-	(10)	1,745
Annuity Plan	3,306	-	(411)	(415)	2,480	827	-	(103)	(104)	620
LTIP	1,649	1,785	-	-	3,434	412	446	-	-	858
Non-deductible contract provision	-	2,318	-	-	2,318	-	580	-	-	580
DEFERRED TAX ASSETS NON RECOGNIZED	**22,505**	**7,755**	**(701)**	**(997)**	**28,562**	**5,623**	**1,939**	**(176)**	**(250)**	**7,136**
International double taxation deduction	-	-	-	-	-	-	-	-	2,878	2,878
Donation deduction	-	-	-	-	-	-	-	-	14	14
Unrecognised tax credits	374,719	6,018	-	1,368	382,105	93,679	1,505	-	342	95,526
OTHER DEFERRED TAX ASSETS NON RECOGNIZED	**374,719**	**6,018**	**-**	**1,368**	**382,105**	**93,679**	**1,505**	**-**	**3,234**	**98,418**
TOTAL DEFERRED TAX ASSETS NON RECOGNIZED	**397,224**	**13,773**	**(701)**	**371**	**410,667**	**99,302**	**3,444**	**(176)**	**2,984**	**105,554**

	TEMPORARY DIFFERENCE					TAX EFFECT				
	2,020	Origin	Reversal	Other	2,021	2,020	Origin	Reversal	Other	2,021
Accelerated depreciation 2011/2012	1,323	-	(389)	-	934	332	-	(97)	-	235
TOTAL DEFERRED TAX LIABILITIES	**1,323**	**-**	**(389)**	**-**	**934**	**332**	**-**	**(97)**	**-**	**235**

With regards temporary differences in assets not recognised during the 2021 financial year, tax credits were generated for unrecognised negative taxable bases in the amount of 1,505 thousands of euros. We should also indicate that the abovementioned tax credits based on negative taxable bases generated in 2021 entailed a base amounting to 6,018 thousands of euros which did not correspond to the entire negative taxable base of the Individual Company, amounting to 6,058 thousands of euros. This is due to the effect of the Group Companies with positive results reducing the Group's negative taxable base in the year.

The “Others” column reflects the movements derived from the presentation of Corporation Tax for the 2020 financial year.

The deduction for international double taxation was initially given in full in the hive-down. In its Corporate Income Tax presentation for the 2020 financial year, the Company concluded it had generated 2,878 thousands of euros in 2018 not derived from the business transferred in the hive-down, which were therefore ultimately reflected in the Company in 2021.

The detail and movement of temporary differences accumulated at 31 December 2020 and their corresponding deferred tax effect on assets or liabilities, in thousands of euro, was as follows:

	TEMPORARY DIFFERENCE					TAX EFFECT				
	2,019	Origin	Reversal	Other	2,020	2,019	Origin	Reversal	Other	2,020
Hedge depreciation 2013/2014	25,240	-	-	(25,240)	-	6,310	-	-	(6,310)	-
TOTAL DEFERRED TAX LIABILITIES	25,240	-	-	(25,240)	-	6,310	-	-	(6,310)	-

	TEMPORARY DIFFERENCE									
	2,019	Origin	Reversal	Other	2,020	2,019	Origin	Reversal	Other	2,020
Onerous Contracts	16,749	-	(2,426)	(13,058)	1,265	4,187	-	(607)	(3,264)	316
Provision for textiles	1,940	198	-	(1,807)	331	485	49	-	(452)	82
Provision Retirement ERE	3,772	-	-	-	3,772	943	-	-	-	943
Provision for franchising operations	6,325	-	(1,762)	(2,860)	1,703	1,581	-	(441)	(715)	425
Other provisions	316	-	-	-	316	79	-	-	-	79
Amortization intragroup goodwill	26,559	6	-	(25,404)	1,161	6,640	1	-	(6,351)	290
Leaseholds	692	-	-	(147)	545	173	-	-	(37)	136
Hedge depreciation 2013/2014	1,592	-	-	(1,592)	-	398	-	-	(398)	-
Amortization intragroup goodwill	5,813	73	-	(4,848)	1,038	1,453	18	-	(1,212)	259
Equity instruments	1,352	-	-	-	1,352	338	-	-	-	338
Pension commitments	1,623	-	-	(1,623)	-	406	-	-	(406)	-
Non-deductible impairment of fixed assets	46,729	-	(11,746)	(28,916)	6,067	11,682	-	(2,937)	(7,229)	1,516
Annuity Plan	-	-	-	3,306	3,306	-	-	-	827	827
LTIP	-	1,649	-	-	1,649	-	412	-	-	412
Impairment adjustment PPL Eshopping	-	-	(12,892)	12,892	-	-		(3,223)	3,223	-
Restated	321	-	-	(321)	-	80	-	-	(80)	-
DEFERRED TAX ASSETS NON RECOGNIZED	113,783	1,925	(28,827)	(64,378)	22,505	28,445	480	(7,208)	(16,094)	5,623
Amortization limit deduction (DT 37 L27/2014)	-	-	-	-	-	1,878	-	-	(1,878)	-
Universo Mujer deduction	-	-	-	-	-	1,415	-	-	(1,415)	-
International double taxation deduction	-	-	-	-	-	7,307	-	-	(7,307)	-
Unrecognised tax credits	624,351	29,241	-	(278,873)	374,719	156,087	7,310	-	(69,718)	93,679
OTHER DEFERRED TAX ASSETS NON RECOGNIZED	624,351	29,241	-	(278,873)	374,719	166,687	7,310	-	(80,318)	93,679
TOTAL DEFERRED TAX ASSETS NON RECO	738,134	31,166	(28,827)	(343,251)	397,224	195,132	7,790	(7,208)	(96,412)	99,302

	TEMPORARY DIFFERENCE					TAX EFFECT				
	2,019	Origin	Reversal	Other	2,020	2,019	Origin	Reversal	Other	2,020
Accelerated depreciation 2011/2012	6,988	-	(729)	(4,936)	1,323	1,748	-	(182)	(1,234)	332
Goodwill deductible purchases from third pa	5,026	-	-	(5,026)	-	1,256	-	-	(1,256)	-
Argentina	13,226	-	(13,226)	-	-	3,306	-	(3,306)	-	-
TOTAL DEFERRED TAX LIABILITIES	25,240	-	(13,955)	(9,962)	1,323	6,310	-	(3,488)	(2,490)	332

With regards temporary differences unrecognised assets, tax credits were generated in the Company in the 2020 financial year through negative unrecognised taxable bases in the amount of 7,310 thousands of euros. We should also indicate that the abovementioned tax credits based on negative taxable bases generated in 2020 entailed a base amounting to 29,241 thousands of euros which did not correspond to the entire negative taxable base of the Individual Company, amounting to 29,453 thousands of euros. This is due to the effect of the Group Companies with positive results reducing the Group’s negative taxable base in the year.

In 2020, following the hive-down, the Company transferred most of its deferred tax assets and liabilities to DIA Retail España, S.A.U.

The Company maintained as deferred tax that associated with assets and liabilities not transferred in the hive-down. The above notwithstanding, the deferred tax assets derived from deductions, credits through negative taxable bases for financial years 2018 and 2019 and the amortisation limit for financial years 2013 and 2014 were fully assigned.

Meanwhile, the Company maintained deferred tax assets derived from credits through negative taxable bases for the 2014 financial year, holding that these losses did not derive from the business transferred in the hive-down.

The right of the public authority to examine or investigate negative taxable bases offset or pending offsetting, double taxation deductions and deductions to incentivise the performance of certain activities applied or pending application become time-barred 10 years after the date when the period established for filing the return or self-settlement corresponding to the taxation period during which the right to offsetting or application was generated has expired. Upon expiry of said period, the Company must accredit the negative taxable bases or deductions by means of filing a settlement or self-settlement and accounting records, with accreditation of their deposit during said period with the Companies Register.

The balances of negative taxable bases at the end of the 2021 and 2020 financial years reveal the following amounts:

		2021	2020
		to be implemented (thousands of Euro)	to be implemented (thousands of Euro)
Year of origin			
2014	Tax Group 0487/12	345,478	345,478
2020	Tax Group 0487/12	30,609	29,241
2021	Tax Group 0487/12	6,018	-
	Total	**382,105**	**374,719**

Act 16/2013, establishing certain taxation measures, repeals Article 12.3 of Royal Legislative Decree 4/2004, approving the recast text of the Corporation Tax Act, allowing for the deduction on a taxable basis of impairment losses from the securities representing the stake in entity capital. At the same time, a transitional regime was established with the obligations to integrate the impairment losses generated prior to the new regulation into the taxable base. In this regard, Royal Decree-Law 3/2016 modified the aforementioned transitional regime and introduced a minimum reversal amount for losses which must be integrated annually. The amount to be included in the taxable base for Corporation Tax will therefore be the greater of the amount resulting from the positive difference in the Company's equity and one-fifth of the pending reversal.

In 2021, the impairment loss of DIA Argentina had already been reversed, so no adjustment was made to the taxable base.

In 2020 the sum integrated within the taxable base was one-fifth of the pending reversal of DIA Argentina, thereby completing the adjustment in this financial year.

	Thousands of Euro		
Company	Differrence in Equity	Integrated amount in tax base	Amount pending of Intregation
Dia Argentina, S.A.	Not applicable	13,226	-

During the 2011 financial year, DIA freely amortised the new elements of tangible fixed assets and real estate investments acquired during this financial year, pursuant to the additional provision 11 of the recast text of the Corporation Tax Act, in accordance with the terms of the text established by Royal Decree-Law 6/2010 of 9 April 2010 and Royal Decree-Law 13/2010 of 3 December 2010.

During the 2012 financial year, DIA freely amortised the new elements of the tangible fixed assets and real estate investments acquired up until 31 March of this financial year, pursuant to the additional provision 11 of the recast text of the Corporation Tax Act, in accordance with the terms of the text established by Royal Decree-Law 6/2010 of 9 April 2010, Royal Decree-Law 13/2010 of 3 December 2010 and the sole derogatory provision of Royal Decree-Law 12/2012 of 30 March 2012.

As part of the hive-down performed in 2020, in 2021 assets and liabilities of the Spanish business of DIA were contributed to the equity of DRE, amounting to 1,859,000 euro, subject to the tax neutrality regime and recorded by the acquiring party for the same amount:

Share	Balance at 1 January 2020	Increases	Decreases	Transfers	Balance at 31 December 2020
Luxembourg Investment Company 317, S.à.r.l.	371,400	118	-	1,859	373,377
Net Tax Value	**371,400**	**118**	**-**	**1,859**	**373,377**
Impairment	-	-	-	-	-
Net Book Value	**371,400**	**118**	**-**	**1,859**	**373,377**

Likewise, on the occasion of the hive-down, the following transfers of Company shares were performed in 2020, subject to the tax neutrality regime and recorded by the acquiring party for the same amount:

Share	Balance at 1 January 2020	Increases	Decreases	Transfers	Balance at 31 December 2020
Dia Portugal Supermercados, S.A.	80,547	-	-	(59,605)	20,942
Dia Retail España, S.A.U.	160,748	-	-	(160,748)	-
Dia World Trade, S.A.U.	843	-	-	(843)	-
Beauty by DIA, S.A.U.	51,372	-	-	(51,372)	-
Grupo El Arbol, Distribución y Supermercados, S.A.U.	150,000	-	-	(150,000)	-
Luxembourg Investment Company 317, S.à.r.l.	14	100	-	371,286	371,400
Luxembourg Investment Company 318, S.à.r.l.	15	-	-	(15)	-
Luxembourg Investment Company 319, S.à.r.l.	14	-	-	(14)	-
Luxembourg Investment Company 320, S.à.r.l.	15	-	-	(15)	-
Luxembourg Investment Company 321, S.à.r.l.	14	-	-	(14)	-
Luxembourg Investment Company 322, S.à.r.l.	15	-	-	(15)	-
Luxembourg Investment Company 323, S.à.r.l.	14	-	-	(14)	-
DIA FINANCE, S.L.U.	3	-	-	(3)	-
Net Tax Value	**443,614**	**100**	**-**	**(51,372)**	**392,342**
Impairment	(51,372)	-	-	51,372	-
Net Book Value	**392,242**	**100**	**-**	**-**	**392,342**

These transfers took place in different operations, cascaded in accordance with the following details:

Transaction date	Transaction	Transaction value
31/03/2020	DIA contribute DIA Portugal, Luxco 322	59,605
31/03/2020	DIA contribute DWT, DIA Retail España	843
Multiple-step transactions		**At 31 December 2020**
14/07/2020	1 . DIA contribute Luxco 320, DIA Retail	627,762
14/07/2020	2 . DIA contribute Luxco 319, Luxco 320	627,777
14/07/2020	2 . DIA contribute Luxco 319, Luxco 321	15
14/07/2020	2 . DIA contribute Luxco 319, Luxco 322	59,619
14/07/2020	2 . DIA contribute Luxco 319, Luxco 323	15
14/07/2020	3 . DIA contribute DIA Finance, Luxco 319	687,439
14/07/2020	4 . DIA contribute Luxco 318, DIA Finance	371,271
14/07/2020	5 . DIA contribute Luxco 317, Luxco 318	371,286

In 2021, the contribution of assets and liabilities from DIA to DRE amounting to 1,858 thousands of euros led to the accounting of an increase in shares and equity for the same amount in all intermediate companies between DIA and DRE.

21. ENVIRONMENTAL INFORMATION

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

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

The Company Directors considered there were no significant contingencies relating to the protection and improvement of the environment, deeming it unnecessary to recognise a provision for risks and expenses of an environmental nature at 31 December 2021.

22. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Balances with related parties

The breakdown of accounts receivable and accounts payable with group companies and their main features are set out in Notes 12 (a) and (b) and 19 (a) and (c).

(b) Company transactions with related parties

The amounts of Company transactions with group companies are set out below:

	Thousands of euro	
Balances with subsidiaries	**2021**	**2020**
Sales (note 23 a))	5,218	1,254,365
Other services rendered	20,427	74,395
Finance income	-	6,469
TOTAL REVENUES	**25,645**	**1,335,229**
Purchases	598,402	335,253
Raw materials and consumables used	1,700	1,657
Work carried out by the company for assets	30,056	31,618
Other operating expenses	6	489
External services	79,395	119,821
Finance expenses	852	127
TOTAL EXPENSES	**710,411**	**488,965**
Buildings	85	7
Machinery, installations, furniture and other fixed assets	612	243
TOTAL COST	**697**	**250**
Computer software	(34)	(29)
Buildings	(124)	(152)
Machinery, installations and furniture	(333)	(874)
Technical installations, machinery, equipment, furniture and other item:	(27)	(33)
Other fixed assets	(72)	(43)
Under construction and advances	-	(30)
TOTAL CARRYING AMOUNT	**(590)**	**(1,161)**

The variation in total revenue and expenditure with Group companies was associated with the transfer of the Group's central purchasing unit, which remained at the Company until 1 July 2020, after which it was managed by the company Dia Retail España, S.A.U. as a consequence of the hive-down.

Additionally, in 2021, financial expenses with group companies and associates include 3,894 thousand euros with the Letterone Group for the financial expenses derived from the financing granted prior to the capital increase.

(c) Information relating to Directors and Senior Management

Details of remuneration received by the Company's directors and senior management in 2021 and 2020 are as follows:

Thousands of Euro			
2021		**2020**	
Directors	**Senior mgt.**	**Directors**	**Senior mgt.**
670	7,089	4,954	9,798

In financial years 2021 and 2020 the directors earned remuneration of 670 and 617 thounsands of euro respectively (included in the above details) as board members.

Article 38.5 of the articles of association requires the disclosure of the remuneration earned by each of the members of the board of directors in 2021 and 2020. Details are as follows:

2021			Thousands of euro	
Members of Board Directors	**From**	**to**	**Financial**	**Fixed salary**
Mr. Christian Couvreux	01/01/2021	15/02/2021	50.0	21.4
Mr. José Wahnon Levy	01/01/2021	31/12/2022	-	150.0
Mr. Jaime García-Legaz	01/01/2021	31/12/2022	-	165.9
Ms. Basola Vallés	01/01/2021	31/12/2022	-	120.0
Mr. Stephan DuCharme	01/01/2021	31/12/2022	-	-
Mr. Sergio Antonio Ferreira Dias	01/01/2021	31/12/2022	-	-
Mr. Marcelo Maia	01/01/2021	31/12/2022	-	112.1
Mr. Vicente Trius Oliva	29/09/2021	31/12/2022	-	25.8
Ms. Luisa Delgado	01/11/2021	31/12/2022	-	25.1
Total			**50**	**620**

2020			Thousands of euro			
Members of Board Directors	**From**	**to**	**Fixed salary**	**Compesation**	**No competence**	**Others (Ret.Kind)**
Mr. Christian Couvreux	01/01/2020	31/12/2020	170.0	-	-	-
Mr. José Wahnon Levy	01/01/2020	31/12/2020	150.0	-	-	-
Mr. Jaime García-Legaz	01/01/2020	31/12/2020	183.0	-	-	-
Ms. Basola Vallés	14/01/2020	31/12/2020	114.0	-	-	-
Mr. Karl-Heinz Holland (*)	01/01/2020	20/05/2020	1,167.0	2,850.0	300.0	20.1
Mr. Michael Joseph Casey	01/01/2020	14/01/2020	-	-	-	-
Mr. Stephan DuCharme	01/01/2020	31/12/2020	-	-	-	-
Mr. Sergio Antonio Ferreira Dias	01/01/2020	31/12/2020	-	-	-	-
Total			**1,784**	**2,850**	**300**	**20**

(*) Remuneration as senior management and as director

Additionally, as a result of the new remunerations policy approved by shareholders at the Extraordinary General Meeting held on 30 August 2019, there was deferred remuneration in shares for non-proprietary directors, the accrual of which was initially estimated at 227 thousands of euros (200 thousands of euros euro in 2020) (see Note 18). As a result of the death of Christian Couvreux (see Note 1.a), shares net of withholdings amounting to 50 thousands of euros were handed over in the 2021 financial year (62 thousands of euros gross). These 50 thousands of euros were incorporated as remuneration in financial instruments in the 670 thousands of euros overall remuneration accruing to the Directors in 2021.

Neither the members of the board of directors nor senior management carried out any transactions other than ordinary business or any matters under terms other than market conditions with the Company or Group companies during the 2021 and 2020 financial years.

The civil liability insurance premiums paid in respect of directors and senior management personnel totalled 428 thousands of euros in 2021 (2020: 562 thousands of euros).

Conflicts of interest concerning directors

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

23. INCOME AND EXPENSES

(a) Revenues

Sales

The breakdown of sales by type is as follows:

	Thousands of Euro	
	2021	2020
Sales in own stores	445,101	541,366
Intercompany sales (note 22b))	5,218	1,254,365
Sales to franchise stores	339,904	323,602
On line sales	25,746	32,129
Other sales	-	272
Total	**815,969**	**2,151,734**

The decrease in the Group company sales line item is associated to the hive-down as explained in Note 22 (b).

Service Delivery

The 2021 and 2020 financial years essentially included under this line item the amounts corresponding to the rights licensed by DIA and ancillary technical and commercial assistance services provided to its franchisees. In addition, from the 2020 financial year onwards this line item includes the amount invoiced within the context of the new 2020 franchise model, as a percentage of the final sale of the franchisee by way of assignment of commercial use and monthly exploitation.

(b) Supplies

The breakdown of consumption of goods for resale, raw materials and other supplies is as follows:

	Thousands of Euro	
	2021	2020
Merchandise used		
Purchases	627,579	2,217,359
Purchase discounts, non-trade income and returns	(26,303)	(300,627)
Change in inventories	6,317	4,424
Total	**607,593**	**1,921,156**
Raw materials and consumables used		
Purchases	2,268	8,999
Change in inventories	-	(458)
Total	**2,268**	**8,541**
Subcontracted work	33,504	38,076
Impairment of merchandise, raw materials and other suppliers	74	(624)
Total	**643,439**	**1,967,149**

In 2021, the reduction in the supply line was associated with the transfer of the Group's central purchasing unit, which remained with the Company until 1 July 2020, after which it was managed by the company Dia Retail España, S.A.U. as a consequence of the hive-down.

(c) Personnel expenses

The detail of personnel expenses is as follows:

	Thousands of Euro	
	2021	2020
Salaries and wages	3,441	5,979
Severance	135	6,774
Social Security payable by the Company	73	1,004
Other employee benefits expenses	223	184
Provisions	1,551	1,649
Total	**5,423**	**15,590**

(d) External services

	Thousands of Euro	
	2021	2020
Rentals	54,353	65,168
Maintenance and security expenses	12,413	12,936
Fees	70,970	114,040
Advertising	5,277	5,169
Utilities	27,890	23,015
Cost-sharing	11,971	16,418
Travel expenses	664	1,131
Other general expenses	8,510	13,423
Total	**192,048**	**251,299**

(e) Profit/loss for impairment and fixed asset disposals

The breakdown of gains and losses for impairment and fixed asset disposal is as follows:

	Thousands of Euro	
	2021	2020
Impairment of intangible assets (note 5)	-	(7)
Impairment of property, plant and equipment (note 6)	2,673	40
Dispossals and retiremens of property, plant and equipment (note 6)	2,529	(1,546)
Total	**5,202**	**(1,513)**

The funds obtained through the disposal of fixed assets in 2021 amounted to 1,416 thousands of euros (3,241 thousands of euros in 2020), this amount having been generated mainly by the sale of a store owned by the Company.

(f) Non-trading and other operating income

The detail of non-operating income and other operating income is as follows:

	Thousands of Euro	
	2021	2020
Canons	2	2,385
Rental Income	1,054	3,977
Income from services rendered	10	28,747
Logistical Income	-	2,375
Franchise Income	8,563	10,971
Information services to suplliers	35	8,600
Other income	20,018	35,006
Total	**29,682**	**92,060**

The decreases under this line item were associated with the transfer of the Group's central purchasing unit, which remained with the Company until 1 July 2020, following which it was managed by the company Dia Retail España S.A.U as a consequence of the hive-down.

Additionally, since the entry into 2020 of the new franchise model 2020, which began in this year and which has continued to be implemented in 2021, concepts of billings to franchisees invoicing performed as ancillary and other current management revenue no longer falls under this line item and is invoiced as "Service delivery", forming a part of net turnover (see subsection (a) of this note).

24. FEES FOR AUDITS AND OTHER SERVICES PROVIDED BY THE AUDITOR

The audit company Ernst & Young, S.L., with regard to the Company's annual accounts, invoiced fees for professional services during the financial years ended at 31 December 2021 and 2020, respectively, as detailed below:

	2021
Thousands of Euros	Ernst & Young,S.L
Audit services	237
Other services relating to audit	351
Total	**588**

	2020
Thousands of Euros	Ernst & Young,S.L
Audit services	214
Other services relating to audit	398
Other services	136
Total	**748**

The amounts in the above tables include total fees for accrued services in 2021 and 2020, irrespective of the date of invoice.

25. COMMITMENTS AND CONTINGENCIES

Commitments pledged and received by the Company but not recognised on the balance sheet comprised contractual obligations not yet been executed. The two types of commitments related to cash and expansion operations. The Company also had lease contracts for future commitments undertaken and received.

Off-balance-sheet cash commitments comprised:

- Available credit facilities and syndicated loans unused at reporting date.
- Banking commitments received.

In the case of expansion operations, the undertakings given to undertake these operations were set out.

Finally, commitments related to real estate and furniture rental contracts were included in Note 8 “Operating leases - Lessee”.

Itemised details of commitments, in thousands of Euros, are as follows:

(a) Pledges

In thousands of Euro - 31 December 2021	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Guarantees	17	839	1,866	9,051	11,773
Purchase option on warehouses and others	-	-	-	550	550
Commercial contract commitments	2,760	1,806	890	-	5,456
Total	**2,777**	**2,645**	**2,756**	**9,601**	**17,779**

In thousands of Euro - 31 December 2020	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Guarantees	164	-	3,721	9,523	13,408
Purchase option on warehouses and others	-	-	-	550	550
Commercial contract commitments	3,488	2,934	2,967	-	9,389
Total	**3,652**	**2,934**	**6,688**	**10,073**	**23,347**

The Company is the guarantor of the provisions applied to lines of credit by its Spanish subsidiaries, amounting at 31 December 2021 and 2020 to 183,939 and 183,209 thousands of euros

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

Purchase options primarily include warehouse options.

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

In addition, the Company granted a guarantee with regards certain obligations with the subsidiary in Portugal, a guarantee by Société Générale for a maximum amount of 30,990 thousands of euros, expiring on 30 September 2022.

(b) Receipts

In thousands of Euro - 31 December 2021	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Unused credit facilities	2,000	-	-	-	2,000
Cash	**2,000**	**-**	**-**	**-**	**2,000**
Commercial contract commitments (note 10 d)	3,748	1,005	861	4,868	10,482
Operations / property / expansion	**3,748**	**1,005**	**861**	**4,868**	**10,482**
Total	**5,748**	**1,005**	**861**	**4,868**	**12,482**

In thousands of Euro - 31 December 2020	IN 1 YEAR	IN 2 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Unused credit facilities	1,699	-	-	-	1,699
Unused confirming lines	0	-	-	-	-
Cash	**1,699**	**-**	**-**	**-**	**1,699**
Commercial contract commitments (note 10 d)	5,023	1,936	917	6,485	14,361
Operations / property / expansion	**5,023**	**1,936**	**917**	**6,485**	**14,361**
Total	**6,722**	**1,936**	**917**	**6,485**	**16,060**

Guarantees received for commercial contracts correspond to guarantees received ensuring commercial agreements with franchisees.

26. EMPLOYEE INFORMATION

On 1 January 2020, as part of the hive-down and as explained in Note 1 (f), the employees were transferred to the Dia Retail España S.A.U. subsidiary so that only certain members of the Management remain registered with the Company.

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

	2021	2020
Management	5	6

The breakdown by gender of the Company's employees and directors is as follows:

	2021		2020	
	Female	Male	Female	Male
Board members	2	6	1	5
Senior management	1	4	1	3
Other management	-	-	-	1
Total	**3**	**10**	**2**	**9**

There were no persons employed by the Company over the 2021 or 2020 financial years with a handicap equal to or above 33% (or equivalent local classification).

There were 5 senior management executives at 31 December 2021 and 4 at 31 December 2020. Similarly, there were no executives on the Board of Directors at 31 December 2021 or 31 December 2020.

27. EVENTS AFTER THE REPORTING PERIOD

On 28 January 2022, the Company made a cash contribution of 25,700 thousands of euro to DIA Brasil.

On 25 February 2022, the Court of Appeals of Madrid fully revoked the judgment referred to in Note 17 under “Other civil proceedings”, by which: (i) the lawsuit filed by Mr Currás against DIA was fully upheld, DIA being ordered to pay 505,500 euro as compensation for the post-contractual non-competition agreement and 61,726 euro as director remuneration, plus legal interest since the legal proceedings, with DIA being awarded the costs of the lawsuit; and (ii) the counterclaim filed by DIA was rejected in full, the latter being awarded the costs occasioned to the other party. In addition, the costs incurred by Mr Currás with the DIA appeal were imposed on DIA. At 31 December 2021, DIA had an accounting provision for these amounts.

Against the aforementioned judgment of the Provincial Court of Madrid, it is possible to formulate extraordinary appeal for procedural infraction and / or cassation, which DIA intends to file within the period legally provided for it (see Note 17).

The Company has communicated to CNMV, through the publication of Other Relevant Information on February 28, 2022, March 15, 2022, and March 22, 2022 that, within the frame of the restrictive measures imposed by the UE as a reaction to the Ukrainian crisis and, in particular, in relation to the international sanctions against Russia, that the Company is controlled by Letterone Investment Holdings S.A. (“LIHS”), which holds 77.704% of its share capital, and in addition, that, according to the information available at that time and provided by LIHS, there is no LIHS individual shareholder that holds, individually or through agreement with other shareholder/s, control over LIHS. Therefore, the Company is not affected by the international sanctions adopted as a reaction to the Ukrainian crisis.

DIRECTORS' REPORT 2021

Distribuidora Internacional de Alimentación, S.A. (the company), has prepared this directors´resport, following the recommendations of the guide for the preparation of the directors´ report for listed compnaies issued by the CNMV on 29 July 2013.

2021 GROUP OPERATIONAL UPDATE

2021 has been a year of great progress for DIA, where it has advanced substantially in the execution of the strategy to fulfill the purpose of being CLOSER EVERY DAY. To this end, it has been worked on the implementation of the main transformation pillars announced in May 2020 and which are showing satisfactory results:

- Redefining the proximity store concept we all want, with new models already implemented in Spain, Argentina, and Portugal, where it has been transformed over 1,000 stores. In addition, Brazil has launched a store test, to confirm that the value proposition we are working on complies with the customers' expectations.
- Developing the ideal assortment through the renewal of private label and fresh produce, launching approximately 2,000 private label references, in the last two years, identified as "superbrands", raising even more the quality of the products and improving their value perception by the customers.
- Consolidating the partnership with the franchisees, an example of the value of local entrepreneurship, strengthening the new franchise model and creating spaces to meet with and listen to stakeholders. The new franchise model has been implemented in almost the entire network of stores in Spain and Portugal. In Argentina, the new model has been implemented in 75% of the store network and Brazil has established the new model and is ready for roll-out in 2022.
- Driving the digital evolution, designing a joint approach between the business units and the technology specialists to drive business growth in coming years. In addition, launching the Product unit has provided with a key accelerator for technological projects and solutions, such as the eCommerce platform and Express Delivery, among others.
- Reinforcing the CERCA values ("Close" in Spanish) (Customer, Entrepreneurship, Results, Confidence, and Learning) in order to guide the employees towards the construction of a new culture focused on customers and based on close, transparent and trusting relationships with collaborators, franchisees, and investors.
- Launching the 2021-2023 sustainability plan, with the aim of responding to the main current challenges, focusing on having an impact based on the strength: proximity.
- And, as a key element in consolidating the evolution, this year it has been managed to strengthen the capital and debt structure, providing the company with financial stability.

Despite these important advances, we continue to find ourselves in an ever-changing environment, with new market dynamics and a complex economic and social environment. Covid-19 continues to be a reality, not only in terms of health, but also its impact on the mobility of people and goods and that together with other macroeconomic factors affects to the production and cost of raw materials, products, and technological components, as well as on consumption habits and trends. This instability continues to rewrite the rules of the game, as may be the case with the cost of electricity, especially in countries such as Spain and Portugal, and with inflationary cost processes in all of the geographies.

DIA works to adapt to the reality of each market, with the confidence that it has the human talent to carry out the roadmap to make DIA a profitable company in a sustainable and solid way.

PARENT COMPANY EVOLUTION

The reduction in the headings of the income Statement is a consequence of the Hive Down (see notes 1(f) and 2(a) to the Financial Statements).

In 2021, the Company generated a net turnover of Euros 835.2 million euros. Accordingly, and jointly with its subsidiaries, it generated sales of Euros 6,647.7 million euros in 2021.

The Company's operating loss in 2021 was -8 million euros.

At 31 December 2021 the Company has recognised impairment of 134 million euros on the investment in the Brazilian subsidiary (238 million euros in 2020).

Finally, 2021 corporate income tax amounted to -0.4 million euros (1.9 million euros in 2020).

DIA: FY RESULTS 2021

(million of euros)	2021	%	2020	%	INC
Revenues	**835.2**	**100.0%**	**2,167.0**	**100.0%**	**-61.5%**
Supplies	(643.4)	-77.0%	(1,967.1)	-90.8%	-67.3%
Other operating income	29.7	3.6%	92.0	4.2%	-67.7%
Personnel expenses	(5.4)	-0.6%	(15.6)	-0.7%	-65.4%
Other operating expenses	(199.5)	-23.9%	(267.9)	-12.4%	-25.5%
Amortisation and depreciation	(19.4)	-2.3%	(21.0)	-1.0%	-7.6%
Impairment and gains/(losses) on disposal of fixed assets	(5.2)	-0.6%	1.5	0.1%	-446.7%
Result from operating activities	**(8.0)**	**-1.0%**	**(11.1)**	**-0.5%**	**-27.9%**
Net finance income (excluding financial instruments)	(1.0)	-0.1%	(17.7)	-0.8%	-94.4%
Impairment and losses on disposal of financial instruments	(134.0)	-16.0%	(237.8)	-11.0%	-43.7%
Net finance income	**(135.0)**	**-16.2%**	**(255.5)**	**-11.8%**	**-47.2%**
Lossses before income tax	**(143.0)**	**-17.1%**	**(266.6)**	**-12.3%**	**-46.4%**
Income tax	(0.4)	0.0%	1.9	0.1%	-121.1%
LOSSES FOR THE YEAR	**(143.4)**	**-17.2%**	**(264.7)**	**-12.2%**	**-45.8%**

WORKING CAPITAL AND NET DEBT

The Company’s negative working capital was 120.9 million euros at the end of 2021, representing a 41.1% decrease compared with the same period in the previous year. The decrease in trade and other payables is due to the adjustment in the maturities of commercial invoices with group companies. From 2021, commercial balances are transferred on the last day of the month of maturity and in previous periods they were transferred on the first day of the month following maturity (see note 19 (c) to the Financial Statements).

WORKING CAPITAL

(million of euros)	2021	2020	INC
Inventories	21.4	27.8	-23.0%
Trade and other receivables	32.9	35.7	-7.8%
Trade and other payables	(175.2)	(268.7)	-34.8%
Trade working capital	**(120.9)**	**(205.2)**	**-41.1%**

Net Debt came in at -42.0 million euros, 767 million euros less than at the end of 2020. By virtue of the Capital Increase undertaken during the 2021 financial year, the Company has been released from the majority of its financial liabilities, as explained in note 19 (b) to the Financial Statements.

NET DEBT

(million of euros)	2021	2020	INC
Non-current payables	*37.6*	*305.2*	*-87.7%*
Current payables	*31.7*	*436.4*	*-92.7%*
Total debt	69.3	741.6	-90.7%
Cash and cash equivalents	(111.3)	(16.6)	570.5%
Net debt	**(42.0)**	**725.0**	**-105.8%**

STORE NETWORK (DIA GROUP)

DIA GROUP	Owned	Franchised	Total
Total stores 31 December 2020	**3,487**	**2,682**	**6,169**
New openings	37	46	83
Net change from franchised to owned stores	-82	82	-
Closings	-215	-100	-315
Total DIA GROUP stores at 31 December 2021	**3,227**	**2,710**	**5,937**

SPAIN	Owned	Franchised	Total
Total stores 31 December 2020	2,441	1,477	3,918
New openings	23	17	40
Net change from franchised to owned stores	-172	172	-
Closings	-101	-68	-169
Total DIA Spain stores at 31 December 2021	**2,191**	**1,598**	**3,789**

PORTUGAL	Owned	Franchised	Total
Total stores 31 December 2020	298	267	565
New openings	11	2	13
Net change from franchised to owned stores	-35	35	-
Closings	-72	-7	-79
Total DIA Portugal stores at at 31 December 2021	**202**	**297**	**499**

BRAZIL	Owned	Franchised	Total
Total stores 31 December 2020	462	317	779
New openings	3	-	3
Net change from franchised to owned stores	131	-131	-
Closings	-26	-19	-45
Total DIA Brazil stores at at 31 December 2021	**570**	**167**	**737**

ARGENTINA	Owned	Franchised	Total
Total stores 31 December 2020	286	621	907
New openings	-	27	27
Net change from franchised to owned stores	-6	6	-
Closings	-16	-6	-22
Total DIA Argentina stores at at 31 December 2021	**264**	**648**	**912**

The Group as a whole has converted a net total of 82 own stores to franchised, driven by the reactivation of outsourcing through the new franchise model in Spain and Portugal. This has translated into 172 and 35 net stores transferred from own to franchises, respectively. Brazil remains inmersed in the process of optimising its franchise network, converting 131 net franchised stores into own during the year, as a prior step to the deployment of the new franchise model. In Argentina. 6 net stores were transferred from owned into franchised.

The Group has closed 244 stores (169 strategic closures in Spain, 45 in Brazil, 22 in Argentina and 8 in Portugal). In addition, during year 2021 Clarel business in Portugal was closed, representing 71 stores.

On the other hand, 83 new stores have been opened (55% as franchises and 45% as own stores) distributed in the 4 geographies in which the Group operates (40 in Spain, 27 in Argentina, 13 in Portugal and 3 in Brazil).

At the end of the year, the Group operated a sales area of 2,298 million square meters, 3.0% lower than the sales area operated at the end of 2020.

INFORMATION ABOUT THE FORESEEABLE EVOLUTION OF THE ENTITY

Year 2021 was marked by the successful completion of DIA Group's global operation. This operation was the most significant financial milestone in the last two years. This operation stablishes a stable long term capital structure and provides additional liquidity to the Company to support the Group's business transformation. On 4 August 2021, the Company announced a complete subscription of the 1,028 million euros capital increase, with a cash tranche of 259 million euros and the remaining 769 million euros consisted in the recapitalization of all credits held by the reference shareholder Letterone. New shares were admitted to trading on 13 August 2021 and resulted in a free float of 22.3% after the capital increase.

2021 was a year of great advances. Two years ago, DIA started an important transformation process with the aim of re-building trust and fostering long-term relationships with all company's stakeholders. DIA made significant progress on the strategic roadmap. DIA created a differentiated proximity offer and digital value propositions that distinguish DIA from its competitors in each of the four markets it is present.

Throughout 2021 DIA made significant progress in the implementation of the initiatives announced in 2020. These initiatives range, among others, on commercial and operational areas as well as on the franchise model.

Some relevant issues that could be highlighted in 2021 are:

- Redefining the proximity store concept we all want in each of our four geographies. Based on the customer value proposition defined to each of the four countries, in 2021 an important large-scale transformation process has been carried out in our stores, mainly in Spain, but also expanding to Portugal and Argentina. During 2021 DIA transformed over a thousand neighborhood stores located in Spain, Portugal, and Argentina.

- Continue developing the ideal assortment, at national, regional, and even local level, in accordance with the customer's value proposition. This task of covering customer necessities and satisfying needs is under continuous evolution. DIA is maintaining and even reinforcing the commercial focus on fresh products, which drive the neighborhood refill mission. All of this accompanied by the highest quality level of our private label, known as "Superbrand", where DIA have launched 2,000 references in 2021. These references combine quality and fun while offering and attractive packaging.

- DIA implemented the new franchise model, already announced in 2020, and based in a real partnership with local entrepreneurs, providing system processes and services, stablishing long term win-win relationships, and offering the best shopping experience to the customer.

  During 2021 the new franchise model was rolled-out in Spain, Portugal, and Argentina and, almost the full franchise network in all three countries operates in accordance with the new model (which does differ from country to country).

  2021 has been an important turning point in stopping the outflow of franchisees from the DIA system and currently is expanding the presence of franchises within the system (both existing franchisees that are increasing the number of franchised stores as well as new franchisees attracted to the new model).

  All of the above based on a constant monitoring of the franchisees' satisfaction metrics and continuous collaboration to ensure the lasting partnership nature of DIA's relationship with the franchisee partners.

- In terms of digital and technological transformation, DIA can highlight the reinforced presence in both ecommerce and express delivery. E-commerce and express delivery complement the proximity of the neighborhood stores, adding up a long-term and increasingly personalized omnichannel customer relationship. The efforts in 2021 were focused in strengthening our technology and product leadership to accelerate the digital offer roll-out.

In the short term DIA is redirecting the company towards a new culture based on trust and transparency, with the aim of achieving satisfactory and sustainable results for all the stakeholders.

RESEARCH, DEVELOPMENT AND INNOVATION ACTIVITIES

Since its creation, DIA has placed a strong emphasis on developing knowledge, management methods and business models that have allowed the Company to generate sustainable competitive advantages. Through franchising, DIA transfers all of its expertise to franchisees so that they can run a profitable and efficient business.

As established in IAS 38, DIA Group includes the development costs generated internally in the assets,once the project has reached a development phase, as long as they are clearly identifiable and linked to new commercial model projects and IT developments, to the extent that it can be justified that they will result in an increase in future profit for the Company.

The costs associated with R&D+i incurred by DIA during 2021 are, as a percentage, smaller compared to the rest of the costs arising from the development of activities aligned with its social objectives.

0.22 million euro was capitalised in 2020, corresponding to IT developments. During the 2021 financial year no activations have been made on this item.

OWN SHARES

Changes in own shares in 2021 and 2020 are as follows:

	Number of shares	Average price	Total
At 31 December 2019	**1,238,790**	**5.8540**	**7,251,906.75**
Delivery of shares to Members of Board Director	(254,310)		(1,488,736.91)
At 31 December 2020	**984,480**	**5.8540**	**5,763,169.84**
Delivery of shares to Members of Board Director	(409,177)		(2,395,332.10)
Share purchase	28,332,781		474,177.48
At 31 December 2021	**28,908,084**	**0.1329**	**3,842,015.22**

During the 2021 financial year 409,177 shares valued at 2,395 thousand euros were handed over by way of remuneration to the Directors. The difference between the value of the shares handed over and the value of own shares, amounting to a negative amount of 2,346 thousands of euro, was taken to voluntary reserves.

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

In 2020, 254,310 shares were delivered for an amount of 1,489 thousands of euros, on account of remuneration paid to directors in accordance with the previous policy and which were pending payment at 31 December 2019. The difference between the value of the shares handed over and the value of own shares, amounting to a negative amount of 1,450 thousand of euros, was taken to voluntary reserves.

At 31 December 2021 the Company held 28,908,084 own shares with an average purchase price of 0.1329 euro per share, representing a total amount of 3,842,015.22 euro.

AVERAGE PAYMENT PERIOD TO SUPPLIERS

The information required from companies under the reporting requirement established in Spanish Act 15/2010 of 5 July 2010, amending Spanish Act 3/2004 of 29 December 2004 and introducing measures to combat late payments in commercial transactions, is as follows:

	2021	2020
	Days	Days
Average payment period to suppliers	52	46
Payment operations ratio	54	46
Pending payment transactions ratio	42	39
	Amount (euros)	Amount (euros)
Total payments made	871,545,722	2,497,725,985
*Total payment pending	145,529,099	231,283,159

*This amount does not include non-billed receips or invoices used as the above mentioned reverse factoring lines at the close of financial year.

The previous average payment period considers in the calculation the confirming with suppliers, being the payment terms established in said agreements less than 90 days.

LIQUIDITY

The Company undertakes prudent management of liquidity risk based on maintaining sufficient cash and tradable securities, the availability of finance by means of a sufficient sum of agreed credit facilities and enough capacity to liquidate market positions. Given the dynamic nature of its underlying business, the Group's Finance Department aims to be flexible with regards financing through drawdowns on contracted credit facilities.

Within the context of the recapitalisation and global refinancing in progress, on 2 September 2021 the Company formalised the modification and overhaul of the SFA, by virtue of which, effective from the abovementioned date, (i) the maturity date of Facilities A-F was extended (amounting to a total of 902,426 thousands of euro) ("Senior Facilities") from 31 March 2023 to 31 December 2025, (ii) the margin applicable to Senior Facilities in favour of Syndicated Lenders was increased from 2.5% to 3.0% per year, and (iii) other terms and conditions of the SFA were modified.

Also on 2 September 2021, the amendment to the terms and conditions of the 2023 bonds approved by the Board of Bondholders on 20 April 2021 came into effect. This comprised (a) extension of the maturity date from 6 April 2023 to 30 June 2026, and (b) increase in the coupon of the 2023 bonds, effective from 02 September 2021, to 3.5% per annum (3% cash and 0.50% PIK), plus an increase of 1% PIK in certain circumstances provided for in the SFA agreed within the context of the Global Operation (see further detail in note 19 (b)).

The directors therefore believe that the capitalisation of DIA Group, together with the release of a material part of its financial liabilities, as well as the extension of the maturity date of certain financial debts, have allowed to reinforce the Company's equity situation, substantially reduce the DIA Group financial debt, eliminate the risk of refinancing in the medium term, ensure that operational financing needs are met and provide a long-term viable capital structure for DIA Group.

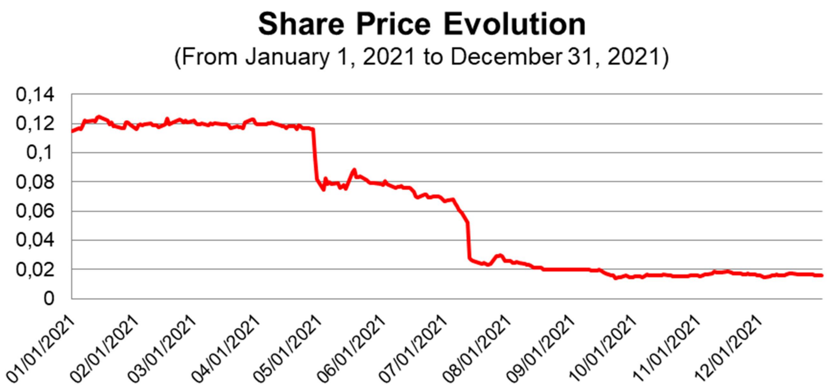
The Company's exposure to liquidity risk at 31 December 2021 and 2020 is shown below. The tables below reflect the analysis of financial liabilities by contracted maturity.

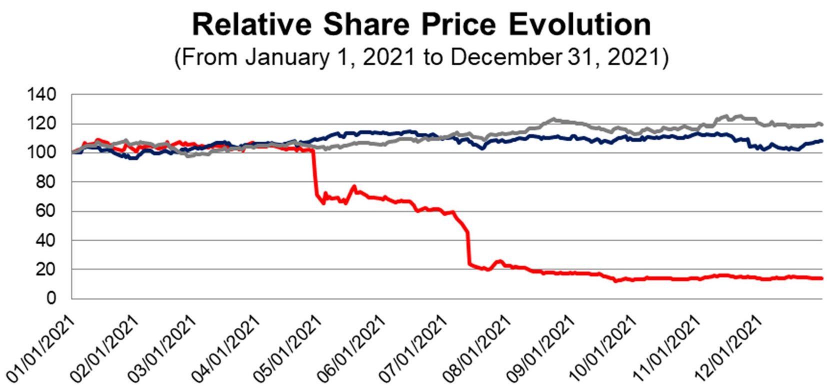
Thousands of Euro	Maturity	2021
Bonds and other securities	2026	30,800
Debt with financial institutions		(13)
Other financial liabilities	2025	*(13)*
Finance lease payables	2023-2027	1,513
Guarantees and deposits received	per contract	4,791
Suppliers of fixed assets	2023	489
Total non-current financial liabilities		**37,580**
Bonds and other securities	2022	467
Debt with financial institutions		293
Interests	2022	*293*
Finance lease payables	2022	1,837
Suppliers of fixed assets	2022	15,115
Other debts	2022	609
Other non-current liabilities	2022	2,306
Guarantees and deposits received	2022	9,048
Payables to group companies	2022	2,034
Suppliers	2022	4,861
Suppliers, group companies	2022	133,950
Other payables	2022	30,641
Personnel	2022	1,857
Advances to customers	2022	7
Total current financial liabilities		**203,025**

Thousands of Euro	Maturity	2020
Bonds and other securities	2022 and 2023	295,599
Debt with financial institutions		301
Credit facilities drawn down	2023	*301*
Finance lease payables	2022-2025	2,323
Guarantees and deposits received	per contract	4,196
Suppliers of fixed assets	2022	489
Other non current liabilities	2022	2,305
Total non-current financial liabilities		**305,213**
Bonds and other securities	2021	303,795
Debt with financial institutions		295
Interests	2021	*295*
Finance lease payables	2021	1,835
Suppliers of fixed assets	2021	14,286
Other debts	2021	587
Other non-current liabilities	2021	1,500
Current interest on payables	2021	213
Guarantees and deposits received	2021	7,272
Payables to group companies	2021	106,613
Suppliers	2021	9,778
Suppliers, group companies	2021	219,384
Other payables	2021	30,653
Personnel	2021	1,837
Advances to customers	2021	56
Total current financial liabilities		**698,104**

The finance costs accrued on these financial liabilities totalled 11,246 and 24,900 thousands of euro in 2021 and 2020, respectively.

STOCK EXCHANGE INFORMATION





In 2021 DIA's share price dropped 86.1% due in part to the capitalization of capital carried out, while IBEX 35 increased by 7.9% and Bloomberg Europe 500 Food Retailers Index increased by 19.4%.

In the same period, DIA's share price closed at 0.0159 euros per share, being the average share price for the period 0.0625 euros per share.

CREDIT RATING

As of 11 of March of 2021, the Company announced that the services in respect of the Company's long-term corporate issue rating, its probability of default rating, its senior unsecured long-term rating and its senior unsecured MTN program rating provided by Standard & Poor's Financial Services ("S&P") and Moody's Investors Service ("Moody's") were cancelled.

DIVIDEND POLICY

The Group has entered into a Syndicated Financing Agreement with a series of Financial Creditors originally signed on 31 December 2018, modified and refinanced on different occasions and maturing on 31 March 2025. This agreement includes a commitment by the Company to not distribute Parent company dividends to shareholders without the agreement of the Syndicated Lenders until the debt held with them has been repaid in full.

EVENTS FOLLOWING THE CLOSE OF THE PERIOD

On 28 January 2022, the Company made a cash contribution of 25,700 thousands of euro to DIA Brasil.

On 25 February 2022, the Court of Appeals of Madrid fully revoked the judgment referred to in Note 17 under "Other civil proceedings", by which: (i) the lawsuit filed by Mr Currás against DIA was fully upheld, DIA being ordered to pay 505,500 euro as compensation for the post-contractual non-competition agreement and 61,726 euro as director remuneration, plus legal interest since the legal proceedings, with DIA being awarded the costs of the lawsuit; and (ii) the counterclaim filed by DIA was rejected in full, the latter being awarded the costs occasioned to the other party. In addition, the costs incurred by Mr Currás with the DIA appeal were imposed on DIA. At 31 December 2021, DIA had an accounting provision for these amounts.

Against the aforementioned judgment of the Provincial Court of Madrid, it is possible to formulate extraordinary appeal for procedural infraction and / or cassation, which DIA intends to file within the period legally provided for it (see Note 17 to the Financial Statements).

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OTHER INFORMATION

DIA’s Corporate Governance Report and the Annual Report on Directors Remuneration are part of the Director’s Report and are available at www.diacorporate.com and published as other relevant information on the CNMV (Spanish National Securities Market Commission) website.

In accordance with the Law 11/2018, of December 28 regarding non-financial information and diversity, the DIA Group has prepared the "NON-FINANCIAL INFORMATION STATEMENT" related to the 2021 financial year, which is part, as established in articles 44 and 49 of the Commercial Code of this Director’s Report and which is attached on the Consolidated Annual Accounts and Consolidated Directors’ Report.