Report on Limited Review

DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.
Condensed Interim Consolidated Financial Statements and Management Report
for the six months ended
June 30, 2019

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REPORT ON LIMITED REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

To the shareholders of Distribuidora Internacional de Alimentación, S.A. and Subsidiaries
At the request of the Company's directors

Report on the condensed interim consolidated financial statements

Introduction

We have carried out a limited review of the accompanying condensed interim consolidated financial statements (hereinafter the interim financial statements) of Distribuidora Internacional de Alimentación, S.A. (hereinafter the parent) and subsidiaries (hereinafter the Group), which comprise the statement of financial position at June 30, 2019, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, and the explanatory notes thereto, all of which have been condensed and consolidated, for the six-month period then ended. The parent's directors are responsible for the preparation of said interim financial statements in accordance with the requirements established by International Accounting Standard (IAS) 34, "Interim Financial Reporting," as adopted by the European Union for the preparation of interim condensed financial reporting as per article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope

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

Conclusion

During the course of our limited review, which under no circumstances can be considered an audit of accounts, no matter came to our attention which would cause us to believe that the accompanying interim financial statements for the six-month period ended June 30, 2019 have not been prepared, in all material respects, in accordance with the requirements established in International Accounting Standard (IAS) 34, "Interim Financial Reporting," as adopted by the European Union in conformity with article 12 of Royal Decree 1362/2007 for the preparation of interim financial statements.

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid -Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Emphasis of matter paragraphs

Going concern principle

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

Notes 1 and 2.4 of the accompanying explanatory notes describe the current status of the measures adopted by the General Shareholders' Meeting and the Board of Directors of the Group's parent, as well as Management's assessment of said status, in relation to applying the principle of going concern, after considering the significant measures adopted by the Group to restore its equity and financial position. In this regard, the parent's directors state in said note 2.4 that the actions taken in 2019, coupled with the commitment acquired by the majority shareholder to carry out a capital increase, which will ultimately enable the Group to continue as a going concern and achieve its long-term targets.

Information on the interim financial statements

We draw attention to the matter described in accompany explanatory Note 2, which indicates that the abovementioned accompanying interim financial statements do not include all the information that would be required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. Therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2018. This matter does not modify our conclusion.

Report on other legal and regulatory requirements

The accompanying consolidated interim management report for the six-month period ended June 30, 2019 contains such explanations as the parent's directors consider necessary regarding significant events which occurred during this period and their effect on these interim financial statements, of which it is not an integral part, as well as on the information required in conformity with article 15 of Royal Decree 1362/2007. We have checked that the accounting information included in the abovementioned report agrees with the interim financial statements for the six-month period ended on June 30, 2019. Our work is limited to verifying the consolidated interim management report in accordance with the scope described in this paragraph, and does not include the review of information other than that obtained from the accounting records of Distribuidora Internacional de Alimentación, S.A. and its subsidiaries.

Paragraph on other issues

This report has been prepared at the request of the directors with regard to the publication of the half yearly financial report required by article 119 of Royal Legislative Decree 4/2015, of October 23, approving the consolidated text of the Securities Market Law enacted by Royal Decree 1362/2007 of October 19.

ERNST & YOUNG, S.L.

(Signed on the original version in Spanish)

José Luis Ruiz

September 16, 2019

Distribuidora Internacional de Alimentación, S.A. and Subsidiaries

Condensed Consolidated Interim Financial Statements and Condensed Consolidated Interim Directors Report

for the six-month period

ended 30 June 2019

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

DIA

DIA

Distribuidora Internacional de Alimentación, S.A. and Subsidiaries

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six-month period ended 30 June 2019

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (I)

at 30 June 2019 and 31 December 2018

(Expressed in thousands of Euros)

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

ASSETS	Notes	2019 30 June	Restated (*) 2018 31 December
Property, plant and equipment	4	1,187,174	1,328,007
Goodwill	5.1	496,705	503,583
Use of right	5.2	702,776	-
Other intangible assets	5.3	45,067	48,927
Investments accounted for using the equity method	7	3,368	9,182
Trade and other receivables	6.1	58,862	73,121
Other non-current financial assets	6.2	67,665	77,721
Non-current tax assets	15	55,081	43,888
Deferred tax assets	15	95,143	74,672
Non-current assets		2,711,841	2,159,101
Inventories	9	490,970	597,355
Trade and other receivables	6.1	111,552	193,469
Consumer loans from financial activities		-	20
Current tax assets	15	41,883	38,029
Current income tax assets	15	11,761	10,143
Other current financial assets	6.2	7,590	11,361
Other assets	8	9,522	7,392
Cash and cash equivalents	10	122,693	239,843
		795,971	1,097,612
Non-current assets held for sale	11	3,392	15,100
Current assets		799,363	1,112,712
TOTAL ASSETS		3,511,204	3,271,813

(*) Restated amounts (see note 2)

DIA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (I)

at 30 June 2019 and 31 December 2018

(Expressed in thousands of Euros)

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

EQUITY AND LIABILITIES	Notes	2019 30 June	Restated (*) 2018 31 December
Capital	12.1	62,246	62,246
Reserves	12.2	(138,033)	246,701
Own shares	12.3	(7,252)	(55,861)
Other own equity instruments	12.3 and 16	4,270	6,820
Net losses for the period	12.2	(418,675)	(352,587)
Translation differences	12.5	(68,763)	(73,394)
Value adjustments due to cash flow hedges		(2)	13
Equity attributable to equity holders of the Parent		(566,209)	(166,062)
Total Equity		(566,209)	(166,062)
Non-current borrowings	13.1	1,240,373	920,354
Provisions	14	56,601	47,604
Other non-current financial liabilities	13.2	205	2,291
Deferred tax liabilities	15	17,596	-
Non-current liabilities		1,314,775	970,249
Current borrowings	13.1	1,389,547	775,592
Trade and other payables	13.3	1,180,100	1,448,928
Current tax liabilities	15	67,115	76,046
Current income tax liabilities	15	-	664
Other current financial liabilities	13.4	120,841	166,396
		2,757,603	2,467,626
Liabilities directly associated with non-current assets held for sale	11	5,035	-
Current liabilities		2,762,638	2,467,626
TOTAL EQUITY AND LIABILITIES		3,511,204	3,271,813

(*) Restated amounts (see note 2)

DIA

CONSOLIDATED INCOME STATEMENTS (II)

for the six-month periods ended 30 June 2019 and 2018

(Expressed in thousands of Euros)

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

INCOME STATEMENT	Notes	2019 30 June	Restated (*) 2018 30 June
Sales	3 and 17	3,444,514	3,701,836
Other income	18.1	39,778	75,212
TOTAL INCOME		**3,484,292**	**3,777,048**
Goods and other consumables used	18.2	(2,787,504)	(2,894,710)
Personnel expenses	18.3	(428,167)	(406,441)
Operating expenses	18.4	(219,398)	(322,789)
Depreciation and amortization	18.5	(265,274)	(119,010)
Impairment of non-current assets	18.5	(11,594)	(3,275)
Impairment of trade debtors	6.1	(35,756)	(10,025)
Losses on disposal of fixed assets	18.6	(51,602)	(5,684)
RESULT FROM OPERATING ACTIVITIES		**(315,003)**	**15,114**
Finance income	18.7	5,096	5,768
Finance expenses	18.7	(116,889)	(36,380)
Gain from net monetary positions	18.9	36,113	17,771
Profit/(losses) of companies accounts for using the equity method	18.10	(12,717)	(96)
(LOSSES)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**(403,400)**	**2,177**
Income tax	15	5,448	(23,769)
(LOSSES)/PROFIT AFTER TAX FROM CONTINUING OPERATIONS		**(397,952)**	**(21,592)**
Losses net of taxes of discontinued operations	11	(20,723)	(8,026)
NET LOSSES		**(418,675)**	**(29,618)**
Atributted to:			
Equity holders of the Parent		(418,675)	(29,483)
Non-controlling interests		-	(135)

(*) Restated amounts (see note 2)

DIA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (III)

for the six-month periods ended 30 June 2019 and 2018

(Expressed in thousands of Euros)

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

	2019 30 June	Restated (*) 2018 30 June
Losses net for the period	(418,675)	(29,618)
Other comprehensive income:		
Items not subject reclassifications to income statement	-	-
Items subject to reclassification to income statement		
Translation differences of financial statements of foreign operations	4,631	(30,659)
	4,631	(30,659)
Value adjustments due to cash flow hedges	(20)	125
Tax effect	5	(31)
	(15)	94
Other comprehensive income, net of income tax	4,616	(30,565)
Total comprehensive income, net of income tax	(414,059)	(60,183)
Atributed to:		
Equityholders of the Parent	(414,059)	(60,048)
Non-controlling interest	-	(135)
	(414,059)	(60,183)

(*) Restated amounts (see note 2)

DIA

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (IV)

for the six-month periods ended 30 June 2019 and 2018

(Expressed in thousands of Euros)

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

	Equity attributable to equityholders of the Parent									
	Registered capital	Reserves and accumulated earnings	Net losses	Own shares	Other own equity instruments	Value adjustments due to cash flow hedges	Translations differences	Equity attributable to the Parent	Minority interest	Total equity
At 1 January 2018 (restated)	**62,246**	**244,256**	**101,208**	**(60,359)**	**10,773**	**(55)**	**(100,777)**	**257,292**	**(100)**	**257,192**
Trasnfer of translation differences to reserves (Argentina)	-	(45,178)	-	-	-	-	45,178	-	-	-
Argentina hyperinflation adjustments	-	62,145	-	-	-	-	-	62,145	-	62,145
Transfer of the losses of the previous year	-	101,208	(101,208)	-	-	-	-	-	-	-
Net losses for the period (restated)	-	-	(29,483)	-	-	-	-	(29,483)	(135)	(29,618)
Other comprenshive income, net of income tax	-	-	-	-	-	94	(30,659)	(30,565)	-	(30,565)
Translation differences of financial statements of foreign operations	-	-	-	-	-	-	(30,659)	(30,659)	-	(30,659)
Value adjustments due to cahs flow hedges	-	-	-	-	-	94	-	94	-	94
Total comprehensive income for the period	**-**	**-**	**(29,483)**	**-**	**-**	**94**	**(30,659)**	**(60,048)**	**(135)**	**(60,183)**
Transacitions with equityholders or owners	-	(110,724)	-	4,498	(4,858)	-	-	(111,084)	-	(111,084)
Distribution of the result of 2017	-	(110,186)	-	-	-	-	-	(110,186)	-	(110,186)
Issuance of share-based payments	-	-	-	-	697	-	-	697	-	697
Transactions with own shares or equity holdings	-	(129)	-	4,498	(5,555)	-	-	(1,186)	-	(1,186)
Other variations in equity	-	(409)	-	-	-	-	-	(409)	-	(409)
At 30 June 2018 (restated)	**62,246**	**251,707**	**(29,483)**	**(55,861)**	**5,915**	**39**	**(86,258)**	**148,305**	**(235)**	**148,070**
At 1 January 2019	**62,246**	**246,701**	**(352,587)**	**(55,861)**	**6,820**	**13**	**(73,394)**	**(166,062)**	**-**	**(166,062)**
Argentina hyperinflation adjustments	-	8,112	-	-	-	-	-	8,112	-	8,112
Transfer of the losses of the previous year	-	(352,587)	352,587	-	-	-	-	-	-	-
Net losses for the period	-	-	(418,675)	-	-	-	-	(418,675)	-	(418,675)
Other comprenshive income, net of income tax	-	-	-	-	-	(15)	4,631	4,616	-	4,616
Translation differences of financial statements of foreign operations	-	-	-	-	-	-	4,631	4,631	-	4,631
Value adjustments due to cahs flow hedges	-	-	-	-	-	(15)	-	(15)	-	(15)
Total comprehensive income for the period	**-**	**-**	**(418,675)**	**-**	**-**	**(15)**	**4,631**	**(414,059)**	**-**	**(414,059)**
Transacitions with equityholders or owners	-	(40,259)	-	48,609	(2,550)	-	-	5,800	-	5,800
Issuance of share-based payments	-	-	-	-	609	-	-	609	-	609
Adjusment issuance of share-based payments	-	2,476	-	306	(2,782)	-	-	-	-	-
Delivery of own shares	-	(2,073)	-	2,386	(377)	-	-	(64)	-	(64)
Transactions with own shares or equity holdings	-	(40,662)	-	45,917	-	-	-	5,255	-	5,255
At 30 June 2019	**62,246**	**(138,033)**	**(418,675)**	**(7,252)**	**4,270**	**(2)**	**(68,763)**	**(566,209)**	**-**	**(566,209)**

DIA

CONSOLIDATED STATEMENTS OF CASH FLOWS (V)

for the six-month periods ended 30 June 2019 and 2018

(Expressed in thousands of Euros)

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

	Notes	2019 30 June	Restated (*) 2018 30 June
Operating activities			
LOSS/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		(403,400)	2,177
Loss before tax from discontinued operations		(20,723)	(9,632)
Loss before income tax		*(424,123)*	*(7,455)*
Adjusmtents to Profit and Loss:		*501,977*	*134,984*
Depreciation and amortization	18.5	265,274	119,010
Impairment of non current assets	18.5	11,594	3,275
Impairment of trade debtors	6.1	35,756	10,025
Losses on disposal of non current assets	18.6	51,602	5,684
Profit on the disposal of fixed assets		-	(14,109)
Finance income	18.7	(5,096)	(5,768)
Finance expenses	18.7	116,889	36,380
Changes of provisions and grants		8,267	(1,737)
Other adjustements of discontinued operations	11	-	1,691
Other adjustments to Profit and Loss		4,974	(19,563)
Share of (Profit)/loss of companies accounted for using the equity method net of dividends	18.10	12,717	96
Adjusments to working capital:		*(99,329)*	*(356,040)*
Changes in trade and other receivables		51,963	54,941
Change in inventories		106,384	2,771
Changes in trade and other payables		(277,549)	(359,693)
Changes in consumer loan and refinancing commitments		20	947
Change in other assets		(5,754)	4,153
Change in other liabilities		15,489	(30,810)
Changes in working capital of discontinued operations	11	12,686	(15,787)
Current income tax payables		(2,568)	(12,562)
Net cash flow form/(used in) operating activities		*(21,475)*	*(228,511)*
Investing activities			
Purcharses of intangible assets	5.1 and 5.2	(6,804)	(2,277)
Development cost	5.2	(4,129)	(8,273)
Payments of property, plant and equipment	4	(112,255)	(183,619)
Payment of financial instruments		12,027	(17,108)
Disposals of intangible assets		1,000	-
Disposals of property, plant and equipment	18.6	3,625	42,987
(Payments)/Collections for other financial assets		3,306	(3,117)
Interest recevied	18.7	4,220	3,710
Financing flows of discontinued operations	11	-	675
Net cash flow used in investing activities		*(99,010)*	*(167,022)*
Financing activities			
Charge for sale of own shares	12.3 a)	5,255	-
Financial lease payments	13.1 c)	(162,627)	-
Borrowings made	13.5	244,358	217,518
Payments from other financial liabilities		961	(3,948)
Interest paid	18.7	(73,300)	(40,186)
Financing flows of discontinued operations	11	-	29
Net cash flow form/(used in) financing activities		*14,647*	*173,413*
Net changes in cash and cash equivalents		*(105,838)*	*(222,120)*
Net foreign exchanges differences		(11,312)	57,734
Cash and cash equivalents at 1st January	10	*239,843*	*340,193*
Cash and cash equivalents at 30th June	10	*122,693*	*175,807*

(*) Restated amounts (see note 2)

Explanatory Notes to the Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2019 (VI)

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

1. CORPORATE INFORMATION

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

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

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

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

Relevant events occurring during the six-month period

1.1. Appointment of a new auditor

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

1.2. Approval of the Parent company's capital increase

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

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

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

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

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

PTB

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

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

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

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

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

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

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

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

Renewal of the Board of Directors

In relation to the third condition of the capital increase promoted by LetterOne and in light of the Bid settlement, on 21 May 2019 the Board of Directors was reorganised, accepting the resignations filed by board members Richard Golding, Mariano Martín Mampaso, Antonio Urcelay Alonso, María Garaña Corces, Julián Díaz González, Angela Spindler and Borja de la Cierva Álvarez de Sotomayor as directors and members of the Company's Board of Director's committees as a consequence of the positive outcome of the aforementioned Bid by LetterOne and the resulting change in Company control. Stephan DuCharme, Michael Joseph Casey, Sergio Antonio Ferreira Dias and Karl-Heinz Holland were appointed as co-opted proprietary external directors (at the proposal of LetterOne) and Christian Couvreux and José Wahnon Levy were appointed as co-opted independent directors. Furthermore, the following appointments were made within the Board of Directors and its committees:

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

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

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

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

Lastly, the resignations presented by the Secretary and Vice-secretary of the Board of Directors, Ramiro Rivera Romero and Miguel Ángel Iglesias Peinado were accepted, and Álvaro López-Jorrín Hernández and Lisa Giroux were appointed as the new Secretary and Vice-secretary of the Board. As a result of the above, the Board of Directors of the Company and its committees are currently organised as follows:

Board of Directors:

Chairperson: Stephan DuCharme (external proprietary director).

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

Directors: Michael Joseph Casey (external proprietary director).

Christian Couvreux (independent director).

Sergio Antonio Ferreira Dias (external proprietary director).

Jaime García-Legaz Ponce (independent director).

José Wahnon Levy (independent director).

Audit and Compliance Committee:

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

Jaime García-Legaz Ponce (independent director).

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

Appointment and Remuneration Committee:

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

Stephan DuCharme (external proprietary director).

Jaime García-Legaz Ponce (independent director).

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

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

Agreement with the syndicated loan lenders

After the settlement of the LetterOne Bid and the renewal of the Board of Directors, on 25 June 2019 the market was informed of the agreement reached between LetterOne and all the lenders of the syndicated loan held by DIA subject to certain Suspensive Conditions, establishing the deadline for completion or withdrawal of these conditions, at the earliest between (a) the "Lock-Up Agreement" date in accordance with its terms, and (b) 15 July 2019 (or any subsequent date agreed by a majority of the lenders).

The main agreements reached include:

i. The terms under which the existing bank loan will be amended and refunded.

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

iii. The possibility of obtaining new secured super senior funding lines, under terms that the Parent considers satisfactory, for a total amount of up to Euros 280 million, of which binding commitments have been obtained for approximately Euros 270.8 million (see note 13.1 (b).

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

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

On 18 July 2019 the Parent announced compliance with the Suspensive Conditions governing the effectiveness of the agreement and confirmed its subscription, as borrower, of two participating loans granted by its majority shareholder LetterOne, dated 29 May 2019 and 26 June 2019, respectively, and amounting to Euros 40 million and

Euros 450 million, respectively. Accordingly, (a) the Parent had received from LetterOne a cash amount of Euros 184 million, and (b) the Parent would receive the remaining amount (i.e. Euros 306 million) on 19 July 2019 in order to repay the bonds maturing on 22 July 2019, thereby meeting the condition described in point (v) above.

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

1.3. Other corporate transactions

The Group has classified the assets and liabilities of its Cash & Carry business (Max Descuento stores) as held for sale in the consolidated statement of financial position and as discontinued activities in the consolidated income statement since June 2018 (see note 11) and expects to finalise the sale or liquidation of this business of the Spain segment during 2019. In the first half of 2019 an impairment of Euros 14.8 million has been recorded in the assets of the Cash & Carry business based on forecast sale or liquidation estimates for the second half of 2019.

The Group classified the Clarel business as held for sale in the consolidated statement of financial position and as discontinued activities in the consolidated income statement at December 2018. In the first half of 2019 the Company decided to reverse this classification, restating the 2018 figures and recording the Clarel business in the consolidated statement of financial position and as discontinued activities in the consolidated income statement, in line with the nature thereof, committing to remodelling this business.

On 28 June 2018, 50% of the shares of FINANDIA E.F.C., S.A. were sold to CaixaBank Consumer Finance E.F.C., S.A.U. (CaixaBank) for Euros 9,306 thousand. At 31 December 2017, the Group had classified this company's assets and liabilities as held for sale. This stake was recorded as an equity-accounted investee at 30 June 2019 and 2018. After the settlement of the voluntary Public Takeover Bid by LetterOne, the Parent has proceeded to acquire 50% of the share held by Caixabank Consumer Finance E.F.C., S.A.U. by virtue of the purchase option it held subject to a change of control of the Company. The transaction was completed on 19 July 2019, and therefore the Company will fully consolidate it in the second half of 2019. At 30 June 2019, the Group has recorded a loss of Euros 12.5 million to make provision for the impact of this transaction (see notes 13.4 and 18.10).

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

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

1. The company Horizon International Services, S.a.r.l. was incorporated on 15 February 2019. Its activity consists of supplier negotiations and DWT holds a 25% shareholding therein.
2. On 19 February 2019 the company DISTRIBUIDORA PARAGUAYA DE ALIMENTOS S.A. left the consolidated Group, since the shares held by Dia Paraguay in DISTRIBUIDORA PARAGUAYA DE ALIMENTOS S.A. (equivalent to a 10% stake) were sold on that date.
3. On 3 June 2019 a capital increase of Brazilian reals 174,350,000 was carried out, equivalent to Euros 40 million. This capital increase was conducted in two tranches: Euros 10 million (Brazilian reals 43,850,000) at 30 May 2019, and Euros 30 million (Brazilian reals 130,500,000) at 3 June 2019. The capital of DIA Brazil went from Brazilian reals 670,950,037 to Brazilian reals 845,300,037. DIA holds 845,300,036 shares and DIA Argentina holds 1 share in the share capital of DIA Brazil.
4. On 19 June 2019 the company DIA AMÉRICA LATINA ESTUDOS, PESQUISAS E TREINAMENTOS LTDA. was incorporated. Its share capital amounts to 1 Brazilian real, represented by 1 share with a nominal value of 1 Brazilian real. The sole shareholder is Brazilian company DBZ. Its statutory activity consists of rendering services in Latin American countries relating to market research and surveys on the retail sector and holding capital holdings in other companies.

1.4. Profit evolution during the six-month period

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

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

2. The closure process of poorly-performing stores which has affected a total of 663 stores in first half of 2019 (mostly in Spain and Brazil), which ultimately translated into: lower sales, the write-off of related assets, an increase in operating expenses due to the expenses related to the handover of the leases and the recognition of provisions in respect of doubtful accounts receivables from related franchisees. The positive impact of these closings (derived from the elimination of their negative margin contribution), will start from second half of 2019 onwards.

3. A strong de-franchising process aimed at improving the quality of our franchisee network, which has affected a total of 222 stores during first half of 2019 (mostly in Spain and Brazil), resulting in higher personnel and operating expenses, and the recognition of additional provisions on related accounts receivables.

4. A commercial assortment rationalization process carried out, resulting in a meaningful SKUs reduction, seeking greater simplification, productivity improvement and best value-for-money proposition for customers. This initiative led to the recognition of significant losses (especially in Brazil) related to the corresponding stock liquidation (impacting Cost of Goods Sold).

5. The impact of some logistic improvement initiatives implying the closing of warehouses to seek greater efficiency, which translated in the short term into higher logistic costs, additional write-offs of assets and provisions for committed lease payments to the owners.

6. Refinancing complexity and increasing focus on its core business, which led to decisions/actions (the closing of the operations in Bahia and Mini Preço in Brazil, or the discontinuation of the non-food e-commerce activities in Spain through E-Shopping) which increased operating expenses and impairment of assets.

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

   - The Collective Dismissal implemented in Spain together with other headcount reduction decisions taken in other countries (mainly Brazil) to improve productivity in the stores, warehouses and head offices, impacting operating expenses.

   - The complex and multi-phased syndicated debt refinancing process and the readiness and advisory work related to the capital increase presented by the former board in the Annual General Shareholders´ Meeting (including financial and corporate advice, auditors, forensic services, legal advice and strategy consultants), impacting operationg expenses and financial results.

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

2. BASIS OF PRESENTATION

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

The Parent's directors have prepared these condensed consolidated interim financial statements for the six-month period ended 30 June 2019 on the basis of the accounting records of Distribuidora Internacional de Alimentación, S.A. and subsidiaries. These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required of a complete set of annual accounts prepared under International Financial Reporting Standards endorsed by the European Union ("IFRS-EU"). However, selected explanatory notes are included to explain events and transactions that are significant to enable an understanding of the changes in the DIA Group's financial position and performance since the last consolidated annual accounts as at and for the year ended 31 December 2018.

The DIA Group has adopted the latest versions of all applicable standards issued by the IASB and endorsed by the European Union Regulatory Committee that are for mandatory application at 30 June 2019.

The condensed consolidated interim financial statements have been prepared using figures for the six-month periods ended 30 June 2019 and 2018, except for the consolidated statement of financial position, which is presented at 30 June 2019 and 31 December 2018.

Amounts of the previous period that appears in these interim financial statements were revised by the previous auditor of the Group, KPMG Auditores, S.L.. These revised amounts of the previous period were restated in accordance with the following:

- The consolidated statement of financial position at 31 December 2018 has been restated because it did not take recognise the Clarel business as held for sale, as described in note 1.3 and 11. The detail of this restated is as follow:

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

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

(*)Amounts in Euros thousand

- The income statement, the statement of comprehensive income, statement of changes in equity and the statement of cash flows of the period of six months lasted at 30 june 2018 have been restated, mainly by the calification of Argentina as a hyperinflationary country, and the full consolidation of CDSI, as well as the impact of irregularities and errors identified in the second half of 2018, the nature of which is described in note 2.3 of the consolidated annual accounts, for comparability purposes.

  The impact of irregularities and errors identified in the second half of 2018 was publish in the Consolidated Director's Report of the year 2018, increasing in Euro 4,146 thousand the Sales and decreasing in Euro 20,435; 19,098 and 32,314 thousand the Result from operating activities, the Losses before tax and the Net losses, respectively, respect the amounts publish in the Consolidated Interim Financial Statements of June 2018, that were subject of a limited revision by the auditors of the Group.

  The detail of this restated for the income statement is as follow:

INCOME STATEMENT	Restated (*)
Sales	(94,211)
Other income	2,818
TOTAL INCOME	**(91,393)**
Goods and other consumables used	66,218
Personnel expenses	(5,783)
Operating expenses	4,702
Depreciation and amortization	(2,942)
Impairment of trade debtors	(10,025)
Losses on disposal of fixed assets	333
RESULT FROM OPERATING ACTIVITIES	**(38,890)**
Finance income	1,106
Finance expenses	3,609
Gain from net monetary positions	17,771
Profit/(losses) of companies accounts for using the equity method	(543)
(LOSSES)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**(16,947)**
Income tax	(18,574)
(LOSSES)/PROFIT AFTER TAX FROM CONTINUING OPERATIONS	**(35,521)**
NET LOSSES	**(35,521)**

(*)Amounts in Euros thousand

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

On a half-yearly basis, the seasonal nature of the Group's performance is in line with historical trends in consolidated results. Historically, sales for the first half of each year represent approximately 48% of the Group's annual sales. However, the figures of the first half of 2019, it has been strongly affected by the issues described in note 1.4.

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

2.2. Accounting Principles

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

First-time application of accounting standards:

During the first half of 2019 the Group applied the following for the first time: IFRS 16 “Leases”; IFRIC 23 “Uncertainty over Income Tax Treatments”; and the amendment to IRFS 9 “Prepayment features with negative compensation”.

IFRS 16 “Leases”

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

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

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

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

- Not applying IFRS 16 to contracts not previously identified as containing a lease under IAS 17 and IFRIC 4 “Determining whether an arrangement contains a lease”.
- Using a single discount rate for store portfolios at country level.
- Excluding the initial direct costs of the right-of-use asset measurement at the initial application date.
- Excluding leases whose term ends within 12 months of the first-time application date.
- Excluding leases with low-value underlying assets.
- Instead of reviewing the impairment at the initial application date, the Company has based its measurement on the onerousness of the leases, applying IAS 37 “Provisions, contingent liabilities and contingent assets” immediately before the initial application date, adjusting the right-of-use asset at the initial application date by the amount of the provision for onerous contracts recognised, where applicable, in the statement of financial position immediately before the initial application date.

- The effect of applying this standard in the condensed interim consolidated financial statements is detailed in note 5.2 Rights of use.

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

IFRIC 23 “Uncertainty over Income Tax Treatments”:

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

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or as a whole, based on the approach that will best predict the resolution of the uncertainty.
- that the company must assume that the tax authorities will examine the uncertain tax treatments and will have full knowledge of all related information, i.e. detection risk must be ignored.
- that the company must show the effect of the uncertainty in its income tax accounting when it is unlikely that the tax authorities will accept the treatment.
- that the impact of the uncertainty should be measured using the most likely amount method or the expected value method, depending on which one best predicts the resolution of the uncertainty, and that the judgements and estimates made must be reassessed whenever circumstances change or new information arises that could affect the judgements.

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

IFRS 9 (Amendment) “Prepayment features with negative compensation”:

The terms of instruments with prepayment features with negative compensation, where the lender could be forced to accept a substantially lower prepayment amount than the amounts of principal and interest outstanding, were incompatible with the notion of “reasonable additional compensation” in the early termination of a contract under IFRS 9. Therefore, these instruments would not have contractual cash flows that are solely capital and interest payments, which required them to be accounted for at fair value through profit and loss. The amendment to IFRS 9 clarifies that a party can pay or receive additional compensation when a contract is terminated early, which could allow for these instruments to be measured at amortised cost or at fair value through changes in other comprehensive income. This amendment is effective for annual periods commencing on or after 1 January 2019.

The application of this amendment has not had a significant impact on these condensed consolidated interim financial statements.

Standards and interpretations issued and not applied:

In these condensed interim consolidated financial statements at 30 June 2019, the IASB and the IFRS Interpretations Committee had published the standards, amendments and interpretations described below, which remain pending adoption by the European Union:

- IAS 19 (Amendment) “Amendment, curtailment or settlement of a plan”.
- IAS 28 (Amendment) “Non-current investments in associates and joint ventures”.
- IFRS 10 (Amendment) and IAS 28 (Amendment) “Sale or contribution of assets between an investor and its associates or joint ventures” (currently the date of application of these amendments has been postponed since the IASB is planning a broader review that may result in the simplification of the accounting treatment for these transactions and other accounting matters pertaining to associates and joint ventures).
- IAS 1 (Amendment) and IAS 8 (Amendment) “Definition of material”
- IFRS 3 (Amendment) “Definition of a business”
- Annual improvements to IFRS (2015-2017).

Given the Group’s activities, the effect of applying the new standards, amendments or interpretations to the Group’s consolidated financial statements for the first time is not expected to be significant.

2.3. Classification of Argentina as a hyperinflationary country

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

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

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

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

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

- The Group has adjusted the consolidated income statement at 30 June 2019 and 30 June 2018 to reflect the financial profit relating to the impact of inflation on net monetary assets.

- The different items in the consolidated income statement and the consolidated cash flow statement at 30 June 2019 and 30 June 2018 have been adjusted by the inflation rate since their generation, with a balancing entry in financial results and net exchange differences, respectively.

The inflation rate considered for this calculation at 30 June 2019 was 22.4%. This rate was obtained from the information issued by INDEC (National Statistics and Census Institute), a public body, through the publication of the Consumer Price Index which measures variations in the price of goods and services comprised in domestic consumer spending.

The monthly evolution of the price index was as follows:

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

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

Furthermore, the impact of the change in net monetary position at 30 June 2019 and 30 June 2018 has been recognised as financial profit (see note 18.9).

2.4. Going concern

The directors of the Parent have prepared this condensed consolidated interim financial statemets for the six-month period ended 30 June 2019 on a going concern basis.

At 31 December 2018, consolidated equity amounted to a negative amount of Euros 166 million and working capital, calculated as current assets less current liabilities, excluding assets and liabilities held for sale, was also negative, amounting to Euros 1,417 million. Results for 2018 amounted to a loss of Euros 353 million and the net variation in cash and cash equivalents was a negative amount of Euros 174 million.

With respect to the Parent, at 31 December 2018, equity amounted to a negative amount of Euros 99 million, and working capital, calculated as current assets less current liabilities, excluding assets and liabilities held for sale, was also negative, amounting to Euros 561 million. Results for 2018 amounted to a loss of Euros 191 million and the net variation in cash and cash equivalents was a negative amount of Euros 90 million.

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

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

At 30 June 2019, Parent's equity amounted to a negative amount of Euros 25 million and working capital, calculated as current assets less current liabilities, was also negative, amounting to Euros 939 million. The result for the six-month period ended 30 June 2019 amounted to a loss of Euros 158 million.

At the date of preparation of this Condensed Consolidated Interim Financial Statements, the Parent is working on a updated business plan, which is expected to be approved by the Board of Directors in the second half of 2019.

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

These mitigating factors include:

- The commitment undertaken by the current majority shareholder of the Parent at the General Shareholders' Meeting on 20 March 2019 to subscribe to a capital increase of up to Euros 500 million, which is currently being processed and will be executed once the conditions agreed at the said General Meeting, as described in note 1, are met.
- The majority shareholder position of the Parent which is currently held by LetterOne, subject to the completion of the Voluntary Public Takeover Bid described in note 1. This majority position guarantees the success of the capital increase which will be submitted for approval by the General Shareholders' Meeting in the second half of 2019.
- The demonstrable financial solvency of the Parent's majority shareholder.
- The settlement by the majority shareholder prior to the date of preparation of Condensed Consolidated Interim Financial Statements of two participating loans granted by them to the Parent, while the procedures to execute the aforementioned capital increase are formalised, details of which are set forth in notes 13.1(b) and (d). These participating loans are expected to be fully or partially settled once the proposed capital increase has been completed. Furthermore, as described in note 13.1 (b), the majority shareholder has signed a binding agreement with the Parent to provide additional funding (directly or through other entities) of Euros 200 million.
- The agreement signed with the lenders of the syndicated loan prior to the preparation of Condensed Consolidated Interim Financial Statements, which extends the maturity dates thereof existing at 31 December 2018 and increases the amounts of financing available, as described in notes 1 and 13.1 (b). In this regard, according to the cash forecasts drawn up by the Parent based on the best estimates available to date regarding the operations of the Parent and its Group over the coming months, no additional contribution of funding by third parties is deemed necessary in the short term (or binding commitment to obtain financing) and taking into account the planned capital increase and repayments of the participating loans subsequent to the capital increase or at the date of completion thereof.

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

3. INFORMATION ON OPERATING SEGMENTS

Information is provided on the following operating segments:

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

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

This underlying operating profit or loss enables the CEO to analyse the results of the segments, eliminating "other cash items" which are lines of the income statement that do not directly depend on the segment's operations, but

are based on Group decisions geared towards improving the operating results of the segment or certain corporate expenses.

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

A breakdown of key segment data is as follows:

Thousands of Euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	CONSOLIDATED
At 30 June 2019					
Sales (1)	2,078,604	290,687	489,501	585,722	3,444,514
EBITDA adjusted	18,064	3,233	5,797	(82,733)	(55,639)
% of sales	0.9%	1.1%	1.2%	(14.1)%	(1.6)%
At 30 June 2018					
Sales (1)	2,235,894	310,323	464,796	690,823	3,701,836
EBITDA adjusted	149,559	12,894	14,033	29,481	205,967
% of sales	6.7%	4.2%	3.0%	4.3%	5.6%

Thousands of Euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	CONSOLIDATED
At 30 June 2019					
Non-current assets	1,760,280	277,391	204,049	470,121	2,711,841
Liabilities	3,101,944	226,192	247,257	502,020	4,077,413
Acquisition of non-current assets (2)	73,539	14,613	2,212	27,636	118,000
Number of outlets	4,369	592	948	898	6,807
At 30 June 2018					
Non-current assets (3)	1,405,661	209,202	162,943	381,295	2,159,101
Liabilities	2,612,210	184,532	220,935	420,198	3,437,875
Acquisition of non-current assets	206,956	20,191	29,652	58,479	315,278
Number of outlets	4,669	603	979	1,172	7,423

(1) Sales eliminations arising from consolidation are included in segment Spain
(2) Adquisition of Property, plant and equipment and intagible assets (right of use on the application of IFRS16).
(3) This informatin has been restated for Clarel business (see note 2.3)

Turnover for the first six months of 2018 was restated mainly due to the effect of hyperinflation in Argentina, by an amount of Euros 98 million. In Spain, it was restated by Euros 4 million, due to the adjustments mentioned in note 14.4 of the 2018 consolidated annual accounts, giving a net restatement effect of Euros 94,211 thousand.

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

Thousands of euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	CHINA	TOTAL JUNE2019
Net losses	**(226,715)**	**(8,516)**	**(19,248)**	**(164,196)**	**-**	**(418,675)**
Net financial expense	63,747	4,175	21,981	21,890	-	111,793
Result from financial instruments	12,514	-	73	-	-	12,587
Income tax	(657)	(2,177)	(2,646)	32	-	(5,448)
Depreciation and amortization	174,546	21,878	20,716	48,134	-	265,274
Losses net of taxes of discontinued operations	20,723	-	-	-	-	20,723
Gain from net monetary positions	-	-	(36,113)	-	-	(36,113)
Losses of companies accounts for using the equity method	130	-	-	-	-	130
Impairment of non-current assets	11,571	23	-	-	-	11,594
Losses on disposal of fixed assets	8,863	224	11,715	30,800	-	51,602
Other cash elements						
Expenses relating to store and warehouses closings	9,300	48	26	10,265	-	19,639
Expenses to efficiency projects	37,900	784	1,196	3,706	-	43,586
Other special expenses						
of which consultory	12,557	49	-	-	-	12,606
IFRS 16 effect in leases	(106,415)	(13,255)	(10,004)	(33,364)	-	(163,038)
NIC 29 hiperinflacionaty standard effect	-	-	18,101	-	-	18,101
EBITDA ajustado	**18,064**	**3,233**	**5,797**	**(82,733)**	**-**	**(55,639)**

Thousands of euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	CHINA	TOTAL JUNE 2018
Net profit/(losses)	**(1,647)**	**(9,062)**	**(16,850)**	**1,148**	**(3,207)**	**(29,618)**
Net financial expense	8,323	55	15,682	6,552	-	30,612
Income tax	18,274	758	4,175	562	-	23,769
Depreciation and amortization	75,919	11,636	10,582	20,873	-	119,010
Losses net of taxes of discontinued operations	4,819	-	-	-	3,207	8,026
Gain from net monetary positions	-	-	(17,771)	-	-	(17,771)
Losses of companies accounts for using the equity method	96	-	-	-	-	96
Impairment of non-current assets	737	2,538	-	-	-	3,275
Losses on disposal of fixed assets	2,486	906	2,271	21	-	5,684
Other cash elements						
Expenses relating to store remodellings	10,662	1,958	1,150	407	-	14,177
Expenses related to transfer of own stores to franchises	4,206	-	-	1,144	-	5,350
Expenses relating to store and warehouses closings	9,451	2,557	159	-	-	12,167
Expenses to efficiency projects	18,782	2,389	801	-	-	21,972
Other special expenses						
of which consultory	528	-	-	7,713	-	8,241
of which other	336	203	6	-	-	545
NIC 29 hiperinflacionaty standard effect	-	-	14,541	-	-	14,541
Gains from the sale of fixed assets	(3,413)	(1,044)	(713)	(8,939)	-	(14,109)
EBITDA ajustado	**149,559**	**12,894**	**14,033**	**29,481**	**-**	**205,967**

4. PROPERTY, PLANT AND EQUIPMENT

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

Net carrying amount	30-Jun-19	30-Jun-18
At 1 January	**1,328,007**	**1,410,739**
Additions	35,057	182,280
Amortisation and depreciation (note 18.5)	(107,662)	(113,485)
Impairment (note 18.5)	(5,651)	(2,530)
Disposals	(49,081)	(38,111)
Hyperinflation	24,140	80,851
Transfers to assets held for sale	(167)	(3,573)
Transfers IFRS 16	(29,637)	-
Translation differences	(12,732)	(79,559)
Other movements	4,900	8,726
At 30 June	**1,187,174**	**1,445,338**

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

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

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

5. INTANGIBLE ASSETS

5.1. Goodwill

At 30 June 2019 and 31 December 2018, goodwill has been allocated as follows:

Thousands of euro	30 June 2019	31 December 2018
Spain	456,951	463,831
Portugal	39,754	39,754
Total	**496,705**	**503,585**

Goodwill for Spain recorded in the consolidated annual accounts at 31 December 2018 at Euros 453,011 thousand has been restated at Euros 10,818 thousand, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1 and 2.1).

The variation of Euros 6,880 thousand during the first half of 2019 is mainly due to the elimination of the goodwill on the Santiago Bernabeu store due to its closure and the goodwill impairment of the Dia Eshopping subsidiary after the decision made in June 2019 to liquidate it, as mentioned in note 1.

5.2. Rights-of-use

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

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

Details of rights-of-use and movement during the first six months of 2019 are as follows:

Thousands of euro	Land and buildings	Equipment, fixtures and fittings and machinery	Other installations, utensils and furniture	Other fixed assets	Total
Cost					
At 1 January 2019	**738,080**	**-**	**-**	**-**	**738,080**
Additions	72,009	3,310	-	1,858	77,177
Disposals	(21,412)	(4,196)	-	(1,655)	(27,263)
Transfers	-	-	53	-	53
Transfers IFRS 16	703	45,466	-	16,422	62,591
Actualized Value	27,270	-	-	-	27,270
Translate differences	(575)	-	-	-	(575)
At 30 June 2019	**816,075**	**44,580**	**53**	**16,625**	**877,333**
Depreciation					
At 1 January 2019	**-**	**-**	**-**	**-**	**-**
Amotisation and depreciation (note 18.5)	(143,232)	(3,772)	(4)	(1,521)	(148,529)
Disposal	415	4,005	-	1,347	5,767
Transfers IFRS 16	(138)	(25,338)	-	(7,188)	(32,664)
Hyperinflation	1,064	-	-	-	1,064
Other movements	-	-	-	(2)	(2)
Translate differences	97	-	-	-	97
At 30 June 2019	**(141,794)**	**(25,105)**	**(4)**	**(7,364)**	**(174,267)**
Impairment					
Transfers IFRS 16	(290)	-	-	-	(290)
At 30 June 2019	**(290)**	**-**	**-**	**-**	**(290)**
Net carrying amount					
At 30 June 2019	**673,991**	**19,475**	**49**	**9,261**	**702,776**
At 1 January 2019	**738,080**	**-**	**-**	**-**	**738,080**

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

Transfers under IFRS 16 for a net amount of Euros 29,637 thousand correspond to the goods recorded in the 2018 consolidated annual accounts as property, plant and equipment under finance leases and comprise certain

commercial premises, technical installations, machinery and other property, plant and equipment (vehicles), which have been transferred to this caption as a result of the enforcement of IFRS 16, since they correspond to rights-of-use.

5.3. Other intangible assets

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

Net carrying amount	2019	2018
At 1 January	**48,927**	**43,492**
Additions/Internal development	5,765	10,550
Amortisation and depreciation (note 18.5)	(9,083)	(5,525)
Impairment (note 18.5)	(109)	(76)
Disposals	(784)	(686)
Hyperinflation	246	128
Transfers to assets held for sale	-	(8)
Translation differences	(150)	(963)
Other movements	255	655
At 30 June	**45,067**	**47,567**

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

Additions recorded in the first six months of 2019 and 2018 mainly include development expenses corresponding to in-house IT projects produced in Spain for an amount of Euros 3,579 thousand (Euros 8,273 thousand in 2018) and acquisitions of software also in Spain for a total of Euros 1,210 thousand (Euros 862 in 2018).

The increase in amortisation with respect to the prior year is due to the transfer of IT projects generated in-house in Spain, mainly the Vela project (entailing an app developed for points of sale), from the in-house development caption to the software caption. While in development, these assets are not amortised and when they move into production they are transferred to software and start to be amortised.

6. FINANCIAL ASSETS

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

Thousands of Euro	30 June 2019	31 December 2018
Non-current assets		
Trade and other receivables	58,862	73,121
Non-current financial assets	67,665	77,721
Current assets		
Trade and other receivables	111,552	193,469
Consumer loans from financing activities	-	20
Other current financial assets	7,590	11,361
TOTAL	**245,669**	**355,692**

The financial assets recorded in the consolidated annual accounts at 31 December 2018 at Euros 340,962 thousand have been restated at Euros 14,730 thousand, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1 and 2.1).

6.1. Trade and other receivables

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

Thousands of Euro	30 June 2019	31 December 2018
Trade and other receivables	58,862	73,121
Total non-current	**58,862**	**73,121**
Trade and other receivables (net of impairment)	66,368	104,618
Other receivables	11,735	25,524
Receivables from suppliers	27,690	56,510
Advances to suppliers	749	1,540
Receivables from associates companies	5,010	5,277
Total current	**111,552**	**193,469**

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

a) Trade receivables

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

Thousands of Euro	30 June 2019	31 December 2018
Trade and other receivables non current	58,862	73,121
Trade and other receivables current	123,753	141,174
Total Trade and other receivables	**182,615**	**214,295**
Impairment	(57,385)	(36,556)
Total	**125,230**	**177,739**

b) Receivables from suppliers

This caption includes balances receivable from suppliers.

In the first half of 2019 and 2018, the Group entered into agreements to transfer supplier trade receivables without recourse. Costs of Euros 783 thousand were accrued on the transfer of these receivables during this period (Euros 68 thousand in the same period of the prior year) (see note 18.7). Receivables transferred at 30 June 2019 amount to Euros 44,321 thousand (Euros 126,450 thousand at 31 December 2018).

c) Trade debts with other related parties

In the first half of 2019, transactions have been carried out with the companies ICDC, Horizon, Red Libra and Finandia (see note 20), mainly corresponding to trade operations. Balances at 30 June 2019 and 31 December 2018 are shown below:

Thousands of Euro	30 June 2019	31 December 2018
ICDC	3,954	5,260
Horizon	968	-
Red Libra	9	9
Finandia	79	8
Trade receivables from other related parties	**5,010**	**5,277**

d) Impairment

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

Thousands of Euro	Customer for sales (note 6.1 a))	Other debtors	Credits receivable from suppliers	Total
At 1st January 2019	**(36,556)**	**(8,077)**	**(9,063)**	**(53,696)**
Charge	(29,790)	(1,830)	(4,136)	(35,756)
Applications	98	6	107	211
Reversals	6,462	789	5,912	13,163
Transfers	1,717	-	-	1,717
Translation differences	684	4	(116)	572
At 31st June 2019	**(57,385)**	**(9,108)**	**(7,296)**	**(73,789)**

6.2. Other financial assets

Details of financial assets are as follows:

Thousands of Euro	30 June 2019	31 December 2018
Equity instruments	1,315	695
Guarantees	66,196	63,794
Other guarantees	-	2,000
Other loans	154	710
Other non-current financial assets	-	10,522
Total non-current	**67,665**	**77,721**
Franchise deposits	2,568	2,790
Credits to personnel	2,628	2,914
Other loans	179	348
Loans on the sale of fixed assets	360	352
Derivatives	-	18
Current account with associated companies	72	2,603
Other finantial assets	1,783	2,336
Total current	**7,590**	**11,361**

The balance of this caption recorded in the consolidated annual accounts at 31 December 2018 at Euros 74,056 thousand in non-current and Euros 11,302 thousand in current, has been restated at Euros 3,665 thousand and Euros 59 thousand, respectively, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1 and 2.1).

Other non-current financial assets at 31 decembre 2018 was related to the ICMS tax of Brazil and has been transfer to non-current tax assets at 30 june 2019 (see note 15).

7. OTHER EQUITY-ACCOUNTED INVESTEES

Details of equity-accounted investees at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
ICDC Services Sárl	50%	50%
Horizon International Services Sàrl	25%	-
Finandia	50%	50%
DIPASA	-	10%
RED LIBRA	50%	50%

The key financial indicators of these companies in the first half of 2019 are as follows:

	ICDC Services Sárl		Horizon	Finandia		DIPASA	RED LIBRA	
Thousands of euro	**30 June 2019**	**31 December 2018**	**30 June 2019**	**30 June 2019**	**31 December 2018**	**31 December 2018**	**30 June 2019**	**31 December 2018**
Current assets								
Cash and cash equivalents	394	1,991	371	4,269	5,810	739	200	-
Other current assets	36,362	18,877	8,045	2,125	2,550	2,846	67	203
Total current assets	**36,756**	**20,868**	**8,416**	**6,394**	**8,360**	**3,585**	**267**	**203**
Non current assets	**2**	**21**	**13**	**1,737**	**1,416**	**7,489**	**134**	**134**
Current liabilities								
Financial liabilities (payable accounts excluded)	6	2	410	116	100	-	-	-
Other current liabilities	36,519	20,494	6,551	396	1,360	2,630	595	-
Total current liabilities	**36,525**	**20,496**	**6,961**	**512**	**1,460**	**2,630**	**595**	**-**
Non-current liabilities								
Financial liabilities (payable accounts excluded)		-			80	8,359	-	1
Other non-current liabilities		-		-	-	-	-	737
Total non-current liabilities	**-**	**-**	**-**	**-**	**80**	**8,359**	**-**	**738**
Net assets	**233**	**393**	**1,468**	**7,619**	**8,236**	**85**	**(194)**	**(401)**
Reconciliation with net carrying amount								
Net assets at 1 January	**393**	**481**	**1,045**	**8,236**	**8,611**	**-**	**(401)**	**118**
Annual profit (losses)	(19)	154	423	(617)	(375)	740	208	(482)
Other comprehensive income	-	-	-	-	-	-	-	-
Dividends paid	(141)	(242)		-	-	-	-	-
Decreasing of inversion	-	-	-	-	-	-	-	-
Net assets at year end	**233**	**393**	**1,468**	**7,619**	**8,236**	**740**	**(194)**	**(364)**
Part of group %	50%	50%	25%	50%	50%	10%	50%	50%
Part of the group in thousands of euro	117	197	368	3,810	4,118	74	(96)	(182)
Aded Value/(disbility) from sales of Group's participation	-	-	-	4,975	4,975	-	-	-
Allowance impairment of the invesment	-	-	-	(5,806)	-	-	-	-
Net carrying amount	**117**	**197**	**368**	**2,979**	**9,093**	**74**	**(96)**	**(182)**

8. OTHER ASSETS

Details of other assets are as follows:

Thousands of Euro	30 June 2019 Current	31 December 2018 Current
Prepayments for operating leases	3,752	3,374
Prepayments for guarantees	234	379
Prepayments for insurance contracts	1,397	768
Other prepayments	4,139	2,871
Total other assets	**9,522**	**7,392**

The balance of other assets recorded in the consolidated annual accounts at 31 December 2018 at Euros 7,355 thousand as current has been restated at Euros 37 thousand, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1 and 2.1).

9. INVENTORIES

Details of inventories are as follows:

Thousands of Euro	30 June 2019	31 December 2018
Goods for resale	484,594	588,955
Other supplies	6,376	8,400
Total inventories	**490,970**	**597,355**

Inventories recorded in the consolidated annual accounts at 31 December 2018 at Euros 531,664 thousand have been restated at Euros 65,691 thousand, as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1 and 2.1).

In the six-month period ending June 30, 2019, inventory impairment losses amounting to EUR 9,781 thousand were recognized.

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

10. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents are as follows:

Thousands of Euro	30 June 2019	31 December 2018
Cash and current account balances	120,611	195,640
Cash equivalents	2,082	44,203
Total	**122,693**	**239,843**

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

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

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

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

Profit and loss on these activities discontinued by the Group for the six-month periods ended 30 June 2019 and 2018, after recognising the fair value impairment of assets held for sale (see note 1.3), are as follows:

Thousands of Euro	30 June 2019	Cash & Carry Business	30 June 2018	Cash & Carry Business	China Business
Income	36,122	36,122	125,581	46,121	79,460
Amortisation and depreciation	(5)	(5)	(437)	(437)	-
Impairment	(4,222)	(4,222)	-	-	-
Losses on disposal of fixed assets	(6)	(6)	-	-	-
Expenses	(52,612)	(52,612)	(134,686)	(51,733)	(82,953)
Gross Margin	**(20,723)**	**(20,723)**	**(9,542)**	**(6,049)**	**(3,493)**
Financial income	-	-	607	-	607
Financial expenses	-	-	(697)	(8)	(689)
Loss before taxes of discontinued operations	**(20,723)**	**(20,723)**	**(9,632)**	**(6,057)**	**(3,575)**
Income tax of the discontinued subsidiaries	-	-	1,606	1,514	92
Profit of discontinued operations	**(20,723)**	**(20,723)**	**(8,026)**	**(4,543)**	**(3,483)**

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

Thousands of Euro	30 June 2019	30 June 2018
Loss before tax from discontinued operations	**(20,723)**	**(9,632)**
Adjustments to Profit and Loss	-	1,691
Changes in working capital	12,686	(15,787)
Net cash flows used in investing activities	-	675
Net cash flows used in financing activities	-	29
Total cash flows	**(8,037)**	**(23,024)**

Clarel business has been ceased to be considered as held for sale, so amounts at 31 december 2018 has been restated (see notes 1.3 and 2.1). Details of the assets and liabilities of discontinued operations classified as held for sale at 30 June 2019 and 31 December 2018 relate only to the Cash & Carry business and are as follows:

Thousands of Euro	30 June 2019	31 December 2018
Assets		
Tangible fixed assets	70	4,076
Inventories	3,322	11,024
Non-current assets held for sale	**3,392**	**15,100**
Liabilities		
Trade and other payables	1,279	-
Other financial liabilities	3,756	-
Liabilities directly associated with non-current assets held for sale	**5,035**	**-**

12. EQUITY

12.1. Capital

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

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

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

L1R Invest1 Holding S.à.r.l.	69.759%
Gregoir Augustin Bontoux Halley	3.398%

12.2. Reserves and retained earnings

Details of reserves and retained earnings are as follows:

Thousands of Euro	30 June 2019	31 December 2018
Legal reserve	13,021	13,021
Capital redemption reserve	5,688	5,688
Other reserves non available	15,170	15,170
Other reserves	(171,912)	212,822
Profit attributable to equity holders ot the parent	(418,675)	(352,587)
Total	**(556,708)**	**(105,886)**

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

12.3. Own shares and other own equity instruments

a) Own shares

During the first half of 2019 the Group's directors and management received 365,590 shares, amounting to Euros 2,140 thousand, as remuneration through the 2016-2018 incentive plan. Furthermore, directors have received remuneration in the form of shares totalling a value of Euros 552 thousand (94,247 shares).

In addition, a total of 7,843,729 shares were sold after the PTB to LetterOne at Euros 0.67 per share, which gave

rise to a cash influx of Euros 5,255,298.43, eliminating own shares valued at Euros 45,917,380.17 and generating transfers to reserves on account of the difference in price of Euros 40,662,081.74.

At 30 June 2019 the Group holds 1,238,790 own shares of the Parent with an average purchase price of Euros 5.8540 per share, representing a total amount of Euros 7,251,906.77, which have been earmarked to meet share obligations with executives under the plans described in note 16.

b) Other own equity instruments

This reserve includes obligations derived from equity-settled share-based payment transactions following the approval by the board of directors and shareholders of the 2016-2018 long-term incentive plan (see note 16).

12.4. Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the Parent for the six-month periods ended 30 June 2019 and 2018 by the weighted average number of ordinary shares outstanding during the two periods.

Basic and diluted earnings per share

	30 June 2019	30 June 2018
Average number of shares	**614,864,064**	**612,850,488**
Losses for the period in thousands of Euro	(418,675)	(29,483)
Losses per share in Euros	(0.68)	(0.05)

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

	Weighted average ordinary shares in circulation at 30 June 2019	Ordinary shares at 30 June 2019	Weighted average ordinary shares in circulation at 30 June 2018	Ordinary shares at 30 June 2018
Total shares issued	622,456,513	6,224,546,513	622,456,513	622,456,513
Own shares	(7,592,449)	(1,238,790)	(9,606,025)	(9,542,356)
Total shares available and diluted	**614,864,064**	**6,223,307,723**	**612,850,488**	**612,914,157**

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

12.5. Translation differences

Details of translation differences at 30 June 2019 and 31 December 2018 are as follows:

Thousands of Euro	30 June 2018	31 December 2018
Brazil	(68,763)	(73,394)
Total	**(68,763)**	**(73,394)**

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

13. FINANCIAL LIABILITIES

Details of financial liabilities in the consolidated statements of financial position at 30 June 2019 and 31 December 2018 are as follows:

Thousands of Euro	30 June 2019	31 December 2018
Non-current liabilities		
Non-current borrowings	1,240,373	920,354
Other non-current financial liabilities	205	2,291
Current liabilities		
Current borrowings	1,389,547	775,592
Trade and other payables	1,180,100	1,448,928
Other financial liabilities	120,841	166,396
Total financial liabilities	**3,931,066**	**3,313,561**

13.1. Borrowings

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

At 30 June 2019	Total	Current 1 year	2 years	3 years	4 years	5 years	> 5 years	Non-Current Total
Debentures and bonds long term	**902,470**	**310,809**	298,975	-	292,686	-	-	**591,661**
Syndicated credits (Revolving credit facilities)	**470,465**	**351,798**	-	118,667	-	-	-	**118,667**
Other bank loans	**134,577**	**127,077**	7,500	-	-	-	-	**7,500**
Mortgage loans	**604**	**425**	179	-	-	-	-	**179**
Credit facilities drawn down	**242,286**	**217,335**	-	-	24,951	-	-	**24,951**
Finance lease payables	**719,905**	**234,557**	174,482	131,612	69,179	30,437	79,638	**485,348**
Guarantees and deposits received	**15,237**	**3,609**	-	-	-	-	11,628	**11,628**
Other payables to group companies	**128,589**	**128,589**	-	-	-	-	-	**-**
Other non-current borrowings	**15,787**	**15,348**	439	-	-	-	-	**439**
Total non-current borrowings	**2,629,920**	**1,389,547**	**481,575**	**250,279**	**386,816**	**30,437**	**91,266**	**1,240,373**

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

a) Bonds

The Parent has outstanding bonds with a nominal value of Euros 905,700 thousand at 30 June 2019, all of which were issued as part of a Euro Medium Term Note programme approved by the Central Bank of Ireland.

Details of bond issues pending repayment at 30 June 2019 are as follows:

				Maturity date in thousands of euro					
Issuing Company	Issue date	Term (years)	Voucher	2019	2020	2021	2022	2023	Amount in thousands of euros
DIA, S.A.	07/04/2017	6	0.875%	-	-	-	-	300,000	300,000
DIA, S.A.	28/04/2016	5	1.000%	-	-	300,000	-	-	300,000
DIA, S.A.	22/07/2014	5	1.500%	305,700	-	-	-	-	305,700

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

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

b) Loans and borrowings

Multi-product Syndicated Loan and other credit facilities

On 31 December 2018, the Parent signed a Financing Agreement with several national and overseas entities. AgenSynd, S.L. acted as Financing Agent. This financing, which was initially granted for an amount of Euros 894.7 million, was divided into several tranches, based on the financial instrument, the amount and the entities providing the financing. These agreements were intended to provide access to short-term financing, enabling the DIA Group to meet the working capital needs of the Parent and part of the Group's subsidiaries. In addition, the agreement involved the cancellation of some credit facilities that were not drawn down. The maturity date was set as 31 May 2019, with the exception of some of the Revolving Credit Facility tranches for which the maturity date was set in 2020 and 2022.

As a result of a financial institution joining the aforementioned Financing Agreement, in January 2019 several of the financing tranches were increased by Euros 17.4 million.

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

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

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

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

- Personal obligations (to do and not to do certain things) and the provision of information customary in this type of financing transaction in accordance with the Parent's current rating.
- Not to distribute Parent dividends to shareholders without the agreement of the financing institutions until the debt held with them has been repaid in full.
- To provide a new updated business plan for the Group no later than 31 December 2019.
- Financial Leverage Ratio: this ratio will be measured on 30 June and 31 December of each year, with the first measurement taking place on 31 December 2020. Deviation is set at up to 35% of the Adjusted Net Debt / Adjusted EBITDA ratio forecast in the updated business plan, according to the definition of these concepts in the syndicated financing.
- Liquidity Ratio: a minimum of Euros 30 million in cash and cash equivalents is fixed, excluding trapped cash, to be verified on 31 December 2019 for the following 12-month period up to 31 December 2020.
- Capital expenditure ratio and restructuring costs: from 31 December 2019 capital expenditure and restructuring costs may not exceed 12.5% and 20%, respectively, of the aggregate total of both items included in the updated business plan to be delivered in December 2019.
- From 31 December 2021 onwards, an annual cash sweep of excess free cash flow will be applied, with the first repayment, if applicable, from the second quarter of 2022 onwards, calculated on the basis of 50% of available cash flow once the investment and restructuring costs provided for in the updated business plan have been fully paid. These amounts will be used to repay early and cancel any outstanding amounts in the following order: a) firstly, the Supplier Facility, b) secondly, any other New Financing Facilities (if required to do so under the terms of such New Financing Facilities), and c) thirdly, the Financing Agreement.
- The obligation to repay the syndicated financing facilities with (a) the funds obtained from the divestment of Max Descuento and Clarel (b) the funds obtained from the proposed capital increase of Euros 600 million (c) any participating loan that LetterOne grants prior to the capital increase is removed.
- Authorisation is given to obtain additional financing of Euros 400 million to refinance the bond maturing in 2021, although the Parent is not obliged to undertake this refinancing.
- At least 80% of the Group's cash must be held in bank accounts subject to guarantees securing the financing and held by Syndicated Lenders (if applicable) providing cash deposit services in the jurisdiction in which the Group company operates.

Similarly, the financing sets out certain guarantees, some of which have already been granted during the first few months of 2019, including:

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

In addition, as part of the guarantees package imposed by the financing institutions on the Parent in the new financing contract, the Group is obliged to implement a Hive Down, whereby (a) new companies and Parent subsidiaries will be set up, (b) certain Parent assets, liabilities and contracts will be transferred to certain subsidiaries indirectly held by the Parent, and in particular, no later than 31 December 2019 (1) the securities and rights linked to certain specific commercial establishments of the Parent representing at least 58% of the Spanish Group's Restricted EBITDA (as defined in the Financing Agreement), as well as the Parent's real estate located in Spain, must be transferred to the Spanish operating subsidiary, and (2) to the extent to which it is viable from the legal, fiscal and regulatory perspective, the interests held by the Parent in the Brazilian, Argentinean and Portuguese subsidiaries should be transferred to other subsidiaries, (c) the new Spanish operating subsidiary and the Spanish financing subsidiary will become additional borrowers under the new Financing Agreements, and (d) the Parent will issue new pledges on the shares of the new subsidiaries set up in the hive down, the Spanish operating subsidiary and the Spanish financing subsidiary.

This Hive Down must be approved by the General Shareholders' Meeting no later than 30 August 2019 and the Parent undertakes to have the structure thereof formalised at 31 December 2019.

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

Lastly, in addition to the Financing Agreement entered into on 17 July 2019, the Parent is in the process of subscribing additional funding granted by the Parent's majority shareholder, L1R Invest1 Holding, S.à.r.l. or an entity appointed thereby, in the form of a Super Senior Facility (Term Loan Tranche) of Euros 200 million, which at the date of preparation of these condensed consolidated interim financial statements has still not been drawn up; although, as stated, there exists a binding agreement that guarantee the availability thereof (see note 2.4).

Furthermore, the Parent company has additional credit facilities that do not form part of the Syndicated Financing and are included in the following breakdown at 30 June 2019:

At 30 June 2019	Limit	Amount used	Conf/Fact	Amount avaible
Revolving Credit Facility (RCF)	**480,157**	**470,465**	**-**	**9,693**
Credit Facility - syndicated financiation	**286,922**	**191,666**	**44,247**	**51,009**
Loans	13,500	4,416	-	9,084
Loans may be balanced with confirming	165,766	124,207	-	41,559
Loans may be balanced with reverse factoring	107,656	63,043	44,247	365
Confirming - syndicated financiation	**145,034**	**-**	**144,561**	**473**
Total Syndicated Multiproduct Financiation	**912,113**	**662,131**	**188,808**	**61,174**
Credit lines facilities drawn down (not included in syndicated credits)	**50,620**	**50,620**	**-**	**-**

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

Other bank loans and mortgages

Details of the maturity of mortgages and other bank loans, grouped by type of operation and company, at 30 June 2019 and 31 December 2018 are as follows:

At 30 June 2019				Current		Non-current
Type	Owner	Currency	Total	1 year	2 years	Total
Loan	DIA	EUR	**22,490**	**14,990**	7,500	**7,500**
Loan	DIA Brasil	EUR	**112,087**	**112,087**	-	**-**
	Other Loans		**134,577**	**127,077**	**7,500**	**7,500**
Mortgage	Beauty by DIA	EUR	**604**	**425**	179	**179**
	Mortgage Loans		**604**	**425**	**179**	**179**

At 31 December 2018				Current		Non-current
Type	Owner	Currency	Total	1 year	2 years	Total
Loan	DIA	EUR	**30,032**	**15,032**	15,000	**15,000**
Loan	DIA Brasil	EUR	**101,281**	**101,281**	-	**-**
Loan	Grupo El Árbol	EUR	**2,002**	**2,002**	-	**-**
Loan	DIA Argentina	EUR	**777**	**777**	-	**-**
	Other Loans		**134,092**	**119,092**	**15,000**	**15,000**
Mortgage	Beauty by DIA	EUR	**831**	**438**	393	**393**
	Mortgage Loans		**831**	**438**	**393**	**393**

The following transactions have been undertaken in the first six months of 2019:

In January 2019, DIA Brazil renewed three of its bilateral loans amounting to Euros 83,818 thousand. These loans now mature in July and August 2019. The remaining bilateral loans amounting to Euros 28,269 thousand mature as before in August 2019.

On 14 May 2019, the El Arbol Group repaid a bilateral loan at maturity. The outstanding balance at this date was Euros 2,000 thousand and the loan was entered into on 14 May 2009.

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

c) Finance lease payables

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

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

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

	Current debt	Non-current debt	Total
At 1 January 2019	**230,761**	**507,319**	**738,080**
Additions	-	77,839	77,839
Disposals	-	(21,572)	(21,572)
Intereses expenses	35,825	-	35,825
Transfers	121,001	(121,001)	-
Transfers IFRS 16	9,611	20,678	30,289
Actualized Value	-	22,585	22,585
Quotas paid	(162,491)	(136)	(162,627)
Translate differences	(150)	(364)	(514)
At 30 June 2019	**234,557**	**485,348**	**719,905**

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

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

d) Participating loans

In order to provide the Parent with liquidity, while the formalities for executing the capital increase mentioned in note 1 of these explanatory notes have been completed, the following participating loans have been arranged with its majority shareholder:

- On 29 May 2019 the Parent arranged a participating loan with L1R Invest1 Holding, S.à.r.l. amounting to Euros 40,000 thousand, maturing on 28 November 2019. At 30 June 2019 this loan was fully paid out.
- On 26 June a second participating loan was arranged amounting to Euros 450,000 thousand, maturing on 28 November 2019. At 30 June 2019 the loan was partially drawn down in the amount of Euros 88,500 thousand. In July 2019 this loan was fully drawn down.

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

At 30 June 2019 both loans have accrued joint interest of Euros 89 thousand. At 30 June 2018 participating loans weren't granted.

13.2. Other non-current financial liabilities

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

Thousands of Euros	30 June 2019	31 December 2018
Capital grants	205	291
Other non-current financial liabilities	-	2,000
Total grants and other non-current financial liabilities	**205**	**2,291**

Other non-current financial liabilities at 31 December 2018 include the amount withheld from the sellers, with maturity of five years, in the acquisition of stores from the Eroski Group in 2015, in accordance with the addendum to the framework contract signed on 7 August 2015. This withholding was released in the first half of 2019 (see note 6.2).

13.3. Trade and other payables

Details are as follows:

Thousands of Euros	30 June 2019	31 December 2018
Suppliers	1,029,274	1,287,433
Suppliers, other related parties	197	242
Advances received from receivables	3,639	7,421
Trade payables	133,174	147,753
Onerous contracts provisions	13,816	6,079
Total Trade and other payables	**1,180,100**	**1,448,928**

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

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

Trade and other payables do not bear interest.

At 30 June 2019 the Group has reverse factoring facilities with a limit of Euros 192,317 thousand (31 December 2018: Euros 218,231 thousand) of which Euros 188,578 has been used (31 December 2018: Euros 199,931 thousand).

13.4. Other financial liabilities

Details of other financial liabilities are as follows:

Thousands of Euros	30 June 2019	31 December 2018
Personnel	81,706	56,273
Suppliers of fixed assets	30,451	108,986
Other current liabilities	8,684	1,137
Total other liabilities	**120,841**	**166,396**

The balance of this caption recorded in the consolidated annual accounts at 31 December 2018 at Euros 157,647 thousand has been restated at Euros 8,749 thousand (Euros 4,850 thousand relate to personnel, Euros 3,847 thousand to suppliers and Euros 52 thousand to other current liabilities), as a result of the decision made in the first half of 2019 to reverse the classification of Clarel as held for sale (see notes 1 and 2.1).

In relation to other current liabilities, during the first six months of the year 2019, Euros 6,708 thousand was allocated as recognition of the liability related to the acquisition of the 50% of the investment in Finandia at 30 June 2019, based on the points set forth in notes 1.3 and 18.10.

13.5. Fair value estimates

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

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

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

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

Thousands of Euros	Loans and receivables	
	30 June 2019	31 December 2018
Financial assets		
Trade and other receivables	170,414	266,590
Other financial assets	75,255	89,082
Consumer loans from financial activities	-	20
Total	**245,669**	**355,692**

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

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

	Carrying amount					
Thounsands of Euros	Debts and items payable		Hedge derivatives		Fair value	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Financial liabilities						
Trade and other payables	1,180,100	1,448,928	-	-	-	-
Debentures and bonds	902,470	901,781	-	-	736,151	576,357
Mortgage Loans	604	831	-	-	-	-
Syndicated credits (Revolving credit facilities)	470,465	378,572	-	-	-	-
Credit facilities drawn down	242,286	212,776	-	-	-	-
Bank loans and credits	135,164	134,092	-	-	-	-
Finance lease payables	719,905	30,289	-	-	-	-
Guarantees and deposits received	15,237	15,607	-	-	-	-
Participative loans	128,589	-	-	-	-	-
Other financial liabilities	134,782	184,909	1,464	5,776	461	4,259
Total	**3,929,602**	**3,307,785**	**1,464**	**5,776**	**736,612**	**580,616**

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

The fair value of current and non-current listed instruments and bonds has been measured based on listed market prices (level 1).

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

14. PROVISIONS

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

Thousands of Euro	Provisions for long-term employee benefits under defined benefit plans	Tax provisions	Social security provisions	Legal contingencies provisions	Other provisions	Total provisions
At 1 January 2018	**3,054**	**19,625**	**12,520**	**7,384**	**1,473**	**44,056**
Charge	157	1,799	8,360	3,126	56	**13,498**
Applications	-	(7,135)	(2,137)	(956)	(16)	**(10,244)**
Reversals	(190)	(1,035)	(1,969)	(1,435)	(130)	**(4,759)**
Other movements	16	(197)	-	-	3	**(178)**
Translation differences	-	-	(2,033)	(716)	(138)	**(2,887)**
At 30 June 2018	**3,037**	**13,057**	**14,741**	**7,403**	**1,248**	**39,486**
At 1 January 2019	**3,077**	**21,418**	**9,452**	**12,493**	**1,164**	**47,604**
Charge	150	5,365	4,031	9,471	32	**19,049**
Applications	-	-	(1,985)	(1,348)	(30)	**(3,363)**
Reversals	(109)	(367)	(837)	(5,282)	-	**(6,595)**
Other movements	17	15	-	-	3	**35**
Translation differences	-	(18)	(35)	(59)	(17)	**(129)**
At 30 June 2019	**3,135**	**26,413**	**10,626**	**15,275**	**1,152**	**56,601**

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

Tax provisions in the first half of 2018 mainly arose from estimated provisions for differences in criteria with the authorities in Spain.

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

In 2019 and 2018, charges and applications of provisions for lawsuits filed by employees (related to social security contributions) during the first six months of each year include labour contingencies mainly in Brazil and Argentina.

With regard to legal provisions, in the first half of 2019 Euros 6,666 was allocated in Brazil in relation to the closure of franchise contracts (Euros 1,168 thousand in the corresponding period of 2018) and Euros 1,595 thousand in Spain (Euros 1,540 thousand in the corresponding period of 2018) to cover litigation with third parties.

Reversals of legal provisions in both years were due to contract risks that did not materialise, mainly in Spain, amounting to Euros 3,291 thousand in the first half of 2019 (Euros 879 thousand in the first half of 2018), and in Brazil for Euros 1,339 thousand in the first half of 2019 (Euros 302 thousand in the first half of 2018).

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

15. TAX ASSETS AND LIABILITIES AND INCOME TAX

Details of tax assets and liabilities at 30 June 2019 and 31 December 2018 are as follows:

Thousands of Euros	30 June 2019	31 December 2018
Non current tax assets	55,081	43,888
Deferred tax assets	95,143	74,672
Taxation authorities, VAT	27,405	21,218
Taxation authorities	14,478	16,811
Current income tax assets	11,761	10,143
Total tax assets	**203,868**	**166,732**
Deferred tax liabilities	17,596	-
Taxation authorities, VAT	27,453	32,894
Taxation authorities	39,662	43,152
Current income tax liabilities	-	664
Total tax liabilities	**84,711**	**76,710**

Non-current tax assets comprise ICMS, which correspond to tax on Circulation of Goods and Services, and tax on purchases of Property, plant and equipment, in Brazil; which is equivalent to VAT in other jurisdictions. An amount of Euros 10,919 thousand has been transferred to this caption, recorded under the other financial assets caption at 31 December 2018 (see note 6.2). Additionally, the Tax receivable, VAT caption includes the current portion of ICMS, which amounts to Euros 12,998 thousand (56,555 thousand Brazilian reals).

In relation to the tax on circulation of goods and services (ICMS), in March 2017 the Supreme Court sentence of October 2016 was ratified, allowing companies recover a portion of the ICMS tax paid. This decision was confirmed by the final court ruling of May 2019 in favour of DIA Brazil. In 2017 the Company generated a tax asset receivable from the Brazilian revenue of Euros 3,661 thousand (14,543 thousand Brazilian reals), but in 2018 the calculation was revised and a greater tax asset was recognised, totalling Euros 29,587 thousand (117,547 thousand Brazilian reals) (see note 14.4 of the consolidated annual accounts at 31 December 2018). At 31 December 2018, as a consequence of the previous items and the accounting of the recovering tax over the sales of the year 2018, the balance sheet assets of DIA Brazil include an ICMS amount of Euros 43,888 thousand (195,040 thousand Brazilian reals). In addition, from January to June 2019, an increase of Euros 3,255 thousand (14,165 thousand Brazilian reals) was recorded on account of 2019 sales. The total of the activated amount, is expected to be recovered over the coming seven years from the Brazilian revenue, offset against future ICMS. The recovery over the seven-year period is based on historic tax collection amounts as well as the growth in sales.

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

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

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

Thousands of Euros	30 June 2019	31 December 2018
Current income taxes		
Current period	849	21,431
Prior periods' current income taxes	31	221
Total current income taxes	**880**	**21,652**
Total current income taxes of continuining activities	880	20,046
Total current income taxes of discontinued operations	-	1,606
Deferred taxes		
Source of taxable temporary differences	3,384	7,874
Source of deductible temporary differences	(9,456)	(8,782)
Reversal of taxable temporary differences	(4,426)	(2,919)
Reversal of deductible temporary differences	4,170	5,944
Total deferred taxes	**(6,328)**	**2,117**
Total deferred taxes of continuining activities	(9,328)	2,117
TOTAL INCOME TAX	**(5,448)**	**23,769**
Total income tax of continuining activities	(5,448)	22,163
Total income tax of discontinued operations	-	1,606

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

During 2018, the verification and inspection procedures for the Company's 2011 and 2012 Corporate Income Tax and 2012 Personal Income Tax and Value Added Tax were completed. At 30 June 2019, the taxation authorities continue their ongoing inspection of the following items and periods at DIA and TWINS:

Tax	Periods
Income tax	01/2013 to 12/2014
Value Added tax	06/2014 to 12/2014
Personal Income tax	06/2014 to 12/2014
Withholding/ Advance Payments on Work Revenue/Profesional	06/2014 to 12/2014
Withholding/ Advance Payments on property leases	06/2014 to 12/2014
Withholding on account of Non-Resident Income Tax	06/2014 to 12/2014

On 29 January 2019, DIA Brazil received the result of the inspections carried out on the 2014 accounts, resulting in an updated debt of Euros 102,295 thousand (445,094 thousand Brazilian reals) relating to the different items of indirect taxes PIS and COFINS. The company has appealed this ruling through administrative proceedings and, if necessary, will file a court appeal, since it considers that there are sufficient grounds to obtain a favourable outcome. Based on reports drawn up by two legal firms, the company has deemed the risk of loss of the items disputed in this appeal as remote/possible in the most part and has therefore only recorded a provision of Euros 1,264 thousand (5,500 thousand Brazilian reals) at 30 June 2019. Furthermore, approximately 30% of the amount of the ruling corresponds to the discrepancy regarding the tax on income from supplier discounts, which had already been raised in the previous inspection.

As a result of the previous inspections, which were closed in 2014, DIA Brazil received two notifications from the Brazilian tax authorities regarding 2010, one for an updated amount of Euros 16,519 thousand (71,874 thousand Brazilian reals) in relation to the discrepancy regarding the tax on income from supplier discounts, and the other for omission of income from circulation of goods for an updated amount of Euros 80,227 thousand (349,076 thousand Brazilian reals). In relation to the first issue (regarding tax on income from supplier discounts), an unfavourable decision was passed down in the administrative proceedings and the company filed a court appeal in 2016. Based on reports from external lawyers, the company considers that there are sufficient grounds to secure a ruling in favour of DIA Brazil. In relation to the second issue (on circulation of goods), the administrative proceedings resulted in an unfavourable ruling, which was subsequently appealed. As a result, the administrative court of second instance (CARF), recognised deficiencies in the inspection process and ordered another inspection, which concluded in June 2019 with a favourable ruling for DIA Brazil. The administrative court of second instance (CARF) must now analyse the conclusions of the new inspection. The external legal advisors continue to deem the likelihood of losing this case as remote.

16. SHARE-BASED PAYMENT TRANSACTIONS

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

This plan was for current and future executive directors, senior management and other key personnel of DIA and its subsidiaries, determined by the Board of Directors, who met the requirements established in the general conditions and choose to voluntarily adopt the Plan. The purpose of this plan was to award and pay variable remuneration in DIA shares, according to compliance with business objectives for the Parent and the Group. The key features of this incentive plans is as follows:

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

The costs recognised in respect of the 2016-2018 long-term incentive plan in force during the first half of 2019 amounted to Euros 559 thousand (Euros 197 thousand in the same period of 2018) and are included under personnel expenses in the consolidated income statement with a balancing entry under own equity instruments.

The equity instruments granted during the first six months of 2019 have led to net movement in other equity instruments of Euros 2,782 thousand, reflecting the distribution of 365,590 own shares net of withholdings (768,277 own shares net of withholdings were distributed in the first six months of 2018 totalling Euros 5,555 thousand) (see note 12.3 (a)). The equity instruments granted in April 2019 have had an impact on reserves of Euros 2,476 thousand due to the spread in the share price considered as a reference.

At 30 June 2019 no plan other than the one included in the previous table has been approved.

Similarly, during the first six months of 2019, a net amount of Euros 50 thousand has been recognised for remuneration accrued by directors (Euros 500 thousand in the first six months of 2018).

17. REVENUE

17.1. Revenue from contracts with customers

Revenue corresponds to sales income from the store itself, sales to franchises and online sales from the Group's activity, which is mainly focused in the markets of Spain, Portugal, Brazil and Argentina. At 30 June 2019 and 2018, revenue amounts to Euros 3,444,514 thousand and Euros 3,701,836 thousand, respectively. The distribution by geographical area is shown as follows:

	30 June 2019			30 June 2018		
	Ordinary income of the segment	Ordinary income between segments	Ordinary income of external clients	Ordinary income of the segment	Ordinary income between segments	Ordinary income of external clients
Sales in own stores	**2,192,734**	**1,476**	**2,191,257**	**2,206,671**	**1,593**	**2,205,078**
Spain	1,312,249	1,476	1,310,772	1,334,779	1,593	1,333,186
Portugal	149,297	-	149,297	176,906	-	176,906
Brazil	327,760	-	327,760	305,207	-	305,207
Argentina	403,428	-	403,428	389,779	-	389,779
Sales to franchise stores	**1,199,287**	**-**	**1,199,287**	**1,440,022**	**-**	**1,440,022**
Spain	721,191	-	721,191	854,328	-	854,328
Portugal	136,000	-	136,000	127,614	-	127,614
Brazil	256,025	-	256,025	383,052	-	383,052
Argentina	86,071	-	86,071	75,028	-	75,028
On line sales	**33,692**	**-**	**33,692**	**35,326**	**-**	**35,326**
Spain	32,682	-	32,682	34,973	-	34,973
Brazil	1,010	-	1,010	353	-	353
Other sales	**20,291**	**13**	**20,278**	**21,491**	**81**	**21,410**
Spain	13,959	-	13,959	13,407	-	13,407
Portugal	5,390	-	5,390	5,812	9	5,803
Brazil	927	-	927	2,211	-	2,211
Argentina	15	13	2	61	72	(11)
Total	**3,446,004**	**1,489**	**3,444,514**	**3,703,510**	**1,674**	**3,701,836**

18. OTHER INCOME AND EXPENSES

18.1. Other income

Details of other income are as follows:

Miles de euros	30 June 2019	30 June 2018
Fees and interest to finance companies	1	570
Service and quality penalties	10,175	20,875
Revenue from lease agreements	15,869	16,074
Other revenues from franchises	4,782	7,381
Revenue from information services to suppliers	844	-
Revenue from the sale of packaging	2,115	2,982
Gains for the sale of fixed assets	-	14,109
Other revenues	5,992	13,221
Total other operating income	**39,778**	**75,212**

18.2. Merchandise and other consumables used

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

Details of the main items are as follows:

Thousands of Euros	30 June 2019	30 June 2018
Goods and other consumables used	3,038,257	3,418,716
Disccounts	(543,050)	(657,775)
Inventory variation	111,188	(31,261)
Other sales costs	181,109	165,030
Total consumo de mercaderias y otros consumibles	**2,787,504**	**2,894,710**

18.3. Personnel expenses

Details of personnel expenses are as follows:

Thousands of Euros	30 June 2019	30 June 2018
Salaries and wages	328,220	294,864
Social Security	81,094	79,686
Defined contribution plans	3,831	(41)
Other employee benefits expenses	14,413	31,259
Parcial total personnel expenses	**427,558**	**405,768**
Expenses for share-based payment transactions	609	673
Total personnel expenses	**428,167**	**406,441**

18.4. Operating expenses

Details of operating expenses are as follows:

Thousands of Euros	30 June 2019	30 June 2018
Repairs and maintenance	28,666	26,301
Utilities	40,127	37,190
Fees	29,944	15,237
Advertising	24,292	28,403
Taxes	12,965	9,380
Rentals, property	23,473	152,433
Rentals, equipment	2,318	1,791
Other general expenses	57,613	52,054
Total operating expenses	**219,398**	**322,789**

18.5. Amortisation, depreciation and impairment

Details are as follows:

Thousands of Euros	30 June 2019	30 June 2018
Amortisation of intangible assets (Note 5.3)	9,083	5,525
Depreciation of property, plant and equipment (Note 4)	107,662	113,485
Amortisation of use of right (Note 5.2)	148,529	-
Total amortisation and depreciation	**265,274**	**119,010**
Impairment of goodwill (Note 5.1)	5,834	669
Impairment of intangible assets (Note 5.3)	109	76
Impairment of property, plant and equipment (Note 4)	5,651	2,530
Total impairment	**11,594**	**3,275**

18.6. Losses on disposal of assets

The increase on losses recorded on the first six months of 2019 derive mainly from the closures and remodelling of stores in Brazil during this period.

18.7. Net finance income/cost

Details of finance income are as follows:

Thousands of Euros	30 June 2019	30 June 2018
Interest on other loans and receivables	83	1,586
Exchange gains (note 18.8)	3,538	1,331
Change in fair value of financial instruments	98	51
Other finance income	1,377	2,800
Total finance income	**5,096**	**5,768**

Details of finance costs are as follows:

Thousands of Euros	30 June 2019	30 June 2018
Interest on bank loans	30,473	13,961
Intereses on debentures and bonds	6,314	6,703
Finance expenses for use of right	36,206	1,028
Exchange losses (note 18.8)	5,351	3,995
Change in fair value of financial instruments	-	730
Financial expenses assigment of receivables operations (note 6.1 (b))	783	68
Other finance expenses	37,762	9,895
Total finance expenses	**116,889**	**36,380**

Other finance expenses include mainly expenses related to the refinanciation by an amount of 23,231 thousand euros.

18.8. Foreign currency transactions

The transactions in foreign currency carried out by the DIA Group during the six-month period ended 30 June 2019 and 2018 are not significant. However, details of exchange differences arising on transactions in foreign currency are as follows:

Thousands of Euros	30 June 2019	30 June 2018
Currency exchange losses (note 18.7)	(5,351)	(3,995)
Currency exchange gains (note 18.7)	3,538	1,331
Trade exchange losses	(466)	(1,281)
Trade exchange gains	1,835	448
Total	**(444)**	**(3,497)**

18.9. Gain or loss on net monetary position

This caption includes the positive financial effect of the impact of inflation on monetary assets, which amounted to Euros 36.1 million in the first six months of 2019 and Euros 17.8 million in the same period of 2018 (see note 2.3). The majority of this amount is generated by trade payables.

In Argentina, the sales margin has dropped by 14.7% in 2018, to 13.36% in 2019. The sales margin in June 2019, before applying IAS 29, was 17%. This drop in sales margin is largely due to the effect of the restatement due to the inflation of the cost of goods sold. The method of restating this item is based on the measurement of the initial inventories at the rate corresponding to the period immediately prior to the start of the year, in this case December 2018. This is considered an average inventory turnover of 30 days. This methodology means that the restatement adjustment has a greater effect on the cost of goods sold than the rest of the lines in the income statement.

18.10. Profit/(losses) of companies accounts for using the equity method

This caption includes the result related to the companies accounts for using the equity method for an amount of Euros 203 thousand, and an amount of 5.806 thousand of euros related to the adjustment of the valoration of the inversion in Finandia and the provision linked for an amount of 6.708 thousand of euros related to the acquisition of 50% of this company (see notes 1.3, 7 and 13.4).

19. COMMITMENTS AND CONTINGENCIES

a) Commitments

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

Off-balance-sheet cash commitments comprise:

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

Expansion operation commitments were undertaken for expansion at Group level.

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

19.1. Pledged:

Thousands of Euro at 30 June 2019	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	3,855	97	174	21,499	25,625
Cash	**3,855**	**97**	**174**	**21,499**	**25,625**
Purchase options	-	-	7,986	25,827	33,813
Commitments related to commercial contracts	4,519	2,270	13,211	6,942	26,942
Other commitments	-	-	-	15,414	15,414
Transactions / properties / expansion	**4,519**	**2,270**	**21,197**	**48,183**	**76,169**
Total	**8,374**	**2,367**	**21,371**	**69,682**	**101,794**

Thousands of Euro at 30 June 2018	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	23,934	2,662	157	11,390	38,143
Cash	**23,934**	**2,662**	**157**	**11,390**	**38,143**
Purchase options	12,311	18,985	2,639	48,437	82,372
Commitments related to commercial contracts	8,939	2,499	10,734	6,050	28,222
Other commitments	-	-	-	14,945	14,945
Transactions / properties / expansion	**21,250**	**21,484**	**13,373**	**69,432**	**125,539**
Total	**45,184**	**24,146**	**13,530**	**80,822**	**163,682**

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

Thousands of Euros	30 june 2019	31 december 2018
Less than one year	4,826	88,775
One to five years	-	124,217
Over five years	-	68,765
Total minimum lease payments, property	**4,826**	**281,757**
Less than one year	1,796	3,035
One to five years	2,431	4,006
Over five years	-	240
Total minimum lease payments, furniture and equipment	**4,227**	**7,281**

At 30 june 2019 it is only included the minimum lease payments related to lease contracts not included under IFRS16 scope or those not provisioned as onerous contracts.

The Parent is the guarantor of the drawdowns on the credit facilities made by its Spanish subsidiaries, which at 30 June 2019 amounted to Euros 2,013 thousand (Euros 2,989 thousand in 2018).

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

Purchase options include options over warehouses amounting to Euros 37,013 thousand (Euros 71,724 thousand in 2018).

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

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

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

19.2. Received:

Thousands of Euro at 30 June 2019	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Avaible revolving credit facilities (RCF)	9,693	-	-	-	9,693
Avaible credit facilities	9,084	-	-	-	9,084
Avaible loans may be balanced with reverse factoring	365	-	-	-	365
Avaible loans may be balanced with confirming	41,559	-	-	-	41,559
Available confirming lines	473	-	-	-	473
Available confirming lines (not included in syndicated credits)	3,265	-	-	-	3,265
Cash	**64,439**	**-**	**-**	**-**	**64,439**
Guarantees received for commercial contracts	19,386	5,519	12,445	61,551	98,901
Other commitments	550	-	84	201	835
Transactions/ properties/ expansion	**19,936**	**5,519**	**12,529**	**61,752**	**99,736**
Total	**84,375**	**5,519**	**12,529**	**61,752**	**164,175**

Thousands of Euro at 30 June 2018	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Available confirming lines	126,375	-	-	-	126,375
Avaible revolving credit facilities	426,000	-	-	-	426,000
Avaible factoring lines	216,473	-	-	-	216,473
Cash	**768,848**	**-**	**-**	**-**	**768,848**
Guarantees received for commercial contracts	23,805	5,387	16,414	53,806	99,412
Other commitments	2,500	-	84	199	2,783
Transactions/ properties/ expansion	**26,305**	**5,387**	**16,498**	**54,005**	**102,195**
Total	**795,153**	**5,387**	**16,498**	**54,005**	**871,043**

b) Contingencies

The Group is undergoing legal proceedings and tax inspections in a number of jurisdictions, some of which have been completed by the taxation authorities at 30 June 2019 and appealed by Group companies (see note 15). The Group recognises a provision if it is probable that an obligation will exist at year end which will give rise to an outflow of resources embodying economic benefits and the outflow can be reliably measured. As a result, management uses significant judgement when determining whether it is probable that the process will result in an outflow of resources and when estimating the amount.

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

20. RELATED PARTIES

Details of related party balances and transactions are as follows:

Transactions and balances with associates

During the first six months of 2019 and 2018 the Group has carried out the following related party transactions: ICDC, HIS, Red Libra and Finandia, mainly relating to commercial transactions. The trade payables balance at 30 June 2019 and 2018 is shown in notes 6.1 and 13.3. The transactions carried out with related parties during both periods are as follows:

Thousands of Euro	30 June 2019	30 June 2018
ICDC	2,991	12,967
Horizon	593	-
Red Libra	(157)	(732)
Finandia	(200)	-
Total transactions	**3,227**	**12,235**

Transactions with directors and senior management personnel

The Parent's directors accrued remuneration of Euros 759 thousand for their role as directors in the six-month period ended 30 June 2019 (Euros 1,000 thousand in the first half of 2018).

In the six-month period ended 30 June 2019, the Group recognised salaries accrued by directors and other senior executives amounting to Euros 2,478 (Euros 2,525 thousand in the first six months of 2018) and Euros 30 thousand in the form of shares (Euros 500 thousand during the first half of 2018).

At 30 June 2019 and 2018 no advances or loans have been received by senior management personnel or directors, nor has the Group extended any guarantees on their behalf.

21. OTHER INFORMATION

Employee information

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

	30 June 2019	30 June 2018
Management	176	191
Middle management	1,148	1,664
Other employees	38,923	37,632
Total	**40,247**	**39,487**

22. EVENTS AFTER THE REPORTING PERIOD

At 17 July 2019 the Parent arranged the new Financing Agreement with the financial creditors as described in the notes 1 and 13.1.

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

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

On 26 July 2019 the Board of Directors of the Company agreed to call an Extraordinary General Shareholders’ Meeting for 30 August 2019. The proposed agreements formulated by the Board of Directors include ratifying and

re-electing the directors, approving the directors' remuneration policy, ratifying the modification of the syndicated loan and the new lines of funding, as well as granting, ratifying and extending guarantees, and approving a hive down, among other items. Once celebrated this Extraordinary General Shareholders' Meeting, all proposals have been approved by the mayority of the votes.

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

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

After the election results in Argentina, there has been a significant devaluation of the Argentine peso, as well as a deterioration in the valuation of the country's sovereign debt and the majority of shares listed on its stock markets. Depending on the future evolution of the economic situation in Argentina, there could, if appropriate, be a negative effect of the application of IAS 29 on hyperinflationary economies, based on the devaluation of the peso against the euro as of December 31, 2019.

The Company has launched a collective dismissal process in the subsidiary Grupo El Árbol Supermercados y Distribución, S.A. mainly related to the expected closing of Max Descuento stores and that could affect a maximum of 210 employees.

DIA

CONDENSED CONSOLIDATED INTERIM DIRECTOR'S REPORT

H1 2019 CORPORATE AND BUSINESS CONTEXT

During the H1 2019, the Group has been operating in a highly disrupted and volatile business, financial and corporate context which, despite having a positive final resolution at the back end of the period, has taken a substantial toll which is reflected in the negative operating performance during Q1 and more strongly in Q2.

The sequence of the most relevant events is as follows:

- The release on 8 February 2019 of the Group's 2018 Annual Accounts (showing negative shareholder's equity and triggering a short-term dissolution threat), together with other factors such as: very near-term debt maturities and high refinancing risk, uncertainty around the outcome of the then-forthcoming Annual Shareholders' Meeting held on 20 March, rating agencies' negative comments and overall headline noise, led to a negative public perception around the Group that, amplified with sharp risk-cutting decisions made by trade insurance companies at that time, resulted in a level of supplier tightening that impacted negatively the supply chain, resulting in a substantial increase in the out-of-stock levels in our warehouses and stores, which ultimately translated into lower sales.
- The top-line deterioration and sales decline resulting from the above became visible firstly in March, and accelerated since then in the following months, as the uncertainty about the binary outcome of the voluntary tender offer kept growing, and stakeholders feared the potential consequences of a scenario where a failed VTO would trigger an insolvency proceeding.
- Finally on 21 May 2019, right after the public tender offer was successfully completed and an agreement in principle with the syndicate lenders was announced, Letterone became the controlling shareholder reaching 69.76% of the share capital of DIA, new members of the Board of Directors and a new CEO were appointed. But still then, the negotiations with the syndicate lenders to reach a binding agreement were on-going, and their successful completion was a prerequisite for Letterone to inject cash into the Parent ahead of the committed capital increase.
- The new financing agreement with the syndicated facility lenders was finally reached on 25 June 2019, and it became effective on 18 July 2019, once all conditions precedent were completed or waived, providing the Parent at last with a long-term and sustainable capital structure, enabling the removal of the dissolution obligation, and providing an integral solution to the urgent liquidity needs that the Company had been facing in the last months.
- The Parent entered into participating loans from Letterone totalling EUR 490m, of which EUR 128.5m were funded before 30 June 2019, and the remaining EUR 361.5m until 19 July 2019 (which were used by the Parent to fully repay at maturity on 22 July 2019 the EUR 306m Medium Term Notes). These participating loans will be converted into shareholders´ equity in the capital increase that will be submitted to approval in a Shareholders´ Extraordinary Meeting to be held in the fourth quarter of 2019, for an increased amount of EUR 600m.

The complex situation and the high uncertainty described above, which has extended over most of the period, has resulted in a very negative impact on the Group's top-line and ultimately driven a strongly negative performance in the H1 2019.

The performance of the Group in the H1 2019 is also negatively impacted by a series of decisions taken and actions implemented, which have all the common goal of creating upfront a realistic, robust and healthy business base on which to start building the new future of the Group. Those include principally: (i) a Collective Dismissal in Spain and other headcount reduction measures in Brazil to improve productivity, (ii) the closure of 663 unprofitable stores with permanent negative contribution, (iii) a strong de-franchising initiative (COFO to COCO) affecting initially 222 stores to improve and strengthen the franchisee network, (iv) an assortment optimization initiative to achieve a meaningful SKUs reduction to reduce complexity and improve operations, (v) the discontinuation of non-core activities (i.e.: e-shopping, Bahia masterfranchise or Mini Preço) to reduce complexity and improve efficiency and focus, and (vi) the recognition of accruals, losses or write-offs in connection with certain receivables, risks and liabilities that had previously not been provisioned appropiately.

With respect to post H1 2019 evolution, once the new liquidity -primarily in the form of participating loans- was made available to the Parent (by late June – early July), the immediate priority has been to normalize the relationship with credit insurers and all the supplier base, to catch-up and eliminate the out-of-stocks, and to have the warehouses and stores fully supplied, in order to be ready to fully serve our customers and be back to business as usual as soon as possible. The positive effect of this normalization is already visible in July and August, with Like-for-Like Sales showing a gradual recovery from June all-time low levels (-15.5%).

Going forward, the Group intends to further support and promote this initial sales recovery with several initiatives across different areas (i.e.: commercial, operations, logistics, etc.) whose common goal will be to drive incremental traffic and sales in our stores and improve productivity.

At year-end, with additional information and under a more normalized business environment, as part of its normal closing procedures the Parent will prepare an updated long-term Business Plan for the Group, which will be the basis to assess the long-term recoverability of its assets.

GROUP PERFORMANCE[1]

Financial summary (€m)	30/06/2019	30/06/2018(*)	Change (%)	Change (% ex-FX)
Net sales	3,444.5	3,701.9	-7.0%	-0.5%
Adjusted EBITDA (ex one-offs)	33.2	205.9	-83.9%	
Operating income (EBIT)	(315.0)	15.1		
Net attributable profit	(418.7)	(29.6)		

(*) Including in the H1 2018 figures as re-expressed in the 2018 Annual Accounts: (i) the IAS 29 hyperinflation adjustment of Argentina, (ii) the consolidation of CDSI and (iii) Clarel figures as continued operations.

In H1 2019, Gross Sales Under Banner fell by 18.3% to EUR 4.25bn (6.9% down ex-currency with a strong FX impact of -11.4%). Comparable (Like-for-Like) sales decreased 7.8% for the Group compared to -3.6% in the same period of 2018, showing a negative trend and the sharp deterioration during the period caused by the out-of-stock levels in our warehouses and stores resulting from the business disruption context described above.

Net attributable loss for the first half of the year amounted EUR 418.7m, compared to the EUR 29.6 m losses shown in the same period of 2018, as a result of the strongly negative earnings impact related to the sharp sales decline and also to the exceptional one-off effects registered in the period in connection with the different measures implemented to set the right basis for the long term turnaround of the Group, which will translate into visible positive effects on sales and profitability only in the medium to long-term,as explained further in this report. Also, a detailed risk and recoverability analysis has resulted in the recognition of previously not addressed write-offs, losses, and provisions for risks associated to the business.

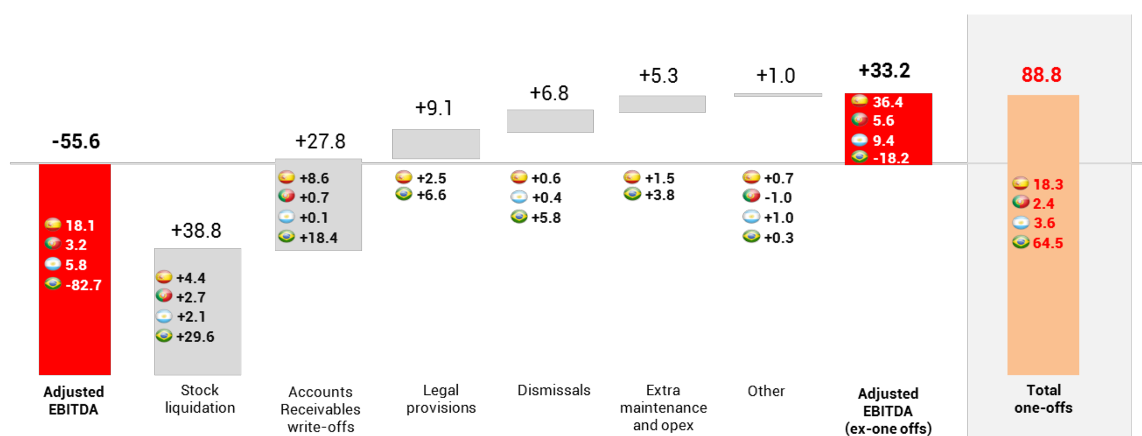
The main items affecting the Group's negative performance in the first six months of 2019, include:

1. The sharp sales deterioration caused by the extraordinary out-of-stock levels and business disruption context described above.
2. The closure process of poorly-performing stores which has affected a total of 663 stores in H1 2019 (mostly in Spain and Brazil), which ultimately translated into: lower sales, the write-off of related assets, an increase in Opex due to the expenses related to the handover of the leases, and the recognition of provisions in respect of doubtful accounts receivables from related franchisees.The positive impact of these closings (derived from the elimination of their negative margin contribution), will start from H2 2019 onwards.
3. A strong de-franchising process aimed at improving the quality of our franchisee network, which has affected a total of 221 stores during H1 2019 (mostly in Spain and Brazil), resulting in higher labor and opex expenses, and the recognition of additional provisions on related accounts receivables.
4. An initial commercial assortment rationalization process carried out,in all regions resulting in a meaningful SKUs reduction, seeking greater simplification, productivity improvement and best value-for-money proposition for customers. This initiative led to the recognition of significant losses (especially in Brazil) related to the corresponding stock liquidation (impacting Cost of Goods Sold).

[1] The Group has decided to keep its Clarel business and to strengthen it with the appointment of a new CEO and a dedicated management team who will work on reformulating its customer value proposition. Accordingly, the H1 2019 financial information and the comparable data for H1 2018 includes Clarel figures fully consolidated as "continued operations".

5. The impact of some logistic improvement initiatives implying the closing of warehouses to seek greater efficiency, which translated in the short term into higher logistic costs, additional write-offs of assets and provisions for committed lease payments to the owners.
6. Refinancing complexity and increasing focus on its core business, which led to decisions/actions (the closing of the operations in Bahia and Mini Preço in Brazil, or the discontinuation of the non-food e-commerce activities in Spain through E-Shopping) which increased restructuring costs and impairment of assets.
7. Other substantial extraordinary and one-off items such as:
   - The Collective Dismissal implemented in Spain together with other headcount reduction decisions taken in other countries (mainly Brazil) to improve productivity in the stores, warehouses and head offices, impacting Restructuring Costs.
   - The complex and multi-phased syndicated debt refinancing process and advisory work related to the capital increase presented by the former board in the Annual General Shareholders´ Meeting (including financial and corporate advice, auditors, forensic services, legal advice and strategy consultants), impacting Restructuring Costs and Financial Results.
   - The repurchase by DIA of the 50% of Finandia due to change of control which triggered the recognition of losses impacting in Financial Results.
8. The recognition of additional accruals in connection with certain legal and tax risks and liabilities identified that needed to be provisioned, and write offs and others.

The following chart shows the One-off impacts included in Adjusted EBITDA, totaling EUR 88.8m, which are mainly concentrated in Brazil (64.5) and Spain (18.3). The largest impacts in Adjusted EBITDA relate to stock liquidation efforts and to accounts receivable write-offs.



H1 2019 RESULTS

(€m)	30/06/2019	%	30/06/2018(*)	%	Change	Change (ex-FX)
Net sales	**3,444.5**		**3,701.9**		**-7.0%**	**-0.5%**
Cost of goods sold & other income	(2,771.5)	-80.5%	(2,860.5)	-77.3%	-3.1%	4.2%
Gross profit	**673.0**	**19.5%**	**841.5**	**22.7%**	**-20.0%**	**-16.4%**
Labour costs	(383.8)	-11.1%	(355.4)	-9.6%	8.0%	12.8%
Other operating expenses	(185.9)	-5.4%	(152.3)	-4.1%	22.1%	32.9%
Leased property expenses	(14.0)	-0.4%	(142.4)	-3.8%	-90.2%	-90.1%
Restructuring costs	(75.8)	-2.2%	(67.8)	-1.8%	11.8%	13.6%
Gain/Losses on disposals of assets			14.1	0.4%	-100.0%	-100.0%
EBITDA	**13.5**	**0.4%**	**137.7**	**3.7%**	**-90.2%**	**-93.5%**
D&A	(265.3)	-7.7%	(113.7)	-3.1%		
Impairment	(11.6)	-0.3%	(3.3)	-0.1%		
Write-offs	(51.6)	-1.5%	(5.7)	-0.2%		
EBIT	**(315.0)**	**-9.1%**	**15.1**	**0.4%**		
Net financial results	(88.4)	-2.6%	(12.9)	-0.3%		
EBT	**(403.4)**	**-11.7%**	**2.1**	**0.1%**		
Income taxes	5.4	0.2%	(23.8)	-0.6%		
Consolidated profit	**(398.0)**	**-11.6%**	**(21.6)**	**-0.6%**		
Discontinuing operations	(20.7)	-0.6%	(8.0)	-0.2%		
Net attributable profit	**(418.7)**	**-12.2%**	**(29.6)**	**-0.8%**		

(*) Including in the H1 2018 figures as re-expressed in the 2018 Annual Accounts: (i) the IAS 29 hyperinflation adjustment of Argentina, (ii) the consolidation of CDSI and (iii) Clarel figures as continued operations.

In H1 2019, the DIA Group's Net Sales decreased by 7.0% to EUR 3.44bn, but were down only by 0.5% in local currency. This sales performance reflected a 6.5% negative effect from currencies due to the 44.7% and 4.7% depreciation of the Argentinean Peso and Brazilian Real, respectively, in the period.

As shown in the attached table, the evolution of Comparable Sales (Like-for-Like) in the H1 2019 was negative -7.7%, with a progressive and accelerating monthly deterioration during the period.

LxL (*)	Jan	Feb	Mar	Apr	May	Jun	H1	Jul	Aug
DIA Group	-1.6%	-3.2%	-7.7%	-7.5%	-11.1%	-15.5%	-7.8%	-9.0%	-7.0%

(*) With Clarel

This downward trend is driven by the negative impact caused by the uncertainty surrounding the Group's financial situation and the supplier tightening resulting from it, as already explained.

Gross Profit (as a percentage of Net Sales) decreased in H1 2019 to 19,5% (versus 22.7% in H1 2018) reflecting principally the negative impact of the stock liquidation initiatives referred to above, write off of receivables related to franchisees and also some erosion caused by the supplier tightening.

Adjusted EBITDA[2] amounted to EUR (55.6)m in H1 2019, compared to the EUR 205.9m in the same period last year, as a result of the negative earnings impact related to the sales decline and to the exceptional one-off effects of EUR (88.8)m registered in the period mainly related to stock liquidation and write-off of accounts receivables in Spain and Brazil.Also, the Group has adopted a new more conservative definition of Adjusted EBITDA in 2019 which does not exclude certain cost items.

EBITDA in H1 2019 fell to EUR 13.5m compared to positive EUR 137.7m in the same period of last year. In addition to the negative operational impacts already described above, the negative impact from one-off

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

restructuring items of EUR (75.8)m, additional Impairment of EUR (11.6)m and write-offs of assets of EUR (51.6)m were more than offset by the sizeable EUR 163.0m positive effect resulting from the application of IFRS 16.

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

EBITDA to Adjusted EBITDA reconciliation

(€m)	30/06/2019	30/06/2018	Change
EBITDA	**13.5**	**137.7**	**(124.2)**
Restructuring costs	**75.8**	**67.8**	**8.0**
Store remodellings		14.2	(14.2)
COCO to COFO transfers		5.4	(5.4)
Store closings	8.8	12.0	(3.2)
DC closings	10.8	0.2	10.7
Efficiency projects & severance packages	43.6	22.0	21.6
Advisory fees	12.6	8.6	4.0
LTIP share based payments		0.2	(0.2)
Amortization related to the closing of stores		5.4	(5.4)
Gain/Losses on disposals of fixed assets		**(14.1)**	**14.1**
IFRS 16 lease effect	**(163.0)**		(163.0)
IAS 29 hyperinflation effect	**18.1**	**14.5**	**3.6**
Adjusted EBITDA	**(55.6)**	**205.9**	**(261.5)**

With respect to the Restructuring Costs, the material increase in H1 2019 is primarily resulting from: (i) the EUR 43.6m provision accrued for the total estimated costs related to the Collective Dismissal approved in Spain and dismissals in other countries, and (ii) the EUR 12.6m of exceptional one-off fees related to: financial and corporate advice, auditors, forensic services, legal advice, strategy consultants, and the preparation of the EUR 600m capital increase presented at the Annual Shareholders' Meeting, and (iii) the EUR 19.6m related to committed lease payments and other costs related to the exceptional closing of stores and warehouses executed in the period.

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

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

Depreciation and amortisation more than doubled in H1 2019 (from EUR 113.7m to EUR 265.3m) due to the new application of IFRS 16.

Financial Results

(€m)	30/06/2019	30/06/2018	Change
Finance income	1.6	4.5	(2.9)
Interest expense	(36.8)	(20.7)	(16.1)
Other financial expenses	(15.3)	(10.0)	(5.3)
Refinancing costs	(23.2)	-	(23.2)
FX differences	(1.9)	(2.7)	0.8
IFRS 16 related financial costs	(36.2)	(1.0)	(35.2)
P&L from financial instruments	-	(0.7)	0.7
Gains from net monetary position (IAS 29)	36.1	17.8	18.3
P&L from companies accounted under equity method	(12.7)	(0.1)	(12.6)
Net financial results	**(88.4)**	**(12.9)**	**(75.5)**

In terms of financial results, in H1 2019, the Group's net financial expenses amounted to EUR 88.4m, which compares with EUR 12.9m expenses of the re-expressed figures in the same period of last year. This EUR 75.5m increase is firstly due to the new application of IFRS 16 in 2019, which had a EUR 35.2m impact on the financial results. On top of that, the higher amounts of average financial net debt held during the period and its substantially higher cost translated into EUR 16.1m higher interest financial costs (from EUR 20.7m to EUR 36.8m).

The costs related to the refinancing process had an exceptional effect of EUR 23.2m considering all fees paid to syndicate lenders, together with all financial and legal advisory services used during the various phases of the refinancing process that the Company has gone through.

Finally, the P&L of companies accounted under equity method includes a EUR 12.5m impairment charge triggered by the repurchase in July of the 50% stake in Finandia, following the exercise of a change-of-control put option by the other partner.

After all these effects, the Net attributable loss amounted to EUR 418.7m in H1 2019 (versus a EUR 29.6m loss in the re-expressed H1 2018 accounts).

INFORMATION BY COUNTRY

DIA GROUP(1) (€m)	30/06/2019	%	30/06/2018(*)	%	Change (%)	Change (% ex-FX)
Gross sales under banner	**4,249.5**		**5,200.7**		**-18.3%**	**-6.9%**
Like-for-like sales growth	-7.8%		-3.6%			
Net sales(3)	**3,444.5**	**100.0%**	**3,701.9**	**100.0%**	**-7.0%**	**-0.5%**
Cost of goods sold & Opex	(3,500.2)		(3,496.0)		0.1%	
Adjusted EBITDA (2)	**(55.6)**	**-1.6%**	**205.9**	**5.6%**	**-127.0%**	**-126.6%**

SPAIN(1) (€m)	30/06/2019	%	30/06/2018(*)	%	Change (%)
Gross sales under banner	**2,500.2**		**(2,689.6)**		**-7.0%**
Like-for-like sales growth	-6.8%		-2.1%		
Net sales(3)	**2,078.7**	**100.0%**	**2,235.9**	**100.0%**	**-7.0%**
Cost of goods sold & Opex	(2,060.6)		(2,086.5)		-1.2%
Adjusted EBITDA (2)	**18.1**	**0.9%**	**149.4**	**6.7%**	**-87.9%**

PORTUGAL(1) (€m)	30/06/2019	%	30/06/2018(*)	%	Change (%)
Gross sales under banner	**377.1**		**395.2**		**-4.6%**
Like-for-like sales growth	-3.9%		-4.8%		
Net sales(3)	**290.7**	**100.0%**	**310.3**	**100.0%**	**-6.3%**
Cost of goods sold & Opex	(287.5)		(297.3)		-3.3%
Adjusted EBITDA (2)	**3.2**	**1.1%**	**13.0**	**4.2%**	**-75.2%**

ARGENTINA (€m)	30/06/2019	%	30/06/2018(*)	%	Change (%)	Change (% ex-FX)
Gross sales under banner	**691.1**		**1,310.8**		**-47.3%**	**-4.9%**
Like-for-like sales growth	-9.6%		-2.1%			
Net sales(3)	**489.5**	**100.0%**	**464.9**	**100.0%**	**5.3%**	**50.8%**
Cost of goods sold & Opex	(483.7)		(450.9)		7.3%	
Adjusted EBITDA (2)	**5.8**	**1.2%**	**14.0**	**3.0%**	**-58.7%**	**-25.1%**

BRAZIL (€m)	30/06/2019	%	30/06/2018(*)	%	Change (%)	Change (% ex-FX)
Gross sales under banner	**681.1**		**805.2**		**-15.4%**	**-10.9%**
Like-for-like sales growth	-9.7%		-10.0%			
Net sales(3)	**585.7**	**100.0%**	**690.8**	**100.0%**	**-15.2%**	**-11.2%**
Cost of goods sold & Opex	(668.4)		(661.3)		1.1%	
Adjusted EBITDA (2)	**(82.7)**	**-14.1%**	**29.5**	**4.3%**	**-380.6%**	**-393.8%**

(1) With Max Descuento as discontinued activities, and Clarel as continued activities.
(2) Adjusted by Restructuring Costs, IFRS 16 and IAS 29.
(3) Includes EUR 98.3m negative and EUR 23.4m positive IAS 29 impact in Net Sales in H1 2018 and H1 2019, respectively.

Gross Sales Under Banner in Spain declined by 7.0% in H1 2019 to EUR 2.50bn, while Net Sales also went down 7.0% during the period to EUR 2.08bn, very affected by the out of stock situation, the negative media environment around the Group and substantially lesser promotion investment. This negative performance was driven by the negative 6.8% Comparable Sales, while the store selling area during the period also went down 6.9%.

The Adjusted EBITDA generated in the country decreased by 87.9% to EUR 18.1m, reflecting 580bps margin erosion to 0.9% strongly impacted by one-off impacts of EUR (18.3)m.

With regards to Portugal, Gross Sales Under Banner went down by 4.6% in H1 2019 to EUR 377.1m, while Net Sales decreased by 6.3% during the same period to EUR 290.7m. This negative performance was related to the negative 3.9% Comparable Sales and the contraction of the commercial space by 3.6%. Adjusted EBITDA went down by 75.2% to EUR 3.2m, a 310bps margin erosion to 1.1%.

In Argentina, Gross Sales Under Banner declined by 4.9% to EUR 691.1m and by 47.3% in local currency. Net sales grew by 5.3% to EUR 489.5m after applying IAS 29, but down 17.2% before IAS 29 (up 49.0% in local currency), affected by the challenging macroeconomic environment and the sharp decline in private consumption related to the spike in inflation and severe currency depreciation, business in local currency performed relatively well in H1 2019. The volume Comparable Sales declined by 9.6%. Adjusted EBITDA in H1 2019 was EUR 5.8m (EUR -12.3m after the impact from the application of IAS

29). Isolating this effect, the comparable figure of Adjusted EBITDA would have been down by 58.7% versus H1 2018 (-25.1% ex-currency), reflecting an 180bps decline in the Adjusted EBITDA margin to 1.2%.

In Brazil, Gross Sales Under Banner fell by 15.4% to EUR 681.1m (-10.9% ex-currency) with comparable sales down by 9.7%. Adjusted EBITDA figure of the period declined to EUR (82.7)m highly impacted by one-off adjustments of EUR (64.5)m related mainly to stock liquidation and accounts receivables write-offs associated to the defranchising process. The business is also being affected by the Group´s priority to improve the current network and fix outdated stores, which implies additional Opex and Capex to improve the shopping experience of our customers.

BALANCE SHEET

(€m)	30/06/2019	31/12/2018
Non-current assets	2,711.8	2,159.1
Inventories	491.0	597.4
Trade & Other receivables	111.6	193.5
Other current assets	70.7	66.9
Cash & Cash equivalents	122.7	239.8
Non-current assets held for sale	3.4	15.1
Total assets	**3,511.2**	**3,271.8**
Total equty	(566.2)	(166.1)
Long-term debt	1,240.4	920.4
Short-term debt	1,389.5	775.6
Trade & Otherpayables	1,180.1	1,448.9
Provisions & Other current liabilities	262.4	293.0
Liabilities associated with assets held for sale	5.0	-
Total equity & liabilities	**3,511.2**	**3,271.8**

The application in 2019 of the new IFRS 16 has resulted in an incremental impact of EUR 689.3m on the DIA Group's consolidated balance sheet (mostly in the Non-current Assets, and the Long & Short-term Debt captions).

As a consequence of the net losses reported in H1 2019, at the end of June 2019 the negative shareholders' equity balance in the Parent Company is EUR 250.7m (vs. EUR 99m negative equity by year-end 2018). However, the total EUR 490m funded into the Parent until 19 July 2019 by the controlling shareholder in the form of participating loans, increase the Parent Company's shareholder equity for the purpose of computing the legal dissolution obligation. These participating loans will be converted into equity at the time that the new share capital increase of EUR 600m to be proposed to the shareholders in an extraordinary meeting to be held in the Q4 2019 is completed. The capital increase will also add EUR 100m to shareholders' equity.

Under the Syndicated Facility Agreement, Letterone committed to inject at least EUR 490m into the Parent via profit participating loans to provide liquidity to the Parent prior to the execution of the Share Capital Increase mentioned above. The Parent entered into two participating loans from Letterone as lender for EUR 40 million (dated 29 May 2019) and EUR 450 million (dated 26 June 2019), under which the Parent received EUR 128.5 million until 30 June 2019, and the remainder until 19 July 2019.

Using EUR 306m from such proceeds, the Parent fully repaid the "Euro Medium Term Notes" maturing on 22 July 2019, thereby satisfying all its payment obligations with respect to such notes.

The effectiveness of the refinancing of the existing facilities, the new facilities obtained, the profit participating loans granted by Letterone, and the future proceeds coming from the projected share capital increase, imply the consolidation of the removal of the dissolution cause due to losses, the achievement of a viable long-term capital structure for the Company and a solution to the liquidity needs of the Parent, mitigating the existing uncertainty and providing the basis for the successful turnaround of the Group.

NET DEBT

(€m)	30/06/2019	31/12/2018
Net financial debt	1,817.9	1,456.2
Other net debt (IFRS 16)	689.3	-
Total net debt	**2,507.2**	**1,456.2**

Total Net Debt at the end of June 2019 amounted to EUR 2,507.2m, of which EUR 689.3m corresponded to the application of the new accounting standard IFRS 16, and EUR 128.5m to the Profit Participating Loans received from its main shareholder Letterone which shall be converted into Shareholders' Equity once the EUR 600m capital increase takes place. Therefore, Net Financial Debt was EUR 1,817.9m at the end of June 2019, EUR 361.7m higher than at year-end 2018.

There are three main reasons behind the increase in Net Financial Debt during the period:

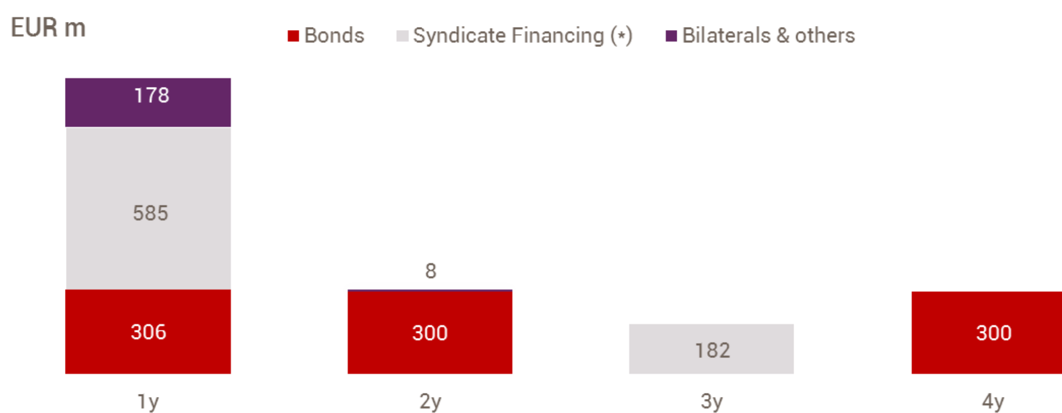
I. The deterioration of Trade Working Capital (EUR 80.5m decrease vs Dec 2018).

II. The decline in operating results.

III. The reduced volume of commercial financing available through factoring lines.

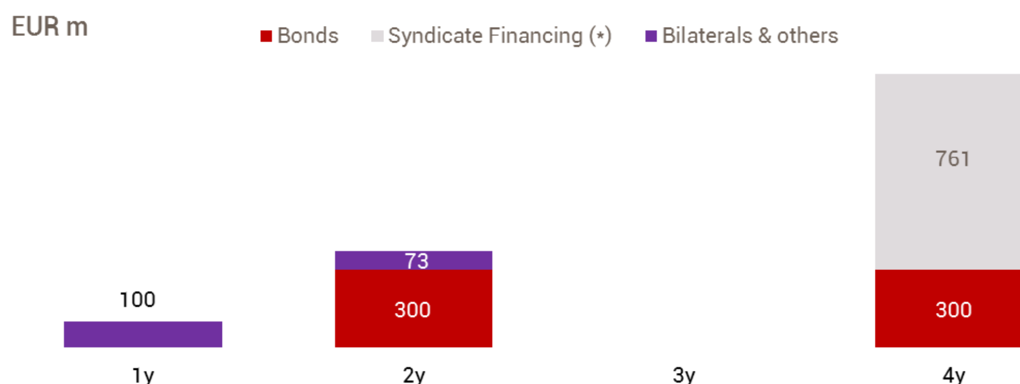
The Debt maturity profile has been significantly enhanced after the long term refinancing agreement signed and the bond repayment in July:

ACTUAL DEBT MATURITY PROFILE AS OF 30 JUNE 2019



(*) Not include Reverse Factoring Lines

PROFORMA DEBT MATURIRY PROFILE AS OF JUNE 2019 AFTER BANK REFINANCING AND BOND REPAYMENT



(*) Not include Reverse Factoring Lines

TRADE WORKING CAPITAL

(€m)	30/06/2019	31/12/2018	Change
Non recourse factoring	44.3	126.4	(82.1)
Inventories (A)	491.0	597.4	(106.4)
Trade & other receivables (B)	111.6	193.5	(81.9)
Trade & other payables (C)	1,180.1	1,448.9	(268.8)
Total working capital (1)	**(577.6)**	**(658.1)**	**80.5**

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

From December 2018 to June 2019, DIA's negative Trade Working Capital declined by 12.2% to EUR 577.6m. This EUR 80.5m decrease in the value of negative Trade Working Capital is attributable to:

I. The declining volume of sales in the period, both related to the underlying performance of the business and to seasonality, since the first half of the year is a period with a lower volume of sales than the second half.
II. The shorter payment period to suppliers in recent months, linked to the tight financial situation of the Group.
III. The lower volume of commercial financing (non-recourse factoring).
IV. Continued depreciation of currencies in Argentina in early 2019.

The value of inventories declined by 17.8% versus December 2018, EUR 106.4m down to EUR 491.0m due to a more efficient management of stock in stores and distribution centres and the stock liquidation measures activated by the Group.

Trade and other receivables decreased by 42.3% compared to year-end 2018. This EUR 81.9m decline in the value of debtors is due to the declining volume of activity with franchisees, and the still limited negotiation activity with suppliers in the early part of 2019.

The value of Trade and other payables decreased by 18.6%, from EUR 1,44bn to EUR 1,18bn. This decline of EUR 268.8m relates to the challenging business conditions already mentioned in the last period, which resulted in substantially lower-than-average payment period to suppliers.

Non-recourse factoring from receivables from our suppliers amounted to EUR44.3m by the end of June 2019, having a material impact in the evolution of Trade Working Capital figures, which compares with EUR126.4m at the end of 2018.

With regards to confirming, it stood at EUR 188.6m at June 2019, broadly in line with the level held by the Group at the end of 2018 (EUR 199.9m).

CAPEX

(€m)	30/06/2019	%	30/06/2018	%	Change (%)	Change (% ex-FX)
Spain	22.3	54.7%	139.4	59.7%	-84.0%	-84.0%
Portugal	1.6	3.9%	11.2	3.5%	-85.7%	-85.7%
Argentina	2.8	6.9%	18.2	6.0%	-84.8%	-78.3%
Brazil	14.1	34.6%	24.1	30.8%	-41.2%	-43.0%
Total Capex	**40.8**	**100.0%**	**192.8**	**100.0%**	**-78.8%**	**-78.4%**

DIA sharply decreased its investment activity to EUR 40.8m in H1 2019 (of which c. 80% were related to on-going and maintenance investments), EUR 152m less than in the same period of last year (a 78.8% decrease), which reflects the Group´s tight control with respect to new investments.

STORE COUNT

At the end of June 2019, DIA operated a total of 6,809 stores, 629 less than at the end of the same period last year, accumulating 34 new openings and 663 closures in the period.

The number of stores declined by 315 in Spain (from 4,684 to 4,369), after the opening of 8 new stores and the closure of 323 stores in the last six months. H1 2019 was also special in terms of franchised activity, as the Group transferred 154 net stores back to owned from franchised operations. This change is due to the new Group policy to seek higher-quality franchise partners to provide customers with a better shopping experience. This policy will continue during 2019 and should be reflected in another material number of transfers from franchised to owned stores in H2 2019.

In Portugal, the total number of stores declined by 11 in the period, from 603 to 592. The net number of stores transferred from owned to franchised was 11, and 12 stores were closed.

Argentina ended June 2019 with 950 stores in operation, 29 less than in December 2018, totalling 2 openings and 31 closures during the period. With regards to franchised activity, a total of 5 net stores were transferred to owned during the period.

In Brazil, the Group closed 297 stores in the period and opened 23 stores. The total number of stores declined by 274 net stores, from 1,172 to 898.

SUMMARY OF STORES

DIA GROUP	Owned	Franchised	Total
Total stores 31 December 2018	3,693	3,745	7,438
New openings	19	15	34
Owned to franchised net transfers	222	-222	0
Closings	-315	-348	-663
Total DIA GROUP stores at 30 June 2019	**3,619**	**3,190**	**6,809**

SPAIN	Owned	Franchised	Total
Total stores 31 December 2018	2,615	2,069	4,684
New openings	3	5	8
Owned to franchised net transfers	154	-154	0
Closings	-266	-57	-323
Total DIA Spain stores at 30 June 2019	**2,506**	**1,863**	**4,369**

PORTUGAL	Owned	Franchised	Total
Total stores 31 December 2018	294	309	603
New openings	0	1	1
Owned to franchised net transfers	11	-11	0
Closings	-8	-4	-12
Total DIA Portugal stores at 30 June 2019	**297**	**295**	**592**

ARGENTINA	Owned	Franchised	Total
Total stores 31 December 2018	298	681	979
New openings	2	0	2
Owned to franchised net transfers	5	-5	0
Closings	-1	-30	-31
Total DIA Argentina stores at 30 June 2019	**304**	**646**	**950**

BRAZIL	Owned	Franchised	Total
Total stores 31 December 2018	486	686	1,172
New openings	14	9	23
Owned to franchised net transfers	52	-52	0
Closings	-40	-257	-297
Total DIA Brazil stores at 30 June 2019	**512**	**386**	**898**

EVENTS FOLLOWING THE CLOSE OF THE PERIOD

The new syndicated financing agreements became effective on 18 July 2019 after all conditions precedent were fulfilled or waived and the Company confirmed that the Parent entered into two participating loans from Letterone as lender for EUR 40m (dated 29 May 2019) and EUR 450m (dated 26 June 2019) under which the Parent already received EUR 184m (EUR 128.5m as of 30 June 2019) and would receive the remaining amount of EUR 306m on 19 July 2019.

Following receipt of the EUR 306m amount, the Parent fully repaid the "Euro Medium Term Notes" maturing on 22 July 2019, thereby satisfying all its payment obligations with respect to such notes.

On 30 August 2019 the DIA Group held an Extraordinary General Shareholders' Meeting at which, among others, the following decisions were adopted: confirmation and reelection of Board Members, approval of the recently signed refinancing agreements and implementation of the hive-down transaction.

The Board also confirmed its intention to call another Extraordinary General Shareholders Meeting to be held in the fourth quarter of 2019 to submit to its approval the new share capital increase by an effective amount of up to EUR 600m (in substitution of the share capital increase of EUR 500m approved by the Annual Shareholders' Meeting of last 20 March 2019).

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

After the election results in Argentina, there has been a significant devaluation of the Argentine peso, as well as a deterioration in the valuation of the country's sovereign debt and the majority of shares listed on its stock markets. Depending on the future evolution of the economic situation in Argentina, there could, if appropriate, be a significant negative effect of the application of IAS 29 on hyperinflationary economies, based on the devaluation of the peso against the euro as of December 31, 2019.

The Company has launched a collective dismissal process in the subsidiary Grupo El Árbol Supermercados y Distribución, S.A. mainly related to the expected closing of Max Descuento stores and that could affect a maximum of 210 employees.

DEFINITION OF APMs

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

PURPOSE

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

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

CHANGES TO APMs

The Adjusted EBITDA definition has been updated in 2019 to:

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

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

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

NET SALES TO GROSS SALES UNDER BANNER RECONCILIATION

(€m)	30/06/2019	30/06/2018	Change (%)
Net sales	3,444.5	3,701.9	-7.0%
VAT and other	804.9	1,498.8	-46.3%
Total Gross sales under banner	**4,249.5**	**5,200.7**	**-18.3%**

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

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

OPERATING PROFIT TO ADJUSTED EBITDA RECONCILIATION

(€m)	30/06/2019	30/06/2018	Change
Operating profit (EBIT)	(315.0)	15.1	(330.1)
Depreciation & Amortization	265.3	113.7	151.6
Losses on write-down of fixed assets	51.6	5.7	45.9
Impairment of fixed assets	11.6	3.3	8.3
Gross operating profit (EBITDA)	**13.5**	**137.7**	**(124.2)**
Restructuring costs	75.8	67.8	8.0
Gain/Loss on disposal of fixed assets	-	(14.1)	14.1
IFRS 16 lease effect	(163.0)	-	(163.0)
IAS 29 hyperinflation effect	18.1	14.5	3.6
Adjusted EBITDA	**(55.6)**	**205.9**	**(261.5)**

Net Financial Debt: Is the result of subtracting from the total value of the Group's short-term and long-term debt, the total value of its cash, cash equivalents, and other liquid assets and the debt related effect from the application of IFRS 16. The DIA Group has also included the debt related to Profit Participating Loans from its majority shareholder that will be converted into Shareholders´ Equity in the next capital increase. All the information necessary to calculate the Company's net debt is included in the balance sheet.

NET DEBT RECONCILIATION

(€m)	30/06/2019	31/12/2018	Change
Long-term debt	1,240.4	920.4	320.0
Short-term debt	1,389.5	775.6	613.9
Cash & Cash equivalents	122.7	239.8	(117.1)
Total net debt	**2,507.2**	**1,456.2**	**1,051.0**
IFRS 16 related debt effect	(689.3)	-	(689.3)
Net financial debt	**1,817.9**	**1,456.2**	**361.7**