Distribuidora Internacional de Alimentación, S.A. y sociedades dependientes

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

30 June 2018

Directors' Report

2018

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

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

Limited Review Report on the Condensed Interim Consolidated Financial Statements

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

To the Shareholders of

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

REPORT ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed interim consolidated financial statements (the "interim financial statements") of Distribuidora Internacional de Alimentación, S.A. (hereinafter the "Company") and subsidiaries (the "Group"), which comprise the statement of financial position at 30 June 2018, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the explanatory notes for the six-month period then ended (all condensed and consolidated). Pursuant to article 12 of Royal Decree 1362/2007, the Directors of the Company are responsible for the preparation of these condensed interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of review

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

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements for the 6-month period ended 30 June 2018 have not been prepared in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007.

Emphasis of matter paragraph

We draw your attention to the accompanying note 2, which states that these condensed interim consolidated financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying condensed interim consolidated financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2017. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying condensed interim consolidated directors' report for the 6-month period ended 30 June 2018 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the condensed interim consolidated financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The interim consolidated directors' report is not an integral part of the condensed interim consolidated financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the condensed interim financial statements for the 6-month period ended 30 June 2018. Our work is limited to the verification of the interim consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Distribuidora Internacional de Alimentación, S.A. and subsidiaries.

Paragraph on other matters

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

KPMG Auditores, S.L.

María Lacarra
25 July 2018

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 2018

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

DIA

Distribuidora Internacional de Alimentación, S.A. and Subsidiaries

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six-month period ended 30 June

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (I)

at 30 June 2018 and 31 December 2017

(Expressed in thousands of Euros)

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

ASSETS	Notes	2018 30th June	2017 31st December
Property, plant and equipment	4	1,314,711	1,363,963
Goodwill	5.1	552,460	553,129
Other intangible assets	5.2	46,672	42,709
Investments accounted for using the equity method	7	11,630	974
Trade and other receivables	6.1	72,184	73,084
Other non-current financial assets	6.2	85,616	75,013
Deferred tax assets	15	252,165	253,983
Non-current assets		2,335,438	2,362,855
Inventories	9	549,374	569,644
Trade and other receivables	6.1	174,879	221,846
Consumer loans from financial activities		123	1,070
Current tax assets	15	46,878	64,717
Current income tax assets	15	641	369
Other current financial assets	6.2	29,997	18,430
Other assets	8	9,827	7,387
Cash and cash equivalents	10	172,819	340,193
		984,538	1,223,656
Non-current assets held for sale	11	60,718	39,663
Current assets		1,045,256	1,263,319
TOTAL ASSETS		3,380,694	3,626,174

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (I)

at 30 June 2018 and 31 December 2017

(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	2018 30th June	2017 31st December
Capital	12.1	62,246	62,246
Reserves	12.2	303,940	304,676
Own shares	12.3	(55,861)	(60,359)
Other own equity instruments	12,3 and 16	5,915	10,773
Net profit for the period		6,038	109,579
Traslation differences	12.6	(131,436)	(100,777)
Value adjustments due to cash flow hedges		39	(55)
Equity attributable to equity holders of the Parent		190,881	326,083
Non-controlling interests	12.5	(235)	(100)
Total Equity		190,646	325,983
Non-current borrowings	13.1	1,050,388	961,945
Provisions	14	37,985	42,556
Other non-current financial liabilities	13.2	2,376	2,491
Deferred tax liabilities	15	3,312	2,206
Non-current liabilities		1,094,061	1,009,198
Current borrowings	13.1	352,749	269,519
Trade and other payables	13.3	1,370,137	1,710,828
Current tax liabilities	15	45,516	85,692
Current income tax liabilities	15	3,190	10,913
Other current financial liabilities	13.4	269,770	148,865
		2,041,362	2,225,817
Liabilities directly associated with non-current assets held for sale	11	54,625	65,176
Current liabilities		2,095,987	2,290,993
TOTAL EQUITY AND LIABILITIES		3,380,694	3,626,174

CONSOLIDATED INCOME STATEMENTS (II)

for the six-month periods ended 30 June 2018 and 2017

(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	2018 30th June	Re-expressed (*) 2017 30th June
Sales	3	3,796,047	4,232,665
Other income	17.1	72,394	58,874
TOTAL INCOME		3,868,441	4,291,539
Goods and other consumables used	17.2	(2,960,928)	(3,290,782)
Personnel expenses	17.3	(400,658)	(416,833)
Operating expenses	17.4	(327,491)	(336,738)
Amortisation, depreciation and impairment	17.5	(119,343)	(119,134)
Losses on disposal of fixed assets	17.6	(6,017)	(11,920)
RESULTS FROM OPERATING ACTIVITIES		54,004	116,132
Finance income	17.7	4,662	2,689
Finance expenses	17.7	(39,989)	(32,866)
Profit of companies accounted for using the equity method	7	447	(379)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		19,124	85,576
Income tax	15	(5,195)	(20,748)
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		13,929	64,828
Losses net of taxes of discontinued operations	11	(8,026)	(10,833)
NET PROFIT		5,903	53,995
Atributted to:			
Equityholders of the Parent		6,038	54,018
Non-controlling interests		(135)	(23)
Basic and diluted earnings per share, in euros			
Profit on continuing operations		0.02	0.11
Losses on discontinued operations		(0.01)	(0.02)
Profit for the period		0.01	0.09

(*) See note 11

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (III)

for the six-month periods ended 30 June 2018 and 2017

(Expressed in thousands of Euros)

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

	2018 30th June	2017 30th June
Net profit for the year	**5,903**	**53,995**
Other comprehensive income:		
Items not subject reclassificatios to income statement	**-**	**-**
Items subject to reclassification to income statement		
Translation differences of financial statements of foreign operations	**(30,659)**	**(22,130)**
	(30,659)	(22,130)
Value adjustments due to cash flow hedges	**125**	**(192)**
Tax effect	**(31)**	**48**
	94	(144)
Other comprehensive income, net of income tax	**(30,565)**	**(22,274)**
Total comprehensive income, net of income tax	**(24,662)**	**31,721**
Attributed to:		
Equityholders of the Parent	**(24,527)**	**31,744**
Non-controlling interests	**(135)**	**(23)**
	(24,662)	**31,721**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (IV)

for the six-month periods ended 30 June 2018 and 2017

(Expressed in thousands of Euros)

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

	Equity attributable to equityholders of the Parent								
	Registered capital	Reserves and accumulated earnings	Own shares	Other own equity instruments	Value adjustments due to cash flow hedges	Translation differences	Equity attributable to the Parent	Minority interests	Total equity
At 1st January 2017	**62,246**	**435,151**	**(66,571)**	**21,013**	**92**	**(59,773)**	**392,158**	**(60)**	**392,098**
Net profit for the period	-	54,018	-	-	-	-	54,018	(23)	53,995
Other comprehensive income, net of income tax	-	-	-	-	(144)	(22,130)	(22,274)	-	(22,274)
Translation differences of financial statements of foreign operations	-	-	-	-	-	(22,130)	(22,130)	-	(22,130)
Value adjustments due to cash flow hedges	-	-	-	-	(144)	-	(144)	-	(144)
Total comprehensive income for the period	**-**	**54,018**	**-**	**-**	**(144)**	**(22,130)**	**31,744**	**(23)**	**31,721**
Transactions with equityholders or owners	-	(130,965)	5,784	(3,751)	-	-	(128,932)	-	(128,932)
Distribution of the profit the previous year of 2016	-	(128,384)	-	-	-	-	(128,384)	-	(128,384)
Issuance of share-based payments	-	-	-	1,520	-	-	1,520	-	1,520
Transactions with own shares or equity holdings	-	(2,581)	5,784	(5,271)	-	-	(2,068)	-	(2,068)
At 30th June 2017	**62,246**	**358,204**	**(60,787)**	**17,262**	**(52)**	**(81,903)**	**294,970**	**(83)**	**294,887**
At 1st January 2018	**62,246**	**414,255**	**(60,359)**	**10,773**	**(55)**	**(100,777)**	**326,083**	**(100)**	**325,983**
Net profit for the period	-	6,038	-	-	-	-	6,038	(135)	5,903
Other comprehensive 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 cash flow hedges	-	-	-	-	94	-	94	-	94
Total comprehensive income for the period	**-**	**6,038**	**-**	**-**	**94**	**(30,659)**	**(24,527)**	**(135)**	**(24,662)**
Transactions with equityholders or owners	-	(110,315)	4,498	(4,858)	-	-	(110,675)	-	(110,675)
Distribution of the profit the previous year 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)
At 30th June 2018	**62,246**	**309,978**	**(55,861)**	**5,915**	**39**	**(131,436)**	**190,881**	**(235)**	**190,646**

CONSOLIDATED STATEMENTS OF CASH FLOWS (V)

for the six-month periods ended 30 June 2018 and 2017

(Expressed in thousands of Euros)

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

	Notes	2018 30th June	Re-expressed (*) 2017 30th June
Operating activities			
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		19,124	85,576
Loss before tax from discontinued operations	11	(9,632)	(11,202)
Profit before income tax		*9,492*	*74,374*
Adjustments to Profit and Loss:		*131,809*	*157,580*
Amortisation, depreciation and impairment	17.5	119,343	119,134
Losses on disposal of fixed assets	17.6	6,017	11,920
Gains on disposal of fixed assets		(14,109)	(2,990)
Finance income	17.7	(4,662)	(2,689)
Finance expenses	17.7	39,989	32,866
Changes of provisions and grants		(1,737)	1,491
Other adjustments of discontinued operations	11	1,691	1,883
Other adjustments to Profit and Loss		(14,276)	(4,414)
Profit/(loss) of companies accounted for using the equity method net of dividends	7	(447)	379
Adjustments to working capital:		*(321,186)*	*(254,141)*
Changes in trade and other receivables		61,761	(84,725)
Changes in inventories		10,761	10,228
Changes in trade and other payables		(351,985)	(169,085)
Changes in consumer loan and refinancing commitments		947	190
Changes in other assets		4,508	(5,085)
Changes in other liabilities		(31,564)	(1,422)
Changes in working capital of discontinued operations	11	(2,782)	293
Current income tax paid		(12,832)	(4,535)
Net cash flows from/(used in) operating activities		*(179,885)*	*(22,187)*
Investing activities			
Payments of intangible assets	5.1 and 5.2	(2,277)	(1,369)
Development cost	5.2	(8,273)	(6,315)
Payments of property, plant and equipment	4	(183,619)	(116,790)
Payments of financial instruments		(16,904)	(9,254)
Disposals of property, plant and equipment	17.6	42,987	5,741
Payments/(Collections) for other financial assets		(11,648)	5,862
Interest received	17.7	2,373	1,195
Investing flows of discontinued operations	11	675	2,294
Net cash flows used in investing activities		*(176,686)*	*(118,636)*
Financing activities			
Acquisition of own shares	12.3 a)	-	(5,706)
Borrowings repaid	13.5	-	(271,227)
Borrowings made	13.5	170,436	300,000
(Payments) /Collections from other financial liabilities		995	(859)
Interest paid	17.7	(39,997)	(32,523)
Financing flows of discontinued operations	11	29	(32,924)
Net cash flows from financing activities		*131,463*	*(43,239)*
Net changes in cash and cash equivalents		*(225,108)*	*(184,062)*
Net foreign exchange differences		57,734	24,181
Cash and cash equivalents at 1st January	10	*340,193*	*364,600*
Cash and cash equivalents at 31st December	10	*172,819*	*204,719*

(*) See note 11

Explanatory Notes to the Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2018 (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 and Mais Perto. A new name has been developed in the first six months of 2018 using the logo DIA & go and the first new shops have been opened to the public.

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

Relevant events occurring during the six-month period

The Group has classified the assets and liabilities of its companies in China - DIA Tian Tian Management Consulting Service & Co. Ltd. and Shanghai DIA Retail Co. Ltd. - as held for sale since the first quarter of 2017. On 3 April 2018 DIA entered into an agreement with Nanjing Suning.Com Supermarket LTD, which is part of the Chinese Suning group, relating to the sale of 100% of both companies' shares. The completion of this transaction depends on approval being given by the Chinese regulatory and competition authorities and the transaction amount is not material (see notes 3 and 11).

On 12 April 2018, following its first year, the agreement between the DIA Group and the EROSKI Group to incorporate Red Libra Trading Services, S.L. was terminated. This company's statutory activity was to negotiate with suppliers of distributor brands on behalf of these two companies and to acquire other materials and utilities needed for their activity, with a view to maximising the value for money offered to consumers. The company, which ran its operations from Madrid and whose capital is held in equal parts by the DIA Group and Eroski, is no longer operating.

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. 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 recognised as an equity-accounted investee at 30 June 2018.

In June 2018 the DIA Group rolled out a plan to sell the cash & carry line of business, which is traded under the Max Descuento name, classifying this business' assets and liabilities as held for sale and restating cash flows and the income statement to discontinued operations (see notes 3 and 11).

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

1. A drop in sales mainly affected by the negative evolution of exchange rates in Brazil and Argentina (with depreciation rates of 16.8% and 34.1%, respectively), the reduction in space due to shop closures, temporary closures due to renovations, and partially offset by the positive performance of 1.8% in comparable sales.
2. A drop has been recorded in the sales margin, mitigated by the reductions in operating expenses.
3. Increase in financial expenses on emerging markets.
4. Profit from sales of assets/fixed assets and of the 50% shareholding in Finland for Euros 23.3 million, including the revaluation at fair value of the shareholding held by DIA (50%) in accordance with IFRS 10.

At the general meeting of shareholders held on 20 April 2018 the number of directors was set at twelve. Two new directors were appointed: Stephan DuCharme and Karl-Heinz Holland (external proprietary).

At the general meeting of shareholders the chair of the board of directors, Ana María Llopis, informed the meeting of her intention to leave the post of chair of the board and the relevant procedures set out in the Succession Plan have been set in motion.

On the 22 June 2018, Juan María Nin announced his resignation from the Company's board of directors, so when these condensed consolidated interim financial statements were prepared there were eleven board members.

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 2018 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 2017.

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 2018.

The condensed consolidated interim financial statements have been prepared using figures for the six-month periods ended 30 June 2018 and 2017, except for the consolidated statement of financial position, which is presented at 30 June 2018 and 31 December 2017.

The income statement and statement of cash flows for the six-month period ended 30 June 2017 have been restated so as to classify the cash & carry business and to facilitate comparison of the profit and loss and cash flows of discontinued operations (see note 11).

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

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

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

2.2. Accounting Principles

The condensed consolidated interim financial statements for the first half of 2018 have been prepared by the DIA Group applying the accounting principles and measurement criteria described in note 3 to the consolidated annual accounts for 2017, except those criteria that are applied for the first time.

First-time application of accounting standards:

During the first half of the year it has been the first-time application of IFRS 15 Revenue from contracts with customers and IFRS 9 Financial Instruments.

IFRS 15 Revenue from contracts with customers:

IFRS 15 establishes the criteria for recognition of revenue from contracts with customers and establishes a new five-step model applicable thereto:

- Step 1: Identify the contract (or contracts) with the customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise the revenue on ordinary activities when (or as) the entity meets a performance obligation.

Under IFRS 15 revenue is recognised at an amount that reflects the consideration the company expects to receive in exchange for the transfer of goods or services to a customer, when the customer obtains control thereof.

This standard calls for an analysis to determine the time at which this transfer of control takes place: at a point in time, or over a period of time. This Standard replaces the following standards: (a) IAS 11 Construction Contracts; (b) IAS 18 Revenue, as well as the related interpretations IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the Construction or Real Estate; IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue -Barter Transactions Involving Advertising Services).

The Group recognises revenue when the goods are delivered to the customers at the stores, or in the case of sales to franchises, when the goods are delivered; therefore no sales are carried out over a period of time.

Although the customer is allowed to return any item, this is not common practice in our stores and therefore the impact of this is not relevant for the Group.

When the transaction price is determined, the Group adjusts the average amount of the consideration to take into account the effects of the time value of money if the payment schedule implicitly or explicitly agreed by the contracting parties gives the customer a significant benefit of financing the transfer of goods. In these circumstances, the contract entails a significant financing component.

With regard to loyalty programmes, in general, these are redeemable in the same period in which the revenue is accrued; therefore, the Group recognises them as a reduction in revenue when the transaction takes place.

The impact of adopting IFRS 15 on the Group's 2018 consolidated financial statements has been minimal.

IFRS 9 Financial instruments:

(i) Recognition and classification of financial instruments

The Group recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.

The criteria for classification of financial assets depend on both the manner in which a company manages its financial instruments (its business model) and the existence and characteristics of the cash flows from the financial assets. Based on the above, assets are measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss for the period, as follows:

- If the purpose of the business model is to hold a financial asset in order to obtain contractual cash flows and, based on the contract conditions, cash flows are received on different dates exclusively constituting payments of principal plus interest on the principal, the financial asset is measured at amortised cost.
- If the purpose of the business model is both to obtain contractual cash flows and to sell and, according to the contract conditions, cash flows are received on specific dates exclusively constituting payments of principal plus interest on the principal, the financial assets are measured at fair value through other comprehensive income (equity).
- Beyond these scenarios, all other assets are measured at fair value through profit or loss. By default, all equity instruments (such as shares) are measured in this category. This is because contractual cash flows are not only payments of principal and interest. Financial derivatives can also be classified as financial assets at fair value through profit and loss, unless they are designated as hedging instruments.

For measurement purposes, financial assets should be classified in one of the following categories, the accounting policies of which are detailed hereinafter:

a) Financial assets at amortised cost: These assets are recognised subsequent to their initial recognition at their amortised cost in accordance with the effective interest rate method. This amortised cost is reduced by any impairment losses recognised (see (ii) below). Gains and losses for the period are recognised when the financial asset is disposed of or impaired, or when exchange differences arise. Interest calculated using the effective interest rate method is recognised under "financial income" in the income statement.

b) Financial assets at fair value through profit or loss: Financial assets at fair value through profit and loss are recognised initially and subsequently at fair value, without including the transaction costs, which are expensed. Gains and losses resulting from changes in the fair value are recognised in "other net financial income/(expenses)" in the period in which they arise. Any dividend or interest is also taken to financial profits.

c) Debt instruments at fair value through other comprehensive income: These instruments are recognised subsequently at their fair value, recording changes in the fair value in "Other comprehensive income". Interest income, impairment losses and exchange differences are recognised in the income statement. When sold or disposed of, accumulated fair value adjustments recognised in "Other comprehensive income" are included in the income statement as "other net financial income/(expenses)".

d) Equity instruments at fair value through other comprehensive income: Their subsequent measurement is at fair value. Dividends are recognised as revenue unless they clearly represent a recovery of the cost of the investment. Other losses and gains are taken to "Other comprehensive income" and never reclassified to profit and loss.

Given the nature of the Group's financial assets, the change in reporting criteria set forth in IFRS 9 has not been significant for the Group.

(ii) Impairment of financial assets

The impairment model is applicable to financial assets measured at amortised cost which includes the caption “Trade and other receivables”.

The impairment model is based on a dual measurement approach, under which there will be an impairment provision based on the expected losses in the next 12 months or based on the expected losses throughout the asset’s life. The second approach is adopted in favour of the first one when there is a significant deterioration in the credit quality.

For trade receivables, the Group applies the accounting policy of expected losses, calculated, for each individual company, on the basis of the estimated percentage of unrecoverable receivables in recent years over historical sales figures.

To determine if a financial asset has suffered a significant deterioration in its credit risk since its initial recognition, or to estimate the expected loan losses throughout the life of the asset, the Group considers all reasonable and verifiable information that is relevant and available without incurring in additional efforts or disproportionate expenses. This includes both quantitative and qualitative information, based on the experience of the Group or other entities on historical loan losses, and observable market information on the credit risk of the specific financial instrument or similar financial instruments.

With regard to the new financial asset impairment calculation model based on the model of expected loan losses over the life of the asset, the Group has implemented this new method at 1 January 2018 without any impact.

Regarding the recognition of stock market issued financial liabilities that are refinanced, specifically the refinancing of bonds by the parent company during 2017, the Group has recognised an amount of Euros 32 thousand at 1 January 2018 in equity as reserves.

With regard to hedge accounting, the Group uses forward foreign exchange contracts to hedge against fluctuations in fair value foreign exchanges as a result of changes in exchange rates and interest and will continue to apply IAS 39, therefore there has been no impact on the consolidated financial statements.

Standards and interpretations issued and not applied:

At 30 June 2018, the date of the accompanying condensed consolidated interim financial statements, the following standards have been issued but are not yet effective. The Group expects to adopt these standards as of 01 January 2019 or at a later date:

IFRS 16 Leases:

Effective for annual periods beginning on or after 01 January 2019. Early adoption is permitted for entities applying IFRS 15 at the initial effective date of IFRS 16 or before.

The group is assessing the impact of this standard on its consolidated financial statements and is adapting its IT systems to record the lease information required under IFRS 16.

The most significant impact identified is that the Group will recognise new assets and liabilities for its leases associated with warehouses and commercial premises. Furthermore, the nature of these lease expenses will now change, as IFRS 16 replaces the straight-line expensing of operating leases with an amortisation charge for the right-of-use assets and an expense for interest on the lease liabilities.

As the lessee, the Group can apply the standard with a retrospective approach or a modified retrospective approach with optional practical expedients. The lessee applies the chosen option consistently to all leases. The Group will apply IFRS 16 for the first time on 1 January 2019. It has not yet decided which transition approach it will use.

As the lessor, the Group is not obliged to make any adjustments to leases in which it is the lessor, except when it is an intermediary lessor in a sublease.

The Group is quantifying the impact of adopting IFRS 16 on the assets and liabilities recognised. The quantitative impact will depend, inter alia, on the transition method selected, the degree to which the Group uses the practical expedients and the recognition exemptions, as well as all the additional leases the Group arranges. The Group considers that the analysis to be made of the lease term and the discount rate to be used are especially relevant in the application of this standard and in quantifying the impact thereof. The Group expects to disclose its transition approach and quantitative information before adoption, and in any case expects that applying this standard will have a significant impact on the Group's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments:

IFRIC 23 has not been endorsed by the European Union and is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The Group will assess the impact of applying this standard in the second half of 2018 and details will be provided at year end.

3. INFORMATION ON OPERATING SEGMENTS

The Group is organised into business units, based on the countries in which it operates, and has two reporting segments:

- Iberia (Spain, Portugal and Switzerland).
- Emerging Countries (Brazil, Argentina, Paraguay and China).

In terms of the criteria for aggregation of operating segments, the DIA Group's internal organisation is based on the maturity of the markets in which it operates. These management criteria have led to the existence of two segments, Iberia and Emerging countries, with similar economic characteristics; specifically, commercial penetration of organised distribution in each of the markets, inflation rates and potential overall growth (GDP, consumer spending, etc.). In the Emerging countries segment, the countries are characterised by developing markets with a significant growth potential, whereas in the Iberia segment, the countries are more mature, with more saturated markets, and therefore, less growth potential.

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

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

At 30 June 2018 and 2017, China has been classified as discontinued operations (see notes 1 and 11).

A breakdown of key segment data is as follows:

Thousands of Euros	Segment - Iberia -	Segment - Emerging -	Consolidated
At 30th June 2018			
Sales (1)	2,542,117	1,253,930	3,796,047
EBITDA (2)	142,306	37,058	179,364
% of sales	5.6%	3.0%	4.7%
At 30th June 2017			
Sales (1)	2,662,472	1,570,193	4,232,665
EBITDA (2)	192,442	54,744	247,186
% of sales	7.2%	3.5%	5.8%

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

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

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

Thousands of Euros	30/06/2018	30/06/2017
Results from operating activities	54,004	116,132
Amortisation, depreciation and impairment	119,343	119,134
Losses on disposal of fixed assets	6,017	11,920
Total EBITDA	**179,364**	**247,186**

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

Thousands of Euros	Segment - Iberia -	Segment - Emerging -	Consolidated
At 30th June 2018			
Non-current assets	1,900,083	435,355	2,335,438
Liabilities	2,567,441	622,607	3,190,048
Number of outlets	5,318	2,091	7,409
Acquisition of tangible and intangible assets in the first six months of 2018.	150,571	42,259	192,830
At 31st December 2017			
Non-current assets	1,861,673	501,181	2,362,855
Liabilities	2,542,695	757,496	3,300,191
Number of outlets	5,432	1,949	7,381
Acquisition of tangible and intangible assets in the first six months of 2017.	88,568	55,818	144,386

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

	Sales		Tangible and intangible assets	
Thousands of Euros	30/06/2018	30/06/2017	30/06/2018	31/12/2017
Spain	2,231,794	2,336,089	1,331,032	1,281,898
Portugal	310,323	326,383	240,586	259,830
Argentina	562,911	701,303	99,044	140,143
Paraguay	243	56	-	-
Brazil	690,776	868,834	243,158	277,928
Switzerland	-	-	23	2
Total	**3,796,047**	**4,232,665**	**1,913,843**	**1,959,801**

4. PROPERTY, PLANT AND EQUIPMENT

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

Net carrying amount	2018	2017
At 1st January	**1,363,963**	**1,469,078**
Additions	182,280	136,702
Depreciation and Impairment	(113,061)	(113,847)
Disposals	(38,111)	(16,108)
Transfers to assets held for sale	(3,573)	(16,626)
Translation differences	(79,558)	(43,437)
Other movements	2,771	297
At 30th June	**1,314,711**	**1,416,059**

Additions in the first six months of 2018 and 2017 are a result of new stores being opened, the refurbishment work carried out and the remodelling to accommodate new formats. The segment additions are detailed in note 3.

Disposals in the first half of 2018 and 2017 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.

Finance leases

Finance leases have been arranged for the stores at which the Group's principal activities are carried out. There are also finance leases for technical installations, machinery and other fixed assets (vehicles). The breakdown of items of property, plant and equipment under finance leases and hire purchase contracts is as follows:

Thousands of Euros	30/06/2018	31/12/2017
Land	176	176
Cost	176	176
Buildings	412	435
Cost	527	527
Accumulated depreciation	(115)	(92)
Equipment, fixtures and fittings and machinery	23,626	25,267
Cost	48,745	47,567
Accumulated depreciation	(25,119)	(22,300)
Other fixed assets (transports)	9,788	10,712
Cost	16,338	17,708
Accumulated depreciation	(6,550)	(6,996)
Net carrying amount	**34,002**	**36,590**

Interest costs incurred on finance leases amounted to Euros 1,028 thousand during the first half of 2018 and Euros 1,188 thousand at 30 June 2017 (see note 17.7).

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

	30th June 2018		31st December 2017	
Thousands of Euros	Minimum payments	Present value	Minimum payments	Present value
Less than one year	11,709	10,397	11,978	10,547
Two to five years	23,977	22,258	26,063	24,109
More than 5 years	1,543	1,510	2,177	2,120
Total minimum payments and present value	**37,229**	**34,165**	**40,218**	**36,776**
Less current portion (note 13.1)	(11,709)	(10,397)	(11,978)	(10,547)
Total non-current (note 13.1)	**25,520**	**23,768**	**28,240**	**26,229**

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

Thousands of Euros	30/06/2018	31/12/2017
Minimum future payments	37,206	40,195
Purchase option	23	23
Unaccrued finance expenses	(3,064)	(3,442)
Present value	**34,165**	**36,776**

5. INTANGIBLE ASSETS

5.1. Goodwill

At 30 June 2018 and 31 December 2017, goodwill has been allocated as follows:

Thousands of Euros	30/06/2018	31/12/2017
Spain	512,706	513,375
Portugal	39,754	39,754
Total	**552,460**	**553,129**

5.2. Other intangible assets

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

Net carrying amount	2018	2017
At 1st January	**42,709**	**37,505**
Additions/Internal development	10,550	7,684
Depreciation and Impairment	(5,613)	(5,287)
Disposals	(686)	(689)
Transfers to assets held for sale	(8)	(1,028)
Translation differences	(963)	(353)
Other movements	683	125
At 30th June	**46,672**	**37,957**

Additions in the first six months of 2018 and 2017 mainly comprise development expenses relating to IT projects carried out internally in Spain.

6. FINANCIAL ASSETS

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

Thousands of Euros	30/06/2018	31/12/2017
Non-current assets		
Trade and other receivables	72,184	73,084
Non-current financial assets	85,616	75,013
Current assets		
Trade and other receivables	174,879	221,846
Consumer loans from financing activities	123	1,070
Other current financial assets	29,997	18,430
TOTAL	**362,799**	**389,443**

6.1. Trade and other receivables

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

Thousands of Euros	30/06/2018	31/12/2017
Trade and other receivables	72,184	73,084
Total non-current	**72,184**	**73,084**
Trade and other receivables	90,352	122,656
Other receivables	7,538	20,963
Receivables from suppliers	39,172	72,709
Advances to suppliers	1,769	2,840
Receivables from associates companies (note 19)	36,048	2,678
Total current	**174,879**	**221,846**

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 Euros	30/06/2018	31/12/2017
Trade and other receivables non current	72,184	73,084
Trade and other receivables current	123,576	157,149
Total Trade and other receivables	**195,760**	**230,233**
Impairment loss	(33,224)	(34,493)
Total	**162,536**	**195,740**

b) Receivables from suppliers

This caption includes balances receivable from suppliers.

In the first half of 2018, the Group entered into agreements to transfer supplier trade receivables without recourse. Costs of Euros 68 thousand were accrued on the transfer of these receivables during this period (Euros 150 thousand in the same period of the prior year) (see note 17.7). Receivables transferred at 30 June 2018 amounted to Euros 99,994 thousand (Euros 99,624 thousand at 31 December 2017).

c) Trade debts with other related parties

In the first half of 2018, transactions have been carried out with the companies ICDC, Red Libra and CD Supply Innovation (see note 19), mainly corresponding to trade operations. Balances at 30 June 2018 and 31 December 2017 are shown below:

Thousands of Euros	30/06/2018	31/12/2017
ICDC	168	169
Red Libra	9	5
Finandia	7	-
CDSI	35,864	2,504
Trade debtors with other related parties	**36,048**	**2,678**

d) Impairment

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

Thousands of Euros	Customer for sales (note 6.1 a))	Other debtors	Credits receivable from suppliers	Total
At 1st January	**(34,493)**	**(7,979)**	**(5,917)**	**(48,389)**
Charge	(6,413)	(455)	(1,636)	(8,504)
Applications	2,720	598	749	4,067
Reversals	-	-	16	16
Transfers to assets held for sale	-	2,987	-	2,987
Translation differences	4,962	-	18	4,980
At 30th June 2018	**(33,224)**	**(4,849)**	**(6,770)**	**(44,843)**

6.2. Other financial assets

Details of financial assets are as follows:

Thousands of Euros	30/06/2018	31/12/2017
Equity instruments	88	88
Guarantees	59,811	57,998
Other guarantees	2,000	2,000
Other loans	889	524
Other non-current financial assets	22,828	14,403
Total non-current	**85,616**	**75,013**
Franchise deposits	2,984	3,256
Other deposits	18,945	8,541
Credits to personnel	2,860	3,027
Other loans	615	1,016
Loans on the sale of fixed assets	2,128	498
Derivates	53	-
Current account with associated companies	223	-
Other finantial assets	2,189	2,092
Total current	**29,997**	**18,430**

7. OTHER EQUITY-ACCOUNTED INVESTEES

Details of equity-accounted investees are as follows:

Companies	%participation
CDSI	50%
DIPASA	10%
ICDC	50%
RED LIBRA	50%
FINANDIA	50%

The key financial indicators of these companies in the first half of 2018 are as follows:

Thousands of Euros	30/06/218
Assets	635,331
Net Equity	13,713
Sales	1,244,265
Net Profit	892

8. OTHER ASSETS

Details of other assets are as follows:

Thousands of Euros	30/06/2018 Current	31/12/2017 Current
Prepayments for operating leases	3,721	2,967
Prepayments for guarantees	229	373
Prepayments for insurance contracts	1,421	717
Other prepayments	4,456	3,330
Total other assets	**9,827**	**7,387**

9. INVENTORIES

Details of inventories are as follows:

Thousands of Euros	30/06/2018	31/12/2017
Goods for resale	541,046	562,966
Other supplies	8,328	6,678
Total inventories	**549,374**	**569,644**

At 30 June 2018 there are no restrictions of any kind on the availability of inventories.

10. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents are as follows:

Thousands of Euros	30/06/2018	31/12/2017
Cash and current account balances	148,544	288,882
Cash equivalents	24,275	51,311
Total	**172,819**	**340,193**

The balance of cash equivalents mainly reflects the deposits maturing at under three months.

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

The DIA Group classifies the assets and liabilities of its Chinese companies and the cash & carry business as held for sale. The balances at 30 June 2017 have been restated due to the cash and carry business (see notes 1 and 3).

The profit and loss from these discontinued operations for the six-month periods ended 30 June 2018 and 2017 are as follows:

Thousands of Euros	30/06/2018	30/06/2017
Income	125,581	144,291
Amortisation and depreciation	(437)	(3,004)
Expenses	(134,686)	(151,333)
Gross Margin	**(9,542)**	**(10,046)**
Financial income	607	359
Financial expenses	(697)	(1,515)
Loss before taxes of discontinued operations	**(9,632)**	**(11,202)**
Income tax related to discontinued operations	1,606	369
Profit of discontinued operations	**(8,026)**	**(10,833)**

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

Thousands of Euros	30/06/2018	30/06/2017
Adjustments to Profit and Loss	1,691	1,883
Changes in working capital	(2,782)	293
Net cash flows used in investing activities	675	2,294
Net cash flows used in financing activities	29	(32,924)
Total cash flows	**(387)**	**(28,454)**

Details of the assets and liabilities of discontinued operations classified as held for sale at 30 June 2018 and 31 December 2017 are as follows:

Thousands of Euros	30/06/2018	31/12/2017
Assets		
Tangible fixed assets	20,820	16,862
Other Intangible assets	1,069	1,069
Other non-current financial assets	1,502	1,378
Consumer loans from financial activities	-	297
Deferred tax assets	-	117
Inventories	22,295	9,461
Trade and other receivables	8,490	3,683
Consumer loans from financial activities	-	2,590
Current tax assets	5,057	2,794
Other current financial assets	179	272
Other assets	1,306	1,140
Non-current assets held for sale	**60,718**	**39,663**
Liabilities		
Non-current borrowings	648	384
Current borrowings	10,113	13,280
Trade and other payables	39,226	48,778
Deferred tax liabilities	3,261	1,082
Other financial liabilities	1,377	1,652
Liabilities directly associated with non-current assets held for sale	**54,625**	**65,176**

12. EQUITY

12.1. Capital

At 30 June 2018 DIA's share capital is Euros 62,245,651.30, represented by 622,456,513 shares of Euros 0.10 par value each, subscribed and fully paid.

These shares are freely transferable. The Parent's shares are listed on the Spanish stock markets. According to public information filed with the Spanish National Securities Market Commission (CNMV), the members of the board of directors control approximately 0.242% 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:

Letterone Investment Holdings, S.A.	25.001%
The Goldman Sachs Group, INC	14.534%
Baillie Gifford & CO	10.488%
Black Creek Investment Management INC	4.988%
Societe Generale, S.A.	4.889%
Norges Bank	4.641%
LSV Asset Management	3.003%

12.2. Reserves and retained earnings

Details of reserves and retained earnings are as follows:

Thousands of Euros	30/06/2018	31/12/2017
Legal reserve	13,021	13,021
Capital redemption reserve	5,688	5,688
Other reserves non available	15,170	15,170
Other reserves	270,061	270,797
Profit attributable to equity holders ot the parent	6,038	109,579
Total	**309,978**	**414,255**

The distribution of the Parent's profit for 2017, ultimately approved by the shareholders at the ordinary general meeting held on 20 April 2018, is as follows:

Basis of distribution	Euros
Profit for the year	88,897,812.34
Other reserves	21,288,446.06
Total	**110,186,258.40**

Basis of allocation	Euros
Dividends	110,186,258.40
Total	**110,186,258.40**

The dividend is recognised under other financial liabilities at 30 June 2018 (see notes 13.4 and 21).

12.3. Own shares and other own equity instruments

a) Own shares

During the first half of 2018 the Group's directors and management received 768,277 shares (amounting to Euros 4,498 thousand) as remuneration through the 2014-2016 incentive plan, representing an expense of Euros 129 thousand recognised in the reserve account.

At 30 June 2018 the Group holds 9,542,356 own shares of the Parent with an average purchase price of Euros 5.8540 per share, representing a total amount of Euros 55,861,183.91, 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 2018 and 2017 by the weighted average number of ordinary shares outstanding during the two periods.

	30/06/2018	30/06/2017
Average number of shares	**612,209,549**	**611,694,040**
Profit for the period in thousands of Euros	6,038	54,018
Profit per share in Euros	0.01	0.09

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

	Weighted average ordinary shares in circulation at 30/06/2018	Ordinary shares at 30/06/2018	Weighted average ordinary shares in circulation at 30/06/2017	Ordinary shares at 30/06/2017
Total shares issued	622,456,513	622,456,513	622,456,513	622,456,513
Own shares	(10,246,964)	(9,542,356)	(10,762,473)	(10,383,860)
Total shares available and diluted	**612,209,549**	**612,914,157**	**611,694,040**	**612,072,653**

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. Non-controlling interests

At 30 June 2018 and 31 December 2017 the balance included by the DIA Group in this item relates entirely to Compañía Gallega de Supermercados, S.A.

12.6. Translation differences

Details of translation differences at 30 June 2018 and 31 December 2017 are as follows:

Thousands of Euros	30/06/2018	31/12/2017
Argentina	(50,090)	(45,178)
Brazil	(77,820)	(52,281)
China	(3,526)	(3,318)
Total	**(131,436)**	**(100,777)**

13. FINANCIAL LIABILITIES

Details of financial liabilities in the consolidated statements of financial position at 30 June 2018 and 31 December 2017 are as follows:

Thousands of Euros	30/06/2018	31/12/2017
Non-current liabilities		
Non-current borrowings	1,050,388	961,945
Other non-current financial liabilities	2,376	2,491
Current liabilities		
Current borrowings	352,749	269,519
Trade and other payables	1,370,137	1,710,828
Other financial liabilities	269,770	148,865
Total financial liabilities	**3,045,420**	**3,093,648**

13.1. Borrowings

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

Thousands of Euros	30/06/2018	31/12/2017
Debentures and bonds long term	894,146	892,570
Syndicated credits (Revolving credit facilities)	97,720	-
Mortgage loans	604	814
Other bank loans	22,500	30,842
Finance lease payables	23,768	26,229
Guarantees and deposits received	11,398	11,148
Other non-current borrowings	252	342
Total non-current borrowings	**1,050,388**	**961,945**
Debentures and bonds long term	5,466	6,021
Mortgage loans	536	633
Other bank loans	179,548	144,268
Other financial liabilities (note 13.1 c)	34,238	34,238
Finance lease payables	10,397	10,547
Credit facilities drawn down	111,811	65,809
Expired Interests	274	132
Guarantees and deposits received	2,662	2,813
Liabilities derivatives	2,496	4,339
Other payables to group companies	90	-
Other current borrowings	5,231	719
Total current borrowings	**352,749**	**269,519**

a) Bonds

The Parent has outstanding bonds with a nominal value of Euros 905,700 thousand at 30 June 2018, 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 are as follows:

					Maturity date in thousands of euros			
Issuing Company	Issue date	Term (years)	Currency	Voucher	2019	2021	2023	Amount in thousands of euros
DIA, S.A.	07/04/2017	6	EUR	0.875%	-	-	300,000	300,000
DIA, S.A.	28/04/2016	5	EUR	1.000%	-	300,000	-	300,000
DIA, S.A.	22/07/2014	5	EUR	1.500%	305,700	-	-	305,700
								905,700

b) Loans and borrowings

Syndicated loans

These types of loans have been extended to the Parent by various national and foreign entities. Details at 30 June 2018 are as follows:

			Outstandings in thousand of euros			
Description	Limit in thousand of euros	Currency	Jun-18	dec-2017	Signed date	Maturity date and thousands of euros
Sindicated	225,000	EUR	99,000		21/04/2015	21/04/2020
Sindicated	300,000	EUR	-	-	03/07/2014	28/06/2022

On 28 June 2017, the Parent signed a novation of the existing syndicated loan agreement entered into in July 2014, which was scheduled to mature on 3 July 2019 and which was not substantially different from the original, reducing the amount from Euros 400,000 thousand to Euros 300,000 thousand and extending the term thereof by five years to 28 June 2022.

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

These loans are subject to compliance with certain covenant ratios linked thereto, as defined in the agreement. At 30 June 2018 all covenant ratios, which are calculated on the basis of the DIA Group's consolidated financial statements, have been met.

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

Details are as follows: The net debt and EBITDA indicators used to calculate the covenants are determined based on the definitions set out in the financing agreement and, therefore, differ from those detailed in notes 3 and 17.9 of these consolidated financial statements.

Mortgage and other bank loans

Details of the maturity of mortgage and other bank loans, grouped by type of operation and company, at 30 June 2018 and 31 December 2017 are as follows:

At 30 June 2018			Maturity in thousand of euros			
Type	Owner	Currency	2019	2020	2021	Total
Mortgage	Beauty by DIA	EUR	536	425	179	1,140
	Mortgage Loans	**EUR**	**536**	**425**	**179**	**1,140**
Loan	DIA	EUR	108,555	15,000	7,500	131,055
Loan	DIA Brasil	EUR	66,872	-	-	66,872
Loan	Grupo El Arbol	EUR	2,001	-	-	2,001
Loan	DIA Argentina	EUR	2,120	-	-	2,120
	Other Loans	**EUR**	**179,548**	**15,000**	**7,500**	**202,048**

At 31 December 2017			Maturity in thousand of euros			
Type	Owner	Currency	2018	2019	2020	Total
Mortgage	Beauty by DIA	EUR	633	421	363	1,417
	Mortgage Loans	**EUR**	**633**	**421**	**363**	**1,417**
Loan	DIA	EUR	101,046	13,413	15,000	129,459
Loan	DIA Brasil	EUR	40,273	-	-	40,273
Loan	Grupo El Arbol	EUR	501	2,000	-	2,501
Loan	DIA Argentina	EUR	2,448	429	-	2,877
	Other Loans	**EUR**	**144,268**	**15,842**	**15,000**	**175,110**

Mortgage loans have been secured by certain properties owned by the Group and accrued interest at rates between 1.84% and 2.00% at 30 June 2018.

On 14 February 2018, the Parent arranged a novation to the loan totalling Euros 101,000 thousand with a maturity date of 14 February 2019.

Credit facilities

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

Year	Limit granted	Amount available	Amount used
30/06/2018	246,231	123,675	119,856
31/12/2017	237,875	165,173	72,702

Moreover, at 30 June 2018, just as at 31 December 2017, the Parent has other uncommitted credit facilities, with a limit of Euros 210,000 thousand. The credit facilities held by the Group have accrued interest at market rates.

c) Other financial liabilities

This item comprises the prevailing equity swap contracts signed by the Parent. The main characteristics of the contracts held at 30 June 2018 and 31 December 2017 are as follows:

Start date	Expiration date	Number of shares	Nominal amount in thousand of euros	Counterpart	Strike	Interest rate	Liquidation
22/12/2017	21/12/2018	6,000,000	34,238	Santander	Fixed	Variable	Physical

Since the contract settlement is by means of physical liquidation, the Parent undertakes to repurchase the shares at the maturity date of each "Equity Swap", with no transferability restrictions.

The valuation method for each contract is determined on the basis of the evolution of the share price with respect to the price set in the contract and the coupon accrued.

d) Maturity of borrowings

The maturities of borrowings are as follows:

Thousands of Euros	30/06/2018	31/12/2017
Less than one year	352,749	269,519
One to two years	426,284	25,360
Three to five years	611,197	633,515
Over five years	12,907	303,070
Total	**1,403,137**	**1,231,464**

13.2. Other non-current financial liabilities

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

Thousands of Euros	30/06/2018	31/12/2017
Capital grants	376	491
Other non-current financial liabilities	2,000	2,000
Total grants and other non-current financial liabilities	**2,376**	**2,491**

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

13.3. Trade and other payables

Details are as follows:

Thousands of Euros	30/06/2018	31/12/2017
Suppliers	829,119	1,510,152
Suppliers, other related parties	417,426	64,308
Advances received from receivables	2,705	2,920
Trade payables	120,887	133,448
Total Trade and other payables	**1,370,137**	**1,710,828**

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

Suppliers, other related parties mainly include current payables for supplies of goods by its associate CDSI.

Trade and other payables do not bear interest.

At 30 June 2018 the Group has reverse factoring facilities with a limit of Euros 585,959 thousand (31 December 2017: Euros 616,898 thousand) of which Euros 369,486 has been used (31 December 2017: Euros 367,294 thousand).

13.4. Other financial liabilities

Details of other financial liabilities are as follows:

Thousands of Euros	30/06/2018	31/12/2017
Personnel	67,810	59,198
Suppliers of fixed assets	87,106	85,992
Other current liabilities	114,854	3,675
Total other liabilities	**269,770**	**148,865**

The increase in other current liabilities is primarily due to the Euros 110,186 thousand dividend pending distribution to the shareholders of the DIA Group's Parent (see notes 12.2 and 21).

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	
	30/06/2018	31/12/2017
Financial assets		
Trade and other receivables	247,063	294,930
Other financial assets	115,613	93,443
Consumer loans from financial activities	123	1,070
Total	**362,799**	**389,443**

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:

Thounsands of Euros	Debts and items payable		Hedge derivatives		Fair value	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Financial liabilities						
Trade and other payables	1,370,137	1,710,828	-	-		
Debentures and bonds	899,612	898,591	-	-	906,044	918,684
Syndicated credits (Revolving credit facilities)	97,720	-	-	-		
Bank loans and credits	314,999	242,366	-	-		
Finance lease payables	34,165	36,776	-	-		
Guarantees and deposits received	14,060	13,961	-	-		
Financial derivative instruments	-	-	2,496	4,339	2,496	4,339
Contract "Equity Swap"	34,238	34,238	-	-	14,970	25,818
Other financial liabilities	277,993	152,549	-	-		
Total	**3,042,924**	**3,089,309**	**2,496**	**4,339**	**923,510**	**948,841**

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

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).

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

The fair value of the equity swaps based on their quoted price at 30 June 2018 and 31 December 2017 (level 1).

14. PROVISIONS

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

Thousands of Euros	Provisions for long-term employee benefits under defined benefit plans	Tax provisions	Social security provisions	Legal contingencies provisions	Other provisions	Total provisions
At 1st January 2017	**2,725**	**23,208**	**11,499**	**6,723**	**1,686**	**45,841**
Charge	324	493	6,725	2,351	335	**10,228**
Applications	-	(94)	(2,813)	(880)	(132)	**(3,919)**
Reversals	(2)	(142)	(1,526)	(1,033)	-	**(2,703)**
Other movements	17	55	-	-	3	**75**
Translation differences	-	(1)	(1,095)	(397)	(96)	**(1,589)**
At 30th June 2017	**3,064**	**23,519**	**12,790**	**6,764**	**1,797**	**47,934**
At 1st January 2018	**3,054**	**19,626**	**11,019**	**7,384**	**1,473**	**42,556**
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	(198)	-	-	3	**(179)**
Translation differences	-	-	(2,033)	(716)	(138)	**(2,887)**
At 31th June 2018	**3,037**	**13,057**	**13,240**	**7,403**	**1,248**	**37,985**

The tax provisions have mainly been applied to the payment of settlements arising from the 2011-2012 and 2007 tax assessments.

In 2018 and 2017, 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.

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

15. TAX ASSETS AND LIABILITIES AND INCOME TAX

Details of tax assets and liabilities at 30 June 2018 and 31 December 2017 are as follows:

Thousands of Euros	30/06/2018	31/12/2017
Deferred tax assets	252,165	253,983
Taxation authorities, VAT	24,147	40,330
Taxation authorities	22,731	24,387
Current income tax assets	641	369
Total tax assets	**299,684**	**319,069**
Deferred tax liabilities	3,312	2,206
Taxation authorities, VAT	12,816	51,924
Taxation authorities	32,700	33,768
Current income tax liabilities	3,190	10,913
Total tax liabilities	**52,018**	**98,811**

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.

The effective tax rate applied to continuing operations at 30 June 2018 is 27.16%, while the effective tax rate applied at 30 June 2017 was 24.24%.

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

Thousands of Euros	30/06/2018	30/06/2017
Current income taxes		
Current period	7,955	15,748
Prior periods' current income taxes	221	362
Total current income taxes	**8,176**	**16,110**
Deferred taxes		
Source of taxable temporary differences	2,670	4,127
Source of deductible temporary differences	(8,673)	(3,829)
Reversal of taxable temporary differences	(2,923)	(5,229)
Reversal of deductible temporary differences	5,945	9,569
Total deferred taxes	**(2,981)**	**4,638**
TOTAL INCOME TAX	**5,195**	**20,748**

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 2017, the verification and inspection procedures for the Company's 2012 Value Added Tax were completed; and during 2018, the verification and inspection procedures for the Company's 2011 and 2012 Corporate Income Tax, the 2012 Personal Income Tax and the 2013 Value Added Tax were completed.

16. SHARE-BASED PAYMENT TRANSACTIONS

The costs recognised in respect of the 2014-2016 and 2016-2018 long-term incentive plans in force during the first half of 2018 amounted to Euros 197 thousand (Euros 1,270 thousand in the same period of 2017) and are included under personnel expenses in the consolidated income statement. In both cases the balancing entry has been recognised under other own equity instruments.

The equity instruments granted during the first six months of 2018 have led to a net movement in other equity instruments of Euros 4,365 thousand, reflecting the distribution of 768,277 own shares (721,914 own shares were distributed in the first six months of 2017 totalling Euros 4,194 thousand) (see note 12.3 (a)).

Similarly, during the first six months of 2018, the directors accrued remuneration of Euros 500 thousand (Euros 250 thousand in the first six months of 2017).

17. OTHER INCOME AND EXPENSES

17.1. Other income

Details of other income are as follows:

Thousands of Euros	30/06/2018	30/06/2017
Fees and interest to finance companies	633	913
Service and quality penalties	19,484	15,038
Revenue from lease agreements	16,081	15,437
Other revenue from franchises	5,681	6,918
Other income	30,515	20,568
Total other operating income	**72,394**	**58,874**

17.2. 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 other assets are as follows:

Thousands of Euros	30/06/2018	30/06/2017
Goods and other consumables used	2,814,497	3,094,207
Inventory variation	(38,418)	(14,639)
Other sales costs	184,849	211,214
Total consumo de mercaderias y otros consumibles	**2,960,928**	**3,290,782**

17.3. Personnel expenses

Details of personnel expenses are as follows:

Thousands of Euros	30/06/2018	30/06/2017
Salaries and wages	308,444	320,322
Social Security	81,576	83,685
Defined contribution plans	(41)	222
Other employee benefits expenses	10,029	11,046
Parcial total personnel expenses	**400,008**	**415,275**
Expenses for share-based payment transactions	650	1,558
Total personnel expenses	**400,658**	**416,833**

17.4. Operating expenses

Details of operating expenses are as follows:

Thousands of Euros	30/06/2018	30/06/217
Repairs and maintenance	25,842	23,730
Utilities	38,399	39,178
Fees	17,985	14,337
Advertising	25,933	29,127
Taxes	9,404	11,795
Rentals, property	154,262	157,347
Rentals, equipment	1,899	3,517
Other general expenses	53,767	57,707
Total operating expenses	**327,491**	**336,738**

17.5. Amortisation, depreciation and impairment

Details are as follows:

Thousands of Euros	30/06/2018	30/06/2017
Amortisation of intangible assets	5,537	5,090
Depreciation of property, plant and equipment	110,531	111,542
Total amortisation and depreciation	**116,068**	**116,632**
Impairment of intangible assets and goodwill	745	197
Impairment of property, plant and equipment	2,530	2,305
Total impairment	**3,275**	**2,502**

17.6. Losses on disposal of assets

The losses recorded on these transactions in the first six months of 2018 and 2017 derive from the closures and remodelling operations mentioned in note 4.

17.7. Finance income and finance expenses

Details of finance income are as follows:

Thousands of Euros	30/06/2018	30/06/2017
Interest on other loans and receivables	249	347
Exchange gains (note 17,8)	1,478	303
Change in fair value of financial instruments	51	6
Other finance income	2,884	2,033
Total finance income	**4,662**	**2,689**

Details of finance expenses are as follows:

Thousands of Euros	30/06/2018	30/06/2017
Interest on bank loans	15,629	7,123
Intereses on debentures and bonds	6,703	6,235
Finance expenses for finance leases (note 4)	1,028	1,188
Exchange losses (note 17.8)	4,488	1,288
Change in fair value of financial instruments	730	246
Financial expenses assigment of receivables operations (notes 6.1 (b))	68	150
Other finance expenses	11,343	16,636
Total finance expenses	**39,989**	**32,866**

17.8. Foreign currency transactions

The transactions in foreign currency carried out by the DIA Group during the six-month period ended 30 June 2018 and 2017 are not significant. However, details of exchange differences arising on transactions in foreign currency are as follows:

Thousands of Euros	30/06/2018	30/06/2017
Currency exchange losses (note 17.7)	(4,488)	(1,288)
Currency exchange gains (note 17.7)	1,478	303
Trade exchange losses	(1,567)	(212)
Trade exchange gains	407	840
Total	**(4,170)**	**(357)**

17.9. Non-IFRS performance measures

In order to give shareholders an additional overview of the business' underlying evolution, certain items recognised on the consolidated income statement that, due to their size, origin or nature, do not reflect the evolution of the business, are excluded from the adjusted results.

Thousands of Euros	30/06/2018	30/06/2017
Operating Profit (EBIT)	**54,004**	**116,132**
Expenses relating to acquisitions	-	7,204
Expenses for restructuring and efficiency process	54,958	20,725
Expenses related to the transfer of own stores to franchises	5,350	5,671
Gains for the sale of fixed assets	(14,109)	(2,990)
Parcial total of other cash elements (1)	46,199	30,610
Expenses relating to share based payments transactionss	148	1,308
Losses on disposal of fixed assets (note 17.6)	6,017	11,920
Impairment of fixed assets (note 17.5)	3,274	2,500
Amortizations related to the closing of stores	4,736	1,724
Total of other excluded items to analyze ordinary performance (2)	60,374	48,062
Operating Profitn ajusted (EBIT ajusted)	**114,378**	**164,194**

Thousands of Euros	30/06/2018	30/06/2017
Operating Profit (EBIT)	**54,004**	**116,132**
Amortisation, depreciation and impairment (note 17.5)	119,343	119,134
Losses on disposal of fixed assets (note 17.6)	6,017	11,920
Gross operating profit (EBITDA)	**179,364**	**247,186**
Other cash elements (1)	46,199	30,610
Expenses relating to share based payments transactions	148	1,308
Gross operating profit ajusted (EBITDA ajusted)	**225,711**	**279,104**

Thousands of Euros	30/06/2018	30/06/2017
Net Profit atributted to equityholders of the parent	**6,038**	**54,018**
Other excluded items to analyze ordinary performance (2)	60,374	48,062
Items excluded from financial income and expenses	6,031	5,050
Items excluded from income tax	(14,342)	(11,017)
Losses net of taxes of discontinued operations (note 11)	8,026	10,833
Net Profit ajusted atributted to equityholders of the parent	**66,127**	**106,946**

Costs of acquisition comprise expenses incurred integrating the businesses acquired and stores bought from third parties. These are expenses associated with the purchase from the El Árbol Distribución y Supermercados, S.A. Group and stores bought from the Eroski Group, which include the cost of closing down non-profitable stores, as well as productivity measures permitting the guaranteed continuity of the stores and the cost of remodelling the stores to adapt them to the Plaza and DIA design.

Expenses incurred in restructuring and efficiency processes correspond to costs of improving productivity and efficiency, which include the cost of closing down stores and/or warehouses and the expenses borne by the company during the temporary closure of stores for remodelling into the new formats.

Expenses relating to the transfer of own stores to franchises are costs mainly borne during the transfer of the store to the franchise for management on a franchised basis and chiefly relate to employee termination expenses.

The items excluded from corporation tax mainly correspond to the tax effect of the other items excluded for the purposes of analysing ordinary income and those items excluded from financial income and expenses.

18. COMMITMENTS AND CONTINGENCIES

a) Commitments

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

Off-balance-sheet cash commitments comprise:

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

Expansion operation commitments were undertaken for expansion at Group level.

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

18.1. Pledged:

Thousands of Euros at 30th 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	11,127	4,820	4,926	1,852	22,725
Other commitments	746	142	7,792	19,143	27,823
Transactions / properties / expansion	**24,184**	**23,947**	**15,357**	**69,432**	**132,920**
Total	**48,118**	**26,609**	**15,514**	**80,822**	**171,063**

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

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

Thousands of Euros	30/06/2018	31/12/2017
Less than one year	122,581	109,030
One to five years	126,068	117,356
Over five years	60,703	60,234
Total minimum lease payments, property	**309,352**	**286,620**
Less than one year	2,182	1,737
One to five years	2,017	1,406
Total minimum lease payments, furniture and equipment	**4,199**	**3,143**

18.2. Received:

Thousands of Euros at 30th June 2018	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Available credit facilities	126,375	-	-	-	126,375
Available sindicated revolving credit facilities	501,000	-	-	-	501,000
Available confirming lines	216,473	-	-	-	216,473
Cash	**843,848**	**-**	**-**	**-**	**843,848**
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	**870,153**	**5,387**	**16,498**	**54,005**	**946,043**

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

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 and additional tax assessments have been appealed by the Group companies at 30 June 2018 (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.

In 2014 DIA Brazil was inspected by the local taxation authorities, as a result of which it has received two additional tax assessments, one for an updated amount of Euros 15,559 thousand (Brazilian Reals 69,821 thousand) in relation to a discrepancy concerning tax on income from discounts received from suppliers, and another updated amount of Euros 75,188 thousand (Brazilian Reals 337,415 thousand) in relation to the recognition of movements of merchandise and the consequent impact on inventories.

In 2016, the initial administrative ruling on the discrepancy concerning income from suppliers was unfavourable. A legal defence is being mounted and the legal counsel believe there are sufficient grounds to win a ruling favourable to DIA Brazil. As regards the latter proceedings, an unfavourable decision was handed down via administrative channels, despite the stock movements having been shown to be in line with the criteria followed in all the countries in which the DIA Group operates. An appeal was filed against this ruling. The proceedings are currently going back through administrative channels with a view to collecting new data and checking DIA Brasil's stance. Nevertheless, based on the reports from the external legal counsel, the probability of losing this lawsuit continues to be considered remote at 30 June 2018.

19. RELATED PARTIES

Details of related party balances and transactions are as follows:

Transactions and balances with associates

During the first six months of 2018 and 2017 the Group has carried out the following related party transactions: ICDC, Red Libra and CD Supply Innovation, mainly relating to commercial transactions. The trade payables balance at 30 June 2018 and 31 December 2017 is shown in notes 6.1 and 13.3. The transactions carried out with related parties during both periods are as follows:

Thousands of Euros	30/06/2018	30/06/2017
ICDC	12,877	13,532
Red Libra	(732)	15
CDSI	(650,303)	-
Total transactions	**(638,158)**	**13,547**

Transactions with directors and senior management personnel

The Parent's directors accrued remuneration of Euros 1.000 thousand for their role as directors in the six-month period ended 30 June 2018 (Euros 604 thousand in the first half of 2017).

In the six-month period ended 30 June 2018, the Group recognised salaries accrued by directors and other senior executives amounting to Euros 2,525 thousand (Euros 2,967 thousand in the first half of 2017) and Euros 500 thousand in the form of shares (Euros 250 thousand in the first half of 2017).

At 30 June 2018 and 2017 no advances or loans have been received by senior management personnel or directors, nor has the Group extended any guarantees on their behalf.

20. OTHER INFORMATION

Employee information

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

	30/06/2018	30/06/2017
Management	191	210
Middle management	1,664	1,755
Other employees	37,632	39,621
Total	**39,487**	**41,586**

21. EVENTS AFTER THE REPORTING PERIOD

On 3 and 4 July 2018 the Group was notified of corporate income tax inspections for the period 2013-2014 and VAT and withholdings inspections for 2014 to be carried out in Spain at Distribuidora Internacional de Alimentación, S.A and Twins Alimentación, S.A., respectively.

On 17 July 2018 DIA paid out a dividend for a gross amount of Euros 0.18 per share. The total amount of this dividend was Euros 110,325 thousand (see note 12.2).

On 23 July 2018 DIA paid Euros 4,586 thousand for the fourth coupon of the bonds mentioned in note 13.1.

Argentina's economy might potentially be deemed hyperinflationary during the second half of 2018. If this were the case, IAS 29 on hyperinflationary economies and IAS 21 on the translation of figures into the Group's presentation currency would be adopted. Any impact, if applicable, would be recognised following the official notification. At 30 June 2018, Argentina's figures have been included without hyperinflation adjustments.

CONSOLIDATED INTERIM DIRECTORS' REPORT

MAIN EVENTS ON THE FIRST HALF OF THE YEAR

Main events on the first half of the year are included in Note 1 of the Explanatory notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2018.

NET SALES

In the first half of 2018 net sales decreased by 10.3% in Euros to EUR3.80bn, but were flat in local currency. This sales performance reflected a 10.3% negative effect from currencies in the period, explained by the 34.1% depreciation of Argentinean Peso and 16.8% of Brazilian Real in the period.

OPERATING RESULTS

Gross profit amounted to EUR877m in the period, reflecting 37 bps decline in the gross margin to 23.1% that is explained by the worse commercial conditions in Iberia and growing contribution of franchised activity.

Although total operating expenses were reduced by 8.8% in the period, adjusted EBITDA decreased by 19.1% in Euros to EUR225.7m, down by 14.6% ex-currency. The decline in adjusted EBITDA was reflected in a 65bps erosion of the adjusted EBITDA margin to 5.9% namely explained by the difficult commercial scenario and effect from transport strike in Brazil.

Depreciation and amortization fell by 3.1% to EUR111.3m, but increased by 4.0% ex-currency due to the higher volume of Capex devoted in Emerging Markets in recent years.

Adjusted EBIT fell by 30.3% in Euros to EUR114.4m, with a 27.7% decrease at constant currency. With regards to other items excluded from the calculation of adjusted EBIT, they increased by 25.6% in the first half of 2018 to EUR60.4m. This expansion in other items was namely due to the EUR15.6m additional cash costs in the period related to the store remodelling completed in Spain in the first half of the year. Accrued expenses related to the Long-Term Incentive Plans were almost negligible at EUR0.1m, while non-cash items declined by 13% in the period to EUR14m. On the back of these figures, EBIT fell by 53.5% to EUR54.0m, 51.9% down ex-currency.

In the first half of 2018, the group's net financial expenses went up by 17.1% in Euros to EUR35.3m, entirely due to Emerging Markets and particularly Argentina, where the funding costs increased by almost 8 p.p. versus the same period last year.

PROFITS

Income tax amounted to EUR5.2m, 75% down versus same period last year. The company's blended effective tax rate was 27.1% in the first half of the year, pretty much in line with the 28% to 30% range expected for the fiscal year 2018.

Consolidated profit declined by 78.5% to EUR13.9m. Net attributable profit fell by 88.8% to EUR6.0m. Adjusted by all the costs and revenue items, DIA's underlying net profit amounted to EUR66.1m in the first half of 2018, 38.2% down in Euros and 44.0% lower ex-currency.

(€m)	30/06/2018	%	30/06/2017	%	Change	FX effect	Change (ex-FX)
Net sales	**3,795.9**	**100.0%**	**4,232.6**	**100.0%**	**-10.3%**	**-10.3%**	**0.0%**
Cost of goods sold & other income	(2,919.0)	-76.9%	(3,239.4)	-76.5%	-9.9%	-11.2%	1.3%
Gross profit	**876.9**	**23.1%**	**993.3**	**23.5%**	**-11.7%**	**-7.6%**	**-4.1%**
Labour costs	(350.6)	-9.2%	(391.0)	-9.2%	-10.3%	-7.6%	-2.7%
Other operating expenses	(155.7)	-4.1%	(168.2)	-4.0%	-7.4%	-14.2%	6.8%
Leased property expenses	(144.9)	-3.8%	(155.0)	-3.7%	-6.5%	-6.2%	-0.3%
Total OPEX	*(651.2)*	*-17.2%*	*(714.2)*	*-16.9%*	*-8.8%*	*-8.9%*	*0.1%*
Adjusted EBITDA (1)	**225.7**	**5.9%**	**279.1**	**6.6%**	**-19.1%**	**-4.5%**	**-14.6%**
D&A	(111.3)	-2.9%	(114.9)	-2.7%	-3.1%	-7.1%	4.0%
Adjusted EBIT (1)	**114.4**	**3.0%**	**164.2**	**3.9%**	**-30.3%**	**-2.6%**	**-27.7%**
Other items excluded from adj. EBIT	(60.4)	-1.6%	(48.1)	-1.1%	25.6%	-5.4%	31.0%
Other cash items	(46.2)	-1.2%	(30.6)	-0.7%	50.9%		
Long-Term Incentive Plans	(0.1)	0.0%	(1.3)	0.0%	-88.7%		
Other non-cash items	(14.0)	-0.4%	(16.1)	-0.4%	-13.2%		
EBIT	**54.0**	**1.4%**	**116.1**	**2.7%**	**-53.5%**	**-1.6%**	**-51.9%**
Net financial income/expenses	(34.9)	-0.9%	(30.6)	-0.7%	14.1%	-41.9%	56.0%
EBT	**19.1**	**0.5%**	**85.6**	**2.0%**	**-77.7%**	**11.6%**	**-89.3%**
Income taxes	(5.2)	-0.1%	(20.7)	-0.5%	-75.0%	3.8%	-78.8%
Consolidated profit	**13.9**	**0.4%**	**64.8**	**1.5%**	**-78.5%**	**14.1%**	**-92.6%**
Minorities & discontinuing operations	(8.2)	-0.2%	(10.9)	-0.3%			
Net attributable profit	**6.0**	**0.2%**	**54.0**	**1.3%**	**-88.8%**	**17.1%**	**-105.9%**
Underlying net profit	**66.1**	**1.7%**	**106.9**	**2.5%**	**-38.2%**	**5.8%**	**-44.0%**

(1) Adjusted by other items excluded from adjusted EBIT

▪ WORKING CAPITAL

DIA's negative value of trade working capital declined by 13.1% to EUR646m, down by 6.3% ex-currency. This decrease is entirely attributable to Emerging Markets.
The value of inventories declined by 15.2% in H1 2018, EUR98.4m down to EUR549.4m. This significant reduction in stock was attributable to the implementation of a range of initiatives in all the DIA countries to reduce inventories without having a negative impact on out-of-stock ratios.
Currency depreciation also had a 12.9% impact, as the value of inventories declined by 2.3% ex-currency.
Trade and other receivables decreased by 6.7% in the first half of 2018, up by 4.2% ex-currency.
The value of trade and other payables decreased by 13.2% to EUR1.37bn, down by 3.4% at constant currency, due to declining sales volumes during the period.
Non-recourse factoring from receivables from our suppliers amounted to EUR100.0m by the end of June 2018, compared with EUR101.6m at the end of same period last year.

(€m)	30/06/2018	30/06/2017 (2)	Change	Change (ex-FX)
Inventories (A)	549.4	647.8	-15.2%	-2.3%
Trade & other receivables (B)	174.9	187.4	-6.7%	4.2%
Trade & other payables (C)	1,370.1	1,578.3	-13.2%	-3.4%
Total working capital (1)	**(645.9)**	**(743.1)**	**-13.1%**	**-6.3%**

(1) Trade working capital defined as (A+B-C)
(2) Figures adjusted by the discontinuation of DIA China

▪ NET DEBT

Net debt at the end of June 2018 amounted to EUR1,230m, EUR210m higher than in the same period last year.
Growth in net debt during the period was due to the weak sales performance, declining operating margins, and higher investment volumes. In the first half of 2018, DIA obtained proceeds of EUR43m from asset disposals related to a group of stores divested during the period.

With this net debt amount leverage ratio was set at 2.4x. Adjusted by the net debt seasonality related to the company's business cycle, the current leverage is consistent with the corporate investment grade rate. In this regard, on 26 March 2018 S&P reiterated its BBB- corporate credit rating on DIA, and on 14 June Moody's confirmed its Baa3 corporate credit rating on DIA. In both cases, the neutral outlook on the current corporate credit rating was unchanged.

Preliminary approaches to IFRS 16 implementation point out under 3x lease adjustment.

(€m)	30/06/2018	31/12/2017	30/06/2017
Net debt /LTM adj. EBITDA	2.4x	1.6x	1.6x
Net debt	**1,230.3**	**891.3**	**1,019.9**

- **STORE COUNT AND CAPEX**

NUMBER OF STORES

At the end of June 2018, DIA operated a total of 7,409 stores, 28 more than in the same period last year, once adjusted by the discontinued operations of Max Descuento in Spain (35 stores in June 2018 and 34 in June 2017).

In Iberia, the number of stores fell by 114 in the last twelve months to 5,318. This decline is due to the gross closure of 259 stores during this period (namely at the end of 2017), of which 190 Dia, 26 supermarkets, and 43 Clarel stores. In Spain, the number of stores declined by 134 in the last twelve months (with net decline in the net number of stores in all the formats operated in the country). In the case of Portugal it grew by 20 stores in the same period (17 DIA and 3 Clarel stores). Franchised Dia stores represented 57.3% of total stores at the end of June 2018 (vs 56.6% in the same period last year) while in the case of Clarel a total of 169 stores where operated by franchisees (13.3% vs 9.9% at the end of June 2017).

DIA converted 903 stores into the new versions in Iberia in the first half of 2018, of which 440 corresponding to full remodellings and 463 to modular ones. This figure more than triples the number of upgrades completed in H1 2017, that amounted to 291. This hectic remodelling process had a temporary impact on sales volumes, as the stores were closed for several weeks while they were being converted into the new proximity formats.

In Emerging Markets, DIA operated 2,091 stores at the end of June 2018, 142 more than in the same period last year. The company has started to accelerate the expansion, accumulating 142 net openings in the last twelve months, of which 67 in Argentina and 75 in Brazil.

The number of franchised Dia stores in emerging markets increased by 98 in the last twelve months to 1,162, representing 60.3% of the total. Including the Cada Dia and Mais Perto stores in the region (also operated under the FOFO model), the total number of franchised stores is 1,327, representing 63.5% of the total.

By the end of June 2018, DIA operated a total of 7,409 stores, of which 3,777 franchised and 3,632 fully integrated.

	30/06/2018				30/06/2017				
IBERIA	COCO	Franchise	Total	%	COCO	Franchise	Total	%	Change LTM
Dia Market	854	1,885	2,739	51.5%	903	1,941	2,844	52.4%	-105
Dia Maxi	645	130	775	14.6%	663	104	767	14.1%	8
Total Dia stores	**1,499**	**2,015**	**3,514**	**66.1%**	**1,566**	**2,045**	**3,611**	**66.5%**	**-97**
% of DIA banner stores	42.7%	57.3%			43.4%	56.6%			
La Plaza	272	0	272	5.1%	299	0	299	5.5%	-27
Clarel	1,097	169	1,266	23.8%	1,144	125	1,269	23.4%	-3
% of Clarel stores	86.7%	13.3%			90.1%	9.9%			
Total stores	**2,868**	**2,184**	**5,052**	**95.0%**	**3,009**	**2,170**	**5,179**	**95.3%**	**-127**
Cada Dia / Mais Perto	0	266	266	5.0%	0	253	253	4.7%	13
Total IBERIA stores	**2,868**	**2,450**	**5,318**	**100%**	**3,009**	**2,423**	**5,432**	**100%**	**-114**

	30/06/2018				30/06/2017				
EMERGING MARKETS	COCO	Franchise	Total	%	COCO	Franchise	Total	%	Change LTM
Dia Market	411	1,106	1,517	72.5%	408	1,014	1,422	73.0%	95
Dia Maxi	353	56	409	19.6%	312	50	362	18.6%	47
Total Dia stores	**764**	**1,162**	**1,926**	**92.1%**	**720**	**1,064**	**1,784**	**91.5%**	**142**
% of DIA banner stores	39.7%	60.3%		0	40.4%	59.6%			
Cada Dia / Mais Perto	0	165	165	7.9%	0	165	165	8.5%	0
Total EMERGINS MARKET!	**764**	**1,327**	**2,091**	**100%**	**720**	**1,229**	**1,949**	**100%**	**142**

	30/06/2018				30/06/2017				
DIA GROUP	COCO	Franchise	Total	%	COCO	Franchise	Total	%	Change LTM
Dia Market	1,265	2,991	4,256	57.4%	1,311	2,955	4,266	57.8%	-10
Dia Maxi	998	186	1,184	16.0%	975	154	1,129	15.3%	55
Total Dia stores	**2,263**	**3,177**	**5,440**	**73.4%**	**2,286**	**3,109**	**5,395**	**73.1%**	**45**
% of DIA banner stores	41.6%	58.4%			42.4%	57.6%			
La Plaza	272	0	272	3.7%	299	0	299	4.1%	-27
Clarel	1,097	169	1,266	17.1%	1,144	125	1,269	17.2%	-3
Total stores	**3,632**	**3,346**	**6,978**	**94.2%**	**3,729**	**3,234**	**6,963**	**94,3%**	**15**
Cada Dia / Mais Perto	0	431	431	5.8%	0	418	418	5.7%	13
Total DIA GROUP stores	**3,632**	**3,777**	**7,409**	**100%**	**3,729**	**3,652**	**7,381**	**100%**	**28**

CAPEX

DIA invested EUR192.8m in the first half of 2018, 33.6% more than in the same period last year in Euros. Excluding the currency effect, Capex would have risen by 43.6%.

This higher value of investment was due to the very dynamic remodelling activity in Spain, which was concentrated in the first half of the year, as announced in the FY 2017 results presentation. This upgrade plan explains most of the 70% increase in Capex in Iberia during the period. Investment in openings was also slightly higher than last year, but compared with a very small H1 2017 base. Total Capex was flat in Portugal in the period and almost doubled in Spain.

In Emerging Markets, investment declined by 24.3% in Euros to EUR42.3m but increased by 1.7% ex-currency, namely due to the new openings carried out in Argentina during the period

(€m)	30/06/2018	%	30/06/2017	%	Change	Change (ex-FX)
Iberia	150.6	78.1%	88.6	61.3%	70.0%	70.0%
Emerging markets	42.3	21.9%	55.8	38.7%	-24.3%	1.6%
Total Capex	**192.8**	**100.0%**	**144.4**	**100.0%**	**33.6%**	**43.6%**

BUSINESS REVIEW BY GEOGRAPHY

IBERIA

Net sales decreased by 4.5% in H1 2018 to EUR2.54bn. This negative evolution of sales is due to the closure of some underperforming El Arbol and Dia stores in Spain, which is still reflected in a 2.7% decline in selling area. In addition, the store upgrading activity throughout the period (with a material impact on sales due to the store closures on certain days) was very intense in the first half of 2018, with 903 stores upgraded, more than three times the comparable number completed in H1 2017. As for selling area, total space in Iberia at the end of June 2018 was already slightly higher than in December 2017, which confirms that commercial space will have a less negative contribution to sales in the second half of the year.

Moving to banners, La Plaza continues to post a solid perfomance, with an increase in sales density of more than 25% over the last two years. Dia registered the worst relative perfomance, particularly in Portugal.

Adjusted EBITDA declined in the first half of 2018 to EUR186.4m. This figure was reflected into a 112 basis points decline in adjusted EBITDA margins in H1 2018. The decrease in adjusted EBITDA during this period is due to the worse commercial business scenario in Spain (cancellation of the agreement with Eroski and some regulatory changes).

D&A decreased by 0.3% in H1 2018 (to EUR83.6m), marking a continuation of the negative perfomance seen since the end of 2015.

In H1 2018, adjusted EBIT fell by 27.2% to EUR102.8m, reflecting a margin erosion of 126 bps to 4.0%.

(€m)	30/06/2018	30/06/2017	Change
Net sales	2,542.0	2,662.5	-4.5%
Adjusted EBITDA (1)	186.4	225.1	-17.2%
Adjusted EBITDA margin	7.3%	8.5%	-112 bps
D&A	(83.6)	(83.8)	-0.3%
Adjusted EBIT (1)	102.8	141.3	-27.2%
Adjusted EBIT margin	4.0%	5.3%	-126 bps

(1) Adjusted by other items excluded from adjusted EBIT

EMERGING MARKETS

In the first half of 2018 net sales increased by 7.7% in local currency, but went down by 20.1% in Euros to EUR1.25bn, with a 27.8% negative impact from the Argentinean Peso and Brazilian Real.

The demanding comparison base of 2017 together with the business disruption amid the transport strike in Brazil was behind the weak progress of adjusted EBITDA margin, which declined by 30 bps in the first half to 3.1%.

In Euros, D&A declined by 10.7% in H1 2018, but ex-currency it grew by 15.5% in H1 2018. These growing amounts of D&A in Emerging Markets are entirely related to the higher volume of capital allocated in these markets in recent years.

In the first half of the year adjusted EBIT went down by 49.7% in Euros to EUR11.5m, a 30.4% decrease ex-currency. Adjusted EBIT margin of H1 2018 fell by 54 bps to 0.9%.

The first half of 2018 was a particularly difficult period in Brazil, with a weak start of the year, very tough negotiations with local suppliers, persistent food deflation, weak consumer confidence and a transport strike that disrupted the normal operations of our smaller-than-average stores for almost four consecutive weeks.

(€m)	30/06/2018	30/06/2017	Change	Change (ex-FX)
Net sales	1,253.9	1,570.2	-20.1%	7.7%
Adjusted EBITDA (1)	39.3	54.0	-27.2%	-4.0%
Adjusted EBITDA margin	3.1%	3.4%	-30 bps	
D&A	(27.8)	(31.1)	-10.7%	15.5%
Adjusted EBIT (1)	11.5	22.9	-49.7%	-30.4%
Adjusted EBIT margin	0.9%	1.5%	-54 bps	

(1) Adjusted by other items excluded from adjusted EBIT

▪ SALES BY COUNTRY

In H1 2018, gross sales under banner decreased by 9.2% in Euros to EUR4.60bn with a very significant 10.6% negative impact from currencies. In local currency gross sales increased by 1.4%.

Ex-calendar comparable sales growth amounted to 1.8% in H1 2018.

GROSS SALES UNDER BANNER

(€m)	30/06/2018	%	30/06/2017	%	Change	FX effect	Change (ex-FX)
Spain	2,689.6	58.5%	2,770.4	54.7%	-2.9%	0,0%	-2.9%
Portugal	395.2	8.6%	408.7	8.1%	-3.3%	0,0%	-3.3%
Total Iberia	**3,084.8**	**67.1%**	**3,179.1**	**62.8%**	**-3.0%**	**0,0%**	**-3.0%**
Argentina	710.4	15.4%	880.3	17.4%	-19.3%	-42.2%	22.9%
Brazil	805.2	17.5%	1,004.5	19.8%	-19.8%	-16.4%	-3.4%
Total Emerging markets	**1,515.6**	**32.9%**	**1,884.8**	**37.2%**	**-19.6%**	**-28.5%**	**8.9%**
Total DIA	**4,600.4**	**100.0%**	**5,063.9**	**100.0%**	**-9.2%**	**-10.6%**	**1.4%**

NET SALES

(€m)	30/06/2018	%	30/06/2017	%	Change	FX effect	Change (ex-FX)
Spain	2,231.6	58.8%	2,336.1	55.2%	-4.5%	0,0%	-4.5%
Portugal	310.3	8.2%	326.4	7.7%	-4.9%	0,0%	-4.9%
Total Iberia	**2,542.0**	**67.0%**	**2,662.5**	**62.9%**	**-4.5%**	**0,0%**	**-4.5%**
Argentina	563.2	14.8%	701.3	16.6%	-19.7%	-42.3%	22.6%
Brazil	690.8	18.2%	868.8	20.5%	-20.5%	-16.2%	-4.3%
Total Emerging markets	**1,253.9**	**33.0%**	**1,570.2**	**37.1%**	**-20.1%**	**-27.8%**	**7.7%**
Total DIA	**3,795.9**	**100,0%**	**4,232.6**	**100,0%**	**-10.3%**	**-10.3%**	**0.0%**

▪ 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) in order 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

In 2017, the company changed the wording of some APMs to adopt the recommendations of the ESMA (European Securities and Markets Authorities). Accordingly, the former expression "Non-recurring items" has been rephrased to "Other items excluded from adjusted EBIT". In accordance with this change, the old expressions "Non-recurring cash items" and "Non-recurring non-cash items" have been also adapted to the new wording "Other cash items" and "Other non-cash items" respectively.

In 2018, the calculation of "Other cash-items" includes gains on the disposal of non-current assets due to the accounting of this item as "Other income" in the consolidated P&L accounts. This modification, introduced in full compliance with IFRS, better reflects the cash impact of "Other items excluded from adjusted EBIT".

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)	30/06/2018	30/06/2017	Change
Net sales	3,795.9	4,232.6	-10.3%
VAT and other	804.5	831.3	-3.2%
Total Gross sales under banner	**4,600.4**	**5,063.9**	**-9.2%**

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

OTHER ITEMS EXCLUDED FROM ADJUSTED EBIT

(€m)	30/06/2018	30/06/2017	Change
Other cash items	**(46.2)**	**(30.6)**	**50.9%**
Expenses relating to acquisitions	-	(7.2)	-
Expenses for restructuring and efficiency projects	(55.0)	(20.7)	165.5%
Expenses related to the transfer of own stores to franchises	(5.4)	(5.7)	-5.0%
Gain on disposal of assets	14.1	3.0	371.9%
Expenses related to share-based payments transactions	**(0.1)**	**(1.3)**	**-88.7%**
Other non-cash items	**(14.0)**	**(16.1)**	**-13.1%**
Losses on write-down of fixed assets	(6.0)	(11.9)	-49.6%
Impairment of fixed assets	(3.3)	(2.5)	31.0%
Amortization related to the closing of stores	(4.7)	(1.7)	174.7%
Other items exluded from adjusted EBIT	**(60.4)**	**(48.1)**	**25.6%**

Adjusted EBITDA: Operating profit after adding back depreciation and amortization (including amortization related to the closing of stores and impairment of fixed assets), losses on write down of fixed assets, "Other cash items" and "Expenses related to share-based payments transactions".

OPERATING PROFIT TO ADJUSTED EBITDA RECONCILIATION

(€m)	30/06/2018	30/06/2017	Change
Operating profit (EBIT)	54.0	116.1	-53.5%
Depreciation & Amortization	111.3	114.9	-3.1%
Amortization related to the closing of stores	4.7	1.7	174.7%
Impairment of fixed assets	3.3	2.5	31.0%
Losses on write-down of fixed assets	6.0	11.9	-49.6%
Gross operating profit (EBITDA)	**179.4**	**247.2**	**-27.4%**
Other cash items	46.2	30.6	50.9%
Expenses related to share-based payments transactions	0.1	1.3	-88.7%
Adjusted EBITDA	**225.7**	**279.1**	**-19.1%**

Adjusted EBIT: Operating profit after adding back "Other cash items", "Expenses related to share-based payments transactions" and "Other non-cash items".

OPERATING PROFIT TO ADJUSTED EBIT RECONCILIATION

(€m)	30/06/2018	30/06/2017	Change
Operating profit (EBIT)	54.0	116.1	-53.5%
Other cash items	46.2	30.6	50.9%
Expenses relating to share based payments transactions	0.1	1.3	-88.7%
Other non-cash items	14.0	16.1	-13.1%
Adjusted EBIT	**114.4**	**164.2**	**-30.3%**

Underlying net profit: Net income calculated on net profit attributable to the parent company, adjusted by "Other items excluded from adjusted EBIT", "Items excluded from financial income and expenses", "Items excluded from income tax" and "Losses net of taxes of discontinued operations".

NET PROFIT TO UNDERLYING NET PROFIT RECONCILIATION

(€m)	30/06/2018	30/06/2017	Change
Net attributable profit	6.0	54.0	-88.9%
Other items excluded from adjusted EBIT	60.4	48.1	25.6%
Items excluded from financial income and expenses	6.0	5.0	19.4%
Items excluded from income tax	(14.3)	(11.0)	30.2%
Losses net of taxes of discontinued operations	8.0	10.8	-25.9%
Underlying net profit	**66.1**	**106.9**	**-38.2%**

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

BASICS EARNINGS PER SHARE RECONCILIATION	30/06/2018	30/06/2017	Change
Net attributable profit (EURm)	6.0	54.0	-88.8%
Weighted average number of shares (million)	612.21	611.69	0.1%
Average number of treasury shares (million)	10.25	10.76	-4.8%
Basic earnings per share (Euro)	**0.01**	**0.09**	**-88.8%**

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

UNDERLYING EARNINGS PER SHARE RECONCILIATAION	30/06/2018	30/06/2017	Change
Underlying net profit (EURm)	66.1	106.9	-38.2%
Weighted average number of shares (million)	612.21	611.69	0.1%
Average number of treasury shares (million)	10.25	10.76	-4.8%
Underlying earnings per share (Euro)	**0.11**	**0.17**	**-35.3%**

Net financial debt: Overall financial situation of the company that results by subtracting the total value of company's short-term, long-term financial debt, other financial liabilities from the total value of its cash, cash equivalents, and other liquid assets. All the information necessary to calculate the company's net debt is included in the balance sheet.

NET FINANCIAL DEBT RECONCILIATION (€m)	30/06/2018	30/06/2017	Change
Long-term debt	1,050.4	942.7	11.4%
Short-term debt	352.7	281.9	25.2%
Cash & Cash equivalents	(172.8)	(204.7)	-15.6%
Net financial debt	**1.230,3**	**1,019.9**	**20.6%**

- **OTHER INFORMATION**

- Risks and uncertainties

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

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

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

- **Financial risks factors**

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

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

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

a) Currency risk

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

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

During the H1 2018 and 2017 the Group has performed no significant transactions in currencies other than the functional currency of each company. However, for isolated transactions in US Dollars the Group has contracted exchange rate insurance policies in that currency.

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

b) Credit risk

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

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

c) Liquidity risk

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

d) Rate risks

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

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

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

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

- Environmental issues

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

- Research and development expenses

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

- Parent company own shares

During the first half of 2018 the Group's directors and management received 768,277 shares (amounting to Euros 4,498 thousand) as remuneration through the 2014-2016 incentive plan, representing an expense of Euros 129 thousand recognised in the reserve account.

At 30 June 2018 the Group holds 9,542,356 own shares of the Parent with an average purchase price of Euros 5.8540 per share, representing a total amount of Euros 55,861,183.91, which have been earmarked to meet share obligations with executives under the plans described in note 16 of the interim condensed financial statements.

- Events after the reporting period

On 3 and 4 July 2018 the Group was notified of corporate income tax inspections for the period 2013-2014 and VAT and withholdings inspections for 2014 to be carried out in Spain at Distribuidora Internacional de Alimentación, S.A and Twins Alimentación, S.A., respectively.

On 17 July 2018 DIA paid out a dividend for a gross amount of Euros 0.18 per share. The total amount of this dividend was Euros 110,325 thousand (see note 12.2 of the interim condensed financial statements).

On 23 July 2018 DIA paid Euros 4,586 thousand for the fourth coupon of the bonds mentioned in note 13.1 of the interim condensed financial statements.

Argentina's economy might potentially be deemed hyperinflationary during the second half of 2018. If this were the case, IAS 29 on hyperinflationary economies and IAS 21 on the translation of figures into the Group's presentation currency would be adopted. Any impact, if applicable, would be recognised following the official notification. At 30 June 2018, Argentina's figures have been included without hyperinflation adjustments.

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