

**Audit Report on the Financial Statements  
issued by an Independent Auditor**

**DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.  
Financial Statements and Management Report  
for the year ended  
December 31, 2020**

## **AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR**

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

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

### **Audit report on the financial statements**

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#### **Opinion**

We have audited the financial statements of Distribuidora Internacional de Alimentación, S.A. (the "Company"), which comprise the balance sheet at December 31, 2020, the income statement, the statement of changes in equity, the statement of cash flows, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 a) to the accompanying financial statements) and, specifically, the accounting principles and policies contained therein.

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#### **Basis of the opinion**

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

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

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

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**Key audit matters**

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

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***Application of the going concern principle***

<b>Description</b>	<p>Notes 1.e), 1.f), 2.b), and 27 to the accompanying financial statements describe the current status of the measures adopted in the 2020 and 2021 up to the date of the authorization for issue of the financial statements for 2020 by the Board of Directors and management of the Company to ensure that the going concern principle is correctly applied.</p> <p>The main measures adopted which, to a large extent, are still being implemented, are aimed at i) carrying out the Hive Down transaction required as a result of the agreement entered into with the Company's syndicated lenders, which was approved by the Extraordinary General Shareholders' Meeting held on August 30, 2019 and ii) developing the agreement entered into on March 23, 2021 with all its syndicated lenders, which provides a path for a more comprehensive recapitalization and refinancing transaction for the Company and its group (the "Comprehensive Transaction").</p> <p>In this regard, and as explained in aforementioned note 2.b) to the accompanying financial statements, on November 29, 2020, the Company entered into an initial agreement with all its syndicated lenders (the "Lock-Up Agreement"), which created a path for carrying out a capitalization and refinancing transaction ("Original Transaction") and which, in the opinion of the Company's directors, provided a stable long-term capital and financial structure for the Company. On March 23, 2021, as a result of further negotiations between the financial creditors and the Company's main shareholder, the Company reached a new agreement with all of its syndicated lenders that provides a new path for a comprehensive recapitalization and refinancing transaction (the "Comprehensive Transaction"). The "Comprehensive Transaction" includes, as part of its main features, all of which are contingent upon one another, i) a capital increase in the of Company of up to 1,028 million euros, ii) the amendment and reformulation of the current syndicated financing agreement for a total of approximately 973 million euros, iii) the amendment of the terms and conditions of the bonds that currently mature in 2023, and iv) the extension of the maturity dates of certain bilateral financing lines and credit facilities entered into by the Company and its group with its syndicated lenders. The terms under which the "Comprehensive Transaction" is expected to be carried out are described in note 27 to the accompanying financial statements.</p> <p>In abovementioned note 2.b) to the accompanying financial statements, the Company's directors state that the terms under which the "Comprehensive Transaction" is expected to be carried out will eliminate the Company and its group's refinancing risk in the medium term, significantly reduce its interest rate burden, provide additional liquidity to ensure that operating financing needs are covered, improve and accelerate the ability to access the financial debt markets under normal conditions, and provide a stable capital structure in the long term. Overall, the directors consider that the Company will continue to operate on a going concern basis.</p>
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This is a key audit matter in the context of our audit in view of the relevance of the success of the actions taken by the Company's directors and management to guarantee the continuity of its operations.

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<b>Our response</b>	<p>Our audit procedures related to this matter included the following:</p> <ul style="list-style-type: none"> <li>▶ Identifying and understanding the matters that could raise significant doubts as to the Company's capacity to continue as a going concern.</li> <li>▶ Gaining an understanding, based on conversations with the Company's executives, of the significant events that occurred in 2020 and 2021, up to the date of the authorization for issue of the financial statements for 2020, described in Notes 1.e) and 1.f), 2.b) and 27 to the accompanying financial statements, aimed at restoring the Company's equity and financial position and reaching agreements designed to ensure the continuity of its business.</li> <li>▶ Obtaining and analyzing the significant events communicated by the Company to the Spanish National Securities Market Commission (CNMV) and the minutes related to the agreements approved by the Company's General Shareholders' Meeting, its directors, and the remaining management bodies and committees in 2020 and 2021 up to the date of this report.</li> <li>▶ Verifying management's assessment of the Company's capacity to continue as a going concern, after considering the significant measures adopted to restore its equity and financial position. This verification included reviewing the Company's five-year business plan and expected financial performance over the next twelve years.</li> <li>▶ Obtaining and analyzing the documentation supporting the agreement with syndicated lenders entered into on November 29, 2020 ("Lock-Up Agreement" of the "Original Transaction") disclosed in note 1.f) to the accompanying financial statements.</li> <li>▶ Obtaining and analyzing the documentation supporting the agreement with syndicated lenders entered into on March 23, 2021 ("Lock-Up Agreement" of the "Comprehensive Transaction") disclosed in notes 2.b) and 27 to the accompanying financial statements.</li> <li>▶ Obtaining and analyzing the documentation relating to the loan granted to the Company by its majority shareholder to finance the payment at maturity of the principal of the "2021 bonds" that will not be converted to capital, disclosed in note 27 to the accompanying financial statements.</li> <li>▶ Obtaining and analyzing the documentation relating to the loans acquired by the Company's majority shareholder from DEA Finance S.à.r.l. which, where applicable, have been converted to new debt instruments prior to their conversion to capital, disclosed in note 27 to the accompanying financial statements.</li> <li>▶ Obtaining and analyzing the documentation relating to the transfer to Company from DIA Finance, S.L of the super senior financing facility that this subsidiary owed as of December 31, 2020 to DEA Finance, S.à.r.l. (super senior term loan facility), prior to its conversion to capital, disclosed in Note 27 of the accompanying financial statements.</li> </ul>
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- ▶ Obtaining and analyzing the documentation existing at that date and referring to the fulfillment of the suspensive conditions affecting the validity of the "Comprehensive Transaction" which are disclosed in note 27 of the accompanying financial statements.
- ▶ Obtaining and analyzing the documentation relating to the proposed resolutions to be adopted at the Company's General Shareholders' Meeting to approve the capital increase provided for in the "Comprehensive Transaction," disclosed in note 27 to the accompanying financial statements.
- ▶ Reviewing the disclosures in the notes to the accompanying financial statements in accordance with the applicable regulatory framework for financial reporting.

#### *Trade discounts with suppliers*

<b>Description</b>	<p>As explained in Note 4. K) to the accompanying financial statements, the Company's supplies (merchandise used) is reduced by several types of discounts which vary based on the specific terms and conditions reached with each supplier. Some of the discounts are fixed and others vary. Their application depends on the volume of purchases accumulated during a contractually established period or on the volume of sales made of each supplier's articles in the Company's establishments.</p> <p>There is a risk of misstatement of the amount of recorded net cost of merchandised used, in the event the discount applied does not meet the actual terms and conditions agreed upon with the supplier. In these circumstances, correct recognition of the aforementioned cost requires the Company to reliably estimate the extent to which it has met the conditions entitling it to the discount. In addition, in previous years, misstatements were identified that arose from the Company incorrectly applying trade discounts with suppliers.</p> <p>Due to the quantitative significance of trade discounts with suppliers, the errors identified in previous years and the nature and extent of the audit procedures required to arrive at our conclusion, we determined this issue to be a key audit matter.</p>
<b>Our response</b>	<p>Our audit procedures related to this matter included the following:</p> <ul style="list-style-type: none"> <li>▶ Evaluating the design and implementation of relevant controls related to the Company's process for determining and recording the discounts applicable to each supplier, based on agreed-upon terms and conditions.</li> <li>▶ Obtaining, for a sample of suppliers, the related template agreements establishing the terms agreed upon with the Company for the year, including trade discounts negotiated between the parties.</li> <li>▶ For the same sample of suppliers, we requested confirmation of the trade discounts granted to the Company during the year.</li> <li>▶ Recalculating, for a sample of suppliers, of the reduction in the cost of merchandised used recognized by the Company for the supplier discounts applied, based on the terms and conditions reached with those suppliers.</li> <li>▶ Reviewing the disclosures in the notes to the accompanying financial statements in accordance with the applicable regulatory framework for financial reporting.</li> </ul>

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

<b>Description</b>	<p>As explained in Notes 5, 6, 11, and 12 to the accompanying financial statements, at December 31, 2020, the Company recorded property, plant, and equipment amounting to 77,928 miles thousand euros, goodwill amounting to 1,867 thousand euros and investments related to equity instruments, as well as loans and current accounts granted to group companies amounting to 825,052 thousand euros and 11,110 miles thousand euros, respectively.</p> <p>For purposes of calculating impairment loss on property, plant, and equipment and goodwill, the carrying amount of these non-current assets is assigned to each of the corresponding cash-generating units, which in the case of the Company is determined store level.</p> <p>Impairment loss on investments in group companies is determined by each subsidiary, taking into account both the shares and the remaining loans pending collection from the various companies.</p> <p>At each year-end, management makes significant judgments to determine the existence of indications of impairment of the recoverable amount of investments in group companies and assets linked to stores. In both cases, the recoverable amount is determined taking into account the value in use of cash-generating units, as applicable.</p> <p>To determine this value, the Company has used valuation techniques that require Management to making judgments, hypotheses, and estimates. Due to uncertainty related to these hypotheses and estimates, we determined this to be a key audit matter.</p>
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**Our response** Our audit procedures related to this matter included the following:

- ▶ Understanding the Company's analysis and evaluation process for determining the recoverable amount of the amounts recorded for non-current assets subject to amortization and depreciation of investments in group companies, with the involvement of our specialists in this area, including evaluation of the design and implementation of process' relevant controls.
- ▶ Evaluating, with the involvement of our valuation specialists, the reasonableness of the methodology used to calculate the recoverable amount of the assets in stores and investments in group companies, as well as the principal hypotheses applied.
- ▶ Comparing the consistency applied in projecting future profit used as a basis for calculating the recoverable amount of both stores and investments in group companies with those applied in the group's latest business plan approved by the directors.
- ▶ Analyzing, with the involvement of valuation specialists, the sensitivity of certain hypotheses used in the model to future changes that could be considered reasonable.
- ▶ Reviewing the disclosures in the notes to the accompanying financial statements in accordance with the applicable regulatory framework for financial reporting.

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### **Other information: Management report**

Other information refers exclusively to the 2020 management report, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

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

- a) Checking only that the non-financial statement and certain information included in the Corporate Governance Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.
- b) Assessing and reporting on the consistency of the remaining information included in the management report with the financial statements, based on the knowledge of the Company obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have verified that the information referred to in a) above has been provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2020 financial statements and its content and presentation are in conformity with applicable regulations.

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

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

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

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

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### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the management company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

## **Report on other legally stipulated disclosure requirements**

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### **Additional report to the audit committee**

The opinion given in this report is coherent with what is set out in our additional report for the Company's audit and control committee dated April 27, 2021.

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**Term of engagement**

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

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

(Signed on the original Spanish version)

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

April 28, 2021

# **Distribuidora Internacional de Alimentación, S.A.**

## **Annual Accounts and Directors' Report**

**31 December 2020**

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

The logo consists of the letters 'DIA' in a bold, red, sans-serif font. The 'D' and 'A' are solid red, while the 'i' is white with a red outline.

# BALANCE SHEET

At 31 December 2020

(Expressed in thousands of Euros)

ASSETS	Notes	2020	2019
<b>Intangible assets</b>	5	<b>2,311</b>	<b>56,701</b>
Development		-	6,833
Concessions		91	99
Patents, licences, trademarks and similar rights		-	881
Goodwill		1,867	27,767
Computer software		-	19,989
Other intangible assets		353	1,132
<b>Property, plant and equipment</b>	6	<b>77,928</b>	<b>404,096</b>
Land and buildings		33,712	209,714
Technical installations, machinery, equipment, furniture and other items		44,076	193,504
Under construction and advances		140	878
<b>Non-current investments in group companies and associates</b>		<b>825,052</b>	<b>793,930</b>
Equity instruments	11	825,052	789,430
Loans to companies	12 (a)	-	4,500
<b>Non-current investments</b>	12 (b)	<b>10,286</b>	<b>22,880</b>
Equity instruments		36	36
Loans to third parties		28	87
Other financial assets		10,222	22,757
<b>Trade and other receivables</b>		<b>3,162</b>	<b>34,595</b>
Trade receivables (exceeding operating cycle)	12 (c)	3,162	34,595
<b>Non-current prepayments</b>	14	<b>470</b>	<b>939</b>
<b>Deferred tax assets</b>	20	-	<b>6,310</b>
<b>Total non-current assets</b>		<b>919,209</b>	<b>1,319,451</b>
<b>Inventories</b>	13	<b>27,787</b>	<b>194,651</b>
Goods for resale		27,713	189,310
Raw materials and other supplies		28	4,862
Advances to suppliers		46	479
<b>Trade and other receivables</b>	12 (c)	<b>35,683</b>	<b>326,393</b>
Current trade receivables	10(d)	21,388	33,792
Trade receivables from group companies and associates		10,300	262,793
Other receivables		1,262	27,427
Personnel		66	1,307
Current tax assets	20	805	944
Other debts with public entities	20	1,862	130
<b>Current investments in group companies and associates</b>	12 (a)	<b>11,110</b>	<b>552,410</b>
Loans to companies		-	434,000
Other financial assets		11,110	118,410
<b>Current investments</b>	12 (b)	<b>395</b>	<b>2,299</b>
Loans		-	18
Other financial assets		395	2,281
<b>Prepayments for current assets</b>	14	<b>247</b>	<b>540</b>
<b>Cash and cash equivalents</b>	15	<b>16,584</b>	<b>52,532</b>
Cash		16,584	52,532
<b>Total current assets</b>		<b>91,806</b>	<b>1,128,825</b>
<b>TOTAL ASSETS</b>		<b>1,011,015</b>	<b>2,448,276</b>

The accompanying notes form an integral part of the annual accounts for 2020.

# BALANCE SHEET

At 31 December 2020

(Expressed in thousands of Euros)

EQUITY AND LIABILITIES		Notes	2020	2019
<b>Capital and reserves without valuation adjustments</b>		16	(41,853)	222,667
<b>Capital</b>			<b>66,780</b>	<b>66,780</b>
Registered capital			66,780	66,780
<b>Share premium</b>		3 and 16	<b>544,997</b>	<b>544,997</b>
<b>Reserves</b>			<b>9,872</b>	<b>11,322</b>
Other reserves			9,872	11,322
(Own shares)			(5,763)	(7,252)
<b>Negative results from previous years</b>			<b>(393,269)</b>	<b>(111,726)</b>
<b>Profit for the year</b>			<b>(264,720)</b>	<b>(281,543)</b>
<b>Other equity instruments</b>			<b>250</b>	<b>89</b>
<b>Total equity</b>			<b>(41,853)</b>	<b>222,667</b>
<b>Non-current provisions</b>		17	<b>40,993</b>	<b>38,942</b>
Long-term employee benefits			1,649	1,619
Other provisions			39,344	37,323
<b>Non-current payables</b>		19 (b)	<b>305,213</b>	<b>1,307,624</b>
Bonds and other securities			295,599	592,912
Debt with financial institutions			301	683,984
Finance lease payables		7	2,323	16,066
Other financial liabilities			6,990	14,662
<b>Deferred tax liabilities</b>		20	<b>332</b>	<b>6,310</b>
<b>Total non-current liabilities</b>			<b>346,538</b>	<b>1,352,876</b>
<b>Current provisions</b>			<b>1,265</b>	<b>16,749</b>
<b>Current payables</b>		19 (b)	<b>329,783</b>	<b>49,292</b>
Bonds and other securities			303,795	3,980
Debt with financial institutions			295	20,563
Finance lease payables		7	1,835	7,145
Other financial liabilities			23,858	17,604
<b>Group companies and associates, current payables</b>		19 (a)	<b>106,613</b>	<b>28,494</b>
<b>Trade and other payables</b>		19 (c)	<b>268,662</b>	<b>777,734</b>
Current suppliers			9,778	630,829
Suppliers, group companies and associates, current			219,384	6,090
Other payables			30,653	76,888
Personnel (salaries payable)			1,837	32,958
Public entities, other		20	6,954	30,822
Advances to customers			56	147
<b>Current accruals</b>			<b>7</b>	<b>464</b>
<b>Total current liabilities</b>			<b>706,330</b>	<b>872,733</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>1,011,015</b>	<b>2,448,276</b>

The accompanying notes form an integral part of the annual accounts for 2020.

**INCOME STATEMENT**  
**For the year ended 31 December 2020**  
**(Expressed in thousands of Euros)**

<b>INCOME STATEMENT</b>	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>Revenues</b>			
Sales	23 (a)	<b>2,166,985</b>	<b>3,798,756</b>
Service Delivery		2,151,734	3,679,605
		15,251	119,151
<b>Work carried out by the company for assets</b>			<b>1,683</b>
<b>Supplies</b>	23 (b)	<b>(1,967,149)</b>	<b>(3,162,640)</b>
Merchandise used		(1,921,156)	(3,110,524)
Raw materials and consumables used		(8,541)	(14,366)
Subcontracted work		(38,076)	(38,999)
Impairment of merchandise, raw materials and other supplies	13	624	1,249
<b>Other operating income</b>		<b>92,054</b>	<b>229,192</b>
Non-trading and other operating income	23 (e)	92,060	228,628
Operating grants taken to income		(6)	564
<b>Personnel expenses</b>		<b>(15,590)</b>	<b>(474,191)</b>
Salaries and wages		(12,753)	(374,217)
Employee benefits expense	23 (c)	(1,188)	(92,885)
Provisions		(1,649)	(7,089)
<b>Other operating expenses</b>		<b>(267,863)</b>	<b>(443,968)</b>
External services		(251,299)	(400,344)
Taxes		(3,211)	(9,414)
Losses, impairment and changes in trade provisions		757	(15,316)
Other operating expenses		(14,110)	(18,894)
<b>Amortisation and depreciation</b>	5 and 6	<b>(21,036)</b>	<b>(115,849)</b>
<b>Non-financial and other capital grants</b>		<b>-</b>	<b>362</b>
<b>Impairment and gains/(losses) on disposal of fixed assets</b>	5, 6 and 23 (d)	<b>1,513</b>	<b>(27,117)</b>
Impairment and losses		(33)	(17,664)
Losses on disposal and other		1,546	(9,453)
<b>Results from operating activities</b>		<b>(11,086)</b>	<b>(193,772)</b>
<b>Financial income</b>		<b>7,557</b>	<b>20,660</b>
<b>Dividends</b>	11	<b>-</b>	<b>217</b>
Group companies and associates		-	217
<b>Other investment income</b>		<b>7,557</b>	<b>20,443</b>
Group companies and associates		6,469	18,907
Other		1,088	1,536
<b>Financial expenses</b>		<b>(25,311)</b>	<b>(61,734)</b>
Group companies and associates		(127)	(3,706)
Other		(25,147)	(57,971)
Provision adjustments		(37)	(57)
<b>Exchange gains</b>		<b>53</b>	<b>10</b>
<b>Impairment and gains/(losses) on disposal of financial instruments</b>		<b>(237,843)</b>	<b>(19,869)</b>
Impairment and losses	11 and 12(a)	(237,843)	(14,046)
Gains/(losses) on disposal and other		-	(5,823)
<b>Net finance income</b>		<b>(255,544)</b>	<b>(60,933)</b>
<b>Profit/(Losses) before income tax</b>		<b>(266,630)</b>	<b>(254,705)</b>
<b>Income tax</b>	20	<b>1,910</b>	<b>(26,838)</b>
<b>PROFIT/(LOSSES) FOR THE YEAR</b>		<b>(264,720)</b>	<b>(281,543)</b>

The accompanying notes form an integral part of the annual accounts for 2020.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

## A) Statement of recognised income and expense

(Expressed in thousands of Euros)

	<u>2020</u>	<u>2019</u>
<b>Profit for the year</b>	<b>(264,720)</b>	<b>(281,543)</b>
<b>Income and expense recognised directly in equity</b>		
Cash flow hedges	-	(17)
Tax effect	-	4
<b>Total income and expense recognised directly in equity</b>	<b>-</b>	<b>(13)</b>
<b>Amounts transferred to the income statement</b>		
Grants, donations and bequests	-	(362)
Tax effect	-	90
<b>Total amounts transferred to the income statement</b>	<b>-</b>	<b>(272)</b>
<b>Total recognised income and expense</b>	<b>(264,720)</b>	<b>(281,828)</b>

The accompanying notes form an integral part of the annual accounts for 2020.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

## B) Statement of total changes in equity

(Expressed in thousands of Euros)

	<u>Registered capital</u>	<u>Share premium</u>	<u>Reserves</u>	<u>(Own shares)</u>	<u>Retained earnings</u>	<u>Profit for the year</u>	<u>Other equity instruments</u>	<u>Valuation adjustments</u>	<u>Grants, donations and bequests received</u>	<u>Total</u>
<b>Balance at 31 December 2018</b>	<b>62,246</b>	<b>-</b>	<b>78,956</b>	<b>(55,861)</b>	<b>-</b>	<b>(191,274)</b>	<b>6,820</b>	<b>13</b>	<b>272</b>	<b>(98,828)</b>
Recognised income and expense	-	-	-	-	-	(281,543)	-	(13)	(272)	(281,828)
Transactions with equity holders or owners	4,534	544,997	(44,107)	48,609	56,021	-	(6,731)	-	-	603,323
Reduction Capital	(56,021)	-	-	-	56,021	-	-	-	-	-
Increase Capital	60,555	544,997	(6,218)	-	-	-	-	-	-	599,334
Issuance of share-based payments	-	-	-	-	-	-	269	-	-	269
Own shares operations	-	-	(40,662)	45,917	-	-	-	-	-	5,255
Delivery of own shares	-	-	(2,073)	2,692	-	-	(982)	-	-	(363)
Value adjustment of share-based payments	-	-	4,846	-	-	-	(6,018)	-	-	(1,172)
<b>Distribution of profit for the year</b>	<b>-</b>	<b>-</b>	<b>(23,527)</b>	<b>-</b>	<b>(167,747)</b>	<b>191,274</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfer of profit for the previous year	-	-	-	-	(191,274)	191,274	-	-	-	-
Reserves	-	-	(23,527)	-	23,527	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>66,780</b>	<b>544,997</b>	<b>11,322</b>	<b>(7,252)</b>	<b>(111,726)</b>	<b>(281,543)</b>	<b>89</b>	<b>-</b>	<b>-</b>	<b>222,667</b>
Recognised income and expense	-	-	-	-	-	(264,720)	-	-	-	(264,720)
Transactions with equity holders or owners	-	-	(1,450)	1,489	-	-	161	-	-	200
Issuance of share-based payments	-	-	-	-	-	-	200	-	-	200
Own shares operations	-	-	(1,450)	1,489	-	-	(39)	-	-	-
<b>Distribution of profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(281,543)</b>	<b>281,543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfer of profit for the previous year	-	-	-	-	(281,543)	281,543	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>66,780</b>	<b>544,997</b>	<b>9,872</b>	<b>(5,763)</b>	<b>(393,269)</b>	<b>(264,720)</b>	<b>250</b>	<b>-</b>	<b>-</b>	<b>(41,853)</b>

The accompanying notes form an integral part of the annual accounts for 2020.

# STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

(Expressed in thousands of Euros)

	<u>Notes</u>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>			
<b>Profit for the year before tax</b>		<b>(266,630)</b>	<b>(254,705)</b>
<b>Adjustments for:</b>		<b>286,000</b>	<b>221,323</b>
Amortisation and depreciation	5 and 6	21,036	115,849
Impairment		236,495	45,777
Changes in provisions		11,485	6,322
Grants recognised in the income statement		-	(362)
Gains on disposal of fixed assets	23 (d)	(1,546)	9,453
Gains/(losses) on disposal of financial instruments		-	5,823
Finance income		(7,557)	(20,660)
Finance expenses		25,311	61,734
Exchange losses		(53)	(10)
Changes in fair value of financial instruments		-	(13)
Other income and expenses		829	(2,590)
<b>Changes in operating assets and liabilities</b>		<b>903</b>	<b>(24,367)</b>
Inventories		5,317	28,242
Trade and other receivables		(2,173)	81,063
Other current assets	14	257	(155)
Trade and other payables		(8,714)	(150,858)
Provisions		(6,961)	(575)
Other current liabilities		(457)	(124)
Other non-current assets and liabilities	12 (c) and 14	13,634	18,040
<b>Other cash flows from operating activities</b>		<b>(18,991)</b>	<b>(25,897)</b>
Interest paid		(21,291)	(45,430)
Dividends received		-	136
Interest received		7,156	18,910
Income tax paid (received)		(4,856)	487
<b>Cash flows from operating activities</b>		<b>1,282</b>	<b>(83,646)</b>
<b>Cash flows from investing activities</b>			
<b>Payments for investments</b>		<b>(305,880)</b>	<b>(135,949)</b>
Group companies and associates	11 and 2 (a)	(280,146)	(70,255)
Intangible assets	5	(335)	(9,032)
Property, plant and equipment	6 and 19(b)	(12,078)	(56,662)
Other financial assets	12 (b)	(13,321)	-
<b>Proceeds from sale of investments</b>		<b>17,724</b>	<b>13,206</b>
Intangible assets	5	27	147
Property, plant and equipment	6	3,199	9,411
Other financial assets		14,498	3,648
<b>Cash flows used in investing activities</b>		<b>(288,156)</b>	<b>(122,743)</b>
<b>Cash flows from financing activities</b>			
<b>Proceeds from and payments for equity instruments</b>		<b>-</b>	<b>604,589</b>
Issue of equity instruments		-	599,334
Disposal of own equity instruments	16 (b)	-	5,255
<b>Proceeds from and payments for financial liability instruments</b>		<b>250,926</b>	<b>(414,735)</b>
<b>Issue</b>		<b>253,807</b>	<b>156,948</b>
Debt with financial institutions		32,853	156,948
Payable to group and associated companies		217,851	-
Other payables		3,103	-
<b>Redemption and repayment of</b>		<b>(2,881)</b>	<b>(571,683)</b>
Bonds and other securities	19 (b)	(2,881)	(315,388)
Debt with financial institutions		-	(31,669)
Group companies and associates		-	(221,951)
Other payables		-	(2,675)
<b>Cash flows used in financing activities</b>		<b>250,926</b>	<b>189,854</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>(35,948)</b>	<b>(16,535)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>52,532</b>	<b>69,067</b>
<b>Cash and cash equivalents at year end</b>		<b>16,584</b>	<b>52,532</b>

The accompanying notes form an integral part of the annual accounts for 2020.

## NOTES

## 1. NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

Distribuidora Internacional de Alimentación, S.A. (hereinafter "the Company" or "DIA") was incorporated as a public limited liability company ("sociedad anónima") for an unlimited period under Spanish law on 24 June 1966, and its registered office is located in Las Rozas (Madrid).

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

- (a) *The wholesale or retail purchase, sale and distribution of food products and any other consumer goods in both domestic and foreign markets; domestic healthcare, parapharmaceutical, homoeopathic, dietary and optical products, cosmetics, costume jewellery, household products, perfumes and personal hygiene products; and food, health and hygiene products and insecticides, and all other kinds of widely available consumer products for animals.*
- (b) *Corporate transactions; the acquisition, sale and lease of movable property and real estate; and financial transactions as permitted by applicable legislation.*
- (c) *Corporate services aimed at the sale of telecommunication products and services, particularly telephony services, through collaboration agreements with suppliers of telephony products and services. These co-operative services shall include the sale of telecommunication products and services, as permitted by applicable legislation.*
- (d) *All manner of corporate collaboration services aimed at the sale of products and services of credit institutions, payment institutions, electronic money institutions and currency exchange establishments, in accordance with the provisions of the statutory activity and administrative authorisation of these entities. This collaboration shall include, as permitted by applicable legislation and, where appropriate, subject to any necessary prior administrative authorisation, the delivery, sale and distribution of products and services of these entities.*
- (e) *Activities related to internet-based marketing and sales, and sales through any other electronic medium of all types of legally tradable products and services, especially food and household products, small electrical appliances, multimedia and IT products, photography equipment and telephony products, sound and image products and all types of services through internet or any other electronic medium.*
- (f) *Wholesale and retail travel agency activities including, inter alia, the organisation and sale of package tours.*
- (g) *Retail distribution of petrol, operation of service stations and retail sale of fuel to the public.*
- (h) *The acquisition, ownership, use, management, administration and disposal of equity instruments of resident and non-resident companies in Spain through the concomitant management of human and material resources.*
- (i) *The management, coordination, advisory and support of investees and companies with which the Parent works under franchise and similar contracts.*
- (j) *The deposit and storage of goods and products of all types, both for the Company and for other companies.*

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

The Company holds interests in subsidiaries. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. Details of investments in Group companies are provided in note 11.

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

In accordance with generally accepted accounting principles in Spain, consolidated annual accounts must be prepared to give a true and fair view of the financial position of the Group, the results of operations and changes in its equity and cash flows.

On 31 March 2021 the directors of the Company authorised the issue of the consolidated annual accounts of Distribuidora Internacional de Alimentación, S.A. and subsidiaries for 2020 in accordance with the International Financial Reporting Standards endorsed by the European Union ("IFRS-EU") and other applicable financial reporting regulations. These annual accounts present consolidated loss attributable to the Parent of Euros 363,788 thousand and consolidated negative equity attributable to the Parent of Euros 697,195 thousand.

**Relevant events occurring during 2020****a) New organisational model**

Following the successful completion of the first phase of DIA's transformation, on 14 April 2020 it was announced that Mr Karl-Heinz Holland was stepping down as CEO of the Company and member of the Board of Directors with effect from 20 May 2020. Mr Stephan DuCharme, who up until then was non-executive chair of the Board of Directors was appointed as the Company's new executive chairman, effective 21 May 2020, providing strategic guidance to the team under the new organisational model.

The DIA Group thus successfully concluded the first phase of the company's transformation process, which began in May 2019 led by Mr Karl-Heinz Holland, who rolled out a comprehensive change plan to respond to the company's situation. The first phase focused on three key areas:

- Attract and incorporate talent at all levels and in all business areas to drive the transformation.
- Restore the basic retail business concepts in the Group, including a new sales value proposition and best operational practices throughout the supply chain and store network.
- Create a new organisational model for the Group, based on independent and empowered national leadership with full responsibility for results, which will be strategically backed up by the Group's corporate department, having appointed CEOs for the different countries.

The corporate department will focus on the company's purpose and strategy, digital transformation, strategic communication, institutional relations, the development of leadership and talent and corporate finance.

In July 2020, the Company announced the creation of a new Group Corporate Management team and the appointment of Mr Santiago Martínez-Lage as Group Corporate Director, reporting directly to the executive chairman of the Company. This new management team is responsible for developing the sustainability plan related to social and environmental issues, as well as policies that will allow DIA to improve its relationship with the Group's different stakeholders, with the aim of strengthening DIA's role as an active player in society and the communities where the Group is present, adopting the best corporate governance practices and promoting sustainable growth in accordance with the best international standards.

In September 2020, the corporate finance department announced the departure of the Group's Head of Corporate Finance, Mr Enrique Weickert Molina.

**b) Changes to the Board of Directors and its committees**

Christian Couvreux sadly passed away on 15 February 2021. Christian Couvreux had been a member of the DIA Group's Board since May 2019 and chairman of the Appointments and Remuneration Committee. He also sat on the Board's Capital Structure and Finance Committee. Since he joined, Christian Couvreux played a key role in DIA's transformation, bringing his extensive knowledge of and international experience in the food distribution sector.

At 31 December 2020, the company's Board of Directors and committees are made up as follows:

**Board of Directors:**

Chairperson: Stephan DuCharme (executive director).

Directors: Basola Vallés Cerezuela (independent director).  
Christian Couvreux (coordinating independent director).  
Jaime García-Legaz Ponce (independent director).  
José Wahnon Levy (independent director).  
Sergio Antonio Ferreira Dias (external proprietary director).

On 10 December 2020, the Board of Directors approved the appointment by co-optation of Mr Marcelo Maia Tavares as other external director of the company, effective from 1 January 20201.

**Audit and Compliance Committee:**

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

**Appointments and Remuneration Committee:**

Chairperson: Christian Couvreux (independent director).  
Directors: Jaime García-Legaz Ponce (independent director).  
Basola Vallés Cerezuela (independent director).

**Capital and Financial Structure Committee:**

Chairperson: Jaime García-Legaz Ponce (independent director).  
Directors: Sergio Antonio Ferreira Dias (external proprietary director).  
Christian Couvreux (independent director).

**c) General Meeting of Shareholders of the Company**

The company's General Meeting of Shareholders was held on 31 July 2020 and the following resolutions, among others, were adopted: (i) approval of the 2019 annual accounts, directors' reports, distribution of profit/(loss) and non-financial information statement; (ii) approval of Board of Directors management from 21 May to 31 December 2019; (iii) ratification and re-appointment of Ms Basola Vallés Cerezuela as independent director; (iv) setting of Board of Directors members at eight and holding of vacancies; (v) approval of severance pay of former CEO and (vi) advisory vote on the annual director remuneration report for 2019. The proposed resolution on the Board of Directors management from 1 January to 20 May 2019 was not approved.

**d) Impact of Coronavirus COVID-19**

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

The Spanish Government introduced extraordinary measures to tackle this situation immediately and effectively, approving Royal Decree 463/2020 of 14 March, which enforced the first state of emergency for the management of the health crisis caused by COVID-19. A series of royal decrees-laws were also issued to put certain extraordinary emergency measures into action in order to deal with the economic and social impact of COVID-19, including restricted movement to protect the general public, contain the spread of the virus and bolster the public health system.

On 28 April, a three-stage easing plan was approved to make the initially adopted containment measures more flexible, and finally the first state of emergency ended in Spain on 21 June, with all stages of the easing plan having been completed. This meant that the measures introduced during the state of emergency were no longer in effect in provinces, islands and territorial units.

On 25 October 2020, the Government declared a second nationwide state of emergency to stop the spread of the virus, which ended on 9 November 2020. On 3 November 2020, the Cabinet of Ministers approved an extension to the state of emergency for a further six months, from 9 November 2020 to 9 May 2021. During this period, the general public's circulation on streets and public spaces is restricted to certain hours of the day and residents are to remain within their own autonomous community or city, unless travel is essential on certain limited grounds. Gatherings in public and private spaces and places of worship are also restricted.

The various extraordinary measures approved have continuously acknowledged the importance and essential nature of the distribution of food and essential goods that constitutes the main activity of the Company, especially within the framework of the social distancing strategy designed to stop the spread of the virus among the population.

To deal with this crisis, the Company has implemented and rolled out the human and technical resources, and the action protocols, needed to make the primary objective of protecting the health and welfare of its employees compatible with maintaining an adequate level of service for all customers from our warehouses and stores, in order to ensure that the global food distribution chain of which the DIA Group is a part continues to operate; an objective that has been successfully achieved.

Given the complexity of the situation, the uncertain developments in the pandemic over the coming months and its potential impact on sales and production volumes, supply and distribution chains, businesses, consumers, capital markets and the economy in general, it is not possible at this time to objectively and reliably estimate the potential impact on the Company in the DIA Group. This impact will be recorded prospectively in the financial statements when it occurs.

In accordance with the foregoing, at the present time and based on the best information currently available and the cash position to date, the Company understands that this situation does not compromise application of the going concern principle.

**e) Implementation of the Hive Down imposed by the syndicated lenders**

On 30 August 2019, shareholders at an Extraordinary General Meeting approved the modification of the syndicated financing and the new financing facilities, as well as the granting, ratification and extension of guarantees and the approval of the Hive Down. This hive down was required by the syndicated lenders within the framework of the Syndicated Financing and has involved a complex and sequential process entailing several transactions and legal proceedings during 2020 to transfer the main business units of the Company to certain subsidiaries, owned in full either directly or indirectly by the Company, including all the assets, liabilities and contracts that make up the Spanish retail and wholesale business, the foreign business and DIA's central services.

According to the Syndicated Financing however, the following elements are excluded from the Hive Down: a) the European medium-term notes currently issued by the Company; b) any assets, liabilities and contracts that cannot be transferred due to legal or contractual restrictions; c) any assets, liabilities or contracts whose transfer would have a significant adverse effect on the business of the Company or the Company's group; d) any assets, liabilities and contracts whose transfer would incur a cost for the Company's group (including taxes or loss of tax assets) exceeding Euros 5,000,000; and, e) any lease agreements on real estate whose transfer or transmission would entitle the lessor to demand a rent increase or to terminate the lease. As the above-mentioned exceptions apply, as agreed with the syndicated lenders, the transfer of DIA's holding in the Brazilian and Argentine subsidiaries, and 26% of the Portuguese subsidiary, could not be executed in 2020 as part of the Hive Down.

As part of the business units transferred in the Hive Down, it was agreed, at the request of the syndicated lenders, to transfer the debt under the Syndicated Financing to certain Spanish subsidiaries wholly owned by DIA indirectly through Luxembourg intermediate holding companies. Similarly, it was agreed with the syndicated lenders to pledge the shares or participations, bank accounts and receivables of the directly and indirectly wholly-owned subsidiaries of DIA, which are part of the Syndicated Financing.

The key milestones met up until 31 December 2020 in relation to the Hive Down process are as follows:

- i. The following have been transferred to DIA Retail, a subsidiary was wholly-owned indirectly by DIA, subject to the exceptions mentioned above: a) the assets, liabilities and contracts making up the Spanish retail and wholesale business (excluding certain assets, liabilities and contracts relating to DIA's commercial operations), b) the interests in the Spanish subsidiaries Grupo El Árbol, Beauty by DIA, and the interest in the Swiss subsidiary DIA World Trade, and c) DIA's central services.
- ii. 74% of DIA's stake in the Portuguese subsidiary DIA Portugal Supermercados has been transferred to a Luxembourg which was wholly-owned indirectly by DIA.
- iii. All Clarel franchises, which were owned by DIA, have been transferred to the Spanish subsidiary, Beauty by DIA. The sublease contracts linked to these franchises between DIA and Beauty by DIA have been terminated, and

these franchises' customer and creditor accounts have been assigned to Beauty by DIA. This transaction has been carried out via invoicing between both companies.

- iv. Guarantees have been extended on the shares or participations, bank accounts and receivables of the subsidiaries directly or indirectly wholly-owned by DIA that form part of the Syndicated Financing, as collateral therefor.
- v. Certain subsidiaries directly or indirectly wholly-owned by DIA, which form part of the Hive Down, have become additional borrowers under the Syndicated Financing.
- vi. Effective from 1 July 2020, all of DIA's commercial and warehouse operations have been transferred to DIA Retail, including inventories and receivables from third parties, as well as the portion of the syndicated debt relating to confirming and other debt linked to the Company's commercial operations.
- vii. All real estate owned by DIA in Spain has been transferred to DIA Retail, as well as the surface rights owned by DIA, the transfer of which was not subject to the above-mentioned exceptions. This transfer also included the transfer of the portion of the syndicated debt linked to the Spanish business.
- viii. The shares of the operating subsidiaries involved in the transaction have been transferred to other holding companies in Luxembourg, wholly-owned directly or indirectly by DIA, thus implementing the corporate structure agreed with the syndicated lenders.
- ix. In the context of implementing the final structure of the Hive Down, the remaining portion of the syndicated debt drawn down by DIA (except a minimum amount of Euros 2 million for operational reasons) has been transferred to DIA Finance, as agreed with the syndicated lenders.

The Hive Down is an obligation required by the Syndicated Lenders in the Syndicated Financing agreement and its implementation is expected to help give the Company and its Group access to possible future financing or refinancing. The Company has completed the phases of the Hive Down to be executed to date, fulfilling all obligations to the syndicated lenders. Movements in the Company's balance sheet deriving from the Hive Down are presented in note 2(a) "Comparative information".

**f) Public takeover bid for bonds and global capitalisation and refinancing transaction.**

**Public takeover bid for bonds**

On 10 August 2020 the company DEA Finance S.à.r.l. ("DEA Finance" or the "Offeror"), sole lender under the super senior additional lending facility ("SS Facility") granted to DIA Finance, S.L. ("DIA Finance"), announced a bid addressed to:

- i. the eligible holders of bonds issued by the Company for an aggregate principal amount of Euros 300,000,000, with a coupon of 1.000% and maturing on 28 April 2021 (the "2021 Bonds"), and
- ii. the eligible holders of bonds issued by the Company for an aggregate principal amount of Euros 300,000,000, with a coupon of 0.875% and maturing on 6 April 2023 (the "2023 Bonds", and together with the 2021 Bonds, the "Bonds"),

for the acquisition of up to Euros 225,000,000 of the aggregate principal of the 2021 Bonds and up to Euros 225,000,000 of the aggregate principal of the 2023 Bonds in exchange for a cash consideration (the "Bid"). The Bid was subject to the terms and conditions set forth in the tender offer memorandum issued by the Offeror, including two minimum purchase conditions which required the eligible holders to present requests for Bond sale offers representing at least Euros 150,000,000 of the aggregate principal amount of the 2021 Bonds and at least Euros 150,000,000 of the principal amount of the 2023 Bonds.

In light of demand, DEA Finance subsequently broadened the terms of the Bid, increasing the limit established for Bond acquisition. In addition, on 15 September 2020, DEA Finance presented a new bid to acquire all the 2023 Bonds that were not held at that date by the Offeror.

After the bids were closed in September 2020, DEA Finance became the holder of (i) an aggregate principal amount of 2021 Bonds of Euros 292,600,000, equivalent to 97.53% of the aggregate amount of the 2021 Bonds, and (ii) an

aggregate principal amount of 2023 Bonds of Euros 269,200,000, equivalent to 89.73% of the aggregate principal amount of the 2023 Bonds.

DEA Finance is a Luxembourgian limited liability company (société à responsabilité limitée) controlled by Letterone Holding, S.A. In turn, the latter is a Luxembourgian company owned by the same shareholders as Letterone Investment Holdings, S.A. (see note 13) and they share the same board of directors. DEA Finance has not been considered a related party in accordance with IAS 24.

#### Global capitalisation and refinancing agreement

On 30 November 2020, the Company announced that, after the negotiations held between L1R Invest1 Holdings S.à.r.l. ("L1R"), DEA Finance S.à.r.l. ("DEA Finance") and its syndicated lenders (the "Syndicated Lenders"), DIA had reached an agreement with all the Syndicated Lenders (the "Lock-Up Agreement") which facilitated a global capitalisation and refinancing operation enabling a stable long-term capital and financial structure to be implemented for the DIA Group, thereby allowing its management team to fully focus on the execution of the DIA Group business plan.

The transaction includes the following key elements (which are conditional on each other):

- i. an increase in equity of Euros 500,000,000 (the "Capital Increase") which will release the DIA Group of an equivalent amount of financial debt, and in particular of:
  - the debt of Euros 200,000,000 held under the super senior term loan facility, granted by DEA Finance to DIA Finance, S.L. (The "SS Facility"); and
  - the debt corresponding to the bonds issued by DIA for an aggregate principal amount of Euros 300,000,000, with a coupon of 1.000% and maturity on 28 April 2021 (the "2021 Bonds");
- ii. an amendment and restatement of the current syndicated financing agreement for a total amount of Euros 973,219,190 (the "Syndicated Financing Agreement") in order to (a) extend the maturity date of the A-F Facilities (totalling Euros 902,426,478) (the "Senior Facilities") from 31 March 2023 to 31 December 2025, and (b) modify other terms and conditions of the Syndicated Financing Agreement.
- iii. an amendment of the terms and conditions of the bonds issued by DIA for an aggregate principal amount of Euros 300,000,000, with a coupon of 0.875% and maturity in April 2023 (the "2023 Bonds") in order to (a) extend their maturity date from 6 April 2023 to no earlier than 30 June 2026, and (b) increase the coupon from the modification date to an annual rate of 5% (3.25% in cash and 1.75% PIK), plus an increase in interest of 1% PIK where applicable under the Syndicated Financing Agreement; and
- iv. an extension of the maturity dates of certain bilateral facilities and credit facilities entered into between several DIA Group companies with certain Syndicated Lenders or their affiliates (the "Bilateral Facilities").

The effectiveness of the Transaction (and, therefore, of points (i) to (iv) above) is subject to compliance (or waiver of compliance) with certain conditions precedent no later than 18 December 2020 (in certain cases), which were met in form and term, and 28 April 2021 (in others), or any other date agreed between DIA and the Senior Facilities' agent.

On 18 December 2020, the Group signed an Implementation Agreement with the syndicated lenders, establishing the main terms and conditions of the modification of the current Syndicated Financing Agreement. These will take effect when the conditions precedent are met.

#### g) Other corporate transactions

The following events should be noted with regards the Company's investments:

- DIA ESHOPPING S.L.U. 'en liquidación' was dissolved, liquidated and wound up by the agreements of its Sole Shareholder on 14 July 2020, and registered as such in the Companies Register on 26 October 2020.
- RED LIBRA was dissolved and put into liquidation by agreement of the General Meeting of 6 July 2020, its registered name from that date being Red Libra Trading Services, S.L. 'en liquidación'. This company was dissolved, liquidated and wound up with effect from 15 October 2020, and registered as such with the companies register on 18 November 2020.

- CD Supply was dissolved and put into liquidation by agreement of the General Shareholders' Meeting of 4 August 2020, its registered name from that date being CD Supply Innovation, S.L. 'en liquidación'.
- During 2020, several capital increases have been carried out in DIA Brasil Sociedade Limitada, totalling Euros 257,817 thousand, by converting loans and intra-group debt balances into capital, and also incorporating cash contributions. The capital of DIA Brazil has increased from 845,300,037 Brazilian Reals at 31 December 2019 to 2,427,353,318.50 Brazilian Reals at 31 December 2020, represented by 2,144,009,027 shares with an approximate nominal value of 1.13 Reals each. On 7 December 2020, DIA Brazil became a solely-owned company when its shareholder DIA Argentina transferred its interest to Distribuidora Internacional de Alimentación, S.A.
- Finally, on 28 December 2020 intra-group debt balances held by Dia Argentina totalling Euros 16,531 thousand were written off by means of a contribution from shareholders. The Company has written off 95% of this amount.

#### *h) Profit/(loss) evolution during the year*

The Company's results during the year are marked by an effective response to the COVID-19 crisis and positive developments in the transformation measures implemented.

Net sales are significantly down on 2019 because of the Hive Down completed in 2020 involving 2,197 stores being transferred to the subsidiaries DIA Retail and Beauty by DIA. At 31 December 2020, the Company operated 595 stores across the entire Spanish market compared to 2,803 at 31 December 2019.

Moreover, on 1 July 2020 the Company transferred to DIA Retail all DIA's retail and warehousing operations used by DIA in its capacity as a purchasing centre for all the Group's Spanish subsidiaries to sell stock to its subsidiaries. From the second half of 2020, the Company therefore ceased to recognise the sale of goods transferred to subsidiaries.

Like-for-like sales grew during the year as a result of the transformation initiatives carried out. The key elements of these results are attributable to the transformation initiatives carried out, with improved supply chain and store operations, which have enabled the fresh produce offering to be enhanced, a streamlined product selection, an improved franchise model and expanded online sales.

These results have been supported by strict cost controls, a reinforced financial structure and a decrease in net debt.

## **2. BASIS OF PRESENTATION**

### **a. Comparative information**

The annual accounts have been prepared on the basis of the Company's accounting records and presented in accordance with prevailing legislation and the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 and the amendments made thereto by Royal Decrees 1159/2010 and 602/2016, to give a true and fair view of the Company's equity, financial position and profit/(loss) as well as the accuracy of the cash flows included in the statement of cash flows.

The directors consider that the annual accounts for 2020, authorised for issue on 31 March 2021, will be approved with no changes by the shareholders at their ordinary general meeting.

The balance sheet, income statement, statement of recognised income and expense, statement of changes in equity, statement of cash flows and the notes thereto for 2020 include comparative figures for 2019. The Company's financial statements for the two years are not comparable because of the Hive Down (see note 1(e)). Below is a breakdown of all assets and liabilities derecognised as a result of this operation, as a contribution to the share capital of the subsidiaries, by balance sheet item:

ASSETS	Total "Hive Down"
<b>Intangible assets</b>	<b>54,216</b>
Development	7,028
Patents, licences, trademarks and similar rights	881
Goodwill	25,510
Computer software	20,101
Other intangible assets	696
<b>Property, plant and equipment</b>	<b>317,767</b>
Land and buildings	172,225
Technical installations, machinery, equipment, furniture and other items	144,621
Under construction and advances	921
<b>Non-current investments in group companies and associates</b>	<b>4,500</b>
Loans to companies	4,500
<b>Non-current investments</b>	<b>12,007</b>
Loans to third parties	56
Other financial assets	11,951
<b>Trade and other receivables</b>	<b>17,926</b>
Trade receivables (exceeding operating cycle)	17,926
<b>Non-current prepayments</b>	<b>811</b>
<b>Deferred tax assets</b>	<b>6,310</b>
<b>Total non-current assets</b>	<b>413,537</b>
<b>Inventories</b>	<b>162,172</b>
Goods for resale	157,509
Raw materials and other supplies	4,663
<b>Trade and other receivables</b>	<b>295,595</b>
Current trade receivables	24,125
Trade receivables from group companies and associates	270,819
Other receivables	12
Personnel	639
<b>Current investments in group companies and associates</b>	<b>427,688</b>
Loans to companies	314,000
Other financial assets	113,688
<b>Current investments</b>	<b>1,359</b>
Loans	18
Other financial assets	1,341
<b>Prepayments for current assets</b>	<b>36</b>
<b>Cash and cash equivalents</b>	<b>6,524</b>
Cash	6,524
<b>Total current assets</b>	<b>893,374</b>
<b>TOTAL ASSETS</b>	<b>1,306,911</b>

EQUITY AND LIABILITIES	Total "Hive Down"
<b>Capital and reserves without valuation adjustments</b>	-
<b>Capital</b>	-
Registered capital	-
<b>Share premium</b>	-
<b>Reserves</b>	-
Other reserves	-
(Own shares)	-
<b>Negative results from previous years</b>	-
<b>Profit for the year</b>	-
<b>Other equity instruments</b>	-
 <b>Total equity</b>	 -
 <b>Non-current provisions</b>	 1,619
Long-term employee benefits	1,619
Other provisions	-
<b>Non-current payables</b>	<b>751,101</b>
Bonds and other securities	-
Debt with financial institutions	734,073
Finance lease payables	11,864
Other financial liabilities	5,164
<b>Deferred tax liabilities</b>	<b>2,162</b>
 <b>Total non-current liabilities</b>	 <b>754,882</b>
 <b>Current provisions</b>	 11,010
<b>Current payables</b>	<b>9,655</b>
Bonds and other securities	-
Debt with financial institutions	3,153
Finance lease payables	5,368
Other financial liabilities	1,134
<b>Group companies and associates, current payables</b>	<b>25,963</b>
<b>Trade and other payables</b>	<b>504,947</b>
Current suppliers and payables group companies and associates	478,750
Other payables	289
Personnel (salaries payable)	24,097
Other debts with public entities	1,811
Advances to customers	-
<b>Current accruals</b>	<b>454</b>
 <b>Total current liabilities</b>	 <b>552,029</b>
 <b>TOTAL EQUITY AND LIABILITIES</b>	 <b>1,306,911</b>

#### b. Going concern

These annual accounts at 31 December 2020 have been prepared by the Company's Directors on a going concern basis.

At 31 December 2020, equity was a negative Euros 42 million (31 December 2019: positive Euros 223 million) due to impairment of Euros 238 million in the equity stake held in the Brazilian subsidiary because of a weak Brazilian Real. Working capital –calculated as current assets less current liabilities– is also a negative Euros 615 million at 31 December 2020(31 December 2019: positive Euros 256 million). The loss for 2020 amounts to Euros 265 million (loss of Euros 282 million in 2019) and the net variation in cash and cash equivalents was a negative amount of Euros 36 million in 2020

(negative amount of Euros 17 million in 2019). In accordance with the Spanish Companies Act, when losses bring a company's equity to less than half of share capital, unless capital is increased or reduced to a sufficient extent, the company has grounds for dissolution and the Directors must call a General Meeting within two months to adopt the dissolution agreement or reach the agreement or agreements deemed necessary to clear the grounds for dissolution.

Royal Decree-Law 16/2020 of 28 April 2020 on organisational and procedural measures to tackle Covid-19 in the area of administration of justice establishes that losses posted in 2020 will not be considered in any accumulated losses bringing a company's equity to less than half of share capital which would, according to the Spanish Companies Act (article 363.1(e)), be grounds for the company to be wound up. The Company was therefore not subject to wind-up at the date of authorisation for issue of the accompanying annual accounts.

In the context of the global recapitalisation and refinancing in progress, as mentioned in note 1.1.(f), on 30 November 2020, the Parent company announced the signing of an agreement with its financial lenders and its main shareholder. On 24 March 2021, following subsequent negotiations with financial lenders and its shareholders, the company reached a new agreement providing a path for a more comprehensive recapitalisation and refinancing transaction (the "Comprehensive Transaction") as further explained in note 24. By virtue of this agreement, the Parent company agreed, *inter alia*, to submit for approval by the Shareholders at an General Meeting a Capital Increase of Euros 1,028 million by means of converting into capital debt for an amount of Euro 769.2 million that, at the date of execution of the capital increase will be held by L1R, and a cash tranche of up to Euro 259 million reserved in first instance to all shareholders other than L1R.

Although at 31 December 2020 the Parent's equity and financial position presents an impairment situation as described in previous paragraphs, the Parent's Directors consider that certain very significant mitigating factors such as the execution of the upcoming Capital Increase exist and that, at this date, no doubts exist regarding the long-term continuity of the Parent's operations.

This agreement will therefore redress the balance of the Company's equity in 2021, altering its capital structure and financial profile. The Directors of the parent Company therefore consider that the planned recapitalisation of the DIA Group, together with the release of a material amount of financial liabilities corresponding to the cancellation of the SS Facility, the 2021 Bonds and the majority of the 2023 Bonds, as well as the extension of the maturity date of the Senior Facilities and the Bilateral Facilities, will reinforce the equity situation of the Parent company, substantially reduce the financial debt of the DIA Group, eliminate the risk of refinancing in the medium term, reduce significantly DIA group's interest burden, provide additional liquidity to ensure operational financing requirements are in place, improve and accelerate DIA Group's ability to access debt financing markets on normalised terms, and provide a stable long-term capital structure for the DIA Group, that will provide a clear runway for DIA's management to focus entirely on the implementation of its business plan.

At 31 December 2020, having managed to generate organic cash by implementing its Business Plan and having reduced Net Financial Debt, the Group has available liquidity of Euros 397 million on a consolidated basis. In this context, the Directors consider that the Company will continue to operate on a going concern basis.

#### **c. Functional and presentation currency**

The figures disclosed in the annual accounts are expressed in thousands of Euros, the Company's functional and presentation currency, rounded off to the nearest thousand.

#### **d. Critical issues regarding the valuation and estimation of relevant uncertainties and judgements used when applying accounting principles.**

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Company's accounting principles. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant.

### Relevant accounting estimates and assumptions

- Evaluation of the potential impairment of investments in Group companies and associates classified as equity instruments (see note 4(f) and 11).
- Evaluation of the potential impairment of non-financial assets subject to amortisation or depreciation: see note 4(b), (c) and (d).
- Evaluation of potential goodwill impairment: see note 4(b).
- Analysis of possible contingencies or liabilities relating to processes in progress: (see note 17).

Estimates and judgements are evaluated yearly, based on the assumptions included in the approved business plan. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and are considered reasonable under the circumstances.

### **3. APPLICATION OF LOSSES/DISTRIBUTION OF PROFIT**

The application of 2020 losses prepared by the Board of Directors to be presented to shareholders at the Ordinary Annual General Meeting comprises transferring the full amount of Euros 264,719,596.21 to prior years' losses.

The application of 2019 losses ultimately approved by the General Shareholders' Meeting on 31 July 2020 was to take 2019 losses (Euros 281,543,229.11) to prior year's losses.

### **4. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used by the Company in the preparation of the annual accounts are as follows:

#### **a) Foreign currency transactions, balances and cash flows**

Foreign currency transactions have been translated into Euros using the spot exchange rate prevailing at the transaction date.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### **b) Intangible assets**

Intangible assets are measured at cost or cost of production. Intangible assets are carried at cost, less any accumulated amortisation and impairment.

Expenditure on activities that contribute to increasing the value of the Company's business as a whole, such as goodwill, trademarks and other similar items generated internally, as well as establishment costs, are recognised as expenses when incurred.

##### **i. Development**

The Company capitalises development expenses incurred by specific projects for each activity - primarily computer software and industrial property development - that meets the following conditions :

- Costs are clearly allocated, assigned and timed for each project.
- There are sound grounds for considering that the project will be technically successful both in the case of direct operation or sale to a third party, and the economic and commercial profitability is reasonably assured.
- The financing to undertake it, the availability of the proper technical or other resources to complete the project and to use or sell the intangible asset are reasonably assured.

Expenses taken to the income statement in prior years cannot be subsequently capitalised when the conditions are met.

Development expenditure is reclassified to computer software when the project is completed.

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

#### **ii. Business combinations and goodwill**

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

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

The business combination cost excludes any payment that does not form part of the exchange for the acquired business. Acquisition costs are recognised as an expense when incurred.

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

Goodwill represents the difference, at the acquisition date, between the cost of the business combination and the fair value of the net identifiable assets acquired on the transaction. Therefore, goodwill is only recognised when it has been acquired for consideration and relates to future economic benefits from assets which cannot be identified individually and recognised separately.

It is allocated to those cash generating units (CGUs) that are expected to benefit from the business combination that generated the goodwill.

The goodwill recognised separately is amortised on a straight-line basis over the estimated useful life, valued at cost of acquisition less accumulated amortisation and the accumulated amount of any impairment adjustments recognised. Useful lives are determined separately for each CGU to which the assets are assigned and is estimated at 10 years (unless proven otherwise). At least once a year, the Group assesses whether there are any indications of impairment of cash generating units to which goodwill has been assigned and, if detected, their ultimate impairment is verified.

Following initial recognition, and until 31 December 2015, goodwill was measured at cost less any accumulated impairment losses. Since 1 January 2016, goodwill has been measured at cost, less any accumulated amortisation and impairment.

#### **iii. Computer software**

Computer software acquired and produced by the Company, which comprises all the programmes relating to terminals at points of sale, warehouses, offices and micro-computing, is recognised at cost of acquisition or production. Computer software maintenance costs are charged as expenses when incurred.

#### **iv. Leaseholds**

Leaseholds are rights to lease business premises which have been acquired through an onerous contract assumed by the Company. Leaseholds are measured at cost of acquisition. Leaseholds are amortised on a straight-line basis over the shorter of 10 years or the term of the lease contract.

#### **v. Patents, licences, trademarks and similar rights**

Industrial property is charged at cost, less any accumulated amortisation and impairment. Industrial property is amortised on a straight-line basis so as to allocate the cost of licences and trademarks over their estimated useful life of ten years, as well as investment in the development of commercial models and product ranges, which are amortised over four years.

**vi. Subsequent costs**

Subsequent costs incurred on intangible assets are recognised in profit and loss, unless they increase the expected future economic benefits attributable to the intangible asset.

**vii. Useful life and amortisation rates**

Intangible assets are amortised on a straight-line basis over the following estimated years of useful life:

	<u>Estimated years of useful life</u>
Computer software	3
Leaseholds	10
Goodwill	10
Trademarks	10
Other intangible assets	Term of the agreement

Pursuant to Royal Decree 602/2016 of 2 December 2016, goodwill began to be amortised prospectively from 1 January 2016 onwards.

The Company reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

**viii. Impairment losses**

The Company measures and determines impairment to be recognised or reversed based on the criteria in section (d) of this note.

**c) Property, plant and equipment**

**i. Initial recognition**

Property, plant and equipment are measured at cost of acquisition or production. Capitalised production costs are recognised under self-constructed assets in the income statement. Property, plant and equipment are carried at cost less any accumulated depreciation and impairment.

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

Non-current investments in property held by the Company under operating leases are classified as property, plant and equipment. Investments are depreciated over the shorter of their useful life and the lease term, taking into account extensions.

Items of property, plant and equipment recognised prior to 31 December 1996 are carried at a revalued amount as permitted by pertinent legislation.

**ii. Amortisation**

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life. The depreciable amount is the cost of an asset, less its residual value. The Company determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

Property, plant and equipment are depreciated on a straight-line basis over the following estimated years of useful life:

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

The gain or loss arising on the sale of an asset is determined as the difference between the proceeds from the sale and the carrying amount of the asset and is recognised in the income statement.

The Company reviews estimated residual values and depreciation methods and terms at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

### iii. Subsequent costs

Subsequent to initial recognition of the asset, only the costs incurred which increase capacity or productivity or which lengthen the useful life of the asset are capitalised. The carrying amount of parts that are replaced is derecognised. Costs of day-to-day servicing are recognised in profit and loss as incurred.

### iv. Impairment

The Company measures and determines impairment to be recognised or reversed based on the criteria in section (d) of this note.

#### d) **Impairment of non-financial assets subject to amortisation**

The Company evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

Impairment losses are recognised in the income statement.

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

Based on past experience, the Company considers that there are indications of impairment when the operating profit, taking into account adjusted EBITDA (taken to mean earnings before depreciation/amortisation and impairment, gains/losses on disposal of fixed assets and other non-recurring income and expense), of a mature store (one that has been in operation for more than two years) has been negative during the past two years. When indications of impairment exist, the Group estimates the recoverable amount of the assets allocated to each cash-generating unit, calculated as the higher of fair value less costs to sell and value in use. Value in use is determined by discounting estimated post-tax future cash flows, applying a post-tax discount rate which reflects the value of money over time and the specific risks associated with the asset.

Determining this recoverable amount and evaluating whether there exist signs of impairment of the cash-generating units requires judgement on the part of Management and the use of estimates.

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

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

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

## e) Leases

### i. Lessor accounting

The Company has granted the right to use certain spaces within the DIA commercial establishments to concessionaires and leased establishments to franchisees through lease contracts. The risks and rewards incidental to ownership are not substantially transferred to third parties under these contracts.

#### – Operating leases

Assets leased to concessionaires under operating lease contracts are presented according to their nature, applying the accounting policies set out in section (c) of this note.

Operating lease income, net of incentives granted, is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits deriving from the leased asset are diminished.

#### ii. Lessee accounting

The Company has rights to use certain assets through lease contracts.

Leases in which the Company assumes substantially all the risks and rewards incidental to ownership at the start of the contract are classified as finance leases, otherwise they are classified as operating leases.

#### – Finance leases

At the commencement of the lease term, the Company recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

The accounting policies applied to the assets used by the Company by virtue of finance lease contracts are the same as those set out in section (c) of this note. However, if there is no reasonable certainty at the commencement of the lease that the Company will obtain ownership by the end of the lease term, the assets are fully depreciated over the shorter of the lease term and their useful lives.

#### – Operating leases

Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

### iii. Sale and leaseback transactions

Asset sale and leaseback transactions that meet the conditions for classification as a finance lease are considered as financing operations and, therefore, the type of asset is not changed and no profit or loss is recognised.

## f) **Financial instruments**

### i. Classification and separation of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

The Company classifies financial instruments into different categories based on the nature of the instruments and the Company's intentions on initial recognition.

### ii. Offsetting principles

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

### iii. Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred.

After initial recognition, they are recognised at fair value through profit or loss. Fair value is not reduced by transaction costs incurred on sale or disposal. Accrual interest and dividends are recognised separately.

### iv. Loans and receivables

Loans and receivables comprise trade and non-trade receivables with fixed or determinable payments that are not quoted in an active market other than those classified in other financial asset categories.

These financial assets are initially measured at fair value, including any directly attributable transaction costs and, subsequently, at amortised cost recognising accrued interest using the effective interest rate. The effective interest rate is the rate that exactly matches estimated future cash flows over the expected life of a financial instrument to the carrying amount of the instrument. The foregoing notwithstanding, trade receivables maturing in less than a year that do not specify a contractual rate of interest, which are expected to be collected in the near term, are valued both initially and subsequently at the nominal value if the result of upgrading the cash flows is insignificant.

### v. Investments in Group companies

Group companies are those over which the Company, either directly, or indirectly through subsidiaries, exercises control as defined in article 42 of the Spanish Code of Commerce, or when the companies are controlled by one or more individuals or entities acting jointly or under the same management through agreements or statutory clauses.

Control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. In assessing control, potential voting rights held by the Company or other entities that are exercisable or convertible at the end of each reporting period are considered.

Investments in Group companies, associates and jointly controlled entities are initially recognised at cost, which is equivalent to the fair value of the consideration given. The cost of investments in Group companies acquired before 1 January 2010 includes any transaction costs incurred.

If an investment no longer qualifies for classification under this category, it is reclassified as available-for-sale and is measured as such from the reclassification date.

#### **vi. Interest and dividends**

Interest is recognised using the effective interest method.

Dividends from investments in equity instruments are recognised when the Company is entitled to receive them. If the dividends are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investment since acquisition have been distributed, the carrying amount of the investment is reduced.

#### **vii. Derecognition of financial assets**

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any cumulative gain or loss deferred in recognised income and expense, is recorded in profit or loss.

In particular, the Company derecognises the trade balances held with its suppliers in respect of the trade discounts granted by the latter when they are transferred in factoring operations in which the Company retains no credit or interest rate risk. The Company does not derecognise these trade balances when it retains substantially all the risks and rewards incidental to ownership thereof, but instead recognises a financial liability for the same amount as the consideration received.

#### **viii. Impairment of financial assets**

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

The Company recognises impairment of loans and receivables when estimated future cash flows are reduced or delayed due to debtor insolvency.

##### **– Impairment of financial assets carried at amortised cost**

The amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For variable income financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used. For held-to-maturity debt instruments the Company uses the market value, providing this is sufficiently reliable to be considered representative of the recoverable amount.

The impairment loss is recognised in profit and loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed to the limit of the amortised cost of the assets had the impairment loss not been recognised.

##### **– Impairment of investments in Group companies and equity instruments carried at cost**

An asset is impaired when its carrying amount exceeds its recoverable amount, the latter of which is understood as the higher of the asset's value in use and fair value less costs to sell.

Value in use is calculated based on the Company's share of the present value of future cash flows expected to be derived from ordinary activities and from the disposal of the asset, or the estimated cash flows expected to be received from the distribution of dividends and the final disposal of the investment.

The recognition or reversal of an impairment loss is disclosed in the income statement unless it should be recognised in equity.

Nonetheless, and in certain cases, unless better evidence of the recoverable amount of the investment is available, when estimating impairment of these types of assets, the investee's equity is taken into consideration, adjusted, where appropriate, to generally accepted accounting principles and standards in Spain, corrected for any net unrealised gains existing at the measurement date.

In subsequent years, reversals of impairment losses in the form of increases in the recoverable amount are recognised, up to the limit of the carrying amount that would have been determined for the investment if no impairment loss had been recognised.

Impairment of an investment is limited to the amount of the investment, except when contractual, legal or constructive obligations have been assumed by the Company or payments have been made on behalf of the companies. In the latter case, provision is made according to the criteria described in section (p) Provisions.

#### **ix. Financial liabilities**

Financial liabilities, including trade and other payables, that are not classified as held for trading or as financial liabilities at fair value through profit or loss are initially recognised at fair value less any transaction costs directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

The Company derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

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

If the exchange is recorded as a write-down of the original financial liability, the costs or fees are recognised in profit or loss as part of profit or loss. Otherwise, the modified flows are discounted at the original effective interest rate, with recognition of any difference from the previous carrying amount in profit or loss. In addition, costs or fees adjust the carrying amount of the financial liability and are amortised using the amortised cost method over the remaining life of the modified liability.

The Company recognises the difference between the carrying amount of the financial liability or a portion thereof cancelled or transferred to a third party and the consideration paid, including any asset transferred other than the cash or liability assumed in profit or loss.

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

The Company recognises exchanges of debt instruments with a lender, provided that the instruments have substantially different conditions, as a cancellation of the original financial liability and subsequent recognition of a new financial liability. Similarly, a substantial change in the conditions of a financial liability or part of one is recognised as a cancellation of the original financial liability and subsequent recognition of a new financial liability. The difference between the carrying amount of the financial liability cancelled and the consideration paid which also includes any asset transferred other than cash or any liability assumed, is recognised in results for the year

If the new terms or changes to a financial liability are not substantially different from existing ones and it is therefore determined that the change is not substantial, the existing financial liability is not derecognised. The Company will recalculate the gross carrying amount of the financial liability and recognise a profit or loss due to the change in the income statement for the year. The gross carrying amount of the financial liability will be recalculated as the present value of contractual cash flows renegotiated or changed, discounted at the original effective interest rate of the financial liability.

#### **x. Reverse factoring**

The Company has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised in trade payables advanced by financial institutions under trade and other payables in the balance sheet until they are settled, repaid or have expired.

The amounts paid as consideration for the acquisition of invoices or payment documents for the trade payables recorded by the Company are recognised under other operating income in the income statement when the invoices or documents are conveyed.

#### **xii. Security deposits**

Security deposits extended in sublease contracts are measured at nominal amount, since the effect of discounting is immaterial.

Security deposits paid in relation to rental contracts are measured using the same criteria as for financial assets. The difference between the amount paid and the fair value is classified as a prepayment and recognised in profit or loss over the lease term.

#### **g) Hedge accounting**

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments. Nonetheless, transaction costs are subsequently recognised in profit and loss, inasmuch as they do not form part of the changes in the effective value of the hedge.

The Company records hedges of foreign currency risk of a firm commitment as a cash flow hedge.

At the inception of the hedge the Company formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis), and the actual effectiveness is within a range of 80%-125% (retrospective analysis) and can be reliably measured.

For cash flow hedges of forecast transactions, the Company assesses whether these transactions are highly probable and if they present an exposure to variations in cash flows that could ultimately affect profit or loss.

#### **i. Fair value hedges**

Fair value hedges are accounted for as follows:

- The gain or loss from measuring the hedging instrument at fair value, for a derivative hedging instrument, or the foreign currency component of a monetary item for a non-derivative hedging instrument, is recognised in the same profit or loss caption as the gain or loss on the hedged operation.
- The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss. This applies irrespective of whether the hedged item is measured at cost or if it is an available-for-sale financial asset.

If the hedged item is a financial instrument measured at amortised cost, the Company amortises the adjustment to profit and loss as soon as the item ceases to be hedged, and recalculates the effective interest rate at the date amortisation begins.

The Company prospectively discontinues the accounting of fair value hedges when the hedging instrument expires, is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation.

#### **ii. Cash flow hedges**

The Company recognises the portion of the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in recognised income and expense. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised under change in fair value of financial instruments.

The separate component of equity associated with the hedged item is adjusted to the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in fair value or present value of the expected future cash flows on the hedged item from inception of the hedge. However, if the Company expects that all or a portion of a loss recognised in equity will not be recovered in one or more future periods, it reclassifies into change in fair value of financial instruments the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in equity are reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss and under the same caption of the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the Company reclassifies the associated gains and losses that were recognised in equity and includes them in the initial cost or carrying amount of the non-financial asset or liability.

The Company prospectively discontinues hedge accounting if the foreseen circumstances affecting fair value hedges arise. In these cases, the cumulative gain or loss on the hedging instrument that has been recognised in equity is not recorded in profit or loss until the forecast transaction occurs. If the transaction is no longer expected to occur, the cumulative gain or loss that had been recognised in equity is reclassified from equity to profit or loss as change in fair value of financial instruments.

#### **h) Own equity instruments held by the Company**

Equity instruments acquired by the Company are shown separately at cost of acquisition as a reduction in capital and reserves in the balance sheet. Any gains or losses on transactions with own equity instruments are not recognised in profit or loss.

The subsequent redemption of the instruments entails a capital reduction equivalent to the par value of the shares.

Any positive or negative difference between the purchase price and the par value of the shares is debited or credited to reserves. Transaction costs related to own equity instruments, including issue costs related to a business combination, are accounted for as a deduction from reserves, net of any tax effect.

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

Contracts that oblige the Company to acquire own equity instruments in cash or through the delivery of a financial asset, are recognised as a financial liability at the fair value of the amount redeemable against reserves. Transaction costs are likewise recognised as a reduction in reserves. Subsequently, the financial liability is measured at amortised cost or at fair value through profit or loss in line with the redemption conditions. If the Company does not ultimately exercise the contract, the carrying amount of the financial liability is reclassified to reserves.

#### **i) Inventories**

Inventories are initially measured at cost of purchase.

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates, non-trading income or other similar items, plus any additional costs incurred to bring the goods to a saleable condition, other costs directly attributable to the acquisition and indirect taxes not recoverable from the Spanish taxation authorities.

Purchase returns are recognised as a reduction in the carrying amount of inventories returned, except where it is not feasible to identify these items, in which case they are accounted for as a reduction in inventories on a weighted average cost method.

When the cost of inventories exceeds net realisable value, an adjustment is made. Net realisable value is understood to be the selling price, less costs to sell.

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

**j) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The Company recognises cash payments and receipts for financial assets and financial liabilities in which turnover is quick on a net basis in the statement of cash flows. Turnover is considered to be quick when the period between the date of acquisition and maturity does not exceed six months.

In the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognised in the balance sheet as financial liabilities arising from loans and borrowings.

**k) Trade and other payables**

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

Trade discounts are recognised as a reduction in the cost of inventories when it is probable that the conditions for discounts to be received will be met. Any unallocated discounts are used to reduce the balance of merchandise and other consumables used in the consolidated income statement. The main supplier discounts are as follows:

- Volume discounts: volume discounts are negotiated with suppliers as a percentage based on the volume of purchases
- Advertising income: this results from credits negotiated with suppliers based on the inclusion of references in brochures, displays, shelving etc.
- Income from loyalty programmes and surrender of coupons: this relates to income from credits negotiated with suppliers based on the surrender of coupons by customers at stores using the CLUB DIA card or special offers.
- Other items for smaller amounts that are established based on other variables agreed with suppliers such as a percentage of merchandise losses or specific transportation agreements.

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

**l) Grants, donations and bequests**

Grants, donations and bequests are recorded in recognised income and expense when, where applicable, they have been officially awarded and the conditions attached to them have been met or there is reasonable assurance that they will be received.

Monetary grants, donations and bequests are measured at the fair value of the sum received, whilst non-monetary grants, donations and bequests received are accounted for at fair value.

In subsequent years, grants, donations and bequests are recognised as income as they are applied.

Capital grants are recognised as income over the same period and in the proportions in which depreciation on those assets is charged or when the assets are disposed of, derecognised or impaired.

Grants related to non-depreciable assets are recognised as income when the assets acquired using the grant are disposed of, derecognised or impaired.

An amount equivalent to the impairment of the subsidised part of the asset is recognised as an irrecoverable loss of the asset directly against its carrying amount.

#### **m) Defined benefit plans**

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

Defined benefit liabilities recognised in the balance sheet reflect the present value of obligations at the reporting date, minus the fair value at that date of plan assets, minus any past service cost not yet recognised. The Company records actuarial gains and losses in recognised income and expense for the year in which they arise.

In the event that the result of the operations described in the section above is negative, i.e. it results in an asset, the Company measures the resulting asset at the total of unrecognised past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The Company therefore immediately recognises any past service cost of the current year to the extent that it exceeds any reduction in the present value of the economic benefits specified above. If there is no change or there is an increase in the present value of the economic benefits, the entire past service cost of the current year is recognised immediately. The present value of defined benefit obligations and the related current service cost and past service cost are calculated annually by independent actuaries using the Projected Unit Credit Method.

The discount rate is calculated based on the yield on high quality corporate bonds of a currency and term consistent with the currency and term of the post-employment benefit obligations.

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

#### **n) Termination benefits**

Termination benefits are recognised as a liability when the Company has a detailed formal plan for the termination and there is a valid expectation among the affected employees that termination will arise either because the plan has already started to be implemented or because its main characteristics have been published.

#### **o) Employee benefits**

The Company recognises the expected cost of employee benefits in the form of accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. In the case of non-accumulating compensated absences, the expense is recognised when the absences occur.

The Company recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

#### **p) Provisions**

##### **i. General criteria**

Provisions are recognised when the Company has a present obligation (legal, contractual, constructive or tacit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligations at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

The financial effect of provisions is recognised as a finance cost in the income statement.

The tax effect and gains on the expected disposal of assets are not taken into account in measuring a provision.

Rights to reimbursement from third parties of the expenditure required to settle a provision are recognised as a separate asset provided that there is no doubt that the reimbursement will be received. The reimbursement is recognised as income in the income statement based on the nature of the expenditure up to the amount of the provision.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed.

## ii. Provisions for taxes

Provisions for taxes are measured at the estimated amount of tax debt calculated in accordance with the aforementioned criteria.

Provision is made with a charge to income tax for the tax expense for the year, to finance costs for the late payment interest, and to other income for the penalty. The effects of changes in estimates of prior years' provisions are recognised according to their nature, unless they involve the correction of an error.

## q) **Revenue from the sale of goods**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Volume rebates, prompt payment and any other discounts, as well as the interest added to the nominal amount of the consideration, are recognised as a reduction in the consideration.

However, the Company includes interest incorporated in trade balances maturing in less than one year that do not have a contractual rate of interest, when the effect of not discounting future receipts is not material.

Discounts granted to customers are recognised as a reduction in sales revenue when it is probable that the discount conditions will be met.

Advances on account of future sales are measured at the value received.

### - Revenue from sales

The Company recognises revenue from the sale of goods when:

- It has transferred to the buyer the significant risks and rewards of ownership of the goods;
- It retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue and the costs incurred or to be incurred can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

**r) Income tax**

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

Government assistance provided in the form of deductions and other tax relief applicable to income tax payable and considered as government grants is recognised applying the criteria described in section (I) Grants, donations and bequests.

In 2020, the Company filed consolidated tax returns with its subsidiaries Dia Retail España, S.A., Pe-Tra Servicios a la Distribución, S.L., Beauty by Dia, S.A., Grupo El Árbol, Distribución y Supermercados S.A., DIA E-shopping S.L., DIA Finance S.L. and Finandia, S.A. under the special consolidated tax regime set forth in Chapter VI of Title VII of Corporate Income Tax Law 27/2014, of 27 November 2014 (see note 20).

**i. Recognition of deferred tax liabilities**

The Company recognises deferred tax liabilities in all cases except where they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

**ii. Recognition of deferred tax assets**

The Company recognises deferred tax assets provided that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

**iii. Measurement**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted. The tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

For these purposes, the Company has considered the deduction for reversal of the temporary measures provided in transitional provision thirty-seven of Income Tax Law 27/2014 of 27 November 2014 as an adjustment to the tax rate applicable to the deductible temporary difference associated with the non-deductibility of amortisation and depreciation charges in 2013 and 2014.

From 2019, following the considerations published by the European Securities Market Authority (ESMA), the Company derecognises all capitalised tax losses and recognises deferred tax assets to the extent that deferred tax liabilities exist in the Company or in any of the companies of the Tax Consolidation Group.

**iv. Offset and classification**

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

Deferred tax assets and liabilities are recognised in the balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

### s) Share-based payment transactions

The Company recognises the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. It recognises an increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability with a balancing entry in the income statement or assets if the goods or services were acquired in a cash-settled share-based payment transaction.

The Company recognises equity-settled share-based payment transactions, including capital increases through non-monetary contributions, and the corresponding increase in equity at the fair value of the goods or services received, unless that fair value cannot be reliably estimated, in which case the value is determined by reference to the fair value of the equity instruments granted.

Equity instruments granted as consideration for services rendered by Company employees or third parties that supply similar services are measured by reference to the fair value of the equity instruments granted.

#### i. Equity-settled share-based payment transactions to employees and members of the board

Equity-settled payment transactions are recognised as follows:

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

The Company determines the fair value of the instruments granted to employees and/or members of the board at the grant date.

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

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

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

#### ii. Tax effect

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

### t) Classification of assets and liabilities as current and non-current

The Company classifies assets and liabilities in the balance sheet as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within 12 months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least 12 months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the

reporting date or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the annual accounts are authorised for issue.

#### u) Environmental issues

The Company takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

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

#### v) Transactions between Group companies

Transactions between Group companies, except those related to business combinations, mergers, spin-offs and non-monetary contributions from businesses mentioned in the previous sections, are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

## 5. INTANGIBLE ASSETS

Details of intangible assets, excluding goodwill, and movement are as follows:

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

Restated	Thousands of Euro						Total
	Development	Concessions	Patents, licences, trademarks and similar rights	Computer software	Other intangible assets		
<b><u>Cost</u></b>							
<b>At 1 January 2019</b>	<b>22,112</b>	<b>329</b>	<b>8,252</b>	<b>46,476</b>	<b>4,478</b>		<b>81,647</b>
Additions	5,846	-	-	3,140	46		9,032
Disposals	(263)	(129)	(5,568)	(958)	(176)		(7,094)
Transfers	(20,862)	-	-	20,862	-		-
<b>At 31 December 2019</b>	<b>6,833</b>	<b>200</b>	<b>2,684</b>	<b>69,520</b>	<b>4,348</b>		<b>83,585</b>
<b><u>Amortisation</u></b>							
<b>At 1 January 2019</b>	-	(222)	(6,638)	(36,390)	(2,894)		(46,144)
Amortisation	-	(8)	(618)	(13,748)	(189)		(14,563)
Disposals	-	129	5,453	607	106		6,295
Transfers	-	-	-	-	(13)		(13)
<b>At 31 December 2019</b>	-	(101)	(1,803)	(49,531)	(2,990)		(54,425)
<b><u>Impairment</u></b>							
<b>At 1 January 2019</b>	-	-	-	-	(427)		(427)
Charge	-	-	-	-	(5)		(5)
Disposals	-	-	-	-	71		71
Reversal	-	-	-	-	122		122
Transfers	-	-	-	-	13		13
<b>At 31 December 2019</b>	-	-	-	-	(226)		(226)
<b><u>Carrying amount at 31 December 2019</u></b>	<b>6,833</b>	<b>99</b>	<b>881</b>	<b>19,989</b>	<b>1,132</b>		<b>28,934</b>

Intangible assets totalling Euros 28,706 thousand were transferred to DIA Retail España, S.A. in 2020 as part of the Hive Down explained in notes 1(e) and 2(a).

Additions of intangible assets carried out in 2019 mainly comprise development expenses relating to in-house IT projects. Computer software was also acquired.

#### a. Goodwill and impairment

Details of goodwill and movement are as follows:

	Thousands of Euro	
	2020	2019
<b><u>Cost</u></b>		
<b>At 1 January</b>	<b>65,041</b>	<b>71,370</b>
Disposals	(735)	(6,329)
Transfers Hive Down	(57,873)	-
<b>At 31 December</b>	<b>6,433</b>	<b>65,041</b>
<b><u>Amortisation</u></b>		
<b>At 1 January</b>	<b>(24,453)</b>	<b>(20,673)</b>
Amortisation	(390)	(5,277)
Disposals	82	1,497
Transfers Hive Down	21,616	-
<b>At 31 December</b>	<b>(3,145)</b>	<b>(24,453)</b>
<b><u>Impairment</u></b>		
<b>At 1 January</b>	<b>(12,821)</b>	<b>(15,008)</b>
Charge	-	(2,645)
Reversal	653	4,832
Transfers Hive Down	10,747	-
<b>At 31 December</b>	<b>(1,421)</b>	<b>(12,821)</b>
<b><u>Carrying amount at 31 December</u></b>	<b>1,867</b>	<b>27,767</b>

Goodwill with a carrying amount of Euros 25,510 thousand was transferred to DIA Retail España, S.A. in 2020. This goodwill was associated with the stores transferred to this company in the Hive Down (see notes 1(e) and 2(a)).

Disposals in 2019 mainly related to the closure of 37 stores. The goodwill allocated to these stores was impaired in 2018.

In 2020 and 2019, the Company tested all the stores for which goodwill has been recognised. As a result of the test, no impairment allowance was recognised in 2020 for the goodwill assigned to the stores still held by the Company. An impairment allowance of Euros 2,645 thousand was recognised in 2019.

#### b. Fully amortised assets

The cost of fully amortised intangible assets in use at 31 December is as follows:

	Thousands of Euro	
	2020	2019
Computer software	198	33,499
Other intangible assets	475	750
<b>Total</b>	<b>673</b>	<b>34,249</b>

Changes in the value of fully amortised assets in use are due to the Hive Down, as explained in notes 1(e) and 2(a).

## 6. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment and movement are as follows:

	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	Total
<b>Cost</b>							
<b>At 1 January 2020</b>	<b>51,867</b>	<b>592,634</b>	<b>889,204</b>	<b>40,557</b>	<b>878</b>	<b>81,914</b>	<b>1,657,054</b>
Additions	-	1,012	11,585	108	249	901	13,855
Disposals	-	(8,589)	(54,258)	(2,478)	(32)	(917)	(66,274)
Transfers	-	(18)	49	7	(34)	-	4
Transfers Hive Down	(51,310)	(406,860)	(584,317)	(27,529)	(921)	(65,944)	(1,136,881)
<b>At 31 December 2020</b>	<b>557</b>	<b>178,179</b>	<b>262,263</b>	<b>10,665</b>	<b>140</b>	<b>15,954</b>	<b>467,758</b>
<b>Depreciation</b>							
<b>At 1 January 2020</b>	<b>-</b>	<b>(399,972)</b>	<b>(708,264)</b>	<b>(28,309)</b>	<b>-</b>	<b>(68,924)</b>	<b>(1,205,469)</b>
Depreciation	-	(5,364)	(12,931)	(1,447)	-	(806)	(20,548)
Disposals	-	6,679	51,989	2,382	-	815	61,865
Transfers	-	(627)	(183)	(11)	-	-	(821)
Transfers Hive Down	-	258,169	451,515	18,938	-	54,084	782,706
<b>At 31 December 2020</b>	<b>-</b>	<b>(141,115)</b>	<b>(217,874)</b>	<b>(8,447)</b>	<b>-</b>	<b>(14,831)</b>	<b>(382,267)</b>
<b>Impairment</b>							
<b>At 1 January 2020</b>	<b>(9,467)</b>	<b>(25,348)</b>	<b>(12,572)</b>	<b>(100)</b>	<b>-</b>	<b>(2)</b>	<b>(47,489)</b>
Charge	-	(1,279)	(1,716)	(110)	-	(4)	(3,109)
Disposals	-	1,637	1,098	6	-	-	2,741
Reversal	-	2,202	857	10	-	-	3,069
Transfers	-	570	283	2	-	(38)	817
Transfers Hive Down	9,467	18,309	8,552	80	-	-	36,408
<b>At 31 December 2020</b>	<b>-</b>	<b>(3,909)</b>	<b>(3,498)</b>	<b>(112)</b>	<b>-</b>	<b>(44)</b>	<b>(7,563)</b>
<b>Carrying amount at 31 December 2020</b>	<b>557</b>	<b>33,155</b>	<b>40,891</b>	<b>2,106</b>	<b>140</b>	<b>1,079</b>	<b>77,928</b>

Thousands of Euro							
Restated	Land	Buildings	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other property, plant and equipment	Total
<b><u>Cost</u></b>							
At 1 January 2019	53,282	642,867	965,182	43,950	3,467	86,057	1,794,805
Additions	1	4,921	12,283	1,144	2,199	4,753	25,301
Disposals	(1,416)	(57,448)	(90,445)	(4,548)	(284)	(8,911)	(163,052)
Transfers	-	2,294	2,184	11	(4,504)	15	-
<b>At 31 December 2019</b>	<b>51,867</b>	<b>592,634</b>	<b>889,204</b>	<b>40,557</b>	<b>878</b>	<b>81,914</b>	<b>1,657,054</b>
<b><u>Depreciation</u></b>							
At 1 January 2019	-	(420,405)	(718,842)	(26,127)	-	(70,984)	(1,236,358)
Depreciation	-	(22,013)	(61,645)	(6,108)	-	(6,243)	(96,009)
Disposals	-	43,742	72,572	3,927	-	8,303	128,544
Transfers	-	(1,296)	(349)	(1)	-	-	(1,646)
<b>At 31 December 2019</b>	<b>-</b>	<b>(399,972)</b>	<b>(708,264)</b>	<b>(28,309)</b>	<b>-</b>	<b>(68,924)</b>	<b>(1,205,469)</b>
<b><u>Impairment</u></b>							
At 1 January 2019	-	(37,606)	(12,617)	-	-	-	(50,223)
Charge	(9,467)	(9,980)	(5,495)	(100)	-	(2)	(25,044)
Disposals	-	12,686	3,538	-	-	-	16,224
Reversal	-	8,398	1,510	-	-	-	9,908
Transfers	-	1,154	492	-	-	-	1,646
<b>At 31 December 2019</b>	<b>(9,467)</b>	<b>(25,348)</b>	<b>(12,572)</b>	<b>(100)</b>	<b>-</b>	<b>(2)</b>	<b>(47,489)</b>
<b>Carrying amount at 31 December 2019</b>	<b>42,400</b>	<b>167,314</b>	<b>168,368</b>	<b>12,148</b>	<b>878</b>	<b>12,988</b>	<b>404,096</b>

#### a. General

The items of property, plant and equipment transferred in the Hive Down totalled Euros 317,767 thousand, as explained in notes 1(e) and 2(a).

Additions to property, plant and equipment in 2020 and 2019 mainly comprise refurbishments, remodelling and the opening of new stores to new formats. In 2020 there was a significant decrease in activities due to the Hive Down transaction, as explained in notes 1 (e) and 2 (a). Assets held under finance leases in both years are detailed in note 7.

In 2019 one property was sold to third parties. In addition, a number of items were derecognised in both years as they were replaced during the aforementioned improvements and due to store closures. (see note 1 d)).

As a result of the Hive Down, no property, plant and equipment with a material individual value was held at 31 December 2020. Details of residual useful life, depreciation for the year, accumulated depreciation and the carrying amount of individually significant items of property, plant and equipment at 31 December 2019 are as follows:

Description	Thousands of Euro			
	Residual useful life	Depreciation for the year	Accumulated depreciation	Carrying amount
Warehouse land	-	-	-	22,579
Warehouse buildings	24-29 years	(2,320)	(25,950)	33,788
<b>Total</b>		<b>(2,320)</b>	<b>(25,950)</b>	<b>56,367</b>

#### b. Impairment of property, plant and equipment

As described in Note 4 d), based on past experience, the Company considers that there are indications of impairment when the performance of a mature store (one that has been in operation for more than two years) has been negative

during the past two years and also those stores where impairment has been recorded. Also, all stores assigned individual goodwill have been analysed to identify the existence of potential impairment.

As part of the new Business Plan updated at year-end, the Company has carried out an analysis to verify whether the carrying value of these assets exceeded their recoverable value.

**Assumptions used to calculate impairment:**

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

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

	Spain	
	2020	2019
Sales growth rate (1)	6.86%	8.64%
Growth rate (2)	1.70%	1.70%
Discount rate (3)	6.15%	6.90%
Sales margin (4)	22.52%	23.36%

(1) Weighted average annual growth rate of sales for the five-year projected period

(2) Weighted average growth rate used to extrapolate cash flows beyond the 5-year period.

(3) Post-tax discount rate calculated in a date close to the end of the financial year applied to cash flow projections.

(4) Sales margin, average for the 2021-2025 period calculated on net sales

Discount rates included in the table above reflect the return required for stores with growth rates falling within the ranges of expected growth rates based on the expected growth in the short and medium term of private consumption and GDP in the countries affected by the impairment analysis. Additionally, for those stores whose sale growth exceeded the upper range of the expected growth rate, an incremental discount rate of 8.67% has been used.

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

*Sales growth rate*

The average annual growth rate for the forecast period has been determined on the basis of Management's expectations of market development, the Company's approved business plan, and taking into account the store optimisation plans, store remodelling to new formats, and the evolution of macroeconomic indicators (population, food price inflation, etc.).

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

*Long-term growth rate*

The growth rates used to extrapolate flows beyond the initial five-year period have been determined based on the International Monetary Fund's target growth rates for Spain related to inflation in the long and medium term.

These weighted average growth rates of cash flows in perpetuity are consistent with the forecasts for the industry's expected evolution.

*Post-tax discount rate*

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

***Sales margin***

The sales margin remained stable throughout the budget period, with a slight improvement in logistics costs.

The impairment test has been carried out in accordance with the criteria set forth in note 4(d).

As a result of the impairment tests performed, net impairment of Euros 40 thousand was recognised in 2020 in relation to property, plant and equipment. This impairment relates to 31 stores for a total of Euros 2,514 thousand, the closing of 24 stores for a total of Euros 550 thousand and the impairment reversal of fruit display furnishings for a net amount of Euros 318 thousand endowed in 2019. In addition, the impairment of stores in prior years amounting to Euros 2,706 thousand has been reversed. These impairment tests resulted in the reversal of Euros 7 thousand affecting intangible assets. The impairment recognised in 2019 amounting to Euros 15,136 thousand in respect of property, plant and equipment related to the impairment of 103 stores for an amount of Euros 3,202 thousand, the estimated closure of 44 stores for Euros 2,476 thousand, the impairment of four warehouses for Euros 12,949 thousand, and the impairment of fruit display furniture, which was replaced, for a total of Euros 6,417 thousand. In addition, the impairment of stores in prior years amounting to Euros 9,908 thousand has been reversed. These impairment tests resulted in the reversal of Euros 117 thousand affecting intangible assets and the allocation of Euros 2,645 thousand for the impairment of goodwill.

Details of the sensitivity of the property, plant and equipment analysis to changes in key assumptions are set forth below, keeping the rest of the variables constant:

- A reduction in the average sales growth rate of 100 basis points would have led to an additional impairment of Euros 540 thousand;
- A decrease of 20 basis points in the sales margin would have led to an additional impairment of Euros 30 thousand;
- An increase of 100 basis points in the discount rate would have led to an additional impairment of Euros 90 thousand;
- Or a drop in the perpetual growth rate of 100 basis points would have led to an additional impairment of Euros 40 thousand.

***c. Fully amortised assets***

Details of the cost of fully depreciated property, plant and equipment in use are as follows:

	Thousands of Euro	
	2020	2019
Buildings	100,734	255,850
Technical installations and machinery	173,218	511,120
Other installations, equipment and furniture	4,882	13,899
Other property, plant and equipment	13,656	55,807
<b>Total</b>	<b>292,490</b>	<b>836,676</b>

Changes in the value of fully depreciated assets in use are due to the Hive Down, as explained in notes 1 (e) and 2 (a).

***d. Insurance***

The Company has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

***e. Property, plant and equipment pledged as collateral***

At 31 December 2020 and 2019, the Company had provided mortgage guarantees on the majority of its real estate assets.

## 7. FINANCE LEASES - LESSEE

At 31 December 2020 and 2019 the Company held the following types of property, plant and equipment under finance leases:

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

	Thousands of Euro			
	2019			
	Technical installations and machinery	Other installations, equipment and furniture	Other assets	Total
Cost	31,216	77	15,400	46,693
Accumulated depreciation	(17,648)	(12)	(7,263)	(24,923)
<b>Carrying amount at 31 December</b>	<b>13,568</b>	<b>65</b>	<b>8,137</b>	<b>21,770</b>

The amount of the cost indicated in the previous breakdown corresponds, in every case, with the fair value of the assets at the date on which the financial lease contracts were signed. The Euros 10,074 thousand decrease in the amount of these assets in 2020 is due to the Hive Down (see note 1 (e)).

Interest incurred on finance leases totalled Euros 257 thousand in 2020 and Euros 1,327 thousand in 2019, respectively.

Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	Thousands of Euro			
	Restated			
	2020	2019	Minimum payments	Present value (note 19(b))
Less than one year	2,001	1,835	7,828	7,145
Two to five years	2,201	2,001	16,620	15,808
Over five years	322	322	261	258
<b>Total minimum payments and present value</b>	<b>4,524</b>	<b>4,158</b>	<b>24,709</b>	<b>23,211</b>
Less current portion	(2,001)	(1,835)	(7,828)	(7,145)
<b>Total non-current</b>	<b>2,523</b>	<b>2,323</b>	<b>16,881</b>	<b>16,066</b>

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

	Thousands of Euro	
	Restated	
	2020	2019
Future minimum payments	4,524	24,709
Unaccrued finance expenses	(366)	(1,498)
<b>Present value</b>	<b>4,158</b>	<b>23,211</b>

In 2020 and 2019 no items of property, plant and equipment were subleased under finance leases.

## 8. OPERATING LEASES - LESSEE

The Company has approximately 1,158 operating leases in place at 31 December 2020 (2,909 at 31 December 2019). The decrease in the number of agreements is due to the Hive Down (see notes 1(e) and 2(a)). In general terms, the operating leases on stores only establish the payment of a fixed monthly charge which is reviewed annually and generally speaking in line with an index linked to the rate of inflation. Operating leases do not include clauses establishing variable amounts such as turnover-based fees, or contingent rent amounts.

Leases on warehouses generally have the same characteristics as for stores. The Company has purchase options on several warehouse leases, which are included in off-balance sheet commitments (see note 25 (a)). The amounts of purchase options are determined by the date at which the Company decides to exercise them.

No such contract has been signed in 2020 and 2019.

Some logistics contracts call for the start of other mandatory compliance periods after the minimum commitment periods until the total term of the contracted is fulfilled. These items have not been taken into consideration by the Company when determining the term and the classification of the lease since there is no reasonable certainty of remaining during those additional periods.

Details of the main operating lease contracts in force at 31 December 2020, following the Hive Down transaction, are as follows:

Warehouse	Minimum term
Santiago de Compostela (La Coruña)	2030
Orihuela (Alicante)	2023
Villanueva de Gállego (Zaragoza)	2030

The amounts of purchase options are determined by the date at which the Company decides to exercise them.

Operating lease payments have been recognised in the income statement for 2020 and 2019 as follows:

	Thousands of Euro	
	2020	2019
Property lease payments	61,735	171,130
Sublease payments	949	2,279
<b>Total</b>	<b>62,684</b>	<b>173,409</b>

The change in these amounts is due to the Hive Down (see note 1(e)).

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

	Thousands of Euro	
	2020	2019
Less than one year	18,065	49,082
Two to five years	20,523	67,032
Over five years	9,171	32,207
<b>Total minimum property lease payments</b>	<b>47,759</b>	<b>148,321</b>
Less than one year	340	1,436
Two to five years	147	1,272
Over five years	34	-
<b>Total minimum movable goods lease payments</b>	<b>521</b>	<b>2,708</b>

The majority of the store lease contracts signed by the Company contain clauses allowing them to be terminated at any time throughout their useful lives, once the mandatory tie-in period has elapsed, by informing the lessor of this decision with the agreed period of notice, which is generally under three months. Total lease commitments are less than the annual spend on leases. The reduction in future minimum payments for non-cancellable operating leases is a consequence of the Hive Down (see note 1(e)).

## **9. OPERATING LEASES - LESSOR**

Sublease revenues amount to Euros 3,977 thousand in 2020 (Euros 20,218 thousand at 31 December 2019) and comprise revenues from rights-of-use transferred to franchisees as well as the amounts received from concessionaires to carry out their activities. In general terms, the duration of these contracts is under one year, tacitly renewable in those that establish a monthly fixed rent with an additional turnover-based fee. The decrease in this income in 2020 compared to 2019 is due mainly to the Hive Down transaction and the management of the new 2020 franchise model, according to which collections are made based on cash generated in the point-of-sale terminal of the franchisee.

## **10. RISK MANAGEMENT POLICY**

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

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

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

### **a. Financial risk factors**

The Company's activities are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Company's profits. The Company uses derivatives to mitigate certain risks.

Risks are managed by the Company's Finance Department. This department identifies, evaluates and mitigates financial risks in close collaboration with the Company's operational units.

### b. Currency risk

The Company operates internationally and is therefore exposed to currency risk when operating with foreign currencies, especially with regard to the US Dollar.

Currency risk arises from future commercial transactions and assets and liabilities denominated in a currency other than the functional currency of the relevant DIA Group company. The Company controls this risk by means of forward currency contracts arranged by the Group's Treasury Department.

In 2020 and 2019 the Company did not perform any significant transactions in currencies other than the functional currency. However, the Company has contracted exchange rate insurance policies for non-recurrent transactions in US Dollars.

In 2020 and 2019, the Company has not carried out significant commercial transactions in currencies other than its functional currency, not having carried out hedging transactions during 2020 (605 million dollars in 2020, representing 13.47% of the transactions carried out in dollars).

The Company holds several investments in foreign operations, the net assets of which are exposed to currency risk. Currency risk affecting net assets of the Company's foreign operations in Argentinian Pesos and Brazilian Reals is mitigated primarily through borrowings in the corresponding foreign currencies. Only certain liabilities are arranged in euros (current accounts and intercompany loans in euros of the Group subsidiaries located in LATAM with the Spanish subsidiary, totalling Euros 24,402 thousand and a bank loan in euros granted to the Brazil subsidiary for an amount of Euros 35,439 thousand).

The Company's exposure to currency risk at 31 December 2020 and 2019 in respect of the balances outstanding in currencies other than the functional currency of each country is immaterial.

### c. Price risk

The Company is not significantly exposed to risk derived from the price of equity instruments or listed raw material prices.

### d. Credit risk

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

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

The Company has policies to ensure that wholesale sales are only made to customers with adequate credit records. Retail customers pay in cash or by credit card. Derivative transactions are only arranged with financial institutions that have a high credit rating so as to mitigate credit risk. The Company has policies to limit the amount of risk with any one financial institution.

The credit risk presented by the Company is attributable to the transactions it carries out with the majority of its franchisees and is mitigated through the bank and other guarantees received, which are described in note 25(b), as follows:

Thousands of Euro	2020	2019
Commercial transactions non current (note 12 (c))	3,162	34,595
Commercial transactions current	21,388	33,792
Guarantees received (note 25 (b))	(14,361)	(26,732)
<b>Total</b>	<b>10,189</b>	<b>41,655</b>

Non-current commercial transactions reflect the financing of the starting inventory of the franchisees, which is repaid monthly based on the cash generation profile of the business. Current commercial transactions comprise financing of goods supplies and amounts falling due less than 12 months from the initial financing. At 31 December 2020, the current balance also includes the amount generated by deliveries invoiced to franchises, which have begun to be managed through the new 2020 franchise model, according to which collections are made based on cash generated in the point-of-sale terminal of the franchisee. These transactions have decreased as a result of the Hive Down (see notes 1(e) and 2(a)).

The Company entered into agreements to transfer supplier trade receivables without recourse during the first half of 2020. At 31 December 2020, the balance is Euros 0. In 2019, the Company entered into this type of agreement for Euros 14,128 thousand.

Details of the Company's exposure to credit risk at 31 December 2020 and 2019 are shown below. The accompanying tables reflect the analysis of financial assets by remaining contractual maturity dates:

<b>Thousands of Euro</b>	<b>Maturity</b>	<b>2020</b>
Loans to third parties	2021-2022	28
Deposits and guarantees	per contract	10,222
Trade receivables and service delivery	2021-2037	3,162
<b>Non-current financial assets</b>		<b>13,412</b>
Trade receivables	2021	21,388
Trade receivables from group companies and associates	2021	10,300
Other receivables	2021	1,262
Personnel	2021	66
Current account with group companies	2021	11,110
Deposits and guarantees	2021	395
<b>Current financial assets</b>		<b>44,521</b>
<b>Thousands of Euro</b>	<b>Maturity</b>	<b>2019</b>
Loans to group companies	2021	4,500
Loans to third parties	201-2022	87
Deposits and guarantees	per contract	22,757
Trade receivables and service delivery	2021-2036	34,595
<b>Non-current financial assets</b>		<b>61,939</b>
Trade receivables	2020	33,792
Trade receivables from group companies and associates	2020	262,793
Other receivables	2020	27,427
Personnel	2020	1,307
Loans to group companies	2020	434,000
Current account with group companies	2020	118,410
Loans	2020	18
Deposits and guarantees	2020	2,281
<b>Current financial assets</b>		<b>880,028</b>

Changes in the current and non-current financial assets heading are due to the Hive Down (see notes 1(e) and 2(a)).

The returns on these financial assets totalled Euros 7,557 thousand in 2020 and Euros 20,436 thousand in 2019. The decrease in these returns are due to the Hive Down (see notes 1(e) and 2(a)).

Details of non-current and current trade and other receivables by maturity at 31 December 2020 and 2019 are as follows:

Non-current	Thousands of Euro			
	Total	1 - 2 years	3 - 5 years	> 5 years
<b>31 December 2020</b>	<b>3,162</b>	775	1,615	772
<b>31 December 2019</b>	<b>34,595</b>	7,412	15,881	11,302

Current	Thousands of Euro					
	Total	Not expired	Less than 1 month	2-3 months	4-6 months	7-12 months
<b>31 December 2020</b>	<b>35,683</b>	34,638	135	190	219	501
<b>31 December 2019</b>	<b>326,393</b>	290,703	6,929	28,421	340	-

The change in the maturity schedule for non-current trade and other receivables is due to the transfer to DIA Retail España, S.A and to Grupo El Árbol, Distribución y Supermercados, S.A. through the Hive Down (see notes 1(e) and 2(a)). The main variation in the maturity schedule for current trade and other receivables is explained by the change between balances with Group companies because of the Hive Down, through which DIA Retail España, S.A. has taken over as the purchasing centre in the DIA Group. The balances between the Company and DIA Retail España, S.A. are recognised under "Suppliers, Group companies" (see note 19).

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

#### e. Liquidity risk

The Company applies a prudent policy to cover its liquidity risks, based on having sufficient cash and marketable securities as well as sufficient financing through credit facilities to settle market positions. Given the dynamic nature of its underlying business, the Group's Finance Department aims to be flexible with regard to financing through drawdowns on contracted credit facilities.

In the context of the global recapitalisation and refinancing in progress, on 30 November 2020, the Company announced the signing of an agreement with its financial lenders and its main shareholder. By virtue of this agreement, the Company agreed, inter alia, to submit for approval by the Shareholders at an General Meeting a Capital Increase of Euros 500 million by means of converting into capital debt represented by Euros 300 million in 2021 Bonds and Euros 200 million of the SS Facility.

The Directors of the parent Company therefore consider that the planned recapitalisation of the DIA Group, together with the release of a material amount of financial liabilities, as well as the extension of the maturity date of certain financial debt, will reinforce the equity situation of the Parent company, substantially reduce the financial debt of the DIA Group, eliminate the risk of refinancing in the medium term, ensure that the operating finance needs are covered and provide a viable long-term capital structure for the DIA Group.

Details of the Company's exposure to liquidity risk at 31 December 2020 and 2019 are shown below. The tables below reflect the analysis of financial liabilities by contracted maturity.

<b>Thousands of Euro</b>	<b>Maturity</b>	<b>2020</b>
Bonds and other securities	2022-2023	295.599
Debt with financial institutions		301
Credit facilities drawn down	2023	301
Finance lease payables	2022-2025	2.323
Guarantees and deposits received	per contract	4.196
Suppliers of fixed assets	2022	489
Other non current liabilities	2022	2.305
<b>Total non-current financial liabilities</b>		<b>305.213</b>
Bonds and other securities	2021	303.795
Debt with financial institutions		295
<i>Interests</i>	2021	295
Finance lease payables	2021	1.835
Suppliers of fixed assets	2021	14.286
Other debts	2021	587
Other non-current liabilities	2021	1.500
Current interest on payables	2021	213
Guarantees and deposits received	2021	7.272
Payables to group companies	2021	106.613
Suppliers	2021	9.778
Suppliers, group companies	2021	219.384
Other payables	2021	30.653
Personnel	2021	1.837
Advances to customers	2021	56
<b>Total current financial liabilities</b>		<b>698.104</b>

<b>Thousands of Euro</b>	<b>Maturity</b>	<b>2019</b>
Bonds and other securities	2021-2023	592,912
Debt with financial institutions		683,984
<i>Revolving credit facilities</i>	2023	141,407
<i>Other loans</i>	2023	377,268
<i>Credit facilities drawn down</i>	2023	165,309
Finance lease payables	2021-2025	16,066
Guarantees and deposits received	per contract	10,463
Suppliers of fixed assets	2021	393
Other non current liabilities	2021-2022	3,806
<b>Total non-current financial liabilities</b>		<b>1,307,624</b>
Bonds and other securities	2020	3,980
Debt with financial institutions		20,563
<i>Revolving credit facilities</i>	2020	3,153
<i>Interests</i>	2020	1,791
<i>Other loans</i>	2020	15,028
<i>Other current liabilities</i>	2020	591
Finance lease payables	2020	7,145
Suppliers of fixed assets	2020	12,508
Other debts	2020	1,409
Other non-current liabilities	2020	1,500
Current interest on payables	2020	403
Guarantees and deposits received	2020	1,784
Payables to group companies	2020	28,494
Suppliers	2020	630,829
Suppliers, group companies	2020	6,090
Other payables	2020	76,888
Personnel	2020	32,958
Advances to customers	2020	147
<b>Total current financial liabilities</b>		<b>824,698</b>

**2020**

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

2019		2021	2022-2024	From 2025
Thousands of Euro	Total			
Bonds and other securities	592,912	299,255	293,657	-
Revolving credit facilities	141,407	-	141,407	-
Other debts with credit entities	377,268	-	377,268	-
Credit facilities drawn down	165,309	-	165,309	-
Finance lease payables	16,066	5,863	9,944	259
Guarantees and deposits received	10,463	-	-	10,463
Other non current liabilities	4,199	1,893	2,306	-
<b>Total non-current financial debt</b>	<b>1,307,624</b>	<b>307,011</b>	<b>989,891</b>	<b>10,722</b>

The change in total current and non-current financial debt stems from the Hive Down, through which the Company transferred financial debt to DIA Retail España, S.A. and Dia Finance, S.L. (see notes 1(e) and 2(a)), and from DIA Retail España, S.A. taking over as the supplier payments and purchasing centre. As from July, the DIA Group's balances are centralised in this company, significantly reducing the Company's balances payable to suppliers and increasing the balance of payables to Group companies.

The finance costs accrued on these outstanding financial liabilities totalled Euros 24,900 thousand in 2020 and Euros 56,929 thousand in 2019.

#### f. Cash flow and fair value interest rate risks

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

The Company contracts different interest rate hedges to mitigate its exposure, in accordance with its risk management policy. At 31 December 2020 and 2019 there were no outstanding derivatives contracted with external counterparties to hedge interest rate risk related to long-term financing.

During 2020 fixed-rate debt as a percentage of the volume of average gross debt totalled 61.31%, compared with 42.94% in the previous year.

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

A 0.5 percentage point rise in interest rates would have led to a variation in profit after tax of Euros 3,897 thousand in 2020 (Euros 2,599 thousand in 2019).

## **11. INVESTMENTS IN EQUITY INSTRUMENTS OF GROUP COMPANIES**

Details of investments in Group companies which, generally speaking, are subject to compulsory audits, at 31 December 2020 and 2019 are as follows:

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

Name	Registered Offices	Activity	Auditor	% of ownership and vote				Results for the year from continuing operations				Carrying amount of investment	Dividends received in 2020
				% direct interest	% indirect interest	Total	Capital	Reserves	Total equity				
Dia Portugal Supermercados, S.A.	Lisbon	Wholesale and retail sale of food products and the subsidiary sale of toiletries and perfume products.	EY	26	74	100	51,803	13,116	(5,903)	59,016	20,942	-	
Dia Argentina, S.A. and Subsidiary	Buenos Aires	Wholesale and retail distribution of food products	EY	95	5	100	163,671	(101,079)	(14,913)	47,679	157,236	-	
Dia Brasil Sociedade Limitada and Subsidiary	Sao Paulo	Wholesale and retail distribution of consumer products Loan and credit operations, including customer credit, mortgage loans and financing of commercial transactions, as well as the issue and management of credit and debit cards.	EY	100	-	100	509,474	(296,875)	(174,134)	38,465	271,474	-	
Finandia E.F.C., S.A.	Madrid	Distribution of food products and toiletries through supermarkets and the subsidiary, sub-lease of premises primarily to its sole shareholder.	N/A	100	-	100	3,500	(812)	146	2,834	3,500	-	
Dia Retail España, S.A.	Madrid		EY	-	100	100	36,169	442,915	(37,727)	441,357	-	-	
PE-TRA, Servicios a la Distribución S.L.	Madrid	Subletting of premises, mainly to Dia Retail España, S.A.	EY	-	100	100	8,527	2,012	954	11,493	-	-	
Dia World Trade, S.A. (*)	Geneva	Supply services to the companies of the DIA Group.	EY	-	100	100	84	866	75	1,025	-	251	
Beauty by DIA, S.A.	Madrid	Sale of toiletries and perfume products.	EY	-	100	100	9,616	34,032	(22,028)	21,620	-	-	
Grupo El Árbol, Distribución y Supermercados, S.A. and Subsidiary	Madrid	Wholesale and retail sale of food products and others. Management of financial and provisioning services for own brand.	EY	-	100	100	12,000	32,609	(55,446)	(10,837)	-	-	
CD Supply Innovation S.L. 'en liquidación'	Madrid		EY	50	-	50	1,000	589	(272)	1,317	500	-	
Luxembourg Investment Company 317 Sárl	Luxembourg	Share holding company	EY	100	-	100	12	371,369	(52)	371,329	371,400	-	
Luxembourg Investment Company 318 Sárl	Luxembourg	Share holding company	EY	-	100	100	12	371,304	(52)	371,264	-	-	
Luxembourg Investment Company 319 Sárl	Luxembourg	Share holding company	EY	-	100	100	12	687,658	(54)	687,616	-	-	
Luxembourg Investment Company 320 Sárl	Luxembourg	Share holding company	EY	-	100	100	12	627,796	(53)	627,755	-	-	
Luxembourg Investment Company 321 Sárl	Luxembourg	Share holding company	N/A	-	100	100	12	33	(52)	(7)	-	-	
Luxembourg Investment Company 322 Sárl	Luxembourg	Share holding company	EY	-	100	100	12	59,638	(68)	59,582	-	-	
Luxembourg Investment Company 323 Sárl	Luxembourg	Share holding company	N/A	-	100	100	12	33	(51)	(6)	-	-	
DIA FINANCE, S.L.	Madrid	import, export, acquisition, distribution and wholesale and retail sale of food, beverages, household goods and in general other products for domestic use and consumption	EY	100	-	100	3	371,268	(19,372)	351,899	0	825,052	
(*) Dividends received in 2020 have been recorded in Dia Retail.													251

**Information on Group companies  
for the year ended 31 December 2019  
(expressed in thousands of Euros)**

Name	Registered Offices	Activity	Auditor	% of ownership and vote			Results for the year from continuing operations		Carrying amount of investment	Dividends received in 2019
				% direct interest	Total	Capital	Reserves	Total equity		
Dia Portugal Supermercados, S.A.	Lisbon	Wholesale and retail sale of food products and the subsidiary sale of toiletries and perfume products.	EY	100	100	51,803	29,665	(20,230)	61,238	80,547
Dia Argentina, S.A. and Subsidiary	Buenos Aires	Wholesale and retail distribution of food products	EY	95	100	147,140	(66,534)	(23,508)	57,097	141,531
Dia Brasil Sociedade Limitada and Subsidiary	Sao Paulo	Wholesale and retail distribution of consumer products Loan and credit operations, including customer credit, mortgage loans and financing of commercial transactions, as well as the issue and management of credit and debit cards.	EY	100	100	251,657	(26,726)	(245,282)	(20,351)	251,657
Finandia E.F.C., S.A.	Madrid	Distribution of food products and toiletries through supermarkets and the subsidiary, sub-lease of premises primarily to its sole shareholder.	N/A	100	100	3,500	1,237	(2,049)	2,688	3,500
Dia Retail España, S.A. (Twins Alimentación, S.A. in 2018) and Subsidiary	Madrid	Supply services to the companies of the DIA Group.	EY	100	100	36,169	(36,416)	(22,053)	(22,300)	126,348
Dia World Trade, S.A.	Geneva	Sale of toiletries and perfume products.	EY	100	100	84	871	132	1,087	843
Beauty by DIA, S.A.	Madrid		EY	100	100	9,616	(27,715)	(18,968)	(37,067)	34,400
Grupo El Árbol, Distribución y Supermercados, S.A. and Subsidiary	Madrid	Wholesale and retail sale of food products and others. Creation, maintenance and operation of portals in Internet for selling products and services.	EY	100	100	12,000	(41,480)	(77,695)	(107,175)	150,000
DIA ESHOPPING, S.L.	Madrid	Negotiation with suppliers of distribution, acquisition of other materials and supplies need for the activity brands, with the purpose of maximize the quality-price balance offer to the customer.	N/A	100	100	10	(9,501)	(2,702)	(12,193)	-
Red Libra Trading Services, S.L.	Madrid	Management of financial and provisioning services for own brand.	N/A	50	50	3	(67)	284	220	-
CD Supply Innovation S.L.	Madrid		EY	50	50	1,000	700	(111)	1,589	500
Luxembourg Investment Company 317 Sárl	Luxembourg	Share holding company	N/A	100	100	12	-	(16)	(4)	14
Luxembourg Investment Company 318 Sárl	Luxembourg	Share holding company	N/A	100	100	12	-	(16)	(4)	15
Luxembourg Investment Company 319 Sárl	Luxembourg	Share holding company	N/A	100	100	12	-	(16)	(4)	14
Luxembourg Investment Company 320 Sárl	Luxembourg	Share holding company	N/A	100	100	12	-	(16)	(4)	15
Luxembourg Investment Company 321 Sárl	Luxembourg	Share holding company	N/A	100	100	12	-	(16)	(4)	14
Luxembourg Investment Company 322 Sárl	Luxembourg	Share holding company	N/A	100	100	12	-	(16)	(4)	15
Luxembourg Investment Company 323 Sárl	Luxembourg	Share holding company	N/A	100	100	12	-	(16)	(4)	14
DIA FINANCE, S.L.	Madrid	import, export, acquisition, distribution and wholesale and retail sale of food, beverages, household goods and in general other products for domestic use and consumption	N/A	100	100	3	-	-	3	3
									789,430	217

Details of investments in Group companies and changes in 2020 and 2019 are as follows:

Company	Thousands of Euro				
	Balances at 1 January 2020	Additions	Disposals	Transfers Hive Down	Balances at 31 December 2020
Dia Portugal Supermercados, S.A.	80,547	-	-	(59,605)	20,942
Dia Argentina, S.A.	141,531	15,705	-	-	157,236
Dia Brasil Sociedade Limitada	251,657	257,817	-	-	509,474
Finandia E.F.C.,S.A.	3,500	-	-	-	3,500
Dia Retail España, S.A.	160,748	-	-	(160,748)	-
Dia World Trade	843	-	-	(843)	-
Beauty by DIA S.A.	51,372	-	-	(51,372)	-
Grupo El Árbol, Distribución y Supermercados, S.A.	150,000	-	-	(150,000)	-
DIA ESHOPPING, S.L. 'en liquidación'	1,003	-	(1,003)	-	-
Red Libra Trading Services, S.L. 'en liquidación'	152	-	(152)	-	-
CD Supply Innovation, S.L. 'en liquidación'	500	-	-	-	500
Luxembourg Investment Company 317 Sárl	14	100	-	371,286	371,400
Luxembourg Investment Company 318 Sárl	15	-	-	(15)	-
Luxembourg Investment Company 319 Sárl	14	-	-	(14)	-
Luxembourg Investment Company 320 Sárl	15	-	-	(15)	-
Luxembourg Investment Company 321 Sárl	14	-	-	(14)	-
Luxembourg Investment Company 322 Sárl	15	-	-	(15)	-
Luxembourg Investment Company 323 Sárl	14	-	-	(14)	-
DIA FINANCE, S.L.	3	-	-	(3)	-
<b>Total cost</b>	<b>841,957</b>	<b>273,622</b>	<b>(1,155)</b>	<b>(51,372)</b>	<b>1,063,052</b>
Impairment	(52,527)	(238,000)	1,155	51,372	(238,000)
<b>Carrying amount</b>	<b>789,430</b>	<b>35,622</b>	<b>-</b>	<b>-</b>	<b>825,052</b>

Company	Thousands of Euro			
	Balances at 1 January 2019	Additions	Disposals	Balances at 31 December 2019
Dia Portugal Supermercados, S.A.	50,547	30,000	-	80,547
Dia Argentina, S.A.	141,531	-	-	141,531
Dia Brasil Sociedade Limitada	211,657	40,000	-	251,657
Finandia E.F.C.,S.A.	3,500	-	-	3,500
Dia Retail España, S.A. (Twins Alimentación, S.A. in 2018)	160,748	-	-	160,748
Dia World Trade	843	-	-	843
Beauty by DIA, S.A.	51,372	-	-	51,372
Grupo El Árbol, Distribución y Supermercados, S.A.	150,000	-	-	150,000
DIA ESHOPPING, S.L.	1,003	-	-	1,003
Red Libra Trading Services, S.L.	2	150	-	152
CD Supply Innovation, S.L.	500	-	-	500
Luxembourg Investment Company 317 Sárl	-	14	-	14
Luxembourg Investment Company 318 Sárl	-	15	-	15
Luxembourg Investment Company 319 Sárl	-	14	-	14
Luxembourg Investment Company 320 Sárl	-	15	-	15
Luxembourg Investment Company 321 Sárl	-	14	-	14
Luxembourg Investment Company 322 Sárl	-	15	-	15
Luxembourg Investment Company 323 Sárl	-	14	-	14
DIA FINANCE, S.L.	-	3	-	3
<b>Total cost</b>	<b>771,703</b>	<b>70,254</b>	<b>-</b>	<b>841,957</b>
Impairment	(51,372)	(35,555)	34,400	(52,527)
<b>Carrying amount</b>	<b>720,331</b>	<b>34,699</b>	<b>34,400</b>	<b>789,430</b>

## 2020 changes

Additions in 2020 following the contributions by DIASA, of Euros 273,622 thousand, were in Brazil, Argentina and Luxembourg Investment Company 317 Sárl.

Euros 257,817 thousand was contributed in Brazil during the second half of the year by way of the conversion of loans and the intragroup balance receivable into capital of Euros 204,444 thousand and a cash contribution of Euros 53,373 thousand.

On 28 December 2020, debt of Euros 16,531 thousand owed by Dia Argentina was cancelled through a partners' contribution. The Company contributed Euros 15,705 thousand, which equates to 95% of its direct ownership interest in the subsidiary.

With regard to divestments, these occurred at DIA ESHOPPING S.L. in liquidation, amounting to Euros 1,003 thousand. This company was dissolved, liquidated and wound up by the agreements of its Sole Shareholder on 14 July 2020, and registered as such in the Companies Register on 26 October 2020.

In addition, Euros 152 thousand relating to the shareholding in Red Libra Trading Services, S.L. In liquidation were derecognised. The company was dissolved and put into liquidation by agreement of the General Meeting of 6 July 2020, its registered name from that date being Red Libra Trading Services, SL. In liquidation. This company was dissolved, liquidated and wound up with effect from 15 October 2020, and registered as such with the companies register on 18 November 2020.

The other variations derive from transfers through the Hive Down, as broken down in the table of movements of equity investments in Group companies and as explained in note 1(e).

## 2019 changes

On 3 June 2019 a capital increase of Brazilian reals 174,350,000 was carried out at Dia Brazil, equivalent to Euros 40 million. This capital increase was conducted in two tranches: Euros 10 million (Brazilian reals 43,850,000) at 30 May 2019, and Euros 30 million (Brazilian reals 130,500,000) at 3 June 2019. The capital of DIA Brazil went from Brazilian reals 670,950,037 to Brazilian reals 845,300,037. The Company holds 845,300,036 shares and DIA Argentina holds 1 share in the share capital of DIA Brazil.

On 19 December 2019 shareholders contributed Euros 30,000 thousand to Dia Portugal Supermercados, S.A. through the capitalisation of one of the participating loans it had held with the Company since 30 June 2015 and which had been extended on several different dates, the latest being 13 November 2019 (see note 12 a).

### - Impairment

Impairment losses and reversals associated with the different investments are as follows:

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

Company	Thousands of Euro				
	Balances at 1 January 2019	Charge	Reversals	Transfers non current held for sale assets	Balances at 31 December 2019
Beauty by DIA, S.A.	(51,372)		34,400	-	(16,972)
Dia Retail España, S.A. (Twins Alimentación, S.A. in 2018)	-	(34,400)	-	-	(34,400)
DIA ESHOPPING, S.L.	-	(1,003)	-	-	(1,003)
Red Libra Trading Services, S.L	-	(152)	-	-	(152)
<b>Total non-current</b>	<b>(51,372)</b>	<b>(35,555)</b>	<b>34,400</b>	<b>-</b>	<b>(52,527)</b>

As mentioned in note 4 (f) viii the recoverable amount of investments in Group companies is determined based on the value in use or fair value less costs to sell if higher. These value in use calculations are based on cash flow projections from the five-year financial budgets approved by management. Cash flows beyond this five-year period are extrapolated using the estimated growth rates for the country.

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

	Spain		Portugal	
	2020	2019	2020	2019
Sales growth rate (1)	n/a	8.77%	7.68%	8.73%
Growth rate (2)	n/a	1.70%	1.52%	1.50%
Discount rate (3)	n/a	7.53%-10.15%	8.34%	8.20%
Commercial margin (4)	n/a	24.15%	21.04%	21.18%

	Argentina		Brazil	
	2020	2019	2020	2019
Sales growth rate (1)	7.00%	5.90%	13.81%	13.13%
Growth rate (2)	1.65%	1.70%	1.65%	0.00%
Discount rate (3)	16.44%	16.30%	8.73%	10.40%
Commercial margin (4)	18.16%	18.67%	20.17%	19.74%

(<sup>1</sup>) Weighted average annual growth rate of sales for the five-year projected period

(<sup>2</sup>) Weighted average growth rate used to extrapolate cash flows beyond the budgeted period.

(<sup>3</sup>) Post-tax discount rate applied to cash flow projections.

(<sup>4</sup>) Sales margin, average for the 2021-2025 period calculated on net sales and other income less goods used.

At 31 December 2020 the Company has recognised impairment of Euros 238 million on the investment in the Brazilian subsidiary due to the negative performance of the Brazilian Real. After the definition of a new business plan, at 31 December 2019 it was deemed necessary to recognise the impairment of investments in Group companies amounting to Euros 34,400 thousand, Euros 1,003 thousand and Euros 152 thousand relating to the subsidiaries Dia Retail España, S.A., DIA Eshopping, S.L. and Red Libra Trading Services, S.L., respectively, as well as the reversal of part of the impairment recognised in 2018 for the value of the investment in Beauty by DIA for an amount of Euros 34,400 thousand.

## 12. INVESTMENTS AND TRADE RECEIVABLES

The carrying amount of financial assets recognised at cost or amortised cost does not differ significantly from their fair value.

### a. Investments in Group companies

Details of investments in Group companies are as follows:

Group	Thousands of Euros			
	2020	2019	2020	2019
Loans				
Current account with the Group	-	11,110	-	118,410
<b>Total</b>	<b>-</b>	<b>11,110</b>	<b>4,500</b>	<b>552,410</b>

Details of loans to Group companies at 31 December 2020 and 2019 are presented below:

Group	Thousands of Euros			
	2020	2019	Non-current	Current
Dia Portugal Supermercados, S.A.	-	-	4,500	10,000
Dia Argentina, S.A.	-	-	-	12,000
Dia Brasil Sociedade Limitada	-	-	-	135,000
DIA ESHOPPING, S.L. 'en liquidación'	-	-	-	12,500
Beauty by DIA S.A.	-	-	-	50,000
Grupo El Árbol Distribución y Supermercados, S.A.	-	-	-	180,000
Dia Retail España, S.A.	-	-	-	47,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>4,500</b>	<b>446,500</b>
Impairment of the loan DIA ESHOPPING, S.L. 'en liquidación'	-	-	-	(12,500)
<b>Net total impairment</b>	<b>-</b>	<b>-</b>	<b>4,500</b>	<b>434,000</b>

On 8 February 2019 the Company extended another Euro 4,500 thousand loan to its subsidiary DIA Portugal Supermercados, S.A., which has a maturity date of 31 May 2019 and generates monthly interest as agreed between the parties. On 31 May 2019, the Company signed an appendix to extend the loan's maturity to 30 July 2019. On 13 November 2019, the due date of this loan was extended to 29 January 2021. On 1 January 2020, the loan was transferred to DIA Retail España, S.A. as part of the Hive Down (see notes 1(e) and 2(a)).

On 27 December 2019 the Company extended a Euros 10,000 thousand loan to its subsidiary DIA Portugal Supermercados, S.A., which has a maturity date of 29 June 2020, date on which the subsidiary cancelled it by repaying the loan amount. This loan bore monthly market-rate interest as agreed between the parties.

On 8 February 2019 the Company extended a Euro 12,000 thousand loan to its subsidiary DIA Argentina, S.A., which has a maturity date of 31 May 2019 and generates monthly interest as agreed between the parties. The loan may be automatically extended for one-month periods up to 31 May 2019. During the first half of 2019, the Company signed an appendix to extend the loan's maturity to 31 July 2019. On 6 November 2019 the maturity of the loan was extended to 31 January 2020, and a new extension was signed until 2021. On 1 January 2020, this loan was transferred to DIA Retail España, S.A. as a result of the Hive Down.

On 8 February 2019, the Company extended a Euros 4,000 thousand loan to its subsidiary DIA Brasil Sociedade Limitada, which matures on 22 August 2019 and generates monthly interest as agreed between the parties. In the second half of 2019 the maturity of this loan has been extended to 23 March 2020. On 27 March 2019 the Company extended another Euro 21,000 thousand loan to its subsidiary DIA Brasil Sociedade Limitada, which matures on 10 October 2019 and generates monthly interest as agreed between the parties. In the second half of 2019 the maturity of this loan has been extended to 11 May 2020. The Hive Down involved both loans being transferred to DIA Retail, S.A. and subsequently to DIASA. They and the associated interest were capitalised by this latter company for a total sum of Euros 27,646 thousand on 7 December 2020.

On 2 July 2019, the Company extended a Euros 55,000 thousand loan to its subsidiary DIA Brasil Sociedade Limitada, which matures on 22 January 2020, includes two half-yearly extensions and generates monthly interest as agreed between the parties. On 23 September 2019 the Company extended another Euro 15,000 thousand loan to its subsidiary DIA Brasil Sociedade Limitada, which matures on 13 April 2020 and generates monthly interest as agreed between the parties. Both loans and the associated interest were capitalised for a total sum of Euros 74,001 thousand on 1 July 2020.

On 11 December 2019 the Company extended another Euro 20,000 thousand loan to its subsidiary DIA Brasil Sociedade Limitada, which matures on 30 July 2020 and generates monthly interest as agreed between the parties. On 27 December 2019 the Company extended another Euro 20,000 thousand loan to its subsidiary DIA Brasil Sociedade Limitada, which matures on 15 July 2020 and generates monthly interest as agreed between the parties. On 8 January 2020 the Company extended another Euro 10,000 thousand loan to its subsidiary DIA Brasil Sociedade Limitada, which matures on 23 July 2020 and generates monthly interest as agreed between the parties. These three loans and the associated interest were capitalised for a total sum of Euros 51,506 thousand in July 2020.

On 22 January 2020 the Company extended another Euro 15,000 thousand loan to its subsidiary DIA Brasil Sociedade Limitada, which matures on 31 December 2020 and generates monthly interest as agreed between the parties. On 10 February 2020 the Company extended another Euro 15,000 thousand loan to its subsidiary DIA Brasil Sociedade

Limitada, which matures on 31 December 2020 and generates monthly interest as agreed between the parties. Both loans and the associated interest were capitalised for a total sum of Euros 31,195 thousand in October 2020.

On 28 February 2018, the Company granted a participating loan of Euro 1,000 thousand to its subsidiary DIA ESHOPPING, S.L. maturing on 30 June 2018. The loan was automatically extended for six-month periods up to 30 June 2021. It bore interest as agreed between the parties. On 27 December 2018, this loan was increased by Euro 7,000 thousand charged to existing financial loans (cash pooling balances), maturing as initially agreed. On 18 July 2019, the parties agreed to increase this loan by Euros 4,000 thousand (Euros 3,700 thousand being charged to the balance due and Euros 300 thousand by bank transfer). On 27 December 2019, in view of the company's financial position, the parties agreed to increase this loan by Euros 500 thousand by crediting its current account, which resulted in a participating loan totalling Euros 12,500 thousand. At 31 December 2019 this participating loan was fully impaired, as the DIA ESHOPPING, S.L. subsidiary is in liquidation. This company was dissolved, liquidated and wound up by the agreements of its Sole Shareholder on 14 July 2020, and registered as such in the Companies Register on 26 October 2020.

On 28 December 2015, the Company signed a participating loan for Euros 1,000 thousand with its subsidiary Beauty by DIA, S.A. (Schlecker, S.A. in 2015), which initially matured on 30 June 2016. At that date it was extended as the loan agreement offers the option of extensions for additional six-month periods, up to a final maturity date on 30 June 2019. This loan generates quarterly interest as agreed between the parties. On 28 February 2018 the Company increased the participating loan by Euro 4,000 thousand. Furthermore, on 27 December 2018, this loan was increased by Euro 30,000 thousand charged to existing financial loans (cash pooling balances), maturing on 31 January 2019 and extended automatically unless prior written notification is received. On 27 December 2019, in view of the company's financial position, the parties agreed to increase this amount by Euros 15,000 thousand to Euros 50,000 thousand, matching the loan balance and, therefore, no funds were provided. The loan matured on 31 December 2020, but will be deemed to be tacitly extended by monthly periods if, prior to each maturity date, no written notification from either party is provided stating their refusal to extend this loan. As a result of the Hive Down, this loan was transferred to DIA Retail, S.A., where it was capitalised on 31 December 2020 through a partners' contribution, given this company's financial position.

On 1 April 2019, the Company granted a participating loan of Euro 70,000 thousand to its subsidiary Grupo El Árbol Distribución y Supermercados, S.A. maturing on 30 June 2019. The loan may be automatically extended for six-month periods up to 30 June 2022. It bears quarterly interest as agreed between the parties. On 27 and 31 December 2019, in view of the Company's financial position, the parties agreed to increase the loan by Euros 40,000 thousand and Euros 70,000 thousand, respectively, to Euros 180,000 thousand, matching the loan balance and, therefore, no funds were provided. The loan matured on 31 December 2020, but will be deemed to be tacitly extended by monthly periods if, prior to each maturity date, no written notification from either party is provided stating their refusal to extend this loan. As a result of the Hive Down, this loan was transferred to DIA Retail, S.A., where it was capitalised on 31 December 2020 through a partners' contribution, given this company's financial position.

On 1 April 2019 the Company arranged a participating loan with its subsidiary Twins Alimentación, S.A. (following a company name change to Dia Retail España, S.A.) amounting to Euros 37,000 thousand, maturing on 30 June 2019. On 27 December 2019, this loan was increased by Euros 10,000 thousand, through the delivery of funds, to a total of Euros 47,000 thousand. This loan matured on 31 March 2020 and was subject to tacit successive monthly extensions. It bore quarterly interest as agreed between the parties. Due to the Hive Down, this loan has been capitalised through a partners' contribution.

Details of the current accounts with group companies at 31 December 2020 and 2019 are presented below:

	Thousands of Euro							
	2020			2019				
	Total	Account receivable	Tax Credit (VAT)	Tax Credit (Income tax)	Total	Account receivable	Tax Credit (VAT)	Tax Credit (Income tax)
Dia Retail España, S.A.	9,876	-	9,876	-	-	-	-	-
BeautybyDIA S.A.	1,234	-	1,234	-	37,454	35,461	1,993	-
Grupo El Árbol Distribución y Supermercados, S.A.	-	-	-	-	24,959	24,451	508	-
Finandia E.F.C., S.A.	-	-	-	-	14	14	-	-
Pe-Tra Servicios a la distribución, S.L.U.	-	-	-	-	2,216	1,974	-	242
Dia Portugal Supermercados, S.A.	-	-	-	-	11,300	11,300	-	-
Dia Brasil Sociedade Limitada	-	-	-	-	29,490	29,490	-	-
Dia Argentina, S.A.	-	-	-	-	12,859	12,859	-	-
Dia Paraguay S.A.	-	-	-	-	118	118	-	-
<b>Total</b>	<b>11,110</b>	<b>-</b>	<b>11,110</b>	<b>-</b>	<b>118,410</b>	<b>115,667</b>	<b>2,501</b>	<b>242</b>

Following the Hive Down, in 2020 DIA SA only retained financial investment balances with its Spanish subsidiaries in connection with VAT tax credits. The current account is only managed with DIA Finance (see note 19(a)).

In 2019, the interest rates applied to current accounts with Group companies ranged from one-month Euribor plus a spread of between -0.125% (with a 0% floor) for payables and one-month Euribor plus a spread of 0.2% for receivables.

### b. Investments

Details of investments are as follows:

Unrelated parties	Thousands of Euro			
	2020		2019	
	Non-current	Current	Non-current	Current
Equity instruments	36	-	36	-
Loans	28	-	87	18
Deposits and guarantees	10,222	395	22,757	2,281
<b>Total</b>	<b>10,286</b>	<b>395</b>	<b>22,880</b>	<b>2,299</b>

Equity instruments comprise the Company's interest in Ecoembalajes España, S.A. (Ecoembes).

Loans reflect amounts granted by the Company to its personnel, which earn interest at market rates.

Other financial assets include the security and other deposits pledged to lessors to secure lease contracts. These amounts are measured at present value and any difference with their nominal value is recognised under current or non-current prepayments (see note 14). The decrease in these guarantees in 2020 stems from the transfer of security deposits to DIA Retail through the Hive Down (see notes 1(e) and 2(a)).

Moreover, in 2020 this current heading comprises security and other deposits handed over to franchisees totalling Euros 395 thousand (Euros 2,285 thousand in 2019). The decrease in the balance is due to the transfer of security deposits to DIA Retail through the Hive Down (see notes 1(e) and 2(a)).

Details of trade and other receivables are as follows:

	Thousands of Euro			
	2020		2019	
	Non-current	Current	Non-current	Current
Trade receivables (note 10(d))	3,162	34,460	34,595	50,409
Trade receivables from group companies and associates	-	10,300	-	262,793
Other payables	-	6,084	-	31,657
Personnel	-	66	-	1,307
Current tax assets (note 20)	-	805	-	944
Public entities, other (note 20)	-	1,862	-	130
Impairment	-	(17,894)	-	(20,847)
<b>Total</b>	<b>3,162</b>	<b>35,683</b>	<b>34,595</b>	<b>326,393</b>

Trade receivables basically comprise those from franchisees and concessionaires for sales of goods. The non-current portion of this balance is recognised at its present value. The reduction in this heading is because of the transfer of assets to its subsidiary DIA Retail España, S.A. through the Hive Down".

As a result of the Hive Down, all balances receivable from Group companies at 31 December 2019 have been transferred to DIA Retail (the most significant being those from Beauty by DIA, S.A. of Euros 33,747 thousand and from Grupo El Árbol Distribución y Supermercados S.A. amounting to Euros 147,880 thousand). The balance of Euros 67,619 thousand held by the Company with DIA Retail España, S.A. at 31 December 2019 was capitalised through a partners' contribution on 1 January 2020 (see notes 1(e) and 2(a)).

Trade receivables from Group companies primarily concerned DIA Retail España, S.A. in 2020.

Other receivables mainly reflect non-trading income negotiated with suppliers.

A provision is recognised for all these line items when their recovery is considered doubtful. They comprise Euros 13,072 thousand of trade receivables and Euros 4,822 thousand of other receivables (Euros 16,618 thousand and Euros 4,229

thousand, respectively, in 2019). The provision transferred to DIA Retail España, S.A. through the Hive Down mainly concerns trade receivables and amounted to Euros 4,584 thousand.

Current tax assets comprise the receivable in relation to the estimated income tax for 2020 and 2019, respectively (see note 20).

**c. Receivables from suppliers**

The heading "Other receivables" mainly includes balances with suppliers that have become receivables and are pending collection.

The Company entered into agreements to transfer supplier trade receivables without recourse during the first half of 2020 (see note 10 d)). At 31 December 2020, the balance is Euros 0. In 2019, the Company entered into this type of agreement for Euros 14,128 thousand. The accrued finance cost of the transfer of these receivables amounted to Euros 179 thousand in 2020 (Euros 947 thousand in 2019).

**d. Impairment**

In general terms, overdue receivables from customers more than six months old are impaired, unless there is evidence of non-payment or there is no business relationship, in which case the balance is impaired earlier.

An analysis of the changes in allowance accounts related to impairment of financial assets measured at amortised cost due to credit risk is as follows:

	Thousands of Euro	
	2020	2019
<b><u>Current</u></b>		
<b>At 1 January</b>	<b>(20,847)</b>	<b>(24,639)</b>
Charge	(3,003)	(16,071)
Cancellations	5	6,688
Reversals	1,368	13,175
Transfer Hive Down	4,583	-
<b>At 31 December</b>	<b>(17,894)</b>	<b>(20,847)</b>

**13. INVENTORIES**

Details of inventories are as follows:

	Thousands of Euro	
	2020	2019
Goods for resale	28,044	191,250
Other supplies	28	5,684
Advances to suppliers	46	479
Impairment	(331)	(2,762)
<b>Total</b>	<b>27,787</b>	<b>194,651</b>

The change in this heading relates to the transfer of assets under the Hive Down to Dia Retail España, S.A. (see notes 1 (e) and 2(a)).

At 31 December 2020 there are no restrictions of any kind on the availability of inventories.

The Company has taken out insurance policies guaranteeing the recoverability of the carrying amount of inventories in the event of incidents that might affect their use or sale.

## 14. PREPAYMENTS

Details of prepayments are as follows:

	Thousands of Euro			
	2020		2019	
	Non-current	Current	Non-current	Current
Prepayments on operating leases	-	-	-	8
Prepayments on guarantees and loans (note 12 (b))	470	57	939	230
Other prepayments	-	190	-	302
<b>Total</b>	<b>470</b>	<b>247</b>	<b>939</b>	<b>540</b>

The change in "Prepaid security deposits and loans" derives from the transfer of security deposits and loans to DIA Retail España, S.A. (see notes 1(e) and 2(a)).

## 15. CASH AND CASH EQUIVALENTS

Balances in current accounts earn interest at applicable market rates.

The Company has pledged certain bank accounts. However, there are no restrictions on the availability of those bank accounts unless the guarantee becomes enforceable.

## 16. CAPITAL AND RESERVES

### a. Capital

At 31 December 2020 and 2019 DIA's share capital is Euros 66,779,789.79, represented by 6,677,978,979 shares of Euros 0.01 par value each, subscribed and fully paid up. The shares are freely transferable.

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

- i. Writing off of losses against reserves and a capital reduction of Euros 56,021,086.17 by reducing the nominal value of the Company's shares by Euros 0.09 per share in order to restore the balance and structure of the Company's equity. The capital decrease was registered at the Mercantile Registry of Madrid on 28 October 2019 and as a result, the Company's new share capital amount is Euros 6,224,565.13, represented by 622,456,513 shares of Euros 0.01 par value each.
- ii. Share capital increase for a nominal amount of Euros 60,555,224.66 by issuing and placing into circulation 6,055,522,466 new ordinary shares of Euros 0.01 par value each, with a share premium of Euros 0.09 and a cash amount of Euros 605,552,246.60 (par value plus share premium).

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

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

According to the same public information, the most significant shareholdings at the reporting date of these annual accounts are as follows:

- Letterone Investment Holdings, S.A. holds indirectly 74.819%
- Direct ownership is held by L1R Invest1 Holding, S.à.r.l. in the same percentage

**b. Share premium**

As mentioned in note 16 (a) above, the capital increase was carried out by issuing 6,055,522,466 new ordinary shares of Euros 0.01 par value each, with a share premium of Euros 0.09, amounting to a share premium total of Euros 544,997,021.94.

**c. Reserves**

Details of changes in reserves are as follows:

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

	Thousands of Euro					
	Legal reserve	Capital redemption reserve	Others non-distributables reserves	Voluntary reserves	Total	Negative results from previous years
<b>At 1 January 2019</b>	13,021	5,688	15,170	45,077	78,956	(191,274)
Loss compensation	(13,021)	(5,688)	-	(4,818)	(23,527)	23,527
Reduction Capital Social	-	-	-	-	-	56,021
Expenses associated to the capital increase				(6,218)	(6,218)	-
Own shares operations	-	-	-	(40,662)	(40,662)	-
Delivery of own shares	-	-	-	(2,073)	(2,073)	-
Value adjustment of share-based payments	-	-	-	4,846	4,846	-
<b>At 31 December 2019</b>	-	-	15,170	(3,848)	11,322	(111,726)

The application of the Company's 2019 losses ultimately approved by the General Shareholders' Meeting on 31 July 2020 was to take 2019 losses (Euros 281,543,229.11) to prior year's losses.

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

**(i) Legal reserve**

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

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

At 31 December 2020, the Company had not recognised this reserve, as it had been fully offset, for an amount of Euros 13,021 thousand, to compensate for losses, as agreed by the Extraordinary General Meeting of Shareholders of 22 October 2019.

***(ii) Capital redemption reserve***

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

***(iii) Differences on redenomination of capital to Euros***

At 31 December 2020, this reserve no longer exists. This reserve of Euros 62.07 was the result of the share capital decrease in 2001 due to the rounding off of the value of each share to two decimals on the conversion to Euros and was fully offset to compensate for losses.

***(iv) Other non-distributable reserves***

This reserve amounting to Euros 15,170 thousand is non-distributable and arose as a result of the entry into force of Royal Decree 602/2016, which eliminated the concept of intangible assets with indefinite useful lives, establishing that from 1 January 2016, these would be subject to amortisation. At 31 December 2016, after the publication of this Royal Decree, this reserve, which up to that date was on account of goodwill, was transferred to voluntary reserves, remaining non-distributable. Once the net amount of the goodwill exceeds the carrying amount, it may be transferred to freely distributable reserves.

***(v) Voluntary reserves***

These reserves are freely distributable. At 31 December 2020 these reserves were negative (Euros 5,298 thousand), as a result of the incremental costs associated with the 2019 capital increase amounting to Euros 6,218 thousand being recognised under this heading.

***(vi) Own shares***

Changes in own shares in 2020 and 2019 are as follows:

	<b>Number of shares</b>	<b>Euros/share</b>	<b>Total (€)</b>
<b>31 December 2018</b>			
Shares sale	9,542,356	5.8540	55,861,183.89
Delivery of shares to Board Members	(7,843,729)		(45,917,380.17)
Delivery of shares to incentives plans 2016-2018 (note 18)	(94,247)		(551,724.23)
	(365,590)		(2,140,172.74)
<b>31 December 2019</b>	1,238,790	5.8540	7,251,906.75
Delivery of shares to Board Members	(254,310)		(1,488,776.91)
<b>31 December 2020</b>	984,480	5.8540	5,763,129.84

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

During 2019, 365,590 shares were received, amounting to Euros 2,140 thousand, as remuneration through the 2016-2018 incentive plan. Furthermore, directors have received remuneration in the form of shares totalling Euros 552 thousand (94,247 shares).

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

At 31 December 2020 the Company holds 984,480 own shares of the Parent with an average purchase price of Euros 5.8540 per share, representing a total amount of Euros 5,763,169.84.

**d. Other equity instruments**

At 31 December 2020, Other equity instruments includes the reserve for deferred remuneration in shares for non-proprietary directors (see note 18).

## 17. NON-CURRENT AND CURRENT PROVISIONS

Details of non-current provisions are as follows:

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

	Thousands of Euro					
	Provisions for long-term employee benefits	Tax provisions	Labour provisions	Legal provisions	Other provisions	Total
<b>At 1 January 2019</b>	<b>1,660</b>	<b>21,051</b>	<b>473</b>	<b>4,250</b>	<b>922</b>	<b>28,356</b>
Charge	170	6,163	191	7,027	7	13,558
Applications	-	-	(6)	(569)	-	(575)
Reversals	(211)	-	(236)	(1,950)	-	(2,397)
<b>At 31 December 2019</b>	<b>1,619</b>	<b>27,214</b>	<b>422</b>	<b>8,758</b>	<b>929</b>	<b>38,942</b>

Tax provisions in 2020 and 2019 mainly arose from differences in criteria with the authorities.

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

At 31 December 2020 the tax provisions to cover inspection-related risks amount to Euros 23,218 thousand (Euros 27,214 thousand at 31 December 2019).

At 31 December 2019 this item includes provisions for lawsuits filed by employees (related to social security contributions) amounting to Euros 210 thousand compared with the Euros 422 thousand provision for this item recognised at 31 December 2019.

The provisions related to litigation with third parties (legal provisions) at 31 December 2020 amount to Euros 14,981 thousand. The provisions for this item at 31 December 2019 amounted to Euros 8,758 thousand.

The Company has registered Euros 1,265 thousand under current provisions at 31 December 2020 for onerous contracts relating to stores (Euros 16,749 thousand at 31 December 2019; Euros 8,475 thousand relate to stores and Euros 8,274 to warehouses). Current provisions transferred in the Hive Down totalled Euros 11,010 thousand, as explained in note 2(a).

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

#### Arbitration

In June 2018, the Company applied for arbitration to the Spanish Civil and Commercial Court of Arbitration ("CIMA") against Eroski and Cecosa (jointly, the "Eroski Group") in relation to the breach of the agreement signed by both parties regarding the incorporation of Red Libra Trading Services, S.L., the joint venture set up by the Company and the Eroski Group (the "Agreement"). In this arbitration request, the Company claimed from the Eroski Group, among other things, damages amounting to Euros 40 million. In July 2018, the Eroski Group filed a defence and counterclaim, alleging breach of the Agreement by DIA and claiming damages of Euros 59.8 million from DIA.

On 4 March 2020 an agreement was signed between the parties whereby they both irrevocably waive the existing shares held between them in relation to these arbitration proceedings, which has been jointly notified by the parties to the CIMA Arbitration Court, which has issued an order of 11 March 2020 declaring the proceedings closed and the proceedings definitively terminated by virtue of the agreement reached between the parties.

#### Administrative proceedings

In 2016, the Agency for Food Information and Control initiated a number of penalty procedures against the Company for alleged serious infringements under Law 12/2013 of 2 August on measures to improve the functioning of the food chain. On 13 March 2017, the Ministry of Agriculture and Fisheries, Food and Environment issued a resolution imposing penalties of €6.8 million on the Company for serious infringements in the acquisition of food (the "Resolution"). The Company appealed the Resolution, first in administrative channels and later in the courts of law. On 3 June 2020 the Spanish National Court informed the Company of its resolution of 15 April 2020, whereby the appeal presented by the Company is dismissed. An appeal for this resolution to be reversed can be filed before the Supreme Court. The Company has to date filed a statement before the Supreme Court in preparation for an appeal for reversal of the Spanish National Court's ruling. On 17 February 2021, the Administrative Division of Spain's Supreme Court issued an order accepting the Company's appeal to the Supreme Court, partially upholding the cause for judicial review set forth in the pleadings included in the preliminary statement. The Company will file the corresponding appeal to the Supreme Court. Notwithstanding the foregoing, there is a provision of Euros 6.8 thousand at 31 December 2020 in relation to these proceedings.

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

#### Criminal proceedings before the Spanish National Court

On 14 January 2020, the Company became aware of the processing of Preliminary Proceedings 45/2019 before the Court of Instruction number 6 of the Spanish National Court whereby the court was investigating certain events involving former executives of DIA. The aforementioned proceedings derive from an action brought by several of the Company's minority shareholders, alongside the investigation proceedings by the Prosecutor's Office for Anti-Corruption, initiated as a result of the claim filed by DIA on 6 February 2019 before the aforementioned Prosecutor's Office.

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

As a result of the foregoing, DIA requested that it be allowed to appear in the aforementioned proceedings as an injured party. By Judicial Order (Providencia) of 17 January 2020, the National High Court admitted the Company as party to the proceedings.

By means of two Judicial Orders (Autos) dated 26 February 2021, the Court has ruled, to deny DIA the condition of injured party, granting it instead the condition of subsidiary civilly liable party, and to consider the investigation phase to have ended and the intermediate phase prior to the oral trial phase to have begun (Auto de Procedimiento Abreviado). The two orders are not final as of the date of preparation of these annual accounts, as the parties (both prosecution and defence) have lodged an appeal against them. Significantly, the Company has filed an appeal against the decision of the National High Court denying it the status of injured party.

At the date of authorisation of these annual accounts this appeal is pending of resolution.

#### Civil proceedings brought by minority shareholders

On 2 June 2020, the Company was notified of a civil lawsuit for damages brought by an individual minority shareholder, pursuant to which the shareholder claims from the Company (and LetterOne, as co-defendants), compensation amounting to Euros 23,350 for the losses and damages allegedly suffered as a result of the decrease in value of the Company's shares in connection with the restatement of the 2016 and 2017 annual accounts undertaken in 2018. The Company considers that it is not civilly liable for these damages and has, therefore, responded to the lawsuit in a timely and suitable manner. The date for the preliminary hearing of these proceedings is set for 19 April 2021.

On 12 June 2020, the Company was notified of the filing of a civil lawsuit for damages by another individual minority shareholder, whereby the shareholder is claiming Euros 110,605 in damages suffered, alleging a breach by the Company of the obligation to reflect a true and fair view of its equity in the 2016 and 2017 annual accounts, and the decrease in the value of shares as part of the restatement of the Company's annual accounts in 2018. The Company has responded to the lawsuit in a timely and appropriate manner. On 4 February 2021, the preliminary hearing was held and the court date for the next hearing set for 25 June 2021.

#### Procedure relating to LetterOne's acquisition of shares in the Company

In October 2019, the Company became aware of information published in the media on an investigation initiated by the National Court in relation to LetterOne's acquisition of shares in the Company. The Company has ascertained through the media that this case has been closed.

#### Other procedures.

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

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

In order to encourage the objectives set out in the Company's business plan for the 2020-2022 period to be met, on 25 March 2020 the Board of Directors, following a favourable report from the Appointments and Remuneration Committee, approved the Long-Term Incentive Plan 2020-2022 (ILP 2020-22) aimed at certain executives in the Company, both at its corporate headquarters and in other countries. The Long-Term Incentive Plan covers an initial period from 01/01/2020 to 31/12/2022. This amount may be reviewed and modified by the Board of Directors during the Plan's term. The Long-Term Incentive Plan 2020-22 is a money incentive that rewards the generation of value within the DIA Group during the Plan's term. At 31 December 2020 the total provision amount for the 2020-22 long-term incentive plan is Euros 11,597 thousand.

In 2019, expenses relating to the 2016-2018 long-term Incentive Plan amounting to Euros 180 thousand were recorded under personnel expenses in the income statement with a balancing entry in "Other own equity instruments" since this was a share-based plan accruing personnel expenses until the share handovers in April 2019 and January 2020, respectively. The equity instruments granted during 2019 under this plan have led to a net movement in other equity instruments of Euros 2,782 thousand, reflecting the distribution of 365,590 own shares, net of withholdings. In addition, an amount of Euros 3,984 thousand of these instruments was written off relating to the second handover based on the decision adopted by the Board of Directors. The April 2019 delivery and the cancellation of the second delivery in January 2020 had an impact on reserves of Euros 6,018 thousand due to the impact of the non-market condition caused by the difference in the share price taken as the reference.

In addition, in 2020 as a result of the new remunerations policy approved by shareholders at the Extraordinary General Meeting held on 30 August 2019, there is deferred remuneration in shares for non-proprietary directors, the accrual of which has initially been estimated at Euros 200 thousand (Euros 50 thousand in 2019).

## 19. PAYABLES AND TRADE PAYABLES

The carrying amount of financial liabilities recorded at cost or amortised cost does not significantly differ from their fair value, with the exception of non-current bonds whose fair value is the same as their quoted price. At 31 December 2020 this is Euros 494,676 thousand (Euros 427,317 thousand at 31 December 2019).

### (a) Group companies and associates

Details of Group companies and associates are as follows:

Group	Thousands of Euro	
	Current	Current
	2020	2019
Payables	106,613	28,494
<b>Total</b>	<b>106,613</b>	<b>28,494</b>

Details of current payables to Group companies at 31 December 2020 and 2019 are presented below:

Group	Thousands of Euro					
	Current Account	Tax Debit (VAT)	Tax Debit (Income tax)	Current Account	Tax Debit (Income tax)	Tax Debit (Income tax)
	2020			2019		
Dia Retail España, S.A.	-	-	410	25,964	377	76
Beauty by DIA S.A.	-	-	1	-	-	17
Grupo El Árbol Distribución y Supermerca	-	795	67	-	-	104
Finandia E.F.C., S.A.	148	-	-	-	-	-
Red Libra Trading Services, S.L.	-	-	-	90	-	-
Dia World Trade, S.A.	-	-	-	1,866	-	-
DIA Finance, S.L.	105,192	-	-	-	-	-
<b>Total</b>	<b>105,340</b>	<b>795</b>	<b>478</b>	<b>27,920</b>	<b>377</b>	<b>197</b>

As a result of the Hive Down (see notes 1(e) and 2(a)), all the current account balances of DIA SA with its subsidiaries have been transferred to DIA Retail España, S.A. The Company has only retained the balance with Dia Finance, S.L., the company managing the Group's cash pooling.

The interest rates applied to current accounts with Group companies in 2020 and 2019 ranged from one-month Euribor plus a spread of between -0.125% (with a 0% floor) for payables and one-month Euribor plus a spread of 0.2% for receivables.

**(b) Debt**

Details of debt are as follows:

At 31 December 2020	Thousands of Euro							
	Total	Current	2 years	3 years	4 years	5 years	> 5 years	Non-current
Bonds and other securities	599,394	303,795	-	295,599	-	-	-	295,599
Debt with financial institutions								
Interest	295	295	-	-	-	-	-	-
Credit facilities drawn down	301	-	-	301	-	-	-	301
Finance lease payables (note 7)	4,158	1,835	876	684	290	151	322	2,323
Suppliers of fixed assets	14,775	14,286	489	-	-	-	-	489
Other debts	587	587	-	-	-	-	-	-
Current interest on payables	213	213	-	-	-	-	-	-
Guarantees and deposits received	11,468	7,272	-	-	-	-	4,196	4,196
Other financial liabilities	3,805	1,500	2,305	-	-	-	-	2,305
<b>Total</b>	<b>634,996</b>	<b>329,783</b>	<b>3,670</b>	<b>296,584</b>	<b>290</b>	<b>151</b>	<b>4,518</b>	<b>305,213</b>
At 31 December 2019	Thousands of Euro							
	Total	Current	2 years	3 years	4 years	5 years	> 5 years	Non-current
Bonds and other securities	596,892	3,980	299,255	-	293,657	-	-	592,912
Debt with financial institutions								
Syndicated credits (Revolving credit facilities) (*)	144,560	3,153	-	-	141,407	-	-	141,407
"Term loan"	377,268	-	-	-	377,268	-	-	377,268
Other bank loans	15,028	15,028	-	-	-	-	-	-
Interest	1,791	1,791	-	-	-	-	-	-
Credit facilities drawn down	165,309	-	-	-	165,309	-	-	165,309
Other financial liabilities	591	591	-	-	-	-	-	-
Finance lease payables (note 7)	23,211	7,145	5,863	5,086	3,516	1,342	259	16,066
Suppliers of fixed assets	12,901	12,508	189	204	-	-	-	393
Other debts	1,409	1,409	-	-	-	-	-	-
Current interest on payables	403	403	-	-	-	-	-	-
Guarantees and deposits received	12,247	1,784	-	-	-	-	10,463	10,463
Other financial liabilities	5,306	1,500	1,500	2,306	-	-	-	3,806
<b>Total</b>	<b>1,356,916</b>	<b>49,292</b>	<b>306,807</b>	<b>7,596</b>	<b>981,157</b>	<b>1,342</b>	<b>10,722</b>	<b>1,307,624</b>

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

**– Bonds and other marketable securities**

The Company has outstanding bonds with a nominal value of Euros 600,000 thousand at 31 December 2020, all of which were issued as part of a Euro Medium Term Note programme approved by the Central Bank of Ireland.

Details of bond issues pending repayment at 31 December 2020 are as follows:

Issuing Company	Issue date	Term (years)	Currency	Maturity date in thousands of euro			
				Coupon	2021	2023	Total
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

During the period from 31 December 2019 to 31 December 2020 there have been no movements in bond issues.

– Loans and borrowings

**Multi-product Syndicated Loan and other credit facilities**

In the Hive Down, the Company transferred to DIA Retail España, S.A. and DIA Finance, S.L. most of its debt in the form of the multi-product syndicated loan, as explained in notes 1(e) and 2(a). Financing facilities therefore break down as follows at 31 December 2020 and 2019:

At 31 December 2020	Limit	Amount used	Conf/Fact	Amount available
<b>Credit Facility - syndicated finaciation</b>	<b>2,000</b>	<b>301</b>	-	<b>1,699</b>
Loans	2,000	301	-	1,699
<b>Total Syndicated Multiproduct Financiation</b>	<b>2,000</b>	<b>301</b>	-	<b>1,699</b>

At 31 December 2019	Limit	Amount used	Conf/Fact	Amount available
<b>Revolving Credit Facility (RCF)</b>	<b>149,914</b>	<b>149,914</b>	-	-
<b>Term Loan</b>	<b>377,268</b>	<b>377,268</b>		
<b>Credit Facility - syndicated finaciation</b>	<b>223,968</b>	<b>165,309</b>	<b>10,059</b>	<b>48,600</b>
Loans	10,000	1,310	-	8,690
Loans may be balanced with confirming	159,866	120,293	-	39,573
Loans may be balanced with reverse factoring	54,102	43,706	10,059	337
<b>Confirming - syndicated finaciation</b>	<b>212,674</b>	-	<b>212,249</b>	<b>425</b>
<b>Total Syndicated Multiproduct Financiation</b>	<b>963,824</b>	<b>692,491</b>	<b>222,308</b>	<b>49,025</b>

On 30 November 2020, after the negotiations held between L1R Invest1 Holdings S.à. r.l., DEA Finance S.à. r.l., the Syndicated Lenders and DIA, the Company reached an agreement with all the Syndicated Lenders (the “Lock-Up Agreement”) which includes the following key elements (which are conditional on each other):

- i. an increase in equity of Euros 500,000 thousand which will release DIA of an equivalent amount of financial debt, and in particular of:
  - a. the debt corresponding to the super senior facility of Euros 200,000 thousand granted by DEA Finance to DIA Finance, S.L.; and
  - b. the debt corresponding to the bonds issued by DIA for an aggregate principal amount of Euros 300,000 thousand, with a coupon of 1.000% and maturity on 28 April 2021;
- ii. the modification and refunding of the current syndicated financing agreement (at DIA Group level) for a total amount of Euros 973,219 thousand (the Syndicated Financing Agreement) in order to extend the maturity date of the A-F Facilities, totalling Euros 902,426 thousand, from 31 March 2023 to 31 December 2025, and modify other terms and conditions of the Syndicated Financing Agreement.
- iii. the modification of the terms and conditions of the bonds issued by DIA for an aggregate principal amount of Euros 300,000 thousand, with a coupon of 0.875% and maturity in April 2023 in order to extend their maturity date from 6 April 2023 to after 30 June 2026, and increase the coupon from the modification date to an annual rate of 5% (3.25% in cash and 1.75% PIK), plus an increase in interest of 1% PIK where applicable under the Syndicated Financing Agreement; and
- iv. the extension of the maturity dates of certain bilateral facilities and credit facilities entered into between several DIA Group companies with certain Syndicated Lenders or entities in their respective groups.

The effectiveness of the Operation is subject to compliance (or waiver of compliance) with certain conditions precedent no later than 28 April 2021.

On 18 December 2020, the Company signed an implementation Agreement with the syndicated lenders, establishing the following main terms and conditions of the modification of the current Syndicated Financing Agreement, which will take effect when the conditions precedent are met:

- i. extension of the maturity date of the Senior Facilities from 31 March 2023 to 31 December 2025;
- ii. extension of the maturity date of the Bilateral Facilities owed by DIA or any of its subsidiaries to the Syndicated Lenders (or entities in their respective groups) at a subsequent date that is satisfactory for the Company and, in any event, in terms that are substantially consistent with each Bilateral Facility agreement in question;
- iii. repayment of (a) up to Euros 35,000 thousand of the commitments of the Super Senior suppliers facility once the Operation comes into effect, and (b) the remaining amount of the Suppliers Facility Commitments (i.e. at least Euros 35,793 thousand) no later than 17 July 2022, reducing the amount of repayments for which each Syndicated Lender is eligible by an amount equivalent to that by which the Bilateral Facility signed by the Syndicated Lender is reduced or permanently cancelled, on or before the date the said repayment is due;
- iv. increase in the total amount of the Syndicated Lending available for use through reverse factoring facilities or bilateral lending facilities by an amount equal to that by which the Commitments of the Suppliers Facility are reduced and cancelled at the given time (without the increase leading to a rise in the overall aggregate sum of the Syndicated Lending) and conversion of certain revolving credit facility (RCF) commitments into term loan commitments;
- v. elimination from the annual cash sweep of a portion of the free cash flow which would otherwise be applied from the second quarter of 2022;
- vi. fixed amortisation of Euros 25,000 thousand of the Senior Facilities on 31 March 2023 and Euros 25,000 thousand on 31 March 2024. Reducing the amount of these Early Repayments to which each Syndicated Lender is eligible by an amount equivalent to that by which the Bilateral Facility signed by the Syndicated Lender is reduced or permanently cancelled, on or before the date the said Early Repayment is due. This possible reduction in the amount of the Early Repayments will not be applicable if the Restated EBITDA, as defined in the Syndicated Financing Agreement, for the year prior to the date on which the Early Repayment is due is higher than Euros 300,000 thousand;
- vii. initial reduction in the additional super senior debt from Euros 380,000 thousand to Euros 75,000 thousand plus any amount of the Suppliers Facility Commitments that has not yet been repaid by the Company (as per paragraph (iii) above);
- viii. elimination of the additional Senior and Junior debt basket of Euros 400,000 thousand which was used, inter alia, for refinancing the 2021 Bonds;
- ix. increase in the interest margin applicable to the Syndicated Lenders under the Senior Facilities up to a margin of 325 annual basis points;
- x. ratchet increase of 100 annual basis points PIK in the interest margin of the Syndicated Lenders in the event that (a) the leverage ratio for the 12-month period ending 31 December 2022 and/or 30 June 2023 is higher than 3.25:1, and (b) the leverage ratio for each 12-month period ending thereafter on 31 December and 30 June is higher than 2.50:1, no longer applying this increase if the leverage ratio falls below the applicable threshold on any of the subsequent verification dates;
- xi. obligation to submit to the Syndicated Lenders, as a condition for closing the Transaction, a budget for 2021 and 2022, and the obligation to submit an updated business plan (covering 2023, 2024 and 2025) by no later than 31 December 2022 (the "Updated Business Plan");

- xii. restating the financial covenants of the Company based on the Updated Business Plan, with the Company's covenant for 2023 to 2025 being equal to or less than the leveraging covenant included in the Company's existing business plan for 2022;
- xiii. acknowledging that the Company's Hive Down obligations under the Syndicated Financing Agreement have been fully settled and that the Company has no other obligation to undertake additional actions with respect to the Hive Down other than: (a) the transfer of any Company asset (except shares in other subsidiaries) not transferred to DIA Retail España, S.A. due to applying one or more of the restrictions agreed under the Syndicated Financing Agreement -the Company must strive to execute any such transfers, as long as the restrictions no longer apply; (b) the transfer of the shares owned by the Company in its Portuguese subsidiary to the corresponding wholly-owned Luxembourgian company, which the Company will make its best efforts to execute as soon as possible, once the legal, regulatory or tax impediments hindering the transfer have been resolved; and (c) the transfer of the shares owned by the Company in its Brazilian and Argentine subsidiaries to the corresponding wholly-owned Luxembourgian companies, which the Company must strive to execute as long as there is a change in the applicable legislation or tax regime that allows the pertinent shares to be transferred at no additional cost); and
- xiv. obligation to (a) present before the competent Spanish courts the request for judicial certification of an ad hoc refinancing agreement to be signed, *inter alia*, between the Company and the Syndicated Lenders, and (b) to make reasonable efforts to obtain the confirmation of judicial certification of the ad hoc refinancing agreement by a competent Spanish court, but without guaranteeing or committing to any result.

### Bank loans

The maturity of the company's bank loan at 31 December 2019 was as follows:

Type	At 31 December 2019			Current 1 year	2 years	Non-current Total
	Owner	Currency	Total			
Loan	DIA	EUR	15,028	15,028	-	-

On 15 June 2020 and 15 December 2020, DIA, S.A. repaid the third, fourth and final partial maturity on the Liberbank loan amounting to Euros 7,500 thousand in each repayment, therefore being fully repaid and settled.

### (c) Trade and other payables

Details of trade and other payables are as follows:

	Thousands of Euro	
	2020	2019
Suppliers	9,778	630,829
Suppliers with subsidiaries and associated companies (note 22 (b))	219,384	6,090
Other payables	30,653	76,888
Personnel	1,837	32,958
Public entities, other (note 20)	6,954	30,822
Advances to customers	56	147
<b>Total</b>	<b>268,662</b>	<b>777,734</b>

The carrying amounts of trade and other receivables are the same as their fair values due to their current nature.

Suppliers and Payables essentially comprise current payables to suppliers of merchandise and services, including accepted giro bills and promissory notes. As a result of the Hive Down, the Company transferred debt with suppliers of Euros 478,750 thousand to its subsidiary, Dia Retail España, S.A.

Suppliers, Group companies and associates mainly includes the debt with Dia Retail España, S.A. at 31 December 2020 and 2019.

Trade and other payables do not bear interest.

At 31 December 2020 the Company has reverse factoring facilities with a limit of Euros 2,000 thousand (31 December 2019: Euros 219,674 thousand) of which Euros 301 thousand has been used (31 December 2019: Euros 219,246 thousand).

The information required by the reporting requirement established in Law 15/2010 of 5 July 2010, which amended Law 3/2004 of 29 December 2004 and introduced measures to combat late payments in commercial transactions, is as follows:

	2020	2019
	Days	Days
Average payment period to suppliers	46	44
Payment operations ratio	46	44
Pending payment transactions ratio	39	38
	Amount in euros	Amount in euros
Total payments made	2,497,725,985	3,798,493,602
*Total payment pending	231,283,159	404,417,071

\* Receptions unbilled and invoices included in the confirming lines at the year end previously mentioned, are not included in this amount.

The above average payment period considers the reverse factoring facilities with suppliers. Payment periods in agreements vary between 60 and 90 days.

## 20. TAXATION

### Balances with public entities

Details of balances with public entities are as follows:

	Thousands of Euro			
	2020		2019	
	Non-current	Current	Non-current	Current
<b>Assets</b>				
Deferred tax assets	-	-	6,310	-
Current tax assets	-	327	-	944
Other receivables from the Administration	-	1,862	-	130
	<b>2,189</b>	<b>6,310</b>	<b>1,074</b>	
	(nota 12 (c))		(nota 12 (c))	
<b>Liabilities</b>				
Deferred tax liabilities	332	-	6,310	-
Value added tax and similar taxes	-	6,194	-	14,470
Social Security	-	105	-	10,729
Withholdings	-	655	-	5,623
	<b>332</b>	<b>6,954</b>	<b>6,310</b>	<b>30,822</b>
	(nota 19 (c))		(nota 19 (c))	

### Years open to inspection and tax inspections

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed.

During 2020 the inspections and investigations being carried out by the Spanish tax authorities on the following items and tax periods in Spain concluded:

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

Subsequent to the reporting date of these accounts, in January 2021, the partial inspections and investigations being carried out by the Spanish tax authorities on 2015 Corporate Income Tax in Spain concluded.

At 31 December 2020 and 2019, the following main taxes to which the Company are subject are open to inspection:

Tax	Periods	
	2020	2019
Income tax	2015-2019	2015-2018
Value Added tax	2017-2020	2016-2019
Personal income tax	2017-2020	2016-2019
Business activities tax	2017-2020	2016-2019

Due to different interpretations of prevailing tax legislation, additional tax liabilities could arise in the event of inspection. In any case, the Company's directors do not consider that any such liabilities that could arise would have a significant effect on the annual accounts.

### Income tax

At 31 December 2020 the Company files consolidated tax returns as the parent of tax group 487/12.

The Group subsidiaries throughout 2019 have been DIA Retail España S.A., Petra Servicios a la Distribución, S.L., Beauty By DIA S.A., El Árbol Distribución y Supermercados, S.A., Compañía Gallega de Supermercados, S.A., DIA Finance S.L. and DIA Eshopping, S.L.

The Group subsidiaries throughout 2020 have been DIA Retail España S.A., Petra Servicios a la Distribución, S.L., Beauty By DIA S.A., El Árbol Distribución y Supermercados, S.A., DIA Finance S.L., DIA Eshopping, S.L. and Finandia S.A.

All of the companies in the tax group determine corporate income tax due on a joint basis as a single taxable person, then distribute the tax burden among the individual companies.

A reconciliation of net income and expenses for 2020 with DIA's taxable income is as follows:

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

The permanent positive adjustment of Euros 251,646 thousand included in the 2020 corporate income tax return basically concerns the impairment of DIA Brasil's portfolio, the provision for a court case, the adjustment to remuneration, and the adjustment deriving from the 2020 tax return of Eshopping.

The permanent negative adjustment of Euros 1,523 thousand included in the 2020 corporate income tax return mainly relates to the application of the provision set aside for the personal income tax and VAT inspection for 2013 and 2014, and the exemption of interest income arising from participating loans in accordance with article 21 of Spanish Corporate Income Tax Act 27/2014.

Temporary differences that increase taxable income in 2020 mainly reflect the reversal of the accelerated amortisation/depreciation performed in 2011 and 2012 in accordance with Royal Decree 13/2010 of 3 December 2010, the reversal of the tax-deductible impairment on the investment in DIA Argentina, pursuant to Royal Decree-Law 3/2016 of 2 December 2016; the application of several goodwill amortisation criteria; and the provision made for the 2020 employee benefit plan, which will be deductible at the time of payment

The temporary differences reducing taxable income in 2020 correspond to the reversal of the non-deductible impairment loss on fixed assets, and the reversal of various provisions recognised in the accounts that were not deductible in prior years.

A reconciliation of net income and expenses for 2019 with DIA's taxable income is as follows:

2019	Thousands of Euro						
	Income statement			Income and expense taken to equity			
	Increases	Decreases	Net	Increases	Decreases	Net	Total
<b>Income and expenses for the period</b>	-	<b>(281,543)</b>	<b>(281,543)</b>	-	<b>(285)</b>	<b>(285)</b>	<b>(281,828)</b>
Income tax	26,838	-	26,838	-	(94)	(94)	26,744
Profit before tax	26,838	(281,543)	(254,705)	-	(379)	(379)	(255,084)
Permanent differences:							
individual company	47,519	(49,808)	(2,289)	-	-	-	(2,289)
Temporary differences:							
individual company							
originating during the year	19,753	(10,503)	9,250	-	-	-	9,250
originating in prior years	15,442	-	15,442	379	-	379	15,821
<b>Taxable income</b>	<b>109,552</b>	<b>(341,854)</b>	<b>(232,302)</b>	<b>379</b>	<b>(379)</b>	<b>-</b>	<b>(232,302)</b>

The permanent positive adjustment of Euros 47,519 thousand made in the 2019 corporate income tax settlement mainly relates to the provision for non-deductible impairment on the investment in DIA Retail España S.A., the non-deductible financial expenses relating to debts with Group entities pursuant to article 15 of Spanish Corporate Income Tax Law 27/2014 and the negative income from the investment in Finandia pursuant to Article 21 of Spanish Corporate Income Tax Law 27/2014.

The permanent negative adjustment of Euros 49,808 thousand made in the 2019 corporate income tax settlement mainly relates to the reversal of part of the impairment recognised in previous years for the investment in Beauty by DIA, the costs arising from the capital increase recorded under Voluntary Reserves, which are considered deductible in accordance with Article 11.3 of Spanish Corporate Income Tax Law 27/2014 and the exemption of interest income arising from participating loans in accordance with Article 21 of Spanish Corporate Income Tax Law 27/2014.

Temporary differences that increase taxable income in 2019 mainly reflect the reversal of the accelerated amortisation/depreciation performed in 2011 and 2012 in accordance with Royal Decree 13/2010 of 3 December 2010, the reversal of the tax-deductible impairment on the investment in DIA Argentina, pursuant to Royal Decree-Law 3/2016 of 2 December 2016, the application of several goodwill amortisation criteria and the consideration as non-deductible of various provisions set aside for accounting purposes which would not meet the deductibility requirements set out in article 14 of Corporate Income Tax Law 27/2014.

Temporary differences that reduce taxable income in 2019 mainly reflect the differences arising from the reversal of one-tenth of the Company's amortisation/depreciation expense that was considered non-deductible for tax purposes pursuant to Law 16/2012, of 27 December, the reversal of the non-deductible impairment on property, plant and equipment

pursuant to Article 13.2 of Spanish Corporate Income Tax Law 27/2014 and the reversal of the provision for inventories considered non-deductible in prior years pursuant to Article 14 of Spanish Corporate Income Tax Law 27/2014.

The reconciliation between the Taxable Income for Corporate Income Tax purposes and tax payable/recoverable in 2020 and 2019 is as follows:

	Thousands of Euro	
	2020	2019
<b>Taxable income</b>	<b>(29,453)</b>	<b>(232,302)</b>
Tax at (25%)	-	-
Deductions	-	-
<b>Tax payable</b>	<b>-</b>	<b>-</b>
Total tax payable	(314)	(733)
Withholdings and payments on account	(478)	(197)
<b>Tax payable (+) recoverable (-) by the Company</b>	<b>(792)</b>	<b>(930)</b>

At the date of preparing the accompanying account accounts, the Spanish tax authorities had already refunded the Euros 930 thousand in tax contemplated at the 2019 reporting close.

The relationship between the tax expense and pre-tax profit in 2020 and 2019 is as follows:

	Thousands of Euro			Thousands of Euro		
	2020		Total	2019		Total
	Profit and loss	Equity		Profit and loss	Equity	
<b>Income and expenses for the period before tax</b>	<b>(266,628)</b>	-	<b>(266,628)</b>	<b>(254,705)</b>	<b>(379)</b>	<b>(255,084)</b>
Tax at 25%	-	-	-	-	(94)	(94)
Income tax expenses in current year	-	-	-	(243)	-	(243)
Income tax expenses in prior years	728	-	<b>728</b>	(284)	-	(284)
Impairment of prior years tax loss carryforwards	-	-	-	22,394	-	22,394
Other adjustments	(2,638)	-	<b>(2,638)</b>	4,971	-	<b>4,971</b>
<b>Income tax expenses / (income) from continuing operations</b>	<b>(1,910)</b>	-	<b>(1,910)</b>	<b>26,838</b>	<b>(94)</b>	<b>26,744</b>

Details of accumulated temporary differences at 31 December 2020 and the corresponding deferred tax asset or liability, in thousands of Euros, are as follows:

	TEMPORARY DIFFERENCE				TAX EFFECT				
	2,019	Origin	Reversal	Other	2,020	2,019	Origin	Reversal	
Hedge depreciation 2013/2014	25,240	-	-	(25,240)	-	6,310	-	-	(6,310)
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>25,240</b>	<b>-</b>	<b>-</b>	<b>(25,240)</b>	<b>-</b>	<b>6,310</b>	<b>-</b>	<b>-</b>	<b>(6,310)</b>
TEMPORARY DIFFERENCE				TAX EFFECT					
2,019	Origin	Reversal	Other	2,020	2,019	Origin	Reversal	Other	2,020
Onerous Contracts	16,749	-	(2,426)	(13,058)	1,265	4,187	-	(607)	(3,264)
Provision for textiles	1,940	198	-	(1,807)	331	485	49	-	(452)
Provision Retirement ERE	3,772	-	-	-	3,772	943	-	-	943
Provision for franchising operations	6,325	-	(1,762)	(2,860)	1,703	1,581	-	(441)	(715)
Other provisions	316	-	-	-	316	79	-	-	79
Amortization intragroup goodwill	26,559	6	-	(25,404)	1,161	6,640	1	-	(6,351)
Leaseholds	692	-	-	(147)	545	173	-	-	(37)
Hedge depreciation 2013/2014	1,592	-	-	(1,592)	-	398	-	-	(398)
Amortization intragroup goodwill	5,813	73	-	(4,848)	1,038	1,453	18	-	(1,212)
Equity instruments	1,352	-	-	-	1,352	338	-	-	338
Pension commitments	1,623	-	-	(1,623)	-	406	-	-	(406)
Non-deductible impairment of fixed assets	46,729	-	(11,746)	(28,916)	6,067	11,682	-	(2,937)	(7,229)
Annuity Plan	-	-	-	3,306	3,306	-	-	-	827
Long-term incentive programs	-	1,649	-	-	1,649	-	412	-	412
Impairment adjustment PPL Eshopping	-	-	(12,892)	12,892	-	-	-	(3,223)	3,223
Restated	321	-	-	(321)	-	80	-	-	(80)
<b>DEFERRED TAX ASSETS NON RECOGNIZED</b>	<b>113,783</b>	<b>1,926</b>	<b>(28,826)</b>	<b>(64,378)</b>	<b>22,505</b>	<b>28,445</b>	<b>480</b>	<b>(7,208)</b>	<b>(16,094)</b>
Amortization limit deduction (DT 37 L27/2014)	-	-	-	-	-	1,878	-	-	(1,878)
Universo Mujer deduction	-	-	-	-	-	1,415	-	-	(1,415)
International double taxation deduction	-	-	-	-	-	7,307	-	-	(7,307)
Unrecognised tax credits	624,351	29,241	-	(278,873)	374,719	156,087	7,310	-	(69,718)
<b>OTHER DEFERRED TAX ASSETS NON RECOGNIZED</b>	<b>624,351</b>	<b>29,241</b>	<b>-</b>	<b>(278,873)</b>	<b>374,719</b>	<b>166,687</b>	<b>7,310</b>	<b>-</b>	<b>(80,318)</b>
<b>TOTAL DEFERRED TAX ASSETS NON RECOGNIZED</b>	<b>738,134</b>	<b>31,167</b>	<b>(28,826)</b>	<b>(343,251)</b>	<b>397,224</b>	<b>195,132</b>	<b>7,790</b>	<b>(7,208)</b>	<b>(96,412)</b>
									<b>99,302</b>
TEMPORARY DIFFERENCE				TAX EFFECT					
2,019	Origin	Reversal	Other	2,020	2,019	Origin	Reversal	Other	2,020
Accelerated depreciation 2011/2012	6,988	-	(729)	(4,936)	1,323	1,748	-	(182)	(1,234)
Goodwill deductible purchases from third parties	5,026	-	-	(5,026)	-	1,256	-	-	(1,256)
Argentina	13,226	-	(13,226)	-	-	3,306	-	(3,306)	-
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>25,240</b>	<b>-</b>	<b>(13,955)</b>	<b>(9,962)</b>	<b>1,323</b>	<b>6,310</b>	<b>-</b>	<b>(3,488)</b>	<b>(2,490)</b>
									<b>332</b>

In relation to the unrecognised temporary asset differences, in 2020 the Company generated tax credits for unrecognised tax losses amounting to Euros 7,310 thousand. The aforementioned tax credits for tax losses generated in 2020 entail a base amounting to Euros 29,241 thousand, which does not correspond to the total tax loss of the individual Company, which amounts to Euros 29,453 thousand. This is due to the effect of the Group companies with positive results, which reduce the Group's tax loss for the year.

Due to the Hive Down, the Company transferred the lion's share of deferred tax assets and liabilities to DIA Retail España in 2020.

The Company continues to recognise the deferred tax associated with the assets and liabilities not transferred in the Hive Down. However, the deferred tax asset deriving from deductions, from the credits for tax loss carryforwards from 2018 and 2019, and from the restriction on the deductibility of depreciation from 2013 and 2014 has been transferred in full. On the contrary, the Company retains the deferred tax asset stemming from the tax credits for tax loss carryforwards from 2014, on the basis that the corresponding losses do not derive from the business transferred in the Hive Down.

Details of accumulated temporary differences at 31 December 2019 and the corresponding deferred tax asset or liability, in thousands of Euros, are as follows:

	TEMPORARY DIFFERENCE				TAX EFFECT					
	2,018	Origin	Reversal	Other	2,019	2,018	Origin	Reversal	Other	2,019
Onerous Contracts	4,344	-	-	(4,344)	-	1,086	-	-	(1,086)	-
Provision for textiles	2,816	-	-	(2,816)	-	704	-	-	(704)	-
Amortization differences on goodwill	13,516	-	-	(13,516)	-	3,379	-	-	(3,379)	-
Leaseholds	678	-	-	(678)	-	169	-	-	(169)	-
Provision for franchising operations	5,876	-	-	(5,876)	-	1,470	-	-	(1,470)	-
Hedge depreciation 2013/2014	32,206	-	-	(6,966)	25,240	8,050	-	-	(1,740)	6,310
Other provisions	344	-	-	(344)	-	86	-	-	(86)	-
Amortization intragroup goodwill	5,939	-	-	(5,939)	-	1,485	-	-	(1,485)	-
Equity instruments	3,843	-	-	(3,843)	-	961	-	-	(961)	-
Pension commitments	1,661	-	-	(1,661)	-	416	-	-	(416)	-
Non-deductible goodwill on acq. of invest.	1,584	-	-	(1,584)	-	396	-	-	(396)	-
Non-deductible impairment of fixed assets	59,740	-	-	(59,740)	-	14,935	-	-	(14,935)	-
Restated	321	-	-	(321)	-	80	-	-	(80)	-
<b>DEFERRED TAX ASSETS RECOGNIZED</b>	<b>132,868</b>	<b>-</b>	<b>-</b>	<b>(107,628)</b>	<b>25,240</b>	<b>33,217</b>	<b>-</b>	<b>-</b>	<b>(26,907)</b>	<b>6,310</b>
Amortization limit deduction (DT 37 L27/2014)	-	-	-	-	-	1,878	-	-	(1,878)	-
Universo Mujer deduction	-	-	-	-	-	884	-	-	(884)	-
International double taxation deduction	-	-	-	-	-	2,368	-	-	(2,368)	-
<b>OTHER DEFERRED TAX ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,130</b>	<b>-</b>	<b>-</b>	<b>(5,130)</b>	<b>-</b>
<b>TOTAL DEFERRED TAX ASSETS RECOGNIZED</b>	<b>132,868</b>	<b>-</b>	<b>-</b>	<b>(107,628)</b>	<b>25,240</b>	<b>38,347</b>	<b>-</b>	<b>-</b>	<b>(32,037)</b>	<b>6,310</b>

	TEMPORARY DIFFERENCE				TAX EFFECT					
	2,018	Origin	Reversal	Other	2,019	2,018	Origin	Reversal	Other	2,019
Onerous Contracts	-	12,405	-	4,344	16,749	-	3,101	-	1,086	4,187
Provision for textiles	-	-	(876)	2,816	1,940	-	-	(219)	704	485
Provision Retirement ERE	-	3,772	-	-	3,772	-	943	-	-	943
Provision for franchising operations	-	445	-	5,880	6,325	-	111	-	1,470	1,581
Other provisions	-	100	-	216	316	-	25	-	54	79
Amortization intragroup goodwill	-	2,603	-	23,956	26,559	-	651	-	5,989	6,640
Leaseholds	-	-	-	692	692	-	-	-	173	173
Hedge depreciation 2013/2014	-	-	(5,368)	6,960	1,592	-	-	(1,342)	1,740	398
Amortization intragroup goodwill	-	-	(2,051)	7,864	5,813	-	-	(513)	1,966	1,453
Equity instruments	-	428	-	924	1,352	-	107	-	231	338
Pension commitments	-	-	(41)	1,664	1,623	-	-	(10)	416	406
Non-deductible impairment of fixed assets	-	-	(2,167)	48,896	46,729	-	-	(542)	12,224	11,682
Restated	-	-	-	321	321	-	-	-	80	80
<b>DEFERRED TAX ASSETS NON RECOGNIZED</b>	<b>-</b>	<b>19,753</b>	<b>(10,503)</b>	<b>104,533</b>	<b>113,783</b>	<b>-</b>	<b>4,938</b>	<b>(2,626)</b>	<b>26,133</b>	<b>28,445</b>
Amortization limit deduction (DT 37 L27/2014)	-	-	-	-	-	-	-	-	1,878	1,878
Universo Mujer deduction	-	-	-	-	-	-	531	-	884	1,415
International double taxation deduction	-	-	-	-	-	-	2,060	-	5,247	7,307
Unrecognised tax credits	411,335	231,641	-	(18,625)	624,351	102,834	57,909	-	(4,656)	156,087
<b>OTHER DEFERRED TAX ASSETS NON RECOGNIZED</b>	<b>411,335</b>	<b>231,641</b>	<b>-</b>	<b>(18,625)</b>	<b>624,351</b>	<b>102,834</b>	<b>60,500</b>	<b>-</b>	<b>3,353</b>	<b>166,687</b>
<b>TOTAL DEFERRED TAX ASSETS NON RECOGNIZED</b>	<b>411,335</b>	<b>251,394</b>	<b>(10,503)</b>	<b>85,908</b>	<b>738,134</b>	<b>102,834</b>	<b>65,438</b>	<b>(2,626)</b>	<b>29,486</b>	<b>195,132</b>

	TEMPORARY DIFFERENCE				TAX EFFECT					
	2,018	Origin	Reversal	Other	2,019	2,018	Origin	Reversal	Other	2,019
Accelerated depreciation 2011	3,441	-	(1,332)	(177)	1,932	846	-	(333)	(30)	483
Accelerated depreciation 2012	5,763	-	(884)	177	5,056	1,456	-	(221)	30	1,265
Goodwill deductible purchases from third parties	5,026	-	-	-	5,026	1,256	-	-	-	1,256
Argentina	26,459	-	(13,226)	(7)	13,226	6,612	-	(3,306)	-	3,306
Externalization provision jubilacion	-	-	-	-	-	-	-	-	-	-
Hedging transactions	13	-	-	(13)	-	5	-	-	(5)	-
Holding asia	-	-	-	-	-	-	-	-	-	-
Grants	451	-	-	(451)	-	90	-	-	(90)	-
DTA provision	29,574	-	-	(29,574)	-	7,394	-	-	(7,394)	-
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>70,727</b>	<b>-</b>	<b>(15,442)</b>	<b>(30,045)</b>	<b>25,240</b>	<b>17,659</b>	<b>-</b>	<b>(3,860)</b>	<b>(7,489)</b>	<b>6,310</b>

In 2019 the Company only recognised temporary asset differences amounting to Euros 6,310 thousand to the extent that there were temporary liability differences for this amount, and the remaining temporary asset differences amounting to Euros 22,135 thousand were derecognised.

The above table of temporary asset and liability differences shows the recognised differences and details the differences that become unrecognised asset differences.

In relation to the unrecognised temporary asset differences, in 2019 the Company generated tax credits for unrecognised tax losses amounting to Euros 57,909 thousand, irrespective of whether the Company continues to be entitled to offset them for tax purposes within an unlimited period of time. The aforementioned tax credits for tax losses generated in 2019 entail a base amounting to Euros 231,641 thousand, which does not correspond to the total tax loss of the individual Company, which amounted to Euros 232,302 thousand. This is due to the effect of the Group companies with positive results, which reduce the Group's tax loss for the year.

In addition, tax credits for tax losses were adjusted in 2019 as a result of the 2018 Corporate Income Tax being filed, amounting to Euros 3,170 thousand and the signing of the tax inspection reports for 2013 and 2014 amounting to Euros 1,486 thousand. Both items total Euros 4,656 thousand, as detailed in the Other column in the above table.

The taxation authorities' right to examine or investigate tax loss carryforwards (whether available or already offset), double taxation relief and tax credits aimed at incentivising certain activities (whether applied or available) becomes statute-barred ten years as from the day after the filing deadline for the tax return or self-assessment for the tax period in which the right of offset or application was generated. After this period, the Company must justify the tax loss carryforwards or tax credits by presenting the assessment or self-assessment and its accounts, together with evidence of their having been filed during the aforementioned period at the Mercantile Registry.

Law 16/2013, which introduced a number of tax measures, repealed article 12.3 of the Revised Corporate Income Tax Law approved by Royal Legislative Decree 4/2004, which allowed impairment losses on securities held in the capital of companies to be deducted from taxable income. At the same time a transitional regime was established whereby it became compulsory to include impairment losses generated prior to this new rule in taxable income. Royal Decree-Law 3/2016 has amended this transitional regime and stipulated a minimum amount of impairment losses to be reversed that must be included each year. Consequently, the amount to be included in taxable income will be the greater of the resulting positive difference in the investee's capital and reserves and a fifth of the amount pending reversal.

In 2020 the amount included in the tax base is one fifth of the reversal pending in respect of DIA Argentina, and the adjustment has now been completed.

Company	Thousands of Euro		
	Difference in Equity	Integrated amount in tax base	Amount pending of Intregation
Dia Argentina, S.A.	N/A	13,226	-

In 2019 the amount included in the tax base is one fifth of the reversal pending in respect of DIA Argentina.

Company	Thousands of Euro		
	Difference in Equity	Integrated amount in tax base	Amount pending of Intregation
Dia Argentina, S.A.	N/A	13,226	13,226

In 2011, pursuant to additional provision eleven of the Revised Spanish Income Tax Law, applying the wording presented in Royal Decree-Law 6/2010 of 9 April 2010 and Royal Decree-Law 13/2010 of 3 December 2010, DIA applied accelerated depreciation to new property, plant and equipment and investment property acquired during the year.

In 2012, pursuant to additional provision eleven of the Revised Spanish Income Tax Law, applying the wording presented in Royal Decree-Law 6/2010 of 9 April 2010 and Royal Decree-Law 13/2010 of 3 December 2010, as well as the single repealing provision included in Royal Decree-Law 12/2012 of 30 March 2012, DIA applied accelerated depreciation to new property, plant and equipment and investment property acquired before 31 March of that year.

## 21. ENVIRONMENTAL INFORMATION

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

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

The Company's Board of Directors considers that there are no significant contingencies in connection with the protection and improvement of the environment and that it is not necessary to recognise any provisions for environmental liabilities and charges at 31 December 2020.

## 22. RELATED PARTY BALANCES AND TRANSACTIONS

### (a) Related party balances

Balances receivable from and payable to Group companies, and the main details of these balances, are provided in notes 12 (a) and (c) and 19 (a) and (c).

### (b) Transactions with related parties

The Company's transactions with subsidiaries are as follows:

Balances with subsidiaries	Thousands of euro	
	2020	2019
Sales (note 23 a))	1,254,365	813,784
Other services rendered	74,395	140,976
Finance income	6,469	18,884
Dividends	-	217
<b>TOTAL REVENUES</b>	<b>1,335,229</b>	<b>973,861</b>
 Purchases	335,253	(17,015)
Raw materials and consumables used	1,657	-
Work carried out by the company for assets	31,618	48,980
Other operating expenses	489	-
External services	119,821	221
Finance expenses	127	-
<b>TOTAL EXPENSES</b>	<b>488,965</b>	<b>32,186</b>
 Buildings	7	134
Machinery, installations, furniture and other fixed assets	243	778
<b>TOTAL COST</b>	<b>250</b>	<b>912</b>
 Computer software	(29)	-
Buildings	(152)	(1)
Machinery, installations and furniture	(874)	(791)
Technical installations, machinery, equipment, furniture and other item:	(33)	-
Other fixed assets	(43)	(30)
Under construction and advances	(30)	(256)
<b>TOTAL CARRYING AMOUNT</b>	<b>(1,161)</b>	<b>(1,078)</b>

The increase in total revenue from Group companies is connected with the fact that the Group's purchasing centre remained in the Company until 1 July 2020. The increase in total expenses is also associated with the Hive Down, as explained in notes 1(e) and 2.a)).

Transactions totalling Euros 10 thousand were executed with CDSI in 2020 (2019: Euros 174,412 thousand). Transactions amounting to Euros 163 thousand were also executed with Red Libra in 2019. Transactions with both companies primarily comprised commercial transactions (see note 19(c)).

Transactions totalling Euros 2,445 thousand were also performed with the majority shareholder LetterOne, mainly under the service-level agreement signed on 12 June 2019. In 2019, transactions carried out with the majority shareholder

LetterOne amounted to Euros 6,748 thousand, of which Euros 3,706 thousand relate to finance expenses for participating loans granted in 2019 (see note 19(b)) and Euros 3,042 thousand to the service-level agreement signed with LetterOne.

**(c) Information on the directors and senior management personnel**

Details of remuneration received by the directors and senior management of the Company in 2020 and 2019 are as follows:

Thousands of Euro			
2020		2019	
Directors	Senior mgt.	Directors	Senior mgt.
4,954	9,798	3,246	5,850

In 2020 and 2019 the directors of the Company earned Euros 617 thousand and Euros 708 thousand, respectively, (included in the table above) in their capacity as board members.

In 2019 shares from the 2016-2016 Incentive Plan were awarded to members of Senior Management, recognised in shares awarded in the previous year.

Article 39.5 of the Company's articles of association requires the disclosure of the remuneration earned by each of the members of the board of directors in 2020 and 2019. Details are as follows:

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

(\*) Remuneration as senior management and as director

2019			Thousands of euro			
Members of Board Directors	From	to	Financial Instrument	Fixed salary	No competence	Others (Ret. Kind)
Mr. Richard Golding	01/01/2019	20/05/2019	2.4	48.4	-	-
Mr. Mariano Martín Mampaso	01/01/2019	20/05/2019	3.0	51.0	-	-
Mr. Antonio Urcelay Alonso	01/01/2019	20/05/2019	2.4	48.4	-	-
Mr. Borja de la Cierva Sotomayor (*)	01/01/2019	21/05/2019	1.8	299.4	353.9	5.9
Mr. Julián Díaz González	01/01/2019	20/05/2019	2.8	41.0	-	-
Mrs. Angela Lesley Spindler	01/01/2019	20/05/2019	2.9	44.8	-	-
Mrs. María Luisa Garaña Corces	01/01/2019	20/05/2019	2.4	44.4	-	-
Mr. Miguel Ángel Iglesias Peinado (*)	01/01/2019	20/03/2019	1.0	76.9	-	2.6
Mr. Christian Couvreaux	21/05/2019	31/12/2019	2.3	94.2	-	-
Mr. Jose Wahnon Levy	20/05/2019	31/12/2019	1.9	94.4	-	-
Mr. Jaime Garcia Legaz	01/01/2019	31/12/2019	4.4	154.8	-	-
Mr. Karl-Heinz Holland (*)	20/05/2019	31/12/2019	-	1,841.7	-	17.7
Mr. Stephan DuCharme	20/05/2019	31/12/2019	-	-	-	-
Mr. Sergio Antonio Ferreira Dias	20/05/2019	31/12/2019	-	-	-	-
Mr. Michael Joseph Casey	20/05/2019	31/12/2019	-	-	-	-
<b>Total</b>			<b>27</b>	<b>2,839</b>	<b>354</b>	<b>26</b>

(\*) Remuneration as senior management and as director

Additionally, as a result of the new remunerations policy approved by shareholders at the Extraordinary General Meeting held on 30 August 2019, there is deferred remuneration in shares for non-proprietary directors, the accrual of which has initially been estimated at Euros 200 thousand (Euros 50 thousand in 2019). The accrual of shares granted and pending delivery under the previous remunerations policy, net of withholdings, amounted to Euros 27 thousand in 2019 (a gross amount of Euros 39 thousand). The amounts for 2019 in the above tables relating to the remuneration of Directors in equity instruments only reflect the amount of net shares granted and pending delivery, relating to the previous remunerations policy.

In 2020, remunerations have also been recorded for employees performing Director functions in prior years, on account of considerations for post-contractual non-compete agreements, amounting to Euros 253 thousand in the case of Borja de la Cierva.

The increase in remuneration paid to senior management is primarily due to: (i) the hiring of new senior officers, resulting in a higher amount of fixed and variable remuneration to senior management than in 2019; (ii) the amount set aside at 31 December 2020 for the 2020-2022 Long-Term Incentive Plan; and (iii) the increase in amounts deriving from terminating the employment contracts of senior officers.

During 2020 and 2019 the members of the board of directors and senior management personnel of the Company have not carried out operations with the Company or Group companies other than ordinary operations under market conditions.

The civil liability insurance premiums paid in respect of directors and senior management personnel totalled Euros 562 thousand in 2020 (2019: Euros 808 thousand).

#### **Conflicts of interest concerning the directors**

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

### **23. INCOME AND EXPENSES**

#### **(a) Revenue**

##### **Sales**

Details of sales by type are as follows:

	<b>Thousands of Euro</b>	
	<b>2020</b>	<b>2019</b>
Sales in own stores	541,366	1,505,831
Intercompany sales (note 22b))	1,254,365	813,784
Sales to franchise stores	323,602	1,316,273
On line sales	32,129	19,800
Other sales	272	23,916
<b>Total</b>	<b>2,151,734</b>	<b>3,679,605</b>

The decrease in the Sales in own stores and Franchise headings is linked to the Hive Down, as explained in notes (1 (e) and 2 (a)).

The growth in online sales in 2020 is the result of the Covid-19 effect (see note 1(d)), while the reduction in other sales is explained by the lack of direct sales from warehouses in 2020.

##### **Service delivery**

In 2020 and 2019 services rendered mainly include the amounts of the rights licensed by DIA, ancillary services pertaining to the technical and commercial assistance provided to its franchisees. In 2020, the decrease in this heading relates to the Hive Down, as explained in notes 1(e) and 2(a)). Moreover, in 2020 this heading also includes the new 2020 franchise model, according to which invoicing is carried out based on cash generated in the point-of-sale terminal of the franchisee.

**(b) Supplies**

Details of merchandise, raw materials and other supplies used are as follows:

	<b>Thousands of Euro</b>	
	<b>2020</b>	<b>2019</b>
Merchandise used		
Purchases	2,217,359	3,896,445
Purchase discounts, non-trade income and returns	(300,627)	(808,341)
Change in inventories	4,424	22,420
<b>Total</b>	<b>1,921,156</b>	<b>3,110,524</b>
Raw materials and consumables used		
Purchases	8,999	11,496
Change in inventories	(458)	2,870
<b>Total</b>	<b>8,541</b>	<b>14,366</b>
Subcontracted work	38,076	38,999
Impairment of merchandise, raw materials and other suppliers	(624)	(1,249)
<b>Total</b>	<b>1,967,149</b>	<b>3,162,640</b>

In 2020, the decrease in supplies line relates to the Hive Down, as explained in notes 1(e) and 2(a)).

**(c) Personnel expenses**

Details of personnel expenses are as follows:

	<b>Thousands of Euro</b>	
	<b>2020</b>	<b>2019</b>
Salaries and wages	5,979	327,165
Severance	6,774	47,052
Social Security payable by the Company	1,004	89,867
Other employee benefits expenses	184	3,018
Provisions	1,649	7,089
<b>Total</b>	<b>15,590</b>	<b>474,191</b>

In 2020, the decrease in this heading relates to the Hive Down, as explained in notes 1(e) and 2(a)).

**(d) Impairment and gains/losses on the disposal of fixed assets**

Details of impairment and gains/losses on the disposal of fixed assets are as follows:

	<b>Thousands of Euro</b>	
	<b>2020</b>	<b>2019</b>
Impairment of intangible assets (note 5)	(7)	(117)
Impairment of property, plant and equipment (note 6)	40	15,136
Impairment of goodwill (note 5 (a))	-	2,645
Disposals and retirements of intangible assets (note 5)	-	581
Disposals and retirements of property, plant and equipment (note 6)	(1,546)	8,872
<b>Total</b>	<b>(1,513)</b>	<b>27,117</b>

Proceeds from the sale of these fixed assets totalled Euros 3,241 thousand in 2020 (Euros 9,558 thousand in 2019), and mostly derived from the sale of properties owned by the Company.

**(e) Non-trading and other operating income**

A breakdown of non-trading and other operating income is as follows:

	Thousands of Euro	
	2020	2019
Canons	2,385	25,492
Rental Income	3,977	20,218
Income from services rendered	28,746	46,828
Logistical Income	2,375	64,301
Franchise Income	10,971	29,610
Information services to suppliers	8,600	13,990
Other income	35,006	28,189
<b>Total</b>	<b>92,060</b>	<b>228,628</b>

In 2020, the changes in several headings relate mainly to the Hive Down, as explained in notes 1(e) and 2(a)).

The new 2020 franchise model sees invoicing being carried out based on cash generated through franchisees' point-of-sale terminals. Consequently, billed amounts recognised under "Non-trading and other operating income" in 2019 are no longer recorded here and were reported as "Revenue from services rendered" and therefore included under "Revenues" in 2020 (see point (a) of this note).

Lastly, "Other income" includes all amounts billed by DIASA to DIA Retail to pass on the costs borne by DIASA of the stores transferred to another company in the Hive Down, as explained in notes 1(e) and 2(a)).

**24. FEES FOR AUDIT AND OTHER SERVICES PROVIDED BY THE AUDITOR**

The audit firm Ernst & Young, S.L. worked as auditors of the Company's annual accounts, and has invoiced the following fees for professional services during the years ended 31 December 2020 and 2019:

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

2019		
Thousands of Euros	Ernst & Young,S.L.	
Audit services	366	
Other services relating to audit	455	
Other services	288	
<b>Total</b>	<b>1,109</b>	

The amounts detailed in the above tables include the total fees for accrued services in 2020 and 2019, irrespective of the date of invoice.

**25. COMMITMENTS AND CONTINGENCIES**

The off-balance-sheet commitments pledged and received by the Company comprise contractual obligations which have not yet been executed. The two types of commitments relate to cash and expansion operations. Additionally, the Company has lease contracts which also represent future commitments made and received.

These off-balance-sheet cash commitments comprise:

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

Commitments were acquired to carry out business expansion processes.

Finally, commitments relating to lease contracts for property and furniture are described in note 8 Operating Leases - Lessee.

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

**(a) Pledged**

<b>In thousands of Euro - 31 December 2020</b>	<b>IN 1 YEAR</b>	<b>IN 2 YEARS</b>	<b>3 TO 5 YEARS</b>	<b>OVER 5 YEARS</b>	<b>TOTAL</b>
Guarantees	164	-	3,721	9,523	13,408
Purchase option on warehouses and others	-	-	-	550	550
Commercial contract commitments	3,488	2,934	2,967	-	9,389
<b>Total</b>	<b>3,652</b>	<b>2,934</b>	<b>6,688</b>	<b>10,073</b>	<b>23,347</b>
<b>In thousands of Euro - 31 December 2019</b>	<b>IN 1 YEAR</b>	<b>IN 2 YEARS</b>	<b>3 TO 5 YEARS</b>	<b>OVER 5 YEARS</b>	<b>TOTAL</b>
Guarantees	2,476	97	577	17,126	20,276
Purchase option on warehouses and others	18,985	6,636	-	25,827	51,448
Commercial contract commitments	14,690	993	453	-	16,136
<b>Total</b>	<b>36,151</b>	<b>7,726</b>	<b>1,030</b>	<b>42,953</b>	<b>87,860</b>

The Company is the guarantor of the drawdowns made on the credit facilities by its Spanish subsidiaries, which at 31 December 2020 and 2019 amounted to Euros 183,209 thousand and Euros 4,643 thousand, respectively.

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

In the purchase options, mainly options on warehouses are included.

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

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

- Société Generale guarantee for a maximum amount of Euros 27,170 thousand with maturity 28 March 2021.
- Société Generale guarantee for a maximum amount of Euros 13,585 thousand with maturity on 28 March 2021.

**(b) Received**

<b>In thousands of Euro - 31 December 2020</b>	<b>IN 1 YEAR</b>	<b>IN 2 YEARS</b>	<b>3 TO 5 YEARS</b>	<b>OVER 5 YEARS</b>	<b>TOTAL</b>
Unused credit facilities	1,699	-	-	-	1,699
<b>Cash</b>	<b>1,699</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,699</b>
Commercial contract commitments (note 10 d)	5,023	1,936	917	6,485	14,361
<b>Operations / property / expansion</b>	<b>5,023</b>	<b>1,936</b>	<b>917</b>	<b>6,485</b>	<b>14,361</b>
<b>Total</b>	<b>6,722</b>	<b>1,936</b>	<b>917</b>	<b>6,485</b>	<b>16,060</b>
<b>In thousands of Euro - 31 December 2019</b>	<b>IN 1 YEAR</b>	<b>IN 2 YEARS</b>	<b>3 TO 5 YEARS</b>	<b>OVER 5 YEARS</b>	<b>TOTAL</b>
Unused credit facilities	48,486	-	-	-	48,486
Unused confirming lines	428	-	-	-	428
<b>Cash</b>	<b>48,914</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,914</b>
Commercial contract commitments (note 10 d)	13,533	2,699	3,191	7,309	26,732
<b>Operations / property / expansion</b>	<b>13,533</b>	<b>2,699</b>	<b>3,191</b>	<b>7,309</b>	<b>26,732</b>
<b>Total</b>	<b>62,447</b>	<b>2,699</b>	<b>3,191</b>	<b>7,309</b>	<b>75,646</b>

Guarantees received under business contracts relate to guarantees securing business agreements with franchisees.

## 26. EMPLOYEE INFORMATION

On 1 January 2020 and as part of the Hive Down explained in notes 1(e) and 2(a), staff were transferred to the subsidiary DIA Retail España S.A., whereby only certain members of management remain on the Company's payroll.

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

	2020	2019
Management	6	117
Middle management	-	655
Other employees	-	14,446
<b>Total</b>	<b>6</b>	<b>15,218</b>

At year end the distribution by gender of Company personnel and the members of the board of directors is as follows:

	2019		2018	
	Female	Male	Female	Male
Board members	1	5	-	6
Senior management	1	3	2	6
Other management	-	1	33	60
Middle management	-	-	308	313
Other employees	-	-	9,640	4,147
<b>Total</b>	<b>2</b>	<b>9</b>	<b>9,983</b>	<b>4,532</b>

In 2020 the Company did not have any employees with a disability rating of 33% or above (or an equivalent local classification). In 2019 the Company employed one executive and 101 other employees with this disability rating.

The Company's senior management is formed by 4 executives at 31 December 2020 and 8 at 31 December 2019. Also, no executives are members of the board of directors at 31 December 2020 (1 in 2019).

## 27. EVENTS AFTER THE REPORTING PERIOD

On 10 December 2020, the Board of Directors approved the appointment by co-optation of Mr Marcelo Maia Tavares as other external director of the company, effective from 1 January 2021. On the same date, the Board of Directors approved the appointment of Mr Jesús Soto Cantero as new Group CFO, with effect from 1 January 2021.

On 29 January 2021, the loan granted to Dia Argentina, amounting to Euros 12,000 thousand was capitalised via shareholder contributions. The Company contributed 95% of this amount based on its direct ownership interest in the Argentinian subsidiary.

Christian Couvreux sadly passed away on 15 February 2021. Christian Couvreux had been a member of the DIA Group's Board since May 2019 and chairman of the Appointments and Remuneration Committee. He also sat on the Board's Capital Structure and Finance Committee. Since he joined, Christian Couvreux played a key role in DIA's transformation, bringing his extensive knowledge of and international experience in the food distribution sector.

On 16 February 2021, the credit rating agency, Moody's, confirmed the Company's long-term corporate family rating of Caa2 and upgraded its probability of default rating from Caa3-PD to Caa2-PD. Moody's also confirmed its long-term senior unsecured debt rating of Ca and its senior unsecured MTN programme rating of (P)Ca. It revised the outlook from "negative" to "stable".

On 25 February 2021, the Company has carried out a cash contribution to DIA Brasil for an amount of Euros 10,590 thousand (Brazilian Real 70,000 thousand) as capital increase.

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

On 29 March 2021, DIA repaid an existing bilateral facility in Brazil for a total amount of Euro 35 million in the name and on behalf of DIA Brasil creating an intercompany receivable. On the same date, DIA increased its equity interest in DIA Brazil by way of capitalising this intercompany receivables for an amount of Euro 35 million.

#### Global capitalization and refinancing agreement

On 30 November 2020, the Company published a communication of privileged information (registration number 613), informing the market that, following negotiations among L1R Invest1 Holdings S.à r.l. ("L1R"), DEA Finance S.à r.l. ("DEA Finance"), DIA and its syndicated financial lenders (the "Syndicated Lenders"), DIA had reached an agreement with all of its Syndicated Lenders regarding a recapitalisation and refinancing transaction (the "Original Transaction") aimed at providing a stable long-term capital and financial structure for the DIA group.

On 24 March 2021, following subsequent negotiations among DIA, L1R, DEA Finance, and its Syndicated Lenders, DIA has reached a new agreement with all of its Syndicated Lenders (the "Lock-up Agreement") providing a path for a more comprehensive recapitalisation and refinancing transaction (the "Comprehensive Transaction") which would ensure achieving a stable long-term capital and financial structure for the DIA group that would allow the management to focus fully on the implementation of its business plan.

The Comprehensive Transaction would involve the following key elements (interconditional on each other):

- (i) an equity increase at the level of DIA of up to EUR 1,028 million<sup>1</sup> (the "Capital Increase"), in two tranches:
  - (a) a debt capitalisation tranche of EUR 769.2 million to be subscribed for by L1R by way of set-off of the following financial debt within the DIA group (all such debt currently held by DEA Finance shall be purchased by L1R from DEA Finance prior to the capitalisation), at the nominal value of such debt:
    - (w) EUR 200 million debt currently owed by DIA Finance, S.L. to DEA Finance as the principal amount outstanding under the super senior term loan facility (the "SS Facility") (such debt will be transferred from DIA Finance, S.L. to DIA prior to the capitalisation);
    - (x) EUR 292.6 million of principal of the EUR 300 million 1.000% Euro Medium Term Notes maturing on 28 April 2021 (the "2021 Notes") issued by DIA and held by DEA Finance. The remaining outstanding amount owed under the 2021 Notes not held by DEA Finance would be repaid by DIA at maturity on 28 April 2021;
    - (y) EUR 7.4 million debt under a loan to be granted by L1R to DIA to finance (or refinance) the payment by DIA of the principal amount outstanding under the 2021 Notes to those holders of 2021 Notes other than DEA Finance on 28 April 2021 (as referred to in paragraph (x) above); and
    - (z) EUR 269.2 million aggregate principal amount of EUR 300 million 0.875% Euro Medium Term Notes currently maturing on 6 April 2023 (the "2023 Notes") issued by DIA and held by DEA Finance; and
  - (b) a cash tranche of up to EUR 259 million, reserved in first instance to all shareholders other than L1R, so that they can exercise their preferential subscription rights and subscribe for new shares up to their pro-rata entitlements at the same issue price as the new shares to be issued in the debt capitalisation tranche. The cash proceeds raised in the cash tranche would be available for DIA for general corporate purposes,

<sup>1</sup> Exact figure may vary in order to allow an adequate Capital Increase exchange ratio.

including the acceleration of its business transformation plan. The cash tranche would be subject to customary subscription rounds and over-subscription pro-rata rules, and would not be underwritten in case of incomplete subscription;

- (ii) an amendment and restatement of the existing EUR 973,219,190 syndicated facilities agreement (the "SFA") to (a) extend the maturity date of facilities A-F (which amount to a total of EUR 902,426,478) (the "Senior Facilities") from 31 March 2023 to 31 December 2025, and (b) amend other terms and conditions of the SFA (as further detailed in Schedule 1);
- (iii) an amendment of the terms and conditions of the 2023 Notes to (a) extend their maturity date from 6 April 2023 to no earlier than 30 June 2026 and (b) increase the coupon from the date of the amendment to 3.50% per annum (3% in cash and 0.50% PIK) plus an additional increase in interest of 1% PIK in circumstances where PIK is payable under the SFA (as set out below); and
- (iv) an extension of the maturity dates of certain bilateral facilities and credit lines entered into by various DIA group companies with certain Syndicated Lenders or their affiliates (the "Bilateral Facilities").

The Comprehensive Transaction would essentially imply the following changes with respect to the Original Transaction:

- (i) upsizing the equity increase from EUR 500 million to up to EUR 1,028 million, by means of (a) L1R also capitalising the entire principal amount of 2023 Notes held by it, such principal amount being EUR 269.2 million, and (b) offering a cash tranche of up to EUR 259 million for minority shareholders to exercise their pro rata preferential subscription rights; and
- (ii) improving certain terms under the SFA for the benefit of DIA, including (a) introducing an effective basket for a permitted new super senior incremental facilities of up to EUR 50 million to be made available in the form of confirming, term loans and/or revolving commitments (which may be drawn by way of certain ancillary facilities) (the "SS Incremental Facility"), (b) a reduction of the Syndicated Lenders margin with respect to the Original Transaction, and (c) further flexibility around investments in Portugal and Argentina and in permitted disposals and financial reporting, all of it as indicated in Schedule 1.

The effectiveness of the Comprehensive Transaction (and, therefore, of all key elements (i) to (iv) above) is subject to the fulfilment or waiver of certain conditions precedent indicated in Schedule 2 on or before the longstop dates indicated in such Schedule.

The recapitalisation of the DIA group by up to EUR 1,028 million, together with the discharge of EUR 769.2 million of financial liabilities corresponding to the principal owed under the SS Facility, the 2021 Notes, and the 2023 Notes currently held by DEA Finance, in combination with the extension of the maturity dates of the Senior Facilities, the remaining 2023 Notes and the Bilateral Facilities, together with the injection of up to EUR 259 million of additional liquidity under the cash tranche, and with the permitted SS Incremental Facility, will restore and strengthen significantly the net equity position of DIA [(which is currently in a negative equity situation)], materially reduce the financial indebtedness of the DIA group, eliminate refinancing risk over the medium term, reduce significantly DIA group's interest burden, provide additional liquidity to ensure operational financing requirements are in place, improve and accelerate DIA's ability to access debt financing markets on normalised terms, and provide a stable long-term capital structure for DIA that will provide a clear runway for DIA's management to focus entirely on the implementation of its business plan.

#### **Schedule 1 – Summary of amendments to the SFA**

The main terms and conditions of the agreed amendment and restatement of the SFA are the following:

- (i) extension of the maturity date of the Senior Facilities from 31 March 2023 to 31 December 2025;

- (ii) extension of the maturity date of the Bilateral Facilities owed by DIA or any of its affiliates to a Syndicated Lender or its affiliates to a later date that is satisfactory to the Company, and otherwise on terms and conditions materially consistent with the relevant Bilateral Facility agreement;
- (iii) repayment of (a) up to EUR 35 million of the super senior supplier commitments (the "SS Supplier Commitments") upon effectiveness of the Comprehensive Transaction, and (b) the rest of the SS Supplier Commitments (that is, at least EUR 35,792,712) by no later than 17 July 2022, with the amount of the repayments that each Syndicated Lender is entitled to being reduced on a euro-for-euro basis if a Bilateral Facility in respect of which it is a lender is permanently reduced and/or cancelled on or before the date on which each repayment falls due for payment;
- (iv) increase in the total amount of the Syndicated Facilities available to be utilised by way of confirming lines or bilateral credit facilities by (a) an amount equal to the amount by which the SS Supplier Commitments are reduced and cancelled from time to time (such increase not resulting in an increase in the total aggregate amount of the Syndicated Facilities) and conversion of certain RCF commitments into term loan commitments, and (b) the SS Incremental Facility, which, subject to reaching an agreement with the Syndicated Lenders on the provision of such SS Incremental Facility and on its terms, may be made available in the form of confirming lines, bilateral facilities, revolving credit facilities, or term loans (should certain institutions not be able to provide ancillary facilities), up to an amount depending on the amount of cash proceeds received by DIA in the cash tranche of the Capital Increase, based on the following grid:

<b>Cash proceeds received by DIA in the Capital Increase</b>	<b>Incremental facility commitments</b>
Equal to or less than EUR 50 million	Nil
Greater than EUR 50 million but less than EUR 100 million	EUR 15 million
Equal to or greater than EUR 100 million but less than EUR 150 million	EUR 30 million
Equal to or greater than EUR 150 million but less than EUR 200 million	EUR 40 million
Equal to or greater than EUR 200 million	EUR 50 million

such SS Incremental Facility of up to EUR 50 million (x) ranking super senior (this is, it would rank senior to the Senior Facilities and the SS Supplier Commitments), (y) being subject to a 7% margin cap, and (z) with the rest of its terms and conditions to be negotiated with the Syndicated Lenders;

- (v) elimination of the annual cash sweep from a proportion of free cash flow, which would otherwise apply from the second quarter of 2022;
- (vi) fixed amortisation of EUR 25 million of the Senior Facilities on 31 March 2023 and EUR 25 million on 31 March 2024 (the "Early Repayments"), with the amount of Early Repayments that each Syndicated Lender is entitled to being reduced on a euro-for-euro basis if a Bilateral Facility in respect of which it is a lender is permanently reduced and/or cancelled on or before the date on which each Early Repayment falls due for payment. Such potential reduction to the Early Repayments will not apply if the Restated EBITDA (as defined in the SFA) for the financial year ending immediately prior to the date on which that Early Repayment falls due exceeds EUR 300 million;

- (vii) initial reduction of the super senior secured facilities basket (the "SS Facility Basket") from EUR 380 million to EUR 75 million plus any amount of the SS Supplier Commitments which has not yet been repaid by the Company (as per paragraph (iii) above). Any amounts borrowed under the SS Incremental Facility would utilise capacity under the EUR 75 million SS Facility Basket;
- (viii) elimination of the EUR 400 million additional senior and junior debt basket, which was intended for the purposes of, amongst other things, refinancing the 2021 Notes;
- (ix) increase in the applicable margin for Syndicated Lenders under the Senior Facilities from 250 basis points per annum to the lower of (a) 325 basis points per annum, or (b) 300 basis points per annum if (y) an aggregate principal amount of 2023 Notes currently held by DEA Finance in an amount of EUR 269.2 million has been capitalised in the Capital Increase, and (z) the amount of cash proceeds received by DIA in the cash tranche of the Capital Increase is equal to or greater than EUR 125 million;
- (x) margin ratchet of 125 basis points per annum PIK if (a) the leverage ratio for the relevant 12 month period ending on each of 31 December 2022 and/or 30 June 2023 is greater than 3.25:1, and/or (b) the leverage ratio for each 12 month period ending on each of 31 December and 30 June thereafter is greater than 2.50:1, such increase ceasing to apply if the leverage ratio falls below the relevant threshold on any subsequent test dates;
- (xi) obligation to deliver to the Syndicated Lenders a budget for financial years 2021 and 2022 as a condition to the completion of the Comprehensive Transaction, and an updated business plan (to include financial years 2023, 2024 and 2025) no later than 31 December 2022 (the "Updated Business Plan");
- (xii) roll forward of the Company's financial covenants, based on the Updated Business Plan, with the Company's leverage covenant for financial years 2023 to 2025 being equal to or lower than the leverage covenant included for financial year 2022 in the Company's existing business plan;
- (xiii) extension of permitted debt and equity baskets to allow certain investments by the DIA group in Portugal and Argentina (in addition to Brazil), and increase of the permitted disposals basket;
- (xiv) elimination of certain obligations of upstreaming cash from foreign operating subsidiaries exceeding certain minimum agreed levels of cash which are currently contemplated under the SFA;
- (xv) acknowledgement that the Company's hive down obligations under the SFA have been fully satisfied and that the Company is under no further obligation to take further actions with respect to the hive down save for:
  - (a) the transfer of any asset of the Company (other than shares in any other subsidiary) which has not been transferred to DIA Retail España, S.A. because of one or more of the restrictions agreed under the SFA applying, which the Company must procure to execute if and to the extent that all applicable restrictions cease to apply at any time;
  - (b) the transfer of the Company's shares in its Brazilian and Argentinean subsidiaries to the corresponding wholly owned Luxembourg companies, which the Company must procure to execute if and to the extent there is a change in law or the applicable tax regime(s) that would allow the relevant shares to be transferred without any cost; and
  - (c) the transfer of the Company's shares in its Portuguese subsidiary to the relevant wholly owned Luxembourg company, in respect of which the Company must use best endeavours to effect such transfer as soon as reasonably practicable after the relevant legal, regulatory or taxation impediment to the transfer ceases to apply;
- (xvi) obligation to (a) submit a petition for the *homologación judicial* before the relevant Spanish court of an ad hoc refinancing agreement to be entered into between, among others, the Company and the Syndicated Lenders, and (b) use its reasonable endeavours to pursue the successful sanction (*auto de homologación*) of the ad hoc refinancing agreement by the relevant Spanish court, but without guaranteeing or committing to any result.

## Schedule 2 – Conditions Precedent

The effectiveness of the Comprehensive Transaction (and, therefore, of all items (i) to (iv) in the first page of this communication of inside information) is subject to the fulfilment or waiver of certain conditions precedent by the longstop dates indicated further below, including the following (the “Conditions Precedent”):

- (i) evidence that the maturity date in respect of the 2023 Notes not currently held by DEA Finance has been extended to no earlier than 30 June 2026 and that the interest rate under the 2023 Notes is no higher than 3.50% per annum (3% in cash and 0.50% PIK) plus an additional increase in interest of 1% PIK in circumstances where PIK interest is payable under the SFA;
- (ii) evidence to the satisfaction of the Company that the lender of each of the Bilateral Facilities has committed to consider and negotiate in good faith a potential further extension of the maturity date from its current maturity date (considering the relevant extensions agreed on 18 December 2020);
- (iii) evidence that the confirming lines, factoring lines or bilateral credit facilities by virtue of which the ancillary facilities are documented have been amended to reflect the applicable margin in accordance with the amendments agreed in the amended and restated SFA;
- (iv) evidence of discharge of the outstanding principal amount under the SS Facility, the 2021 Notes and the 2023 Notes (or with respect to the 2023 Notes held by DEA Finance, any instrument into which such 2023 Notes have been exchanged prior to the closing of the Comprehensive Transaction to facilitate the implementation of the Comprehensive Transaction) currently held by DEA Finance through the issuance of new shares by the Company in the Capital Increase, and/or from the proceeds thereof;
- (v) evidence that (a) the Company has discharged its obligations to repay the outstanding principal amount in respect of the 2021 Notes not currently held by DEA Finance, and (b) L1R or DEA Finance has made available a new loan to the Company in an amount equal to the outstanding principal amount in respect of the 2021 Notes not currently held by DEA Finance, and the Company's obligation to repay such new loan has been discharged through the issuance of new shares by the Company to L1R;
- (vi) execution of an ad hoc refinancing framework agreement for the sole purposes of filing (after the effectiveness of the Comprehensive Transaction) for the *homologación judicial* in Spain of such ad hoc refinancing agreement;
- (vii) extension and ratification of the existing security package; and
- (viii) other customary conditions precedent in this type of agreements (such as execution, notarisation and delivery of certain documentation and confirmation that no event of default has occurred and is continuing).

The longstop date for the fulfilment or waiver of the Conditions Precedent is the later to occur of the following dates (or such other date as DIA and the agent in respect of the Senior Facilities may agree):

- (i) 30 July 2021; or
- (ii) 29 October 2021, in the event that the prospectus required for the proposed Capital Increase has not been approved by the *Comisión Nacional del Mercado de Valores* by 15 June 2021 (provided that the Company has used reasonable endeavours to achieve such approval by 15 June 2021).

## **DIRECTORS' REPORT 2020**

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

## 2020 GROUP OPERATIONAL UPDATE

In line with the operational roadmap presented at the first quarter financial results, 2020 saw the implementation of Phase Two of DIA's business transformation led by strengthened country leadership teams with strategic guidance, performance oversight and capital allocation provided by the corporate center.

Key priorities during 2020 included the continued development of DIA's commercial value proposition, improved assortment with a focus on fresh produce and the development of a new private label offer combining quality, value-for-money and more attractive packaging.

In the second half of the year, the comprehensive roll out of an updated franchise model began in Spain and Portugal. The program, which includes payment and operational support, a new merchandise payment and sales incentive system as well as a simplified cost structure has now been activated for over 950 of DIA's franchise partners in Spain (64% of franchisees including Clarel) and 180 partners in Portugal (67% of franchisees). In Argentina an updated franchise model is also being rolled out while a tailored offer is being prepared to launch in Brazil.

The expansion of online and express delivery continues in all four countries to meet new customer purchasing trends accelerated during pandemic restrictions. In Spain, 14 stores have been converted into dark stores (i.e. online fulfilment only) and the Company reached agreements with a number of partners to improve last mile delivery which is now available from 440 stores<sup>1</sup> covering 90% of population in main cities<sup>2</sup> from our own website as well as through partnerships. In Portugal, online delivery now covers the Greater Lisbon and Oporto areas, with express delivery available in 95 stores via regional partnerships.

In addition, the Group maintains a strict focus on cost efficiencies and delivering reduced complexity. This is primarily being achieved thanks to the ongoing enhancement of our operational model across the entire supply chain, as well as more efficient logistics processes.

A key driver of the Group's improved performance has been the implementation of a new organisational structure aligned to DIA's long-term vision, resulting in greater country autonomy to develop compelling, relevant offers for local customers, led by an empowered CEO and supported by a strategic and lean corporate center.

Other highlights on a country-by-country basis are listed below:

- **Spain:** Roll out of optimized assortment and store layout to over 1,100 stores in Spain (c. 40% of network excluding Clarel) with priority focus on fresh fruit and vegetable offer resulting in 12% increase in Net Sales for fresh produce categories. Ready-made and new private label products launched in stores during second half of the year. New store model testing launched including an improved look and feel, and more simple and efficient layout.
- **Portugal:** Fresh produce service frequency increased for 450 priority stores to support fresh offer. Continuing implementation of optimized assortment and light refurbishments in over 380 stores (c. 77% excluding Clarel).
- **Brazil:** Continued the implementation of a reinforced assortment adding over 400 new private label products developed during the year. The management kept focus on defining a value proposition adapted to the local market and developing a sustainable and profitable business model. The sale of underperforming operations in Rio Grande Do Sul Region has been successfully completed and the strategic focus is on the state of Sao Paulo and Sao Paulo metropolitan area.
- **Argentina:** New assortment implemented in over 65% of stores focused on potentiating fresh offer. On-going expansion of online and express delivery with over 240 pick-up stores and 114 stores with last-mile service. New store model testing launched.

<sup>1</sup> As of 31/12/20

<sup>2</sup> Over 50,000 inhabitants

## EVOLUTION OF THE PARENT COMPANY

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

In 2020, the Company generated a net turnover of Euros 2,167.0 million. Accordingly, and jointly with its subsidiaries, it generated sales of Euros 6,882.4 million in 2020.

The Company's operating loss in 2020 was Euros -11.1 million.

At 31 December 2020 the Company has recognised impairment of Euros 238 million on the investment in the Brazilian subsidiary due to the negative performance of the Brazilian Real. After the definition of a new business plan, at 31 December 2019 it was deemed necessary to recognise the impairment of investments in Group companies amounting to Euros 34,400 thousand, Euros 1,003 thousand and Euros 152 thousand relating to the subsidiaries Dia Retail España, S.A., DIA Eshopping, S.L. and Red Libra Trading Services, S.L., respectively, as well as the reversal of part of the impairment recognised in 2018 for the value of the investment in Beauty by DIA for an amount of Euros 34,400 thousand.

Finally, 2020 corporate income tax amounted to Euros 1.9 million (Euros -26.8 million, mainly due to the derecognition of the tax-loss carryforwards yet to be offset in 2019).

## DIA: FY 2020 RESULTS

### DIA: FY RESULTS 2020

(EURm)	2020	%	2019	%	INC
<b>Sales</b>	<b>2,167.0</b>	<b>100.0%</b>	<b>3,798.7</b>	<b>100.0%</b>	<b>-43.0%</b>
Works carried out by the company for assets	0.0	0.0%	1.7	0.0%	-100.0%
Supplies	(1,967.1)	-90.8%	(3,162.6)	-83.3%	-37.8%
Other operating income	92.0	4.2%	229.2	6.0%	-59.9%
Personnel expenses	(15.6)	-0.7%	(474.2)	-12.5%	-96.7%
Other operating expenses	(267.9)	-12.4%	(444.0)	-11.7%	-39.7%
Amortisation and depreciation	(21.0)	-1.0%	(115.8)	-3.0%	-81.9%
Non financial and other capital grants	-	0.0%	0.3	0.0%	-100.0%
Impairment and gains on disposal of fixed assets	1.5	0.1%	(27.1)	-0.7%	-105.5%
<b>Results from operating activities</b>	<b>(11.1)</b>	<b>-0.5%</b>	<b>(193.8)</b>	<b>-5.1%</b>	<b>-94.3%</b>
Net finance income (excluding financial instruments)	(17.7)	-0.8%	(41.0)	-1.1%	-56.8%
Impairment and gains on disposal of financial inst.	(237.8)	-11.0%	(19.9)	-0.5%	1095.0%
<b>Net finance result</b>	<b>(255.5)</b>	<b>-11.8%</b>	<b>(60.9)</b>	<b>-1.6%</b>	<b>319.5%</b>
<b>Profit before income tax</b>	<b>(266.6)</b>	<b>-12.3%</b>	<b>-254.7</b>	<b>-6.7%</b>	<b>4.7%</b>
Income tax	1.9	0.1%	(26.8)	-0.7%	-107.1%
<b>PROFIT OF THE YEAR FROM RECURRING OPERATIONS</b>	<b>(264.7)</b>	<b>-12.2%</b>	<b>(281.5)</b>	<b>-7.4%</b>	<b>-6.0%</b>

In 2020, net turnover per employee amounted to Euros 361,164 (Euros 249,623 in 2019). This increase is due to the fact that on 1 January 2020 and within the framework of the "Hive Down" operation, as explained in notes (1 (e) and 2 (a)) to the annual accounts, employees were transferred to the subsidiary DIA Retail España, S.A., so that only certain members of management remain on the Company.

## WORKING CAPITAL AND NET DEBT

The Company's negative working capital was Euros 205.2 million at the end of 2020, representing a 20.0% decrease compared with the same period in the previous year. The reduction in the working capital items is a consequence of the Hive Down (see notes 1(e) and 2(a)).

WORKING CAPITAL (EURm)	2020	2019	INC
Inventories	27.8	194.7	-85.7%
Trade and other receivables	35.7	326.4	-89.1%
Trade and other payables	(268.7)	(777.7)	-65.4%
<b>Trade working capital</b>	<b>(205.2)</b>	<b>(256.6)</b>	<b>-20.0%</b>

Net Debt came in at Euros 725.0 million at the end of 2020, Euros 607.9 million less than at the end of 2019. In the Hive Down, the Company transferred to DIA Retail España, S.A. and DIA Finance, S.L. most of its debt in the form of the multi-product syndicated loan, as explained in notes 1(e) and 2(a)

NET DEBT (EURm)	2020	2019	INC
<i>Long-term debt</i>	305.2	1,307.6	-76.7%
<i>Short-term debt</i>	436.4	77.8	460.9%
Total debt	741.6	1,385.4	-46.5%
Cash and equivalents	(16.6)	(52.5)	-68.4%
<b>Net debt</b>	<b>725.0</b>	<b>1,332.9</b>	<b>-45.6%</b>

## STORE NETWORK (DIA GROUP)

DIA GROUP	Owned	Franchised	Total
<b>Total stores 31 December 2019</b>	<b>3,725</b>	<b>2901</b>	<b>6,626</b>
New openings	4	10	14
Net change from franchised to owned stores	28	-28	0
Closings	-270	-201	-471
<b>Total DIA GROUP stores at 31 December 2020</b>	<b>3,487</b>	<b>2,682</b>	<b>6,169</b>
<b>Spain</b>	<b>2,441</b>	<b>1,477</b>	<b>3,918</b>
<b>Portugal</b>	<b>298</b>	<b>267</b>	<b>565</b>
<b>Brazil</b>	<b>462</b>	<b>317</b>	<b>779</b>
<b>Argentina</b>	<b>286</b>	<b>621</b>	<b>907</b>

DIA reached an inflection point during last quarter, initiating the conversion of owned stores into franchised stores in Spain and Portugal, following the completion of a two year franchisee network rationalization process which saw 712 stores converted from franchised to owned within the group. In Spain, 203 franchised stores are now managed by franchisees that already hold at least one location and 113 stores were transferred already from owned stores to franchised stores during 2020 with newly selected entrepreneurs attracted by DIA's strategic vision.

During the year, 41 net stores were transferred from franchised to owned in Spain including 22 Clarel stores, 8 net locations were transferred from franchised to owned in Brazil and net changes in Portugal were 0 (19 stores were

transferred to owned stores and 19 owned stores were transferred to franchised). Net change of format in Argentina resulted in 21 additional franchised stores.

Closings: 104 DIA stores closed in Spain (55 franchised and 49 owned) as well as 1 La Plaza store, 12 franchised stores in Portugal, 29 in Argentina (13 franchised and 16 owned) and 107 in Brazil (81 owned and 26 franchised including the strategic sale of Rio Grande do Sul stores). In addition, as part of a previously announced exit strategy for this specific type of franchisees, a total of 95 Cada Dia stores were closed during the period. Additionally, 123 Clarel stores were closed in Spain.

Openings: 2 owned stores and 3 franchised stores in Spain, 1 franchised store in Portugal, 2 owned stores and 4 franchised stores in Brazil and 2 franchised stores in Argentina.

## INFORMATION ABOUT THE FORESEEABLE EVOLUTION OF THE ENTITY

During year 2019 the Group initiated its business transformation process, with the aim of laying the solid foundations for the creation of a solid business, re-establishing “core retail practices” and creating an operating model based on the reinforcement and strengthening the leadership at country level with the support of a lean corporate center.

Key priorities during 2020 included the continued development of DIA's commercial value proposition, improved assortment with a focus on fresh produce and the development of a new private label offer combining quality, value-for-money and more attractive packaging.

First phase of the business transformation was initiated in May 2019, and it ended during the first quarter of 2020 being the key achievements as follows:

**•Investment in capabilities – attracting and retaining talent at all levels:** country leadership strengthened with the appointment of Ricardo Alvarez as CEO Spain and Marcelo Maia as new Executive Chairman Brazil; new operating model in place, based on devolved and empowered country leadership with full P&L responsibility, strategically supported by a lean Group corporate center.

**•Focus on Culture & Trust – rebuilding trust and fostering long-term relationships:** (i) Customers: new value-for-money proposition and effective COVID-19 response positively repositioning DIA with its communities; (ii) Employees: Collective Employee 2019-2021 Agreement signed in January 2020 and new performance-based culture introduced; (iii) Franchisees: new model in roll-out phase based on long-term partnership, transparent margin and payment terms, and opportunities for selected Franchisees to manage multiple locations; (iv) Suppliers: alignment of all relationships and simplification of negotiations and agreements based on transparent approach.

**•Rebuild DIA – re-establishing core retail practices:** (i) Commercial: optimized assortment offering enhanced product visibility and shopping experience; (ii) Franchise: strengthened network with 712 Group stores transferred from Franchise to Owned since January 1st, 2019; (iii) Operational: excellence program implemented including store layout improvements, product display planograms and logistic optimization measures, increasing productivity ratios; (iv) Finance: Focus on OPEX reduction and disciplined CAPEX allocation, working capital improvement following stock optimization efforts.

In line with the objectives achieved during the first phase, the deployment of the second phase of business transformation was initiated. The Group has clear operational priorities that are being implemented by country leadership, with strategic guidance, performance oversight and capital allocation provided by the corporate center.

Phase 2 of DIA's business transformation is focused on the implementation of key initiatives at country level, among which may be highlighted:

**•Commercial Assortment and Store Layout:**

- Spain: roll out of optimized assortment and store layout to over 1,100 stores in Spain (c. 40% of network excluding Clarel) with priority focus on fresh fruit and vegetable offer resulting in 12% increase in Net Sales for fresh produce categories. New store model testing launched including an improved look and feel, and more simple and efficient layout.
- Portugal: Fresh produce service frequency increased for 450 priority stores to support fresh offer. Continuing implementation of optimized assortment and light refurbishments in over 380 stores (c. 77% excluding Clarel).
- Brazil: The management kept focus on defining a value proposition adapted to the local market and developing a sustainable and profitable business model.
- Argentina: new assortment implemented in over 65% of stores focused on potentiating fresh offer. New store model testing launched.

**•Private Label:**

- Spain: Ready-made and new private label products launched.
- Brazil: continued the implementation of a reinforced assortment adding over 400 new private label products during the year.

**•Online / E-commerce:**

- Spain: expansion of online service with the conversion of 14 stores into dark stores (i.e. online fulfilment only). The Company has reached agreements with a number of partners to improve last mile delivery which is now available from 440 stores covering 90% of population in main cities (over 50,000 inhabitants) from our website as well as through partnerships.
- Portugal: online delivery now covers the Greater Lisbon and Oporto areas, with express delivery available in 95 stores via regional partnerships.
- Argentina: on-going expansion of online and express delivery with over 240 pick-up stores and 114 stores with last-mile service.

**•Franchise:**

- Spain and Portugal: comprehensive roll-out of an updated franchise model, which includes among others, a new merchandise payment and sales incentive system as well as simplified cost structure has now been activated for over 950 of DIA's franchise partners in Spain (64% of franchisees including Clarel) and 180 partners in Portugal (67% of franchisees)..
- Brazil: a tailored offer is being prepared to launch.
- Argentina: an updated franchise model is also being rolled out.

In addition, the Group maintains a strict focus on cost efficiencies and delivering reduced complexity. This is primarily being achieved thanks to the ongoing enhancement of our operational model across the entire supply chain, as well as more efficient logistics processes.

The basis for all the momentum achieved has been the implementation of a new organizational structure, initiated during the first semester with the aforementioned appointments, to which should be added the appointment of Santiago Martínez-Lage Sobredo as Group Corporative Director in July 2020, José M<sup>a</sup> Jimenez in August 2020 as CEO Clarel, Martin Tocalchir in September 2020 as CEO Brazil and Jesús Soto as CFO of DIA Group. This new corporate structure is aligned to DIA's long-term vision, resulting in greater country autonomy to develop compelling, relevant offers for local customers, led by an empowered CEO and supported by a strategic corporate center.

DIA Group made a concerted effort in 2020 to re-build trust and build long-term relationships with all external stakeholders as a foundation for a transparent, performance-oriented business culture.

In 2021 we will continue to relentlessly focus on improving our position as a modern proximity food retailer with innovative commercial and e-commerce solutions delivered by motivated employees and franchise partners – growing closer to our customers every day.

## RESEARCH, DEVELOPMENT AND INNOVATION ACTIVITIES

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

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

The costs associated with R&D+i incurred by DIA during 2020 are, as a percentage, smaller compared to the rest of the costs arising from the development of activities aligned with its social objectives.

Euros 0.22 million was capitalised in 2020, corresponding to IT developments in Spain (Euros 5.85 million in 2019).

## TREASURY STOCK

Changes in treasury stock in 2020 and 2019 are as follows:

	Number of shares	Euros/share	Total
<b>31 December 2018</b>	<b>9,542,356</b>	<b>5.8540</b>	<b>55,861,183.89</b>
Shares sale	(7,843,729)		(45,917,380.17)
Delivery of shares to Board Members	(94,247)		(551,724.23)
Delivery of shares to incentives plans 2016-2018	(365,590)		(2,140,172.74)
<b>31 December 2019</b>	<b>1,238,790</b>	<b>5.8540</b>	<b>7,251,906.75</b>
Delivery of shares to Board Members	(254,310)		(1,488,776.91)
<b>31 December 2020</b>	<b>984,480</b>	<b>5.8540</b>	<b>5,763,129.84</b>

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

During 2019, 365,590 shares were received, amounting to Euros 2,140 thousand, as remuneration through the 2016-2018 incentive plan. Furthermore, directors have received remuneration in the form of shares totaling Euros 552 thousand (94,247 shares).

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

At 31 December 2020 the Company holds 984,480 own shares of the Parent with an average purchase price of Euros 5.8540 per share, representing a total amount of Euros 5,763,169.84.

## AVERAGE PAYMENT PERIOD TO SUPPLIERS

The information required from Spanish DIA Group companies under the reporting requirement established in the Law 15/2010 of 5 July 2010, which amended Spanish Law 3/2004 of 29 December 2004 and introduced measures to combat late payments in commercial transactions, is as follows:

	<b>2020</b>	<b>2019</b>
	<b>Days</b>	<b>Days</b>
Average payment period to suppliers	46	44
Payment operations ratio	46	44
Pending payment transactions ratio	39	38
	<b>Amount in euros</b>	<b>Amount in euros</b>
Total payments made	2.497.725.985	3.798.493.602
*Total payment pending	231.283.159	404.417.071

\* Receptions unbilled and invoices included in the confirming lines at the year end previously mentioned, are not included in this amount.

The aforementioned average payment period takes into account reverse factoring arrangements with suppliers, and the payment deadlines established with suppliers fall between 60 and 90 days.

## LIQUIDITY

The Company applies a prudent policy to cover its liquidity risks based on having sufficient cash and marketable securities, as well as sufficient financing through credit facilities, to settle market positions. Given the dynamic nature of its underlying business, the Group's Finance Department aims to be flexible with regard to financing through drawdowns on contracted credit facilities.

In the context of the global recapitalisation and refinancing in progress, on 30 November 2020, the Company announced the signing of an agreement with its financial lenders and its main shareholder. By virtue of this agreement, the Company agreed, inter alia, to submit for approval by the Shareholders at an General Meeting a Capital Increase of Euros 500 million by means of converting into capital debt represented by Euros 300 million in 2021 Bonds and Euros 200 million of the SS Facility.

The Directors of the parent Company therefore consider that the planned recapitalisation of the DIA Group, together with the release of a material amount of financial liabilities, as well as the extension of the maturity date of certain financial debt, will reinforce the equity situation of the Parent company, substantially reduce the financial debt of the DIA Group, eliminate the risk of refinancing in the medium term, ensure that the operating finance needs are covered and provide a viable long-term capital structure for the DIA Group.

The Company's exposure to liquidity risk at 31 December 2020 and 2019 is shown below. These tables reflect the analysis of financial liabilities by remaining contractual maturity dates:

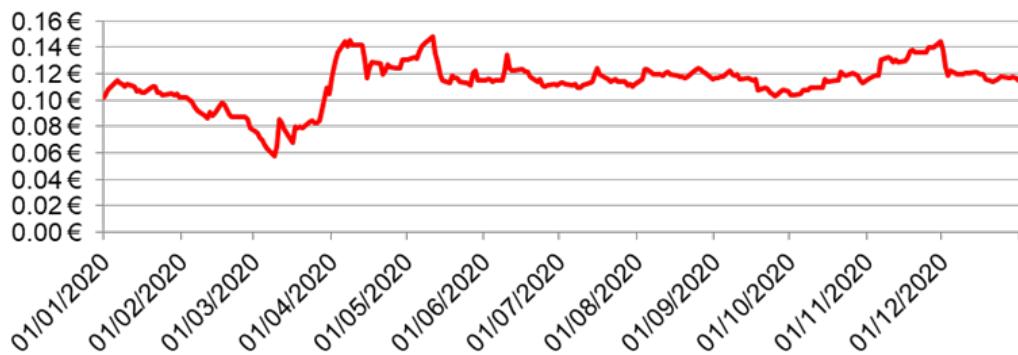
<b>Thousands of Euro</b>	<b>Maturity</b>	<b>2020</b>
Bonds and other securities	2022-2023	295,599
Debt with financial institutions		301
Credit facilities drawn down	2023	301
Finance lease payables	2022-2025	2,323
Guarantees and deposits received	per contract	4,196
Suppliers of fixed assets	2022	489
Other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

<b>Thousands of Euro</b>	<b>Maturity</b>	<b>2019</b>
Bonds and other securities	2021-2023	592,912
Debt with financial institutions		683,984
<i>Revolving credit facilities</i>	2023	141,407
<i>Other loans</i>	2023	377,268
<i>Credit facilities drawn down</i>	2023	165,309
Finance lease payables	2021-2025	16,066
Guarantees and deposits received	per contract	10,463
Suppliers of fixed assets	2021	393
Other non current liabilities	2021-2022	3,806
<b>Total non-current financial liabilities</b>		<b>1,307,624</b>
Bonds and other securities	2020	3,980
Debt with financial institutions		20,563
<i>Revolving credit facilities</i>	2020	3,153
<i>Interests</i>	2020	1,791
<i>Other loans</i>	2020	15,028
<i>Other current liabilities</i>	2020	591
Finance lease payables	2020	7,145
Suppliers of fixed assets	2020	12,508
Other debts	2020	1,409
Other non-current liabilities	2020	1,500
Current interest on payables	2020	403
Guarantees and deposits received	2020	1,784
Payables to group companies	2020	28,494
Suppliers	2020	630,829
Suppliers, group companies	2020	6,090
Other payables	2020	76,888
Personnel	2020	32,958
Advances to customers	2020	147
<b>Total current financial liabilities</b>		<b>824,698</b>

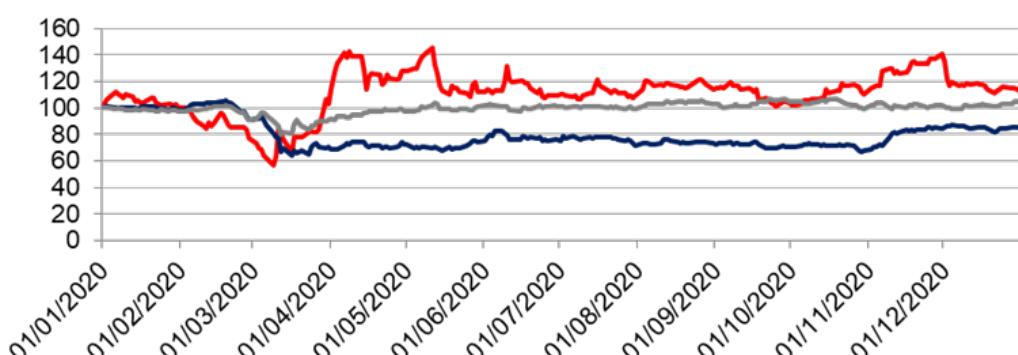
The financial expenses accrued on these outstanding financial liabilities totalled Euros 24,900 thousand in 2020 and Euros 56,929 thousand in 2019.

## STOCK EXCHANGE INFORMATION

**Share Price Evolution**  
(From January 1, 2020 to December 31, 2020)



**Share Price Relative Evolution**  
(From January 1, 2020 to December 31, 2020)



In 2020 DIA's share Price increased by 12.1% while IBEX 35 Index declined by 15.5% and Bloomberg European Food Retail Index increased by 4.2%. During 2020 DIA's share price closed at price of 0.1145 euros per share, being the average share Price during the year of 0.1135 euros.

## CREDIT RATING

Due to the negative evolution of the results, initiated in year 2018 which has been extended to 2019 and 2020, and the highly volatile and disrupted corporate business marked by the Group's transformation, the credit rating agencies Standard and Poor's (S&P) and Moody's have been lowering the long term rating attributed to the DIA Group, losing the investment grade.

At 31 December 2020, credit rating in force is as follow:

Standard & Poor's			
Type of Rating	Rating	Outlook	Date of last review
Corporate	CCC-	Negative	October 2020
Senior unsecured debt	C	Negative	October 2020
Moody's			
Type of Rating	Rating	Outlook	Date of last review
Corporate	Caa2	Negative	April 2020
Probability of default	Caa3-PD/LD	Negative	September 2020
Long-term senior unsecured debt	Ca	Negative	April 2020
Senior unsecured MTN programme	(P)Ca	Negative	April 2020

## DIVIDEND POLICY

The Group has entered into a Syndicated Financing Agreement with a series of Financial Creditors originally signed on 31 December 2018, modified and refinanced on different occasions and maturing on 31 March 2023. This agreement includes a commitment by the Company to not distribute dividends to shareholders without the consent of the financing institutions until the debt owed to them has been repaid in full.

## EVENTS FOLLOWING THE CLOSE OF THE PERIOD

On 10 December 2020, the Board of Directors approved the appointment by co-optation of Mr Marcelo Maia Tavares as other external director of the Parent company, effective from 1 January 2020. As a result of the foregoing, as of 1 January 2021, the Parent company's Board of Directors is comprised of seven members. On the same date, the Board of Directors approved the appointment of Mr Jesús Soto Cantero as new Group CFO, with effect from 1 January 2021.

On 29 January 2021, the loans granted by the Parent company to Dia Argentina, amounting to Euros 12,000 thousand were capitalised via shareholder contributions. The Company contributed 95% of this amount based on its direct ownership interest in the Argentinian subsidiary.

Mr. Christian Couvreux sadly passed away on 15 February 2021. Mr. Christian Couvreux was a member of the DIA Group's Board since May 2019 and chairman of the Appointments and Remuneration Committee, and he sat on the Board's Capital and Financial Structure Committee. Since he joined, Mr Christian Couvreux played a key role in DIA's transformation, bringing his extensive knowledge of and international experience in the food distribution sector.

On 16 February 2021, the credit rating agency, Moody's, confirmed the Company's long-term corporate family rating of Caa2 and upgraded its probability of default rating from Caa3-PD to Caa2-PD. Moody's also confirmed its long-term senior unsecured debt rating of Ca and its senior unsecured MTN programme rating of (P)Ca. It revised the outlook from "negative" to "stable".

On 25 February 2021, the Company has carried out a cash contribution to DIA Brasil for an amount of Euros 10,590 thousand (Brazilian Real 70,000 thousand) as capital increase.

On 11 March 2021, the Company informed that the services in respect of the Company's long-term corporate issuer rating, its probability of default rating, its senior unsecured long-term rating and its senior unsecured MTN program rating

provided by Standard & Poor's Financial Services ("S&P") and Moody's Investors Service ("Moody's") had been cancelled.

On 29 March 2021, DIA repaid an existing bilateral facility in Brazil for a total amount of Euro 35 million in the name and on behalf of DIA Brasil creating an intercompany receivable. On the same date, DIA increased its equity interest in DIA Brazil by way of capitalising this intercompany receivables for an amount of Euro 35 million.

### Global capitalization and refinancing agreement

On 30 November 2020, the Company published a communication of privileged information (registration number 613), informing the market that, following negotiations among L1R Invest1 Holdings S.à r.l. ("L1R"), DEA Finance S.à r.l. ("DEA Finance"), DIA and its syndicated financial lenders (the "Syndicated Lenders"), DIA had reached an agreement with all of its Syndicated Lenders regarding a recapitalisation and refinancing transaction (the "Original Transaction") aimed at providing a stable long-term capital and financial structure for the DIA group.

On 24 March 2021, following subsequent negotiations among DIA, L1R, DEA Finance, and its Syndicated Lenders, DIA has reached a new agreement with all of its Syndicated Lenders (the "Lock-up Agreement") providing a path for a more comprehensive recapitalisation and refinancing transaction (the "Comprehensive Transaction") which would ensure achieving a stable long-term capital and financial structure for the DIA group that would allow the management to focus fully on the implementation of its business plan.

The Comprehensive Transaction would involve the following key elements (interconditional on each other):

- (i) an equity increase at the level of DIA of up to EUR 1,028 million<sup>3</sup> (the "Capital Increase"), in two tranches:
  - (a) a debt capitalisation tranche of EUR 769.2 million to be subscribed for by L1R by way of set-off of the following financial debt within the DIA group (all such debt currently held by DEA Finance shall be purchased by L1R from DEA Finance prior to the capitalisation), at the nominal value of such debt:
    - (w) EUR 200 million debt currently owed by DIA Finance, S.L. to DEA Finance as the principal amount outstanding under the super senior term loan facility (the "SS Facility") (such debt will be transferred from DIA Finance, S.L. to DIA prior to the capitalisation);
    - (x) EUR 292.6 million of principal of the EUR 300 million 1.000% Euro Medium Term Notes maturing on 28 April 2021 (the "2021 Notes") issued by DIA and held by DEA Finance. The remaining outstanding amount owed under the 2021 Notes not held by DEA Finance would be repaid by DIA at maturity on 28 April 2021;
    - (y) EUR 7.4 million debt under a loan to be granted by L1R to DIA to finance (or refinance) the payment by DIA of the principal amount outstanding under the 2021 Notes to those holders of 2021 Notes other than DEA Finance on 28 April 2021 (as referred to in paragraph (x) above); and
    - (z) EUR 269.2 million aggregate principal amount of EUR 300 million 0.875% Euro Medium Term Notes currently maturing on 6 April 2023 (the "2023 Notes") issued by DIA and held by DEA Finance; and
  - (b) a cash tranche of up to EUR 259 million, reserved in first instance to all shareholders other than L1R, so that they can exercise their preferential subscription rights and subscribe for new shares up to their pro-rata entitlements at the same issue price as the new shares to be issued in the debt capitalisation tranche. The cash proceeds raised in the cash tranche would be available for DIA for general corporate purposes, including the acceleration of its business transformation plan. The cash tranche would be subject to

<sup>3</sup> Exact figure may vary in order to allow an adequate Capital Increase exchange ratio.

customary subscription rounds and over-subscription pro-rata rules, and would not be underwritten in case of incomplete subscription;

- (ii) an amendment and restatement of the existing EUR 973,219,190 syndicated facilities agreement (the "SFA") to (a) extend the maturity date of facilities A-F (which amount to a total of EUR 902,426,478) (the "Senior Facilities") from 31 March 2023 to 31 December 2025, and (b) amend other terms and conditions of the SFA (as further detailed in Schedule 1);
- (iii) an amendment of the terms and conditions of the 2023 Notes to (a) extend their maturity date from 6 April 2023 to no earlier than 30 June 2026 and (b) increase the coupon from the date of the amendment to 3.50% per annum (3% in cash and 0.50% PIK) plus an additional increase in interest of 1% PIK in circumstances where PIK is payable under the SFA (as set out below); and
- (iv) an extension of the maturity dates of certain bilateral facilities and credit lines entered into by various DIA group companies with certain Syndicated Lenders or their affiliates (the "Bilateral Facilities").

The Comprehensive Transaction would essentially imply the following changes with respect to the Original Transaction:

- (i) upsizing the equity increase from EUR 500 million to up to EUR 1,028 million, by means of (a) L1R also capitalising the entire principal amount of 2023 Notes held by it, such principal amount being EUR 269.2 million, and (b) offering a cash tranche of up to EUR 259 million for minority shareholders to exercise their pro rata preferential subscription rights; and
- (ii) improving certain terms under the SFA for the benefit of DIA, including (a) introducing an effective basket for a permitted new super senior incremental facilities of up to EUR 50 million to be made available in the form of confirming, term loans and/or revolving commitments (which may be drawn by way of certain ancillary facilities) (the "SS Incremental Facility"), (b) a reduction of the Syndicated Lenders margin with respect to the Original Transaction, and (c) further flexibility around investments in Portugal and Argentina and in permitted disposals and financial reporting, all of it as indicated in Schedule 1.

The effectiveness of the Comprehensive Transaction (and, therefore, of all key elements (i) to (iv) above) is subject to the fulfilment or waiver of certain conditions precedent indicated in Schedule 2 on or before the longstop dates indicated in such Schedule.

The recapitalisation of the DIA group by up to EUR 1,028 million, together with the discharge of EUR 769.2 million of financial liabilities corresponding to the principal owed under the SS Facility, the 2021 Notes, and the 2023 Notes currently held by DEA Finance, in combination with the extension of the maturity dates of the Senior Facilities, the remaining 2023 Notes and the Bilateral Facilities, together with the injection of up to EUR 259 million of additional liquidity under the cash tranche, and with the permitted SS Incremental Facility, will restore and strengthen significantly the net equity position of DIA [(which is currently in a negative equity situation)], materially reduce the financial indebtedness of the DIA group, eliminate refinancing risk over the medium term, reduce significantly DIA group's interest burden, provide additional liquidity to ensure operational financing requirements are in place, improve and accelerate DIA's ability to access debt financing markets on normalised terms, and provide a stable long-term capital structure for DIA that will provide a clear runway for DIA's management to focus entirely on the implementation of its business plan.

#### **Schedule 1 – Summary of amendments to the SFA**

The main terms and conditions of the agreed amendment and restatement of the SFA are the following:

- (i) extension of the maturity date of the Senior Facilities from 31 March 2023 to 31 December 2025;
- (ii) extension of the maturity date of the Bilateral Facilities owed by DIA or any of its affiliates to a Syndicated Lender or its affiliates to a later date that is satisfactory to the Company, and otherwise on terms and conditions materially consistent with the relevant Bilateral Facility agreement;
- (iii) repayment of (a) up to EUR 35 million of the super senior supplier commitments (the "SS Supplier Commitments") upon effectiveness of the Comprehensive Transaction, and (b) the rest of the SS Supplier Commitments (that is, at least EUR 35,792,712) by no later than 17 July 2022, with the amount of the repayments that each Syndicated

Lender is entitled to being reduced on a euro-for-euro basis if a Bilateral Facility in respect of which it is a lender is permanently reduced and/or cancelled on or before the date on which each repayment falls due for payment;

- (iv) increase in the total amount of the Syndicated Facilities available to be utilised by way of confirming lines or bilateral credit facilities by (a) an amount equal to the amount by which the SS Supplier Commitments are reduced and cancelled from time to time (such increase not resulting in an increase in the total aggregate amount of the Syndicated Facilities) and conversion of certain RCF commitments into term loan commitments, and (b) the SS Incremental Facility, which, subject to reaching an agreement with the Syndicated Lenders on the provision of such SS Incremental Facility and on its terms, may be made available in the form of confirming lines, bilateral facilities, revolving credit facilities, or term loans (should certain institutions not be able to provide ancillary facilities), up to an amount depending on the amount of cash proceeds received by DIA in the cash tranche of the Capital Increase, based on the following grid:

Cash proceeds received by DIA in the Capital Increase	Incremental facility commitments
Equal to or less than EUR 50 million	Nil
Greater than EUR 50 million but less than EUR 100 million	EUR 15 million
Equal to or greater than EUR 100 million but less than EUR 150 million	EUR 30 million
Equal to or greater than EUR 150 million but less than EUR 200 million	EUR 40 million
Equal to or greater than EUR 200 million	EUR 50 million

such SS Incremental Facility of up to EUR 50 million (x) ranking super senior (this is, it would rank senior to the Senior Facilities and the SS Supplier Commitments), (y) being subject to a 7% margin cap, and (z) with the rest of its terms and conditions to be negotiated with the Syndicated Lenders;

- (v) elimination of the annual cash sweep from a proportion of free cash flow, which would otherwise apply from the second quarter of 2022;
- (vi) fixed amortisation of EUR 25 million of the Senior Facilities on 31 March 2023 and EUR 25 million on 31 March 2024 (the “Early Repayments”), with the amount of Early Repayments that each Syndicated Lender is entitled to being reduced on a euro-for-euro basis if a Bilateral Facility in respect of which it is a lender is permanently reduced and/or cancelled on or before the date on which each Early Repayment falls due for payment. Such potential reduction to the Early Repayments will not apply if the Restated EBITDA (as defined in the SFA) for the financial year ending immediately prior to the date on which that Early Repayment falls due exceeds EUR 300 million;
- (vii) initial reduction of the super senior secured facilities basket (the “SS Facility Basket”) from EUR 380 million to EUR 75 million plus any amount of the SS Supplier Commitments which has not yet been repaid by the Company (as per paragraph (iii) above). Any amounts borrowed under the SS Incremental Facility would utilise capacity under the EUR 75 million SS Facility Basket;
- (viii) elimination of the EUR 400 million additional senior and junior debt basket, which was intended for the purposes of, amongst other things, refinancing the 2021 Notes;
- (ix) increase in the applicable margin for Syndicated Lenders under the Senior Facilities from 250 basis points per annum to the lower of (a) 325 basis points per annum, or (b) 300 basis points per annum if (y) an aggregate principal amount of 2023 Notes currently held by DEA Finance in an amount of EUR 269.2 million has been capitalised in the Capital Increase, and (z) the amount of cash proceeds received by DIA in the cash tranche of the Capital Increase is equal to or greater than EUR 125 million;
- (x) margin ratchet of 125 basis points per annum PIK if (a) the leverage ratio for the relevant 12 month period ending on each of 31 December 2022 and/or 30 June 2023 is greater than 3.25:1, and/or (b) the leverage ratio for each 12

month period ending on each of 31 December and 30 June thereafter is greater than 2.50:1, such increase ceasing to apply if the leverage ratio falls below the relevant threshold on any subsequent test dates;

- (xi) obligation to deliver to the Syndicated Lenders a budget for financial years 2021 and 2022 as a condition to the completion of the Comprehensive Transaction, and an updated business plan (to include financial years 2023, 2024 and 2025) no later than 31 December 2022 (the "Updated Business Plan");
- (xii) roll forward of the Company's financial covenants, based on the Updated Business Plan, with the Company's leverage covenant for financial years 2023 to 2025 being equal to or lower than the leverage covenant included for financial year 2022 in the Company's existing business plan;
- (xiii) extension of permitted debt and equity baskets to allow certain investments by the DIA group in Portugal and Argentina (in addition to Brazil), and increase of the permitted disposals basket;
- (xiv) elimination of certain obligations of upstreaming cash from foreign operating subsidiaries exceeding certain minimum agreed levels of cash which are currently contemplated under the SFA;
- (xv) acknowledgement that the Company's hive down obligations under the SFA have been fully satisfied and that the Company is under no further obligation to take further actions with respect to the hive down save for:
  - (a) the transfer of any asset of the Company (other than shares in any other subsidiary) which has not been transferred to DIA Retail España, S.A. because of one or more of the restrictions agreed under the SFA applying, which the Company must procure to execute if and to the extent that all applicable restrictions cease to apply at any time;
  - (b) the transfer of the Company's shares in its Brazilian and Argentinean subsidiaries to the corresponding wholly owned Luxembourg companies, which the Company must procure to execute if and to the extent there is a change in law or the applicable tax regime(s) that would allow the relevant shares to be transferred without any cost; and
  - (c) the transfer of the Company's shares in its Portuguese subsidiary to the relevant wholly owned Luxembourg company, in respect of which the Company must use best endeavours to effect such transfer as soon as reasonably practicable after the relevant legal, regulatory or taxation impediment to the transfer ceases to apply;
- (xvi) obligation to (a) submit a petition for the *homologación judicial* before the relevant Spanish court of an ad hoc refinancing agreement to be entered into between, among others, the Company and the Syndicated Lenders, and (b) use its reasonable endeavours to pursue the successful sanction (*auto de homologación*) of the ad hoc refinancing agreement by the relevant Spanish court, but without guaranteeing or committing to any result.

## Schedule 2 – Conditions Precedent

The effectiveness of the Comprehensive Transaction (and, therefore, of all items (i) to (iv) in the first page of this communication of inside information) is subject to the fulfilment or waiver of certain conditions precedent by the longstop dates indicated further below, including the following (the "Conditions Precedent"):

- (i) evidence that the maturity date in respect of the 2023 Notes not currently held by DEA Finance has been extended to no earlier than 30 June 2026 and that the interest rate under the 2023 Notes is no higher than 3.50% per annum (3% in cash and 0.50% PIK) plus an additional increase in interest of 1% PIK in circumstances where PIK interest is payable under the SFA;
- (ii) evidence to the satisfaction of the Company that the lender of each of the Bilateral Facilities has committed to consider and negotiate in good faith a potential further extension of the maturity date from its current maturity date (considering the relevant extensions agreed on 18 December 2020);
- (iii) evidence that the confirming lines, factoring lines or bilateral credit facilities by virtue of which the ancillary facilities are documented have been amended to reflect the applicable margin in accordance with the amendments agreed in the amended and restated SFA;
- (iv) evidence of discharge of the outstanding principal amount under the SS Facility, the 2021 Notes and the 2023 Notes (or with respect to the 2023 Notes held by DEA Finance, any instrument into which such 2023 Notes have been exchanged prior to the closing of the Comprehensive Transaction to facilitate the implementation of the

Comprehensive Transaction) currently held by DEA Finance through the issuance of new shares by the Company in the Capital Increase, and/or from the proceeds thereof;

- (v) evidence that (a) the Company has discharged its obligations to repay the outstanding principal amount in respect of the 2021 Notes not currently held by DEA Finance, and (b) L1R or DEA Finance has made available a new loan to the Company in an amount equal to the outstanding principal amount in respect of the 2021 Notes not currently held by DEA Finance, and the Company's obligation to repay such new loan has been discharged through the issuance of new shares by the Company to L1R;
- (vi) execution of an ad hoc refinancing framework agreement for the sole purposes of filing (after the effectiveness of the Comprehensive Transaction) for the *homologación judicial* in Spain of such ad hoc refinancing agreement;
- (vii) extension and ratification of the existing security package; and
- (viii) other customary conditions precedent in this type of agreements (such as execution, notarisation and delivery of certain documentation and confirmation that no event of default has occurred and is continuing).

The longstop date for the fulfilment or waiver of the Conditions Precedent is the later to occur of the following dates (or such other date as DIA and the agent in respect of the Senior Facilities may agree):

- (i) 30 July 2021; or
- (ii) 29 October 2021, in the event that the prospectus required for the proposed Capital Increase has not been approved by the *Comisión Nacional del Mercado de Valores* by 15 June 2021 (provided that the Company has used reasonable endeavours to achieve such approval by 15 June 2021).

## OTHER INFORMATION

DIA's Corporate Governance Report is part of the Director's Report and is available at [www.diacorporate.com](http://www.diacorporate.com) and published as price-sensitive information on the CNMV (Spanish National Securities Market Commission) website.

In accordance with the Law 11/2018, of December 28 regarding non-financial information and diversity, the DIA Group has prepared the "NON-FINANCIAL INFORMATION STATEMENT" related to the 2019 financial year, which is part, as established in articles 44 and 49 of the Commercial Code of this Director's Report and which is attached as a separate document.



## **Distribuidora Internacional de Alimentación, S.A.**

Independent verification report  
Non-Financial Information Statement  
31 December 2020

***This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.***

## Independent verification report

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

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying Non-Financial Information Statement (hereinafter "NFIS") for the year ended 31 December 2020 of Distribuidora Internacional de Alimentación, S.A. (the Parent company) and subsidiaries (hereinafter "DIA" or "entity" or "the Group") which forms part of DIA Group's Consolidated Management's Report (hereinafter "CMR") attached.

The content of the NFIS includes additional information to that required by the current commercial legislation on non-financial information reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in Appendix "Traceability Matrix - Act 11/2018 and GRI indicators" of the accompanying NFIS.

### Responsibility of the directors (of the Parent company)

The preparation of the NFIS included in DIA's CMR and the content thereof, are responsibility of directors of DIA, S.A. The NFIS has been drawn up according to the provisions of current commercial legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter "GRI Standards") selected, in line with the details provided for each topic in the section "Traceability Matrix - Act 11/2018 and GRI indicators" of the aforementioned NFIS..

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to ensure that the NFIS to be free of any immaterial misstatement, due to fraud or error.

The directors of DIA, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS is obtained.

### Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in Non-Financial Information reviews and specifically in information on economic, social and environmental performance.

#### **Our responsibility**

Our responsibility is to express our conclusions in an independent limited assurance verification report based on the work carried out. Our work has been aligned with the requirements set by the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution and are more restricted than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to management and several DIA, S.A. units that were involved in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with DIA S.A. personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the contents included in the NFIS for 2020, based on the materiality analysis carried by DIA and described in "Management of corporate social responsibility at DIA" section, considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in the NFIS for 2020.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFIS for 2020.
- Verification, through sample testing, of the information relating to the content of the NFIS for 2020 and its adequate compilation using data supplied by the sources of information.
- Obtainment of a management representation letter from the directors and the management of the Parent company.



## Conclusions

Based on the procedures performed in our verification and the evidence we have obtained, no matters have come to our attention which may lead us to believe that NFIS of Distribuidora Internacional de Alimentación, S.A. and its subsidiaries for the year ended 31 December 2020 has not been prepared, in all of their significant matters, according to the provisions of current commercial legislation and with the GRI Standards selected, in line with the details provided for each topic in the section "Traceability Matrix - Act 11/2018 and GRI indicators" of the aforementioned NFIS.

## Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by  
Pablo Bascones Ilundain

28<sup>th</sup> of April, 2021

## **2020 CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT**

Distribuidora Internacional de Alimentación, S.A. and its subsidiaries have prepared the consolidated non-financial information statement in accordance with the requirements of Act 11/2018 of 28 December, amending the Code of Commerce, the consolidated Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Act 22/2015 of 20 July on the Auditing of Annual Accounts, with regard non-financial reporting and diversity. This report is part of DIA Group's 2020 Consolidated Directors' Report.

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

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## **1. BASIS OF PREPARATION FOR THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT**

DIA Group Directors' Report includes both its financial and non-financial information, based on the recommendations of the "*Guide for the preparation of management reports of listed companies*" of the Spanish Securities Market Commission (hereinafter, the "CNMV") and the requirements of Act 11/2018 of 28 December, amending the Code of Commerce, the consolidated Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Act 22/2015 of 20 July on the Auditing of Annual Accounts, with regard non-financial reporting and diversity. This "integrated" approach combines information on the environmental, social and employee-related issues needed to understand the impact of DIA Group's activity with information on the Group's financial position.

The Consolidated Non-Financial Information Statement (hereinafter, "NFIS") of Distribuidora Internacional de Alimentación SA and Group subsidiaries (hereinafter, either "DIA", "Group", "DIA Group" or the "Company") is issued on a yearly basis and includes general consolidated data about the Company<sup>1</sup> for 2020. The information has been prepared in accordance with current legislation on the issues relevant to the Group. A large part of the information contained in the report is structured around the company's main stakeholders, detailing current communication channels, key risks, associated policies and impacts and also the main actions. The indicators used follow the *Global Reporting Initiative* standards (GRI) and show the Company's performance in 2020 compared to the previous year. More detailed information for certain indicators included in this report is provided in the appendix "Regional information on key indicators".

For any general enquiries about this report, stakeholders should contact the Sustainability and Communications and External Relations departments at St. Jacinto Benavente 2A, CP 28232, Las Rozas de Madrid, or by sending an email to [rsc@diagroup.com](mailto:rsc@diagroup.com) and [comunicacion@diagroup.com](mailto:comunicacion@diagroup.com).

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<sup>1</sup> All companies that comprise DIA Group are included in this report (see Corporate structure in section "4.1. Company presentation"). It is however important to note that in terms of size and activity, the most significant companies from an ESG (environmental, social and governance) perspective are: Distribuidora Internacional de Alimentación, S.A. as the parent company; DIA Portugal Supermercados, Lda and DIA Portugal II in Portugal; DIA Argentina, S.A. in Argentina; DIA Brasil Sociedade Limitada in Brazil; DIA Retail España, S.A.U., Beauty by DIA, S.A.U. and Grupo El Árbol, Distribución y Supermercados, S.A.U. in Spain.

## 2. COVID-19 PANDEMIC MANAGEMENT AND OTHER KEY EVENTS OF 2020

The serious crisis caused by the global Covid-19 pandemic declared by the World Health Organization in March 2020 and caused by the SARS-CoV-2 coronavirus has disrupted our way of life, our habits and the way we relate to each other. DIA Group was aware of this from the beginning and has addressed this event with the seriousness and professionalism it required.

As an essential service, the Company has played a key role in ensuring provisions have reached the population, particularly during the months of lockdown, as a result of its proximity and close relationship with society. In other words, the unprecedented context that we have experienced has demonstrated the relevance and value of the purpose that guides DIA's day-to-day operations: to be "closer every day" to its stakeholders.

New priorities that have been addressed due to the pandemic	
Employees	Protect employees' health, respond to the high level of turnover, promote work-life balance, and ensure information security for remote working.
Franchisees	Ensure the supply to the store network and protect the health of franchisees.
Customers	Ensure the supply to the entire store network, protect customers' health, and respond to the increase in online demand.
Suppliers	Ensure the supply to the entire store network.
Environment	Certain risks have become more relevant with the pandemic, such as ensuring the sustainability of raw materials and deforestation in particular. All of this has been taken into account in the new Sustainability Plan that is being put together at the same time as this report.
Society	Address the increase in food demand by the most vulnerable groups by donating basic products, helping to minimise the economic and social crisis (labour integration).

Summary table 1: New priorities that have been addressed due to the pandemic. Further details about these actions can be found in each of the sections on the main stakeholders in this report.

This unprecedented response has gone hand in hand with the immediate implementation of health protection measures which, very often, have gone beyond what the authorities have imposed. To this end, ad-hoc management protocols and procedures have been set up in stores, warehouses, regional centres and DIA offices, protection equipment has been supplied to prevent and avoid the spread of infection among employees, franchisees and customers, and flexible and remote working plans have been drawn up. All these measures, which are discussed in greater detail in the chapters on Customers, Employees and Franchises, have been specifically adapted to the most vulnerable, such as those who have a chronic illness, are immunodeficient or the most elderly.

Along with ensuring basic supply processes, DIA has, in record time, strengthened a service that has proved to be of great value to customers, especially during the pandemic's toughest moments, and among certain vulnerable groups: online shopping. In Spain alone, and thanks to an alliance with other logistics operators, DIA has reached 500 towns and 26 million customers in record time, delivering over one million orders during the first lockdown.

To alleviate the negative impact of the pandemic on society, in April the Group launched the **DIAContribuye2020 programme in the four countries it operates in**. This programme involved several actions and initiatives, which resulted in the donation over one million kilos of essential items (food, masks and hygiene products) to not-for-profit organisations, public administrations and hospitals, seeking to minimise the socio-economic impact on affected groups, especially the most vulnerable.

Lastly, the Company also wants to use the publication of these Annual Accounts to once again thank each of its 39,583<sup>2</sup> employees in the four countries where it operates for their hard work and professionalism. The commitment they have shown has exceeded all expectations and is a genuine reflection of the company we are building, and society has been very aware of this.

Although ensuring operations to distribute food to each of the neighbourhoods has taken great efforts by the Company, the exceptional situation has not prevented DIA from moving forward with its roadmap to

<sup>2</sup> Directors, employees of franchises or other external parties have not been included in this breakdown.

become one of the companies most highly valued by customers, shareholders and the other stakeholders on which it depends and to whom it is indebted.

Below we highlight the key events for the Company in 2020. They are conveniently described in each of the report's chapters:

- **New business range:** the range available in shops has been simplified, based on a business offering that is better aligned with customers' needs, in particular fresh goods, thus making shopping and the teams' operational work easier.
- **Own brand renewal:** as part of this move to strengthen the sales proposal for customers, both the quality and presentation of DIA's own brand have been renewed.
- **Defining the new store concept:** the new store concepts that are adapted to the local characteristics of the countries where they operate have been tested so as to improve customers' shopping experiences.
- **Outlining the new franchise management model: a new franchise management model has been outlined, which is more profitable for the franchisee and more transparent.**
- **Expanding the online service:** 2020 has been a complicated year and in order to respond quickly to customer demand, the Company activated its online service in Portugal and Brazil, while in Argentina, the service that began in 2019 was improved. Spain's distribution network has also been strengthened with new order preparation points, turning shops into dark stores (small warehouses in certain city centres). The express service with deliveries of orders in under an hour has also been rolled out.
- **New capital structure:** having reached an agreement with the syndicated lenders and the leading shareholder, the Company has been provided with an optimal capital structure that enables it to focus exclusively on the business and its plans for transformation.
- **Improved corporate governance:** 2020 has also served to further improve clarity and simplicity and the values that govern business management and decision making. New Internal Compulsory Regulation (ICR) approved for the entire Group and improvements to an anonymous reporting system managed by an independent third party stand out.
- **More transparent relations:** DIA has worked hard to rebuild the trust-based relationship with all its stakeholders to form the basis for a transparency-centred business culture.
- In terms of environmental issues, **DIA Group has been included on the A List of companies by the Carbon Disclosure Project (CDP)**, being the only food distribution company in Spain to achieve this recognition and thus demonstrating its commitment to reducing greenhouse gas emissions. CDP is a not-for-profit charity with the largest global database of corporate emission and climate change-related information.
- **New purpose:** the Company has defined a purpose that encompasses all those who are part of it. "Closer every day" represents the local nature of the business, the corner shop, but also new ways that we can be closer to customers, to the online business, and to other stakeholders.

### 3. BUSINESS MODEL

DIA Group is a leading company, engaged in the distribution and retail sale of food and household products, aiming to offer the best quality products at the best price to its millions of customers in Spain, Portugal, Brazil and Argentina.

At the 2020 close, DIA's network of supermarkets included a total of 6,169 own stores and franchises. In particular, proximity and closeness are the foundations of the Company's business model in the four countries where it operates. Its many physical sales points enable DIA to meet the ongoing needs of its customers. DIA Group also offers its online service to all customers in Spain, Portugal, Argentina and Brazil via its own website or through specific agreements with third parties through whom the Company operates a market place. Furthermore, DIA has linked up with express home delivery companies so that customers can receive their purchases in less than one hour.

With the commitment and passion of its more than 39,500 employees around the world, DIA strives to be "closer every day" to its employees, franchisees, suppliers and, of course, its customers, giving them the service and value proposal they demand.

Its franchise network, which represents 43% of the total store network, makes DIA Group the leading franchisor in Spain in terms of turnover and number of stores, and the sixth-largest franchisor in Europe.<sup>3</sup> The DIA franchise has been bolstered by a new management model that aims to provide greater security and financial independence to franchisees, leading to a fairer system that places the franchisee as a genuine DIA business partner.

The Company's offering aims to combine an attractive and quality own brand, which has a history of over 30 years, with a balanced, adequate range of products by international brands. Fresh produce is key to DIA's business model, particularly fruit and vegetables. The range of fresh produce has been increased and it is now better quality and fresher. Clarel is a corner shop concept focused on personal care, with beauty and household products. It also has a limited number of food products on offer.

DIA suppliers, who are essentially local, are chosen using demanding food safety and quality criteria. Together with them, and thanks to a logistics distribution system with 31 warehouses around the world (31 warehouses in 2019 also)<sup>4</sup>, DIA Group supplies its network of stores daily so that they can offer the best selection of products at all times.

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<sup>3</sup> 2020 Franchise Direct ranking.

<sup>4</sup> DIA Group's 2019 Consolidated Non-Financial Information Statement mentions a total of 29 warehouses, as the 2 Clarel warehouses in Spain were not included.

## 4. STRUCTURE AND CORPORATE GOVERNANCE

### 4.1. Company presentation

Distribuidora Internacional de Alimentación S.A., together with its subsidiaries, is a leading proximity store distribution company with over 16 million customers worldwide. With its headquarters in Las Rozas de Madrid and listed in Spain on the Madrid, Barcelona, Bilbao and Valencia Stock Markets, DIA Group is the food retailer with the largest store network, the highest penetration rate in small towns and the fourth largest market share in Spain at the end of 2020.<sup>5</sup>

At 31 December 2020, DIA Group operated 6,169 stores in Spain, Portugal, Brazil and Argentina, and including franchises and Clarel (at 2019 year end, 6,626 stores were open), and it had 39,583 employees worldwide (39,374 in 2019).

The Group has four business units: Spain, Portugal, Brazil and Argentina. At 31 December 2020, Spain represented 65.5% of the Group's sales (in 2019 it was 60.8%), Portugal 9.2% (in 2019 it was 8.6%), Brazil 13.5% (in 2019 it was 17.2%) and Argentina 11.8% (in 2019 it was 13.4%).

#### a) Corporate structure

Name	Registered address	Activity	% investment 2020	% investment 2019
DIA Portugal Supermercados, S.A.	Lisbon	Wholesale and retail distribution of food and consumer products.	100.00	100.00
DIA Portugal II, S.A.	Lisbon	Retail distribution of food and consumer products.	100.00	100.00
DIA Argentina, S.A.	Buenos Aires	Wholesale and retail distribution of food and consumer products.	100.00	100.00
Distribuidora Internacional, S.A.	Buenos Aires	Service consultancy	100.00	100.00
DIA Brasil Sociedade Limitada	Sao Paulo	Wholesale and retail distribution of food and consumer products.	100.00	100.00
DBZ Administração, Gestão de Ativos e Serviços Imobiliários, L.T.D.A.	Sao Paulo	Administration of properties owned by DIA Brazil.	100.00	100.00
DIA Retail España, S.A.U.	Las Rozas de Madrid	Wholesale and retail distribution of food and consumer products.	100.00	100.00
Pe-Tra Servicios a la distribución, S.L.U.	Las Rozas de Madrid	Leasing of business premises.	100.00	100.00
DIA World Trade, S.A.	Geneva	Provision of services to suppliers of DIA Group companies.	100.00	100.00
Beauty by DIA, S.A.U.	Las Rozas de Madrid	Marketing of drugstore and perfumery products	100.00	100.00
Grupo El Árbol, Distribución y Supermercados, S.A.U.	Las Rozas de Madrid	Wholesale and retail distribution of food and consumer products.	100.00	100.00
Finandia, S.A.U.	Las Rozas de Madrid	Loans and credit transactions, including consumer credit and the financing of sales transactions.	100.00	100.00
DIA FINANCE, S.L.U.	Las Rozas de Madrid	The import, export, acquisition, distribution and wholesale and retail sale of food, drink, goods and other household products.	100.00	100.00
Luxembourg Investment Company 317, S.A.R.L. <sup>6</sup>	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 318, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 319, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00

<sup>5</sup> Kantar Worldpanel.

<sup>6</sup> Against the backdrop of the agreement to amend and consolidate DIA Group's bank debt, on the 30 August 2019 the General Shareholders' Meeting agreed to a Hive Down at the request of the syndicated lenders. To execute this agreement, and following approval of this transaction by DIA Group's Board of Directors on 26 December 2019, several transactions and legal formalities were initiated during the first few months of 2020 to transfer the Company's main business units to certain subsidiaries, either directly or indirectly, owned by several Luxembourg companies, which in turn are direct or indirect subsidiaries of DIA, S.A.

Name	Registered address	Activity	% investment 2020	% investment 2019
Luxembourg Investment Company 320, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 321, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 322, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 323, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
CD Supply Innovation, S.L., in the process of winding up.	Madrid	Purchase of own-brand products from its partners.	50.00	50.00
ICDC Services, S.A.R.L., in the process of winding up.	Geneva	Negotiation with private label international suppliers.	50.00	50.00
Horizon International Services, S.A.R.L.	Geneva	Negotiation with private label international suppliers.	25.00	25.00

Table 1: List of subsidiaries that, together with DIA, S.A., comprise DIA Group at 31 December 2020, including company name, registered address, main business activity and the company's direct or indirect shareholding (percentage).

b) Shareholder structure at year end

	Percentage of shares 2020	Percentage of shares 2019
Treasury stock	0.015%	0.015%
Free Float	21.157%	25.166%
LETTERONE INVESTMENT HOLDINGS, S.A.	74.819%	74.819%
ÈGOIRE AUGUSTIN BONTOUX HALLEY	4.009%	N/A

Table 2: Significant shareholdings and treasury stock at 31 December, according to the Annual Corporate Governance Report (ACGR) available at [www.diacorporate.com](http://www.diacorporate.com)

## 4.2. Corporate governance

DIA Group's corporate governance system strives to ensure not only the meeting of targets and company growth, but also an appropriate climate of control and compliance with both internal and external regulations.

The company's internal regulations are in line with the Spanish Companies Act, the CNMV's Code of Good Governance for Listed Companies and best practice in listed companies. Key internal regulations include: the Articles of Association, the General Shareholders' Meeting Regulations, the Board of Directors Regulations, the Audit and Compliance Committee Regulations, the Internal Code of Conduct on the Securities Market, the Ethics Code and corporate policies.

In order to make progress on corporate governance, and without prejudice to the fact that it was already specifically included in its operating regulations (which can be consulted on the DIA corporate website), the Board of Directors approved on October 29, 2020 a specific policy on Conflict of Interest Management and Related-Party Transactions that includes the applicable regulations in this matter, clearly betting on transparency, independence and the orientation towards compliance with the best standard of good corporate governance.

### Membership of and changes to the Board of Directors and the executive team

In accordance with its regulations and through the Appointments and Remunerations Committee, DIA's Board of Directors ensures that director selection procedures encourage a diversity of experience and knowledge. Proposed appointments are always based on a prior analysis of Board needs so that each

member is a professional with a clear executive background and ample experience in retail and consumer goods related businesses.

On 30 August 2019, the Extraordinary General Shareholders' Meeting set the maximum number of Board of Director members at eight. The professional backgrounds of the members of the Board of Directors can be viewed on DIA's website. Board members are taking a new approach to performance management and financial oversight.

At 31 December 2020, the Board of Directors had the following members: Stephan DuCharme, Jaime García-Legaz Ponce, Sergio Ferreira Dias, José Wahnon Levy, Christian Couvreux and Basola Vallés. Effective 1 January 2021, Marcelo Maia Tavares, former Executive Chairman of DIA Brasil, joins the board as an external director.

In addition to the Board changes, on 21 May 2020 Stephan DuCharme was appointed as the Group's new CEO to lead the Company's transformation<sup>7</sup>. Alongside the Executive Committee, whose members have extensive experience in the retail industry, DuCharme is in charge of executing the new business plan, where the main aim is to stabilise operations and to capitalise on the Company's strengths and opportunities so as to meet its targets.

Generally speaking, the new corporate organization aims to create a leadership culture with a strong focus on accountability, ethics, performance management and a sense of commitment.

### **Board committees**

There are several Board committees that are governed by the company's articles of association, the Board of Directors Regulations and the specific committee regulations, if applicable. These Committees are structured as followed:

#### Audit and Compliance Committee

José Wahnon Levy (Independent Chair and Director).  
 Sergio Ferreira Dias (External Proprietary Director)  
 Jaime García-Legaz Ponce (Independent Director).

#### Appointments and Remuneration Committee

Christian Couvreux (Independent Chair and Director)  
 Jaime García-Legaz Ponce (Independent Director).  
 Basola Vallés (Independent Director)

#### Capital Structure and Finance Committee

Jaime García-Legaz Ponce (Independent Chair and Director)  
 Christian Couvreux (Independent Director)  
 Sergio Ferreira Dias (External Proprietary Director)

### **Directors' remuneration**

In accordance with the Spanish Companies Act and the Company's internal regulations, members of the Board of Directors shall receive remuneration, in their capacity as directors, that is determined by the General Shareholders' Meeting via the approval of a Remuneration Policy, submitted for approval at least every three years. Directors' remuneration for each year, explained in detail in the Annual Remuneration Report, comprises a fixed monthly amount and a deferred remuneration in shares.

On 30 August 2019, the Extraordinary General Shareholders' Meeting approved a new 2020-2022 Directors' Remuneration Policy with the following features:

- Engagement, attraction and talent retention: the aim of the Remuneration Policy is to reward the quality, dedication, accountability, business expertise and engagement with the company of individuals in key posts who lead the organisation.

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<sup>7</sup> On 20 May 2020, Karl-Heinz Holland left the Company.

- External and internal equality: the external competitive environment and internal equity shall be taken into consideration when setting remuneration.
- Transparency.
- Encourage the long-term creation of value for the company and its shareholders.
- Proprietary directors shall not be paid for their work as directors.

Board of Directors	From	Until	Financial instruments	Fixed remuneration	Compensation	No competition	Others (compensation in kind )
Christian Couvreaux	01/01/2020	31/12/2020	-	170.00	-	-	-
José Wahnon	01/01/2020	31/12/2020	-	150.00	-	-	-
Jaime García-Legaz	01/01/2020	31/12/2020	-	183.00	-	-	-
Basola Vallés	01/01/2020	31/12/2020	-	114.00	-	-	-
Karl-Heinz Holland	01/01/2020	25/05/2020	-	1,167.00	2,850.00	300.00	20.10
Michael Joseph Casey	01/01/2020	14/01/2020	-	-	-	-	-
Stephan DuCharme	01/01/2020	31/12/2020	-	-	-	-	-
Sergio Antonio Ferreira Dias	01/01/2020	31/12/2020	-	-	-	-	-
<b>TOTAL</b>			-	<b>1,784.00</b>	<b>2,850.00</b>	<b>300.00</b>	<b>20.10</b>

Average remuneration paid (thousands Euros)			
	2020		2019
	Men	Women	Men
Directors	585.32	114.00	680.84
			123.21

Table 3a and 3b. Total remuneration and average remuneration paid to directors for all remuneration items, considering in the average remuneration calculations the real time that each one has served as a director during 2020, in thousands of euros. The Executive Director Karl-Heinz Holland received a compensation of 2,850,000 euros in 2020 that has not been included in the calculation of the average remuneration, although his remuneration as an executive has been included. Since proprietary directors do not receive any remuneration for their work on the Board, they have not been taken into account for this calculation either. More information in this regard can be found in note 21 of the Consolidated Annual Accounts and in the Annual Report on Directors' Remuneration for the financial year 2020.

#### 4.3. Internal control system

Internal control system at DIA, based on the COSO framework, aims to provide reasonable assurance in the accomplishment of the goals pertaining to operations, information and compliance. The system is standard across the board for the entire Group and provides a comprehensive overview of all the company's control areas:

- Operational control: focuses on the effectiveness and efficiency of operations in stores, warehouses, the supply chain and purchasing, among other areas. This also covers the organisation itself, its performance targets and protection of the Company's assets against losses.

- Information control: relates to financial and non-financial reporting and can encompass reliability, transparency and other concepts established by the regulators, external standardisation bodies and Group policies.
- Compliance: ensures compliance with voluntary commitments undertaken, values and the internal and external regulations applicable to DIA Group in each of the countries where it is present.

Improving and consolidating the internal control model has been one of the Company's priority projects in the last two years. Two key milestones stand out:

- a) The creation of the Group's Internal Control Committee, represented by a coordinator and country representatives from the main control units (operational, information and compliance).
- b) Improving the Company's regulatory system by creating a stable framework that adapts to the operating and business environment of DIA Group. This system is made up of different standards:
  - Code of Ethics: formalizes DIA Group ethics and compliance model.
  - Corporate policies<sup>8</sup>: these policies set out the general principles that should govern all Company matters, following the CNMV's Good Governance recommendations. If applicable, they are approved by the Board of Directors.
  - Internal Compulsory Regulations (ICR): these standards regulate high impact issues and those of a critical nature for the Group, including key controls. These types of standards have been introduced into the Company's regulatory system in 2020. The Internal Control Committee has approved a set of twenty-nine ICRs that cover key risks in the three control areas and are applicable throughout the DIA Group.
  - Implementing and procedural standards: these include all other company operating standards, some of which are corporate and others which are specific to certain countries.

Internal control is a process carried out by the Board of Directors, the Management and the rest of the entity's personnel. More details on implementing the Company's regulatory system are provided in the chapters below.

#### 4.3.1 Ethical management and compliance

DIA Group has developed its Compliance management model to align with best corporate governance practices in order to achieve a sustainable, ethical and transparent business model, for the benefit of all of its stakeholders. In particular, DIA Group Compliance is guided by the following basic principles:

- a) Compliance risks are analysed on a regular basis.
- b) Expected behaviours are carefully defined in different Policies and internal systems, which are shared and actively communicated to all employees. In this regard, mention should be given to the approval and dissemination, during 2020, of the following policies relating to the improvement of the compliance framework:
  - The Corporate Internal Regulatory Framework Policy, which laying the foundation for the production, approval and publication of the regulations developed by DIA Group.
  - The Compliance Policy, which defines the principles of Compliance and forms the basis of the running and development of DIA Group's Compliance Function.
  - The International Sanctions Policy, which aims to establish a regulatory framework for all scenarios in which DIA Group may be involved during the course of its commercial activities and establishing an authorisation procedure that allows DIA to maintain control of all relationships entered into with third parties.

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<sup>8</sup> The policies that cannot be delegated by the Board of Directors according to law, the Company's Articles of Association or Good Governance recommendations are available on [www.diacorporate.com](http://www.diacorporate.com).

- The Anti-Bribery Policy, which defines the compliance regulations for the supervision and safeguarding of DIA's position with regard to bribery; and establish effective communication and awareness mechanisms between the Regulated Parties in order to prevent, detect and react to bribery-related issues.
- The Policy on Managing Conflicts of Interest and Related-Party Transactions, which aims to establish and regulate the procedure applicable in situations in which there is a direct or indirect clash between the interests of DIA or DIA Group companies and the personal interests of the members of the governing bodies of DIA Group companies and their representatives.

c) There are independent bodies for prevention and compliance, the Internal Control Committee and the Ethics Committee, which report on an independent basis directly to the Audit and Compliance Committee and the Board of Directors.

d) There is a Whistleblowing Hotline for reporting any irregularity, anonymously and confidentially, which is facilitated by an external third party and managed internally and guarantees compensation of the claimant within a maximum period of instruction and resolution.

DIA Group also has an Anti-fraud and Anti-corruption programme, which identifies and assesses these risks in each of the jurisdictions in which it operates, overseen by an appointed manager. The risks identified by this programme include bribery, facilitation payments, money laundering<sup>9</sup>, conflicts of interest, distortion of market competition, financing political parties, their candidates or their foundations, or influence peddling. The correct application of risk controls is part of the annual internal audit plan.

Additionally, DIA Spain has applied a Crime Prevention Model that detects and assesses the risk of a crime being committed that could result in the legal entity being held criminally liable, as well as the standards, procedures and controls needed to prevent these crimes from being committed. A Company manager has been appointed internally to lead the crime prevention function. This individual ensures that the model is maintained and operates correctly and reports to and continually assists the Head of Compliance and the Ethics Committee.

#### **Ethics Code**

The Ethics Code is the cornerstone not only of the compliance system, but the foundations for the development of the other policies and standards governing the business. This Code formalises the DIA Group's ethics and compliance model and the guidelines for mandatory conduct of Group employees, executives and directors, including the parent company and its subsidiaries. Suppliers, franchisees and contractors are informed of the Ethics Code and they may access the Whistleblowing Hotline under the same guarantees as any other employee.

DIA Group's Ethics Committee heads up the Ethics Committees in different countries and is in charge of implementing the Ethics Code. The Board of Directors receives a regular report from the Group's Ethics Committee and is in charge of assessing the Code's effectiveness and of issuing the amendments it deems appropriate in order to meet the desired objectives.

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<sup>9</sup> In terms of money laundering, DIA is not subject to application of Law 10/2010 and it has not therefore prepared a specific money laundering prevention policy within the anti-fraud programme. The Company does however have control and restriction systems within its procedures to manage issues relating to money laundering: authorisation platforms are used for payments to suppliers for goods and services and cash payments are strictly limited within the Company (generally speaking, cash payments are not allowed and if they are needed under exceptional circumstances, they are duly registered and documented under the mandatory controls). As with the other risks relating to the prevention of crimes that could lead to the legal entity being held liable, they are reviewed and reported on regularly.

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
	2020	2019	2020	2019	2020	2019	2020	2019
Number of internal complaints	51	13	44	41	18	12	7	8
Number of external complaints	11	4	0	0	4	8	1	0
Number of anonymous complaints	34	5	82	25	38	6	11	1
Total number of complaints	96	22	126	66	60	26	19	9
Total number of complaints resolved	72	19	104	37	34	12	14	7
Total number complaints ongoing	24	3	22	29	26	14	5	2
Number of Internal enquiries	0	2	13	27	0	2	0	17
Number of external enquiries	0	5	4	4	0	0	0	0
Number of anonymous enquiries	0	1	16	6	4	0	2	1
Total Number of enquiries	0	8	33	37	4	2	2	18
Number of enquiries resolved	0	8	31	35	4	2	2	17
Number of enquiries ongoing	0	0	2	2	0	0	0	1

Table 4: Whistleblowing hotline in 2019 and 2020. Spain includes notifications managed by the Group Division.

In 2020, 340 notifications were received and admitted for processing via the whistleblowing hotline. 301 of these are complaints of non-compliance (compared to 123 the previous year) and 39 are enquiries (compared to 65 the previous year). The increased number of complaints could be a result of the Company making greater investments to improve the whistleblowing hotlines. Complaints are now sent via a web platform provided by an independent third party to bolster the trust of employees and other stakeholders in the system

Following investigation of the complaints, 224 were closed in 2020, 2 of which have been confirmed as sexual harassment/breach of human rights (compared with 1 case of sexual harassment in 2019), which has led to the dismissal of two employees involved; no complaints of corruption or discrimination have been confirmed (there were no confirmed cases of this type in 2019 either). The Ethics Committee has confirmed a total of 15 complaints, which has led to the dismissal of employees as a result of breaches of the Ethics Code principles (relating to conflicts of interest, lack of respect or non-compliance with internal procedures or external regulations). The other complaints have either been rejected following investigation (181), or they have been confirmed and other corrective measures have been applied (such as training, change of functions or provisional leave).

### Building an ethical business culture

A key part of the improved ethics and compliance model has been the Company's continuing message of zero tolerance towards behaviours that are not governed by the Corporate Ethics Code. The Company's engagement with this value has been encapsulated in a corporate message delivered by the Executive Chairman himself and the Group's senior managers.

In 2020, a total 17,733 company employees received training in anti-corruption policies, the Ethics Code and others (135 of them were executives), compared to 3,388 employees who received training in these matters in 2019.

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
Training in anti-corruption policies / Ethics Code/ others	2020	2019	2020	2019	2020	2019	2020	2019
Directors	0	0	0	0	0	0	0	0
Executives	21	7	25	9	85	140	4	1
Managers	471	3	626	58	653	336	12	3
Employees	1,235	0	5,038	0	9,212	367	351	2,464
<b>TOTAL</b>	<b>1,727</b>	<b>10</b>	<b>5,689</b>	<b>67</b>	<b>9,950</b>	<b>843</b>	<b>367</b>	<b>2,468</b>

Table 5: Employees pro-actively trained in anti-corruption policies, the Ethics Code u others in 2020 by professional category. This information includes face-to-face and online learning using training platforms.

#### 4.4. Risk management at DIA Group

##### Risk management and control systems

The process used by DIA Group to manage its business risk is based on the “Enterprise Risk Management - Integrating with Strategy and Performance” methodology published by COSO.<sup>10</sup> This widely-accepted market standard has been adapted to the needs of DIA Group as a reference for its risk management system, ensuring that a systematic and detailed approach is taken to identify, assess, prioritise and respond to risks related to achieving the Group’s strategy and business objectives.

The Board of Directors, the Management Committee and the Audit and Compliance Committee are responsible for the design and proper functioning of the Risk Management Model:

- The Board of Directors is responsible for approving the Business Risk Management Policy and the risk tolerance levels proposed by the Management Committee.
- The Audit and Compliance Committee (ACC) is responsible for supervising and regularly reviewing the effectiveness of DIA’s internal control procedures, and its internal control and risk management systems, and verifying their suitability and integrity.
- DIA’s Management Committee is in charge of designing, implementing and establishing the strategy, culture, resources and process that make up the Risk Management Model.

The Group has set up a Risk Management Committee to manage the Risk Management Model, comprising the CEOs of the four countries where DIA has a presence, the CEO of Clarel and the Group’s Corporate Director.

The Risk Management Committee's key duties include analysing the company's situation (externally and internally) and the context for new projects, drawing up recommendations for developing and/or continuing specific action plans, and continuously monitoring the risks identified in the risk map (in particular, the risks that could impact the Group's strategy, customers, franchises and suppliers). The financial and non-financial risks included in the risk map are reviewed at least once a year.

The department heads are responsible for correctly preventing and managing risks and implementing the mechanisms needed to minimise their negative impact.

DIA's Internal Audit Department assesses the overall functioning of the Risk Management and Control System, the performance of management bodies and the efficiency of the control activities set out, and reports to the Audit and Compliance Committee.

<sup>10</sup> Committee of Sponsoring Organizations of the Treadway Commission.

**Materialisation of non-financial risks**

The non-financial risks specific to DIA and its key stakeholders are detailed in the corresponding chapters of this report.<sup>11</sup>

All these risks have been duly analysed and a range of action plans has been put in place to combat them.

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<sup>11</sup> Common sector-based risks or risks that are closely associated to the success of the business model, such as an increase in raw material prices or high competition risk, have not been included in the Non-Financial Information Statement.

## 5. MANAGEMENT OF CORPORATE SOCIAL RESPONSIBILITY AT DIA

### Governance of Corporate Social Responsibility (CSR)

CSR management is ultimately the responsibility of DIA Group's Board of Directors through its Audit and Compliance Committee. This Committee is responsible for guaranteeing that the Company's CSR strategy and practices address their non-financial risks and fulfil the expectations of stakeholders, as well as approving and assessing the level of compliance of the General CSR Policy. In addition, through this Committee, the Board of Directors coordinates and approves the non-financial reporting process in accordance with the latest prevailing regulations.

The CSR Department falls under the Corporate Management area, which is tasked with proactively managing the Company's reputation. The basic functions of the CSR department, such as identifying risks and trends based on the reality of the business and dialogue with stakeholders, as well as supervising the proper functioning of the non-financial reporting systems, fall under the remit of this management area. Lastly, as described in section "4.3.1 Compliance and ethical management" of this report, there is also an Ethics Committee, comprised of management staff from the different departments, which reports directly to the Audit and Compliance Committee and also helps manage the Corporate Social Responsibility Policy.

### Dialogue with stakeholders

DIA Group identifies and interacts with its traditional stakeholders (customers, investor community, employees, franchisees and suppliers) as an integral part of the Company's daily activities, in a process that involves different areas of the company's entire value chain.

Furthermore, the Department of Communication and External Relations and the CSR department identify, consult and respond to other interested parties that are relevant for the company (regulators and public administrations, sector and professional associations, media outlets, not-for-profit entities, members of the local community, etc.). The direct line of reporting from Corporate Management to the Executive Chairperson guarantees that the Company's governing bodies are aware of any relevant issues that may be identified in this interaction process with stakeholders.

### Key CSR issues

The DIA materiality matrix was developed in 2016 by Company management and was reviewed in 2017. This matrix incorporates studying the relevance of the different issues proposed (based on their representativeness for the main bodies influencing CSR, such as the *Dow Jones Sustainability Index*, the *Global Reporting Initiative* sector report, Vigeo, Sustainalytics, the *Carbon Disclosure Project*, the CNMV, or the *Behind the Brands* report), and their historical relevance in the sector at national and international level (based on a study commissioned by DIA of 15 companies in the sector). This analysis was enhanced with the inclusion of an internal relevance factor for each topic, obtained from interviews with the main individuals responsible.

The indicators and information to be reported on non-financial performance were defined taking into consideration both this materiality analysis and the enforceable legal requirements.

Key DIA Group issues	
Governance system	Gender equality
Ethics and compliance	Health and safety
Transparency and investor relations	Food quality and safety
Tax practices	Franchisee relations
Development of human capital	Digital transformation
Employment practices	Eco-efficiency
Food waste	Consumer information and protection

Table 6: Key DIA Group issues within the context of Corporate Social Responsibility.

The following issues, for which no information is provided in this report, are required by law and are not material to DIA:

- Water consumption: this resource is used exclusively for cleaning and not for production purposes and consumption is not therefore considered to be significant. The company does however promote responsible water use in its internal communications.
- The impact of the Company's activities on biodiversity: the Group's facilities are located and its activities carried out in urban areas, so the impact on biodiversity is therefore limited.
- Light and noise pollution: the impact is minor, as store lights are turned off in full when the stores are closed and the logistics centres are located outside residential areas. In any case, DIA Spain has made further improvements to its noise management process when unloading by changing the goods transportation method from metal vans to wooden pallets.
- In addition to the above, other matters required by law that are not material to DIA are reported on. The equivalence table at the end of this report provides specific details.

#### **Future CSR developments**

One of the objectives of the new business model centred on sustainable value creation is better integrated and more strategic CSR, supported by the Board of Directors and its Audit and Compliance Committee and also the Management Committee. CSR priorities and objectives are therefore being reviewed so that a 3-year Master Sustainability Plan can be approved in 2021. The aim of this plan is to identify key CSR risks for the Company, integrating their management into day-to-day operations and improving the CSR risk control and reporting system.

## 6. CUSTOMERS

DIA's aim is to be "closer every day" to its customers and this year, more than ever, each and every employee (from shop teams to senior management), as well as franchisees, suppliers and other supply chain partners, have been exceptionally involved so that DIA Group could respond to its customers' needs during this unprecedented situation.

Given the special circumstances, DIA Group has concentrated on guaranteeing supplies and also on rolling out safety measures in stores that provide a safe environment for customers, employees and franchisees.

- **Guaranteeing supplies** has been key, particularly during lockdown. To this end:

- DIA, its suppliers and the other supply chain partners have made a particular effort to ensure the supply and volume of products required in this new situation.
- Store and warehouse teams have been strengthened to guarantee operations and ensure that all sales points are open to the public.
- The on-line sales service has been substantially boosted by the opening of new order preparation points (dark-stores) and via agreements with new logistics service providers.
- For customers unable to get to a store or to manage on-line orders, the customer services team offers an over-the-phone sales service.

All of these measures enabled the company to meet the needs of over 20 million families during the lockdown caused by the state of emergency in Spain.

- **Providing a safe environment for customers and employees** has been, and continues to be, one of the key issues for DIA Group during the pandemic. For this reason, activity at the company's more than 6,000 stores is subject to customer and employee protection measures that go beyond what is required by law and include:

- Increased cleaning and disinfecting in stores, particularly of surfaces.
- Proper ventilation of premises.
- Disinfecting stores using ozone.
- Social distancing among individuals.
- Reduced capacity.
- Preferential opening hours for the over 65s.
- Screens installed at tills.
- Employees using masks, face screens, plastic gloves and hand sanitizer.
- Customers provided with plastic gloves and hand sanitizer.
- Special signs informing customers of the in-store protocols in place (use of masks, gloves, social distancing, among others).
- Safety measures announced over PA system.
- Card payments encouraged over cash payments.
- Contactless home delivery protocol (online orders).
- Procedure to follow in the event of possible COVID-19 cases in-store.

These protocols and their effectiveness have been regularly audited by the occupational risk prevention service, adapting them when necessary to guarantee everyone's safety.

### Main lines of communication with customers

DIA Group has used different channels to communicate with and listen to its customers:

- Customers who are members of ClubDIA receive an online questionnaire after each shop, asking them to quickly rate their shopping experience.

- Customers can also use the ClubDIA app to voluntarily rate their shopping experience, the application itself or to directly contact DIA Group with queries, suggestions and complaints.
- The online shopping pages and their corresponding applications (DIA online) can also be used by customers to rate products and fill in a customer services contact form.
- The Group uses social media for business and corporate communications. The Group has accounts on the most popular platforms in all the countries it operates in, including Facebook, Twitter, Instagram and YouTube. This year over 250,000 queries, complaints and suggestions about stores, products, opening times, online services, etc. have been assigned a manager, addressed, analysed and responded to.
- Customer support services: in 2020 we have dealt with over 400,000 queries, informal and formal complaints and suggestions about stores, products, opening times and online services (compared to 250,000 in 2019), which have been addressed and analysed so as to be able to respond well to the customer.

#### Key customer-related risks

DIA's raison-d'être is supplying customers with the products that meet their choice, quality and price requirements in an environment (either in-store or online) that provides an adequate level of service and shopping experience.

Failing to meet customer requirements (in terms of choice, quality, price, service or shopping experience) could result in customer losses and could even have reputation or brand value consequences. Another key risk identified is a failure to meet internal food safety requirements and standards, which could affect a customer.

#### Key policies governing customer relations and their functions

- The Corporate Food Safety and Quality Policy: aims to develop a trust-based relationship with customers via a system that guarantees adequate production, processing and management of all products offered by the Company.

In accordance with this policy, the Company:

- Sets out the requirements that suppliers and products must meet in order to be approved (prior to being placed on the market). In Spain and Portugal, all suppliers must have an IFS or BRC certificate at all factories where DIA-brand products are produced. In Brazil and Argentina, this certificate can be replaced with an equivalent audit report undertaken by DIA.
- Defines and undertakes an analytical control plan of goods received on its platforms, guaranteeing that the product meets the specifications set out in the development stage: In 2020, DIA Group performed a total of 348,485 product analyses as part of its control plan (compared with 624,718 the previous year). As part of this process, the company uses a machine learning tool that optimises its internal control and guarantees the detection of non-conforming products using a smaller number of analyses.
- Ensures product safety and quality control throughout the supply chain, supervising the storage, transport and sales processes by performing warehouse and store audits: These audits monitor and assess matters such as order and cleanliness, the cold chain, traceability, good hygiene practices and correct product rotation. 8,872 audits have been performed in 2020 (compared with over 3,474 audits last year)
- The Customer Marketing and Communication Policy: based on respect for commitments to customers, honest verbal and written communications and integrity in all professional corporate activity within this context. To this end, customer communications are based on the general principles of transparency, proximity, equality and quality.

- The Corporate Information Security Policy: aims to define the guidelines for ensuring the confidentiality, integrity and availability of information. Employees, staff and external collaborators who need to access the Company's information systems must comply with this policy. Although this policy applies to all stakeholders, it is mentioned here because of the special impact it has on the protection of clients' rights.

As well as the special efforts made to offer customers solutions to the challenges of the pandemic, in 2020 DIA Group continued working on various projects to improve customer satisfaction, including:

- Culmination of a new Store Operating Model (SOM) undergoing constant change to provide customers with the best shopping experience thanks to:
  - Fresher products.
  - Better customer care.
  - More organised stores.
  - Fewer product shortages.
  - Shorter queues.
- Execution of a new Logistics Operation Model (LOM) enabling the Group objective of being "closer every day" to customers to be met. To achieve this, all logistics processes have been analysed, from the receipt of goods to their in-store delivery. DIA Group has created a simpler and more efficient working model, whereby every task makes sense and leads to better service based on:
  - Quality service for stores: ensuring that goods are delivered on time and correctly to our stores.
  - Availability of goods: striving for zero shortages at warehouses so as to be able to guarantee that stores are supplied correctly.
  - Correct location: full traceability of all our goods, from arrival at the warehouse until they reach their destination.
  - Order and cleanliness: ensuring order and cleanliness throughout warehouses and on transport.
  - Regulations: compliance with all regulations, such as cold chain and expiry dates, is key to respecting service quality.
  - Occupational safety and risk prevention: alignment with safety and occupational risk prevention criteria.
  - Maintenance: correct maintenance, both preventive and corrective, of facilities and machinery.
  - Efficient supply chain processes: achieve excellence in all areas, based on excellence in each warehouse area.

Both model the SOM and LOM models have proved satisfactory in Spain and are expected to be rolled out in other countries over the coming months.

Under the idea of simplification, and in order to standardise the customer offering and to boost sales, a new product range has been designed, unifying the numerous existing ranges into one single product range for all stores with four variations depending on the size of the sales area.

In 2020, significant work has also taken place to renew own-brand products so as to make the Group's various brands benchmark products in terms of range, quality and market price. The new quality DIA brands, based on adapting each product to current customer likes and requirements, have also led to a change in image through renewed packaging.

At the same time, DIA Group continues working to meet the commitments voluntarily adopted in the Spanish national plan to improve food composition as part of the NAOS strategy (nutrition, physical activity and obesity prevention) by the Spanish agency for food safety and nutrition (AESAN), so as to give customers the best nutritional options.

Lastly, as already mentioned, 2020 has seen online sales expand significantly, with a focus on delivering orders to the greatest number of customers as quickly as possible. The Company has activated the online service in Brazil and Portugal and has improved the service offered in Spain and Argentina. To do this, stores have been turned into small warehouses called dark-stores and agreements have been reached with delivery services to cover the final mile. As a result of all this, online sales doubled in 2020.

## 7. EMPLOYEES

DIA Group has a diverse employment structure with 39,583 employees at 2020 year end. Of all employees working in DIA, 73% work in Europe (Spain and Portugal) and 27% in Latin America (Brazil and Argentina).

Beyond the figures, this year DIA employees have shown more than ever their engagement with society and the essential service they provide. Society's acknowledgement of their day-to-day work has compensated for the enormous effort made in stores and warehouses to meet the spikes in demand that have occurred.

This year the Company has focused on employees' health prevention, acknowledging their efforts and contribution to society, and on keeping them up-to-date with how the situation affects their daily routines. The Group estimates that the expenses associated with managing the pandemic amounted to 26 million euros in the first half of the year, including overtime costs for additional labor, the payment of bonuses to own employees and franchisee personnel, as well as protection material for employees and customers.

			Workforce by country at 31 December					
			Executives		Managers		Employees	
			2020	2019	2020	2019	2020	2019
ARGENTINA	Men	<30 years	N/A	N/A	27	31	795	997
		30-50 years	13	10	254	293	1,172	1,119
		>50 years	4	1	28	27	25	20
	Women	<30 years	N/A	N/A	27	29	449	555
		30-50 years	4	1	108	127	836	804
		>50 years	N/A	N/A	5	5	22	20
	<b>TOTAL</b>		<b>21</b>	<b>12</b>	<b>449</b>	<b>512</b>	<b>3,299</b>	<b>3,515</b>
BRAZIL	Men	<30 years	N/A	N/A	4	9	1,670	1,716
		30-50 years	18	15	98	98	1,168	1,072
		>50 years	4	N/A	10	9	67	69
	Women	<30 years	N/A	N/A	2	4	1,967	2,143
		30-50 years	4	3	52	63	1,922	1,832
		>50 years	N/A	N/A	1	3	51	52
	<b>TOTAL</b>		<b>26</b>	<b>18</b>	<b>167</b>	<b>186</b>	<b>6,845</b>	<b>6,884</b>
SPAIN	Men	<30 years	1	N/A	13	12	1,550	1,618
		30-50 years	56	52	259	260	3,759	3,732
		>50 years	12	25	94	97	1,079	979
	Women	<30 years	N/A	N/A	5	10	2,624	2,331
		30-50 years	21	19	263	246	12,233	12,342
		>50 years	20	20	78	77	3,142	2,929
	<b>TOTAL</b>		<b>110</b>	<b>116</b>	<b>712</b>	<b>702</b>	<b>24,387</b>	<b>23,931</b>
PORTUGAL	Men	<30 years	N/A	N/A	N/A	N/A	382	401
		30-50 years	3	4	17	25	659	634
		>50 years	1	1	15	17	89	94
	Women	<30 years	N/A	N/A	N/A	N/A	742	702
		30-50 years	5	6	35	40	1,460	1,443
		>50 years	N/A	N/A	3	2	156	129
	<b>TOTAL</b>		<b>9</b>	<b>11</b>	<b>70</b>	<b>84</b>	<b>3,488</b>	<b>3,403</b>

Table 7: Total number and distribution of employees by gender, age, country and professional category<sup>12</sup>. Directors, employees of franchises or other external parties have not been included in this breakdown.

<sup>12</sup> The executives group includes the five highest categories in the organisation, managers includes the next three categories in the organisational hierarchy and employees refers to the remaining categories. Directors have not been included in this breakdown.

### Main lines of communication with employees

There are several channels for communicating with employees, the majority of which encourage two-way communication. The main channels are as follows:

- Corporate website for employees: an area where communication with employees, the sharing of expertise, leisure activities and the dissemination of corporate information are encouraged.
- Bulletins: a weekly publication that shares good practice and business strategy developments with all Group employees. In addition, operational teams also receive daily and weekly bulletin updates about the projects they are taking part in.
- DIA also regularly surveys employees about different issues (from specific initiatives to general assessments of corporate culture). These communications channels, regardless of whether they are managed internally or via a third party, guarantee anonymity and total privacy regarding the responses given by employees.
- New regular communication channels between top management and employees for closer contact with leadership and to share business developments and progress made in the transformation process.

### Key employee-related risks

The most important risks identified are employee conflict, an inadequate talent structure and inadequate compliance with employment regulations.

### Key policies governing employee relations and their functions

- The Corporate Human Resources Policy: this policy includes DIA Group's commitment to create jobs and to develop professionals within the context of the Company's corporate values. This policy also aims to encourage the Company's long-term commitment to generating pride and a sense of belonging, adapting to the cultural, employment and business contexts in each of the countries where it operates.

DIA Group has not separately defined diversity, training and disconnect from work policies. The majority of human resource management issues are however included in the Group's general Human Resources Policy.

### **7.1 Employment and social dialogue**

A significant portion of DIA's workforce operates under permanent and full-time contracts, as shown in the following tables. It is important to note the Company has not carried out any workforce restructuring plans in the context of the pandemic.

Total employees by contract type and working hours at 31 December		
	2020	2019
Permanent	35,380	35,057
Temporary	4,203	4,317
<b>TOTAL</b>	<b>39,583</b>	<b>39,374</b>
Full-time	31,218	31,209
Part-time	8,365	8,165
<b>TOTAL</b>	<b>39,583</b>	<b>39,374</b>

Table 8: Total number and distribution of employees by contract type and working hours. Directors, employees of franchises or other external parties have not been included in this breakdown.

		Average annual contracts by gender (number)			
		2020		2019	
		Men	Women	Men	Women
Permanent		12,290	23,419	12,869	24,106
Temporary		1,791	3,682	1,837	3,371
Full-time		13,071	19,495	13,715	19,667
Part-time		1,010	7,606	991	7,811

Average annual contracts by age (number)						
2020			2019			
	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years
Permanent	9,150	22,714	4,576	9,150	23,641	4,183
Temporary	2,795	2,342	271	2,795	2,108	305
Full-time	10,005	5,512	1,047	10,005	19,934	3,442
Part-time	1,941	19,544	3,800	1,941	5,815	1,046

Average annual contracts by professional category (number)						
2020			2019			
	Executives	Managers	Employees	Executives	Managers	Employees
Permanent	164	1,446	34,099	171	1,601	35,203
Temporary	2	8	5,463	1	9	5,198
Full-time	165	1,421	30,981	172	1,569	31,640
Part-time	0	34	8,582	0	41	8,760

Tables 9, 10, 11: Average annual number of employees by contract type, gender, age and professional category. Directors, employees of franchises or other external parties have not been included in this breakdown.

In 2020, just as in 2019, 100% of employees in Brazil, Spain and Portugal are covered by a collective agreement, either at company or industry level (in Argentina this figure is 71% of employees compared to 69% last year), and the Company has 1,057 trade union representatives worldwide (compared to 1,176 last year). Given the countries DIA Group operates in and the significant number of trade union representatives, there is no perceived risk of basic human and employment rights being violated (such as child labour, forced labour, freedom of association or the right to collective bargaining) in internal processes. DIA's Ethics Code and the Group's Whistleblowing hotline were created to help safeguard DIA Group's commitment to respecting these values, among others.

Although a monitoring committee is always formed to oversee any agreement reached, trade union dialogue in Spain has been reinforced in 2020 through the following milestones:

- The Company and trade unions reached an agreement to sign the 2019-2021 Collective Agreement for employees and to introduce a new results-based culture.
- As part of the Company's transformation process, dialogue began with trade unions to negotiate the substantial changes to the terms linked to the new organisational model.
- Activities to manage the Covid-19 crisis have been overseen in partnership with trade unions through reporting sub-committees so as to better monitor the impact of the pandemic on employees.

In terms of the remuneration policy, DIA salaries are in line with market conditions and employment agreements. Merit is the key driver of salary growth and DIA Group has various performance assessment mechanisms. Store and warehouse employees are assessed based on their performance and productivity,

both on an individual basis and in their place of work. In the offices, individual objectives are focused on individual performance and they are aligned with the Company's results.

Against the backdrop of the pandemic, it is important to mention the salaries paid in full to all employees who have had to self-isolate, and the extraordinary bonus paid to all Group employees and franchisees, in recognition of their commitment and dedication.

		Average remuneration paid (Euros)					
		<30 years		30-50 years		>50 years	
		2020	2019	2020	2019	2020	2019
Executives	Men	N/A	N/A	184,329.05	151,437.85	147,088.21	182,916.23
	Women	N/A	N/A	114,139.54	115,417.88	129,976.54	80,305.65
Managers	Men	24,742.01	22,846.76	33,574.23	32,952.60	43,158.97	40,630.57
	Women	19,828.97	19,728.12	34,450.65	33,293.24	49,877.84	44,966.90
Employees	Men	10,116.23	10,298.22	15,445.31	16,237.81	22,261.16	18,909.54
	Women	9,748.33	9,363.57	15,285.44	15,678.35	18,446.75	15,520.54

Table 12: Average remuneration paid<sup>13</sup> by category, gender and age range (Euros).

The number of dismissals has dropped compared with 2019 (see table 13), coinciding with a more mature organisational model accompanying the transformation process that the company is still going through.

		Number of dismissals							
		2020				2019			
		<30 years	30-50 years	>50 years	TOTAL	<30 years	30-50 years	>50 years	TOTAL
Executives	Men	N/A	19	16	35	N/A	24	30	54
	Women	N/A	3	3	6	N/A	6	11	17
Managers	Men	3	39	14	56	8	151	29	188
	Women	N/A	20	7	28	6	63	3	72
Employees	Men	631	535	45	1,211	1,012	1,040	94	2,146
	Women	732	808	126	1,666	1,094	1,851	94	3,039
<b>TOTAL</b>		<b>1,366</b>	<b>1,424</b>	<b>212</b>	<b>3,002</b>	<b>2,120</b>	<b>3,135</b>	<b>261</b>	<b>5,516</b>

Table 13: Number of dismissals by category, gender and age.

## 7.2 Health and safety in the workplace

Many of the Company's health and safety efforts have centred around ensuring the safety of staff during the pandemic. In this respect, two types of action have been put in place as part of the COVID-19 context: the approval of protocols (explained below) and measures to improve flexible working and work-life balance practices (explained in section 7.3).

- **Covid management procedure:** this applies to everyone and sets out how to respond to confirmed, likely and suspected cases as well as close or other contacts for each work area (stores, warehouses and offices).

This procedure includes the application of specific protocols for particularly vulnerable groups, such as pregnant women, people with cancer or immunodeficiency disorders, the over 60s, people with diabetes, high blood pressure or morbid obesity, among other risk factors. Taking a precautionary approach, all these people were put on paid leave from the start of the pandemic,

<sup>13</sup> All elements received by employees in 2020 are included, except payments in kind. This includes the fixed pay actually processed and paid, additional payments based on working hours, productivity and performance bonuses and distribution of profits. The salary for the only executive under 30 years of age is not reported in line with current data protection legislation.

with DIA responding in this regard ahead of protocols being put in place by the public health authorities.

- **Protection measures for all staff and franchisees:**

- Hand sanitiser gels: it is advised these be used at tills if checkout staff cannot leave them to wash their hands, following health authority recommendations.
- Vinyl gloves: even though training and information reminds staff of the importance of continuing with hand hygiene.
- Disposable face masks made available to employees.
- Protective screens: perspex screens have been installed at tills in stores to separate checkout staff from customers.
- Face visors: as priority protective equipment to continue enhancing staff safety.
- Extra cleaning products: for disinfecting and cleaning work areas.

Furthermore, the proportion of work carried out when stores are closed has also been increased to minimise mixing of staff and customers as far as possible.

- **Covid-19 training and information:**

- Obligatory training: remote working (risks and preventive measures), a course on how to protect mental health and ensure adequate social interaction when working from home, office Covid training, warehouse Covid training and store Covid training.
- Continuous stream of updated information through the Employee Portal and Daily Newsletter.
- Videos: produced with medical teams to answer enquiries about Covid and how to protect oneself.

- **Medical assistance:** free medical helpline for employees and franchisees to resolve medical queries regarding their own health or that of their family members. In the case of Argentina, there has also been a mobile medical teams service across the store network.

### 7.3 Work organisation and work-life balance measures

In addition to new protection measures, in light of school closures and with the aim of minimising potential virus spread, a series of plans were approved in 2020 to facilitate flexible working and a balance between personal, family and professional life:

- Full-time remote working for the staff at the central offices from March (continuing at present) and extending to the rest of the regional offices<sup>14</sup>. Although this measure was implemented across the board, the offices have remained available and disinfected for employees who were unable to work from home.
- Stores and warehouses: employees have been given the opportunity to request three consecutive days holiday outside the normal scheduled calendar. Moreover, they have also been offered the option of taking a leave of absence of seven days or more to care for a minor. Store times have been reduced allowing for a greater work-life balance. This approach has enabled gaps in cover to be filled by staff working flexible hours (employees in Spain and Portugal did not have to drop any hours at any time).

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<sup>14</sup> In response to the move from working remotely in bulk, it was strengthened by computer and information security systems through the updating of the Security Policy (including a cybersecurity section), increasing training and awareness-raising tasks in this area, hiring extra mitigation cases for the digital surveillance service or creating additional mail rules to block suspicious emails, among other measures.

- Specific paid leave for especially vulnerable employees (pregnant women, people being treated for cancer, radio and chemotherapy, people undergoing treatment for immunodeficiency disorders or other disorders such as psoriasis, Crohn's Disease, rheumatoid arthritis and multiple sclerosis) available since March. This option will continue to be offered while the pandemic lasts or until the affected employee is placed on sick leave.
- Spain: MECUIDA Plan: in accordance with Royal Decree-Law 8/2020, of 17 March, strengthening measures to ensure a decent work-life balance by enabling staff to cut their hours by up to 100%, in addition to the existing option of changing their working day. A total of 153 requests have been submitted to reduce or alter working hours due to Covid-19. Eight-seven percent (133) of these were accepted, 9% (14) were refused because evidence of the worker needing to shield was not provided, and the other 4% gave up their original request.
- Argentina: paid leave to care for offspring (pursuant to legislation).

	Absenteeism and main health and safety indicators			
	Men		Women	
	2020	2019	2020	2019
Hours of absenteeism	1,845,492.0	1,494,227.6	4,504,923.3	3,971,606.8
Workplace accidents	841.0	1,127.0	1,221.0	1,442.0
Injury frequency rate	31.7	38.8	28.0	30.6
Serious accidents	25.0	36.0	6.0	22.0
Occupational illnesses	16.0	2.0	27.0	22.0
Fatalities	0	0	0	0

Table 14: Absenteeism and main health and safety indicators. Absenteeism reflects hours absent due to illness, accident or an unjustified absence (including Covid); 2019 data have been restated using these criteria, since it previously included all possible causes. The injury frequency rate represents the number of injuries per 1,000,000 employee hours worked.

Despite all the measures put in place to protect the health of employees, it is inevitable that a pandemic such as COVID will have an impact on overall absenteeism in a global workforce of 39,500. This is precisely what can be seen for 2020. Once again it is worth highlighting the work of the OH&S team in raising awareness, carefully and meticulously enforcing preventive quarantine measures, without which this figure would have been much higher. Furthermore, the additional absenteeism reported includes leave granted in relation to COVID-19 and not just sickness-related leave.

#### 7.4 Equal opportunities

DIA is committed to respecting the principle of equality and condemns any type of discrimination, in any form, directly or indirectly, and for any reason: sex, marital status, age, race, social status, religion, political affiliation, etc. The general Human Resources Policy and the Ethics Code are the instruments that ensure compliance with this principle.

During 2019, one sexual harassment complaint has been received through the Ethics Channel, which led to the dismissal of two employees. No discrimination complaints have been proved this year. In relation to this topic, in 2018, a study by a third party was completed in Spain with the aim of confirming that there was no discrimination bias in the procedures used by the Company.

In Spain, the Group has had an Equality Program in place since 2012. This plan includes measures aimed at each of the following areas: access to the Company and selection; hiring; promotion; training; pay; reconciliation of personal, family, work and working time; occupational health; sexual harassment; gender violence; company culture, communication and awareness.

The plan is preventive, in other words, it intends to eliminate any possibility of future discrimination based on sex. The existence of an Equality Agent, the implementation of different anti-harassment and gender-based violence protocols, discrimination prevention systems (access, promotion, compensation, language) and specific awareness campaigns are some of the best practices linked with this program.

With respect to the promotion of equal treatment and opportunities between women and men, DIA carries out a policy of equal pay in all its professional categories. The following table shows the gross pay gap by country for the different categories. It should be noted that the gross pay gap is the difference between the average total compensation for women and the average total compensation for men in an organization. This calculation does not take into account these key factors that allow comparability as a professional category, functional area, performance, knowledge or professional experience and that can significantly influence the final data.

		Gender pay gap	
		2020	2019
Executives		66.45	61.81
Managers		103.26	100.81
Employees		101.11	99.00

Table 15: Gross wage gap by gender (ratio calculated as the average remuneration of women among men for each category). All items, except for compensation in kind, are taken into account for the calculation.

DIA Group also works to integrate groups with disabilities in all countries in which it operates. In total, among DIA's workforce at the end of 2020, there were 464 people with some type of physical or intellectual disability. Despite the efforts made by different countries of the Group, this global figure has decreased in comparison to the previous year along with the contraction of the global workforce figure.

		Employees with a disability at 31 December					
		<30 years		30-50 years		>50 years	
		2020	2019	2020	2019	2020	2019
Executives	Men	0	0	1	1	0	0
	Women	0	0	0	0	0	0
Managers	Men	1	1	0	0	1	1
	Women	0	0	3	2	0	0
Employees	Men	64	76	155	164	30	26
	Women	34	41	128	138	47	47
<b>TOTAL</b>		<b>99</b>	<b>118</b>	<b>287</b>	<b>305</b>	<b>78</b>	<b>74</b>

Table 16: Employees with a disability by professional category, gender and age at 31 December

## 7.5 Employee training

DIA Group has a proactive attitude towards retaining and training talent. In addition to external training, DIA Group has more than 30 in-house training centres for employees and franchisees. These centres provide training to employees at all levels to carry out functions such as payment services, new services, and more specific tasks such as running the meat and fish counters. The Company also runs specific training programmes at its logistics centres.

In 2020, the need to respond immediately to a completely new and changing environment led to a decrease in total team training hours (204,773 in 2020 compared to 246,058 in 2019).

Despite this, two training priorities have remained on the schedule:

- Employee health and safety in light of the pandemic.
- Training and provision of information on internal regulatory framework setting out the obligatory processes and rules in all areas of the business and countries in which the Company operates.

		Training					
		Executives		Managers		Employees	
		2020	2019	2020	2019	2020	2019
Men	Training hours	549.9	1,102.0	5,817.7	7,947.0	57,698.6	87,476.5
	Average training hours	4.9	9.4	6.8	8.3	4.3	6.4
Women	Training hours	351.9	436.0	3,233.9	5,469.0	137,121.3	143,628.0
	Average training hours	6.7	8.0	5.4	8.5	5.1	5.4
<b>TOTAL training hours</b>		<b>901.8</b>	<b>1,538.0</b>	<b>9,051.6</b>	<b>13,416.0</b>	<b>194,819.6</b>	<b>231,104.5</b>

Table 17: Annual training hours and average training hours per professional category and gender.

## 8. FRANCHISEES

Almost 30 years of experience in developing the franchise model has seen DIA Group become the number one ranked franchiser in Spain and the sixth-largest franchiser in Europe, according to the international ranking by consulting firm Franchise Direct, which is based on parameters that take into account financial issues, innovation capacity, environmental action and franchisee support, among other aspects.

DIA Group saw out 2020 with 2,682 franchise stores, which is 43% of its total stores.

The Company provides its historical knowledge of the sector and the strength of its brand and logistical developments to franchisees, while the franchisee contributes their commitment to sell and local market knowledge, which is key to developing the model of customer proximity and approachability.

This relationship of trust between DIA Group and its franchisees also creates value and wealth in the communities in which the franchises are set up. During 2020, DIA's franchise business generated approximately 17,700 direct jobs.

	Franchised stores		Number of franchise employees	
	2020	2019	2020	2019
ARGENTINA	621	611	4,123	4,147
BRAZIL	317	347	4,907	5,611
SPAIN	1,477	1,665	6,768	6,793
PORTUGAL	267	278	1,920	1,969
<b>TOTAL</b>	<b>2,682</b>	<b>2,901</b>	<b>17,718</b>	<b>18,520</b>

Table 18: Franchised stores and estimated number of employees for the franchise network. Data for 2019 has been restated to include Clarel franchised stores and estimated employees.

### Main lines of communication with franchisees

- The Group closely monitors its franchisee relationship by conducting annual surveys prepared by Nielsen, an independent consultant. This anonymous and confidential survey garners information from franchisees about where they think improvements can be made and what their levels of satisfaction are.
- The Franchise Portal, an *online* platform franchisees can use to access databases of proprietary and comparative information and contact the Group directly.
- The first National Franchisees Meeting in Spain, Portugal and Argentina attended by around 1,000 strategic partners, chaired by the Company's top management including the Group's Executive Chairman, Stephan DuCharme.
- Regular discussion forums within the "Franchise Week" series and existing local assistance programs, such as "Atención al Socio Estratégico" in Spain, "El Defensor del Franquiciado" in Argentina and "DIA te escucha" in Brazil.
- Franchise newsletter in all the countries the Group operates in, with important information about the Group.

### Key franchisee-related risks

Conflict and potential loss of partners could affect the associated with the DIA brand and the success of the Group's business model, as it largely depends on its ability to maintain contractual relationships with profitable franchisees.

Main policies governing relations with franchisees and performance

- Corporate Franchise Policy: establishes the guidelines relating to franchisees, ensuring that each country's legislation is respected, the information provided is accurate, and that agreements with entrepreneurs who decide to manage a DIA store through the franchise model are fulfilled.
- The recruitment of and relationship with franchisees (Internal Compulsory Regulation): aims to guarantee the effective recruitment of, relationship with and management of DIA Group franchisees.

One of the strategic objectives of the new management is to create a sustainable franchise model in the long term. To this end, several measures have been analysed and tested in 2020 that provide the franchise network with more liquidity and profitability and simplify operations. The objectives of this new model are to incentivise sales and attract highly professional franchisees, thus boosting the strategic value of the franchise network for the DIA business model to make it the most competitive model in the food distribution sector. To do this, the following changes have been made:

- **A new formula for franchisees to pay for goods** that ensures their stores are properly supplied. Until now, DIA Group delivered orders to its franchisees once the goods had been paid for. With Franquicia DIA 2020, franchisees will pay for the goods when they have been sold and not before, helping them to manage their store's cash flow.
- **Simplification of costs for the franchisee:** with Franquicia DIA 2020, franchisees pay a percentage of their monthly turnover to cover most store overheads. This fee means that franchisees know what their monthly costs will be in advance, thereby enhancing control of their cash.
- **Sales incentive scheme:** the Company pays bonuses to franchisees who boost their turnover as a form of acknowledgement and to motivate them.
- **Help with payments:** DIA supplies 100% of the store's stock and the franchisee guarantees payment of, at least, 50% over 60 months.
- **Support:** the Company has established a strong franchise team comprising a new regional department and area franchise managers tasked with supporting franchisees with everything they need.
- **Franchisee Training School:** the Company has made its training programme available to its franchisees' staff to ensure the best professionals are working in its store network and customers receive the best service possible.

The Group has created the DIA Franchisee School in Spain, inspired by the Academy that already existed in Argentina. It offers a development and training plan from the very start of the franchise for internal franchisees, multi-franchisees and new partners joining the Company, with classroom-based and online training to meet the needs of the current business. It runs induction programmes for partners: a full initial training plan tailored to the profile of our franchisees (external, multi-franchisees, company staff wanting to open a DIA franchise) and continuous training for them to remain completely up to date.

The initial training plan is much more practical and comprehensive, running for 12 weeks; six entailing work experience before their DIA store opens. The other weeks involve a combination of classroom activities and training audits and supervision enabling franchisees to enhance all their operating procedures. Our franchisee trainers are key to achieving this.

From an operational point of view, Spain's regional centers have incorporated a franchise analyst into their team, responsible for providing franchisees with financial and economic advice to help you get the most profitability from your business. In addition, a person in the logistics team is responsible for requests for orders from franchisees and for any other logistical problems that affect them. Although the Group does not have a formal commitment to financially assist franchisees, there is a financing committee that discusses cases where franchisees are experiencing financial difficulties in determining how to help them.

To further strengthen the link with franchisees and incorporate their vision into the day-to-day decisions of the Company, DIA Portugal has created a commercial committee and one of operations in which, together with the main managers, 12 franchisees and master-franchisees participate. In 2020, four of these meetings were held, with a very satisfactory outcome for all parties.

It should be noted that all changes made at the operational and commercial level to improve the Company's business model benefit both own stores and franchises. Treating franchised stores with the same management criteria as their own stores is a basic principle and an important commitment of DIA Group.

All of these action plans have led to a 30% improvement in franchisees' satisfaction with DIA Group in 2020, according to the last survey carried out.

## 9. SUPPLIERS

DIA Group has numerous procurement and supply agreements for all its products, which it acquires from private label suppliers and suppliers of national brands from all over the world. Supplier size varies, from large multinational groups to national suppliers and small local or regional suppliers. Most purchases are made directly from the Group's suppliers, without intermediaries.

### Main lines of communication with suppliers

- Suppliers portal: an *online* platform where suppliers can access historical databases, the invoicing system and, in some cases, stock status reports.
- Suppliers convention in Spain, Portugal and Argentina presenting the main strategies guiding DIA's work today and in the future.
- Sales and support team.
- Online channel for new potential suppliers.

### Key supplier-related risks

Non-compliance with applicable regulations and/or unethical conduct by suppliers is the main risk for this stakeholder group.

### Main policies governing relations with suppliers and performance

- Corporate Food Quality and Safety Policy: The Company's Corporate Food Quality and Safety Policy aims to create a trust-based relationship with its consumers through a system that rigorously guarantees all the products the Company offers are produced, processed and handled appropriately. Accordingly, the Company controls product quality and safety throughout the supply chain, monitoring storage, transport and sales processes.

	Number of local suppliers		Proportion of spending on local suppliers (%)	
	2020	2019	2020	2019
ARGENTINA	472	456	97.17	96.68
BRAZIL	631	397	80.38	99.83
SPAIN	1,187	1,415	95.63	95.35
PORTUGAL	438	431	83.96	83.25
<b>TOTAL</b>	<b>2,728</b>	<b>2,699</b>		

Table 19: Local suppliers and proportion of spending on local suppliers.

Together with the shared objective of guaranteeing product safety and quality (already explained in the Customer chapter), the Company will also foster a new and collaborative relationship with suppliers in the coming years. The objective of this new supplier relationship model will be to create symbiotic, fair and enduring partnerships with a shared focus on achieving long-term growth rather than short-term margin targets. This will not only enable the Company to achieve a new business model, but also better management of supplier compliance with DIA's values.

One of the most important milestones of this new approach to supplier relations has been to review and update the contractual terms and conditions to make them more transparent and further nurture a long-term, trust-based relationship.

Investments were also made in 2020 to enhance communications with suppliers as described below:

- Three conventions with suppliers were held in Spain, Portugal and Argentina providing a progress report on the transformation plans and new franchise management model.

- Supplier communications have been made more systematic to provide more effective and equal access to information.
- More resources have been earmarked by the support team to handle enquiries and complaints so that none are left unresolved.
- Communications have been improved regarding the design and running of promotional campaigns.
- A new *packaging* tool has been created that is shared with suppliers to streamline this entire process.
- An online channel has been created for new suppliers interested in working with DIA.

This new philosophy of work is also embodied in the Company's project in Portugal to develop a joint three-year plan with private label, national brand and small suppliers. The aim of the plan is to identify and create specific strategies to boost the sales, promotions, profitability and sustainability of products. A task force has also been set up to help smaller suppliers sell their product in the DIA range.

Regarding supplier selection and the compliance systems associated with these stakeholders, DIA Group selects its suppliers based on criteria related to competence, process efficiency and the highest quality of products. All suppliers have been proactively informed of the launch of the new DIA Group whistleblowing hotline as well as the new gift and gratuities policy, and have been encouraged to use this channel if they detect any non-compliance. Moreover, in February 2020, an International Sanctions Policy was approved. This policy ensures that the Company does not enter into commercial relations with third parties (companies or people that provide any good or service) that have some kind of direct or indirect link with countries, organisations, groups and/or individuals that are sanctioned for reasons of terrorism, drug trafficking, breach of human rights, among others, by international entities such as the UN or the European Union. Complying with this policy is an essential pre-requisite to establishing any commercial relations with DIA.

In 2020 no human or labour rights breaches were detected in the supply chain through the company's commercial channels or whistleblowing hotlines.

## 10. INVESTOR COMMUNITY

Investors are stakeholders who are essentially involved in the Company's development and progress.

In 2020, following the acquisition of two acquisition offers on the company's bonds by DEA Finance S.A.R.L., the Company announced that, following the negotiations between its main shareholder L1R Invest1 Holdings S.à.r.l. ("L1R"), DEA Finance S.à.r.l. ("DEA Finance") and its syndicated creditors ("Syndicated Creditors"), it has reached an agreement with all Syndicated Creditors that provides a path for a global capitalization and refinancing operation that will allow a structure to be implemented long-term stable capital and financial for DIA Group.

### Main lines of communication with shareholders

Shareholders and investors have a number of lines of communication available to them, providing detailed information on the stock market and the Company's business, thus maintaining effective and transparent communication. Beyond the information provided regularly by corporate reports and the investor relations team, the department organised various information activities through different platforms, including roadshows, one-to-one meetings, webcasts and conference calls. The aim of them all is to provide the market and shareholders with the most up-to-date and accurate information, beyond the legal information that listed companies are obliged to provide.

### Key shareholder-related risks

Any fault or weakness in the Group's internal controls pertaining to financial information could have a significant adverse impact on the Group's outlook; the Group's capacity to pay dividends to its shareholders is uncertain and could be restricted.

### Key policies governing shareholder relations and their functions

- Corporate Investor Relations Policy: establishes the guidelines for running the department tasked with stock markets, based on transparency, accuracy, response capacity and continuous communication, in accordance with applicable legislation, the Ethics Code and the Company's other internal regulations. The staff tasked with investor relations base their actions on these principles, ensuring that shareholders, institutional investors and advisors are clear on who to contact and have regular, straight-forward access to the Company's information.
- Internal Control over Financial Reporting (ICFR) Corporate Policy: establishes the principles and guidelines that define the bases and responsibilities for maintaining an effective internal control system, which is applicable in all DIA Group companies. This policy stipulates that the Board of Directors is responsible for the existence of the ICFR; that senior management is required to design, implement and run the ICFR; and that the Audit and Compliance Committee, through its Internal Audit department, must oversee.

DIA Group develops practices for designing and maintaining an internal control system that provides reasonable security in terms of the reliability of regulated financial information, including the process for identifying risks of error or fraud in financial reporting in accordance with the COSO framework.

Another key instrument for controlling financial reporting is the ICFR Manual, the aim of which is to specify and develop the functions attributed to the different staff identified in the aforementioned Policy, defining the activities that comprise the ICFR cycle and ensuring their adequate compliance by the persons involved therein. An Internal Control Committee has also been set up with the aim of promoting a space for shared knowledge and analysis of the issues pertaining to the functioning of the DIA internal control system, to channel solutions and potential contingencies.

DIA's ICFR elements operate in conjunction with each other with the responsibility of preventing, detecting, offsetting, mitigating and correcting errors with a material impact, or fraud in financial information. Further detail on this matter can be found in section F of the Annual Corporate Governance Report.

## 11. ENVIRONMENT

The environment is a priority area for DIA Group insofar as it may affect and also be affected by the Company's operations. In addition to this, it can easily be incorporated into stakeholder management processes, bringing a holistic approach to stakeholder management.

### Main lines of communication with environment-related stakeholders

One-to-one personal meetings with not-for-profit environmental organisations and active listening channels for legislative changes are the main lines of communication with this stakeholder group. This activity is also reinforced by the institutional agenda kept, mainly, through the industry organisations the Company belongs to.

### Key environment-related risks

The most important risks identified are inadequate compliance with environmental legislation and the risk of natural disasters (climate change risks are explained in section 11.4).

### Main policies governing relations with this stakeholder group and performance

DIA Group's commitment to the environment is defined in its Environmental Policy, endorsed by the Board of Directors in 2016. This policy sets forth the objectives both in terms of operations and the organisational culture guiding the Company's activities. Performance for each of the objectives in the aforesaid policy is set forth below:

#### **11.1 Complying with existing laws and regulations**

Abiding by the law is the first mainstay upon which DIA Group's environmental work is based. No significant fines were received for breaching environmental laws and regulations during the year<sup>15</sup>. The Company considers that no significant contingencies exist concerning the protection and improvement of the environment and, accordingly, no provision has been made in this regard.

In addition to this and despite the fact that, due to their nature, DIA Group's activities do not pose a significant environmental risk, any incidents that could arise in this regard are identified and potentially monitored using the Company's Risk Map.

#### **11.2 Promoting the responsible use of resources**

In line with the most recent legislative and regulatory developments, DIA Spain has reduced the environmental impact of using plastic bags. It now provides reusable bags made from up to 70% recycled plastic as standard and is testing use of FSC certified bags at checkouts and in the various sections around the store. In fact, during 2020 the traditional thin plastic bags (used in each section of the store) have been replaced by compostable plastic bags. Consequently, at 1 January 2021 no traditional plastic bags are used in any stores in Spain.

Furthermore, as a continuation of the project commenced in 2019, during 2020, DIA has continued to offer sales of loose fruit and vegetables, contributing to the goal of reducing the impact of packaging (especially plastic) on the environment.

The table below summarises DIA's use of materials (data excludes packaging). In 2020 there has been a slight increase in materials used (mainly paper and cardboard), which is due to the inclusion of data for leaflets and magazines for the Clarel brand in Spain, which were not reported in prior years. There are no significant changes in the percentage of recycled paper/cardboard used.

<sup>15</sup> The significance thresholds for reporting fines are: Zero euros for issues relating to competition; 30,000 euros for issues relating to the environment and 50,000 euros for all other issues.

Materials consumed, by major groups (Kg)		
	2020	2019
Paper and cardboard	12,581,315.9	9,481,420.3
Of which of recycled origin	7,149,748.0	5,764,690.8
Cling film	1,726,880.8	1,530,919.2
Of which of recycled origin	0.0	0.0
Other	11,353.2	0.0
Of which of recycled origin	9,741.2	0.0
<b>TOTAL</b>	<b>14,319,549.4</b>	<b>11,012,339.5</b>

Table 20: Materials consumed, by major groups (Kg). In 2020, the Other group includes: Bags for private use in Brazil and Plastic sealing material for lorries in Portugal. The reported figures include the contribution from the franchise network.

### 11.3 Responsible waste management

The objective of the policy in this regard is to manage waste by following the waste hierarchy model, prioritising waste prevention and avoiding waste disposal where possible.

Specifically, in Spain, in 2020, measures to improve the management of fresh goods and the useful life of products have been adopted and this has led to a decrease in the amount of waste generated (prevention). A project has also been executed to better separate waste in store, which has led to a significant increase in waste reuse or recycling or recovering value from it, thus avoiding it going to landfill. At the end of 2020, a zero waste pilot project was launched at one of the logistics platforms, with a view to subsequently rolling it out at more platforms.

The following table shows waste generated by DIA Group, which in the case of non-hazardous waste has decreased by approximately 5,000 tonnes with respect to the prior year.

Non-hazardous waste generated (Kg)		
	2020	2019
Toner	1,701.0	1,847.7
Organic material <sup>16</sup>	10,621,705.0	8,411,637.0
Scrap metal	838,270.0	2,942,471.8
Plastics	4,874,174.0	4,732,532.0
Wood	885,320.0	2,066,833.0
Paper/Cardboard	59,562,824.0	59,473,253.0
WEEE	22,400.0	23,473.0
Other	40,941,569.0	44,929,791.0
<b>TOTAL</b>	<b>117,747,963.0</b>	<b>122,581,838.5</b>

<sup>16</sup> In Argentina this relates to sewage, but has been converted to kg with a density factor = 1kg/L.

Non-hazardous waste (%)					
% recycled		% reused		% sent to landfill/incinerated	
2020	2019	2020	2019	2020	2019
<b>58.77</b>	<b>59.67</b>	<b>0.56</b>	<b>1.55</b>	<b>40.67</b>	<b>38.78</b>

Tables 21 and 22: Non-hazardous waste and its processing destination. Some waste data in 2019 have been re-extracted to resemble the 2020 reporting criteria.

Hazardous waste generated (kg)		
	2020	2019
Batteries <sup>17</sup>	227,073.2	665,333.9
Fluorescent bulbs	0.0	237.0
<b>TOTAL</b>	<b>227,073.2</b>	<b>665,570.9</b>

Hazardous waste (%)					
% recycled <sup>18</sup>		% reused		% sent to landfill/incinerated	
2020	2019	2020	2019	2020	2019
<b>31.6</b>	<b>10.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Tables 23 and 24: Hazardous waste (kg) and its processing destination. The 2019 data on batteries generated and recycled in Spain and Portugal have been restated in accordance with European legislative criteria.

Furthermore, in 2020, DIA Group continued working to reduce food waste<sup>19</sup>. The Company has focused its efforts in the following areas to achieve this:

- Ordering more effectively and managing stock properly: the frequency of distributing fresh produce has been increased and the product range has been pared back, thereby reducing the possibility of wasted food. In addition, each section manager has been given specific responsibility over fresh stock management. This improvement reduced food waste in Spain by almost 2,000 tonnes in 2020 (in addition to the 7,000 tonnes reduced in 2019).
- Rethinking how the shelf life of products is managed, optimising the selling period and selling products with short use-by dates: significant drop in price on products that need to be consumed quickly.
- Raising public awareness: taking part in publicity campaigns, in collaboration with AECOC, aimed at different stakeholders, with a particular focus on customers.
- Donating food suitable for human consumption to different social groups and organisations: this campaign was expanded in 2020 and is normally run out of warehouses, dark stores and stores, all through approved partners. This year, the volume of donated food that helped to combat food waste was 543,192 Kg in Spain alone (compared to 475,097 Kg in 2019).

<sup>17</sup> Batteries generated are those put out on the market by DIA.

<sup>18</sup> Recycled batteries are those collected by DIA in the containers provided for customers and staff in stores and at the warehouses and offices. These are then collected by an authorised waste management company in line with applicable regulations.

<sup>19</sup> The food waste figure referred to in this section refers only to Spain. Food waste is defined as total food products received that are not marketed and end up in landfill.

- Waste recycling: if there is any leftover organic waste on the Company's premises even after these measures, the first option (when operationally and financially viable) is to send it for animal feed: then follows composting, and lastly, biogas production.

#### 11.4 Adopting measures to reduce the emission of greenhouse gases

While food sales and distribution are not deemed to be a priority sector for mitigating climate change, greenhouse gases are emitted throughout its value chain (see table 25).

Climate change may also interrupt normal operations and the achievement of objectives both in the short and long term; the process of monitoring these risks is therefore being incorporated into the Company's global risk management system.

As with the other business risks, DIA prioritises climate risks based on probability of occurrence, potential impact on the Company's operations and objectives, and the extent to which DIA Group can control and manage them. Following these criteria, it prepares a Risk Map and defines a scorecard and controls to monitor risks and devise the necessary steps to mitigate them.

Climate change-related risk categories evaluated and most significant risks					
Category	Significance	Explanation	Time horizon	Probability of occurrence	Impact
Emerging regulation	Relevant	DIA's procedure for the definition of risk drivers includes the approval of new regulations that will likely lead to more legal pressure to achieve its attainment. In this regard, the enactment of refrigerant gas legislation in Argentina and Brazil to bring it into line with European legislation. Adhering to the new legislation in these countries would require a significant outlay for the Company.	Short term	High	High
Reputation	Not relevant	Corporate climate strategy could influence the decisions taken by investors and customers, with a potential impact on the share value, sales turnover and company reputation. Not relevant since DIA Group activity is not perceived by stakeholders as an activity with high influence in carbon emissions and climate change.	Short term	High	Medium-high
Acute physical	Not relevant	How suppliers production could be affected quantitatively and qualitatively by extreme weather phenomenon (floods, large scale droughts etc.). This risk is not considered as relevant by DIA Group taken into account the diversification of its suppliers, especially with regards to the Private Label.	Medium-long term	Low	Low

Climate change-related risk categories evaluated and most significant risks					
Category	Significance	Explanation	Time horizon	Probability of occurrence	Impact
<b>Chronic physical</b>	Relevant	Rising average temperatures in the areas where DIA operates entail a risk of an increase in the direct costs of running refrigeration, air conditioning and heating systems on its premises to ensure product safety and the thermal comfort of customers and staff. DIA Group has estimated that every one degree rise in air temperature requires 7% more energy to run air conditioning and chillers and maintain the right temperature in DIA stores and warehouses.	Long term	Low	Medium

Summary table 2: risk categories evaluated in relation to climate change and the most relevant risks.

As in recent years, table 25 provides details of the Company's energy and emissions footprint. Indeed, DIA Group's transparency and end-to-end management approach to climate change has been acknowledged with an A rating from the Carbon Disclosure Project (the international organisation that keeps the largest databases of corporate information on climate change). DIA Group was the only food distribution company in Spain to achieve this score in 2020.

		Energy (GJ) and refrigerant gas (Kg) consumption		CO <sub>2</sub> emissions (Tn CO <sub>2</sub> eq)	
		2020	2019	2020	2019
Scope 1	Stationary sources	5,988.0	8,196.6	372.3	513.2
	Logistics	1,876,806.0	2,033,779.8	140,159.2	151,882.0
	Company cars	33,703.8	44,519.4	2,441.7	3,284.7
	Refrigerant gases	112,452.6	81,786.2	206,525.4	171,426.0
Scope 2	Electricity consumption	3,550,616.8	3,801,029.6	270,861.2	291,903.7
Scope 3	Business travel	N/A	N/A	6,604.3	9,453.4
<b>Group TOTAL</b>				<b>626,964.1</b>	<b>628,463.0</b>

Table 25: Energy consumption (GJ), refrigerant gas consumption (Kg) and CO<sub>2</sub> emission at DIA Group<sup>20</sup>. In the case of logistics, the figures reported include the contribution from the franchise network; in the case of electricity and refrigerant gases, the figures only include part of the franchise network.

- The Group's carbon footprint in 2020, resulted in 626,924.1 tons of CO<sub>2</sub> equivalent, has suffered a slight decrease compared to a similar figure to the previous year
- While the logistics footprint has increased in some countries in 2020 because of the significant rise in distribution frequency to supply the population (which also seeks to improve range management and offer fresher products for the customer), at a Group level it is positive with a global decrease of nearly 8%.

<sup>20</sup> The company car data does not include Brazil, where the type of fuel used depends on the market prices of the different options available. Detail of refrigerant gases reported: R134A, R404A, R407A, R407C, R407F, R410A, R417A, R141B, R422D, R427A, R448A, R449A, R450A, R452A, R453A, R513A, R290, R452A, R401A, R507 and R22, which corresponds to a total of 1.08 tons of CFC-11 equivalent only to R22 gas. Scope 3 emissions have only been reported for Spain and Brazil, as business travel in the remaining countries represents less than 5% of the overall total for this indicator.

- In contrast, the footprint of refrigeration systems has increased in 2020 by 20% compared to the previous year, mainly in Spain.
- On the other hand, the decreased used of renewable energies in 2020 (from over 35 million kWh in 2019 to 33.7 million kWh in 2020) has been offset by decreased electricity consumption due to the adoption of energy efficiency measures. As a result, scope 2 emissions from electricity consumption have decreased by over 7% compared to 2019.

#### **11.5 Actively working on identifying improvement opportunities**

DIA Group has set up an Environmental Management System designed to generate continuous improvement and minimise the environmental impact of the Group's activity. The environmental auditing of facilities and activities carried out regularly by the Environmental area enables DIA to assess the level of legal compliance (with legislation and in-house regulations), as well as to identify improvement opportunities.

#### **11.6. Encouraging staff through training and awareness-raising initiatives**

The most important awareness-raising and training initiatives up in 2020 concerned the following issues:

- Reducing consumption of resources: posters in workspaces to raise awareness of the importance of reducing the use of water, energy and materials (including paper and cling film).
- Adequate waste management: training sessions geared towards warehouse and store staff to encourage the separation of reusable, recyclable and recoverable waste components at source.

## 12. SOCIETY

DIA Group is fully aware of the importance and impact of the food distribution sector on society, whether it be supplying products to meet a person's essential needs, such as food, and making them available to everyone, or creating quality entrepreneurship opportunities and wealth through commerce. This is why the foregoing sections describe DIA Group's relations with its main stakeholders and how the Company creates value through these relationships.

DIA also acknowledges its accountability to other stakeholders that could be classified in the "society" stakeholder group (general public, public administrations, the media...). The Company's responsibility to these groups is fundamentally based on two pillars: a) ensuring strict compliance with the law and the transparency and reliability of reporting;<sup>21</sup> and b) tax responsibility, understood as strong tax governance procedures and tax discipline. In terms of tax responsibility, a specific section is included herein (12.1) to describe the Company's policy and performance in this regard.

The social and financial crisis caused by the pandemic means that supporting the community and the most vulnerable groups in society has become even more important this year. A separate section within this report (12.2) therefore describes this issue.

### Main lines of communication with society

The lines of communication with society are very diverse: from a dedicated team for external relations to the issuing of various corporate reports, official email channels and indirect participation in industry platforms.

### Key society-related risks

Inadequate compliance with laws and regulations, which could also damage the Group's reputation if it results in adverse publicity.

The application of tax laws, rules and regulations to the Group's business is subject to interpretation by the competent tax authorities. The Group relies on generally available interpretations of tax laws and regulations in the jurisdictions in which it operates to comply with them. However, there can be no assurance that tax authorities may not take the view that the Group's interpretations are not accurate.

### Main policies governing relations with this stakeholder group and performance

- Corporate Tax Policy: establishes the necessary scope of action to responsibly comply with tax regulations while ensuring that the Company's interests are covered, always supporting the Company's business strategy. Accordingly, DIA Group seeks to create a climate of compliance, good faith, transparency, collaboration and reciprocity in its relationships with the tax authorities, in accordance with the law, while defending its legitimate interests.
- Corporate External Relations Policy: The aim of the Corporate External Relations Policy is to promote transparent and accessible relations based on mutual respect with the media, regulatory bodies and associations. This policy focuses on achieving the Company's objectives outlined in its strategic plan and better positioning the Company in the market.

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<sup>21</sup> During 2020, only one penalty proceeding above the significant threshold has been brought due to non-compliance with the labelling of a specific product whereby the name is specified by including subjective criteria. Although the ruling arising from these proceedings has not had a damaging financial impact on DIA, the Company has drawn up an action plan to improve suitable labelling procedures.

The significance thresholds for reporting fines are: Zero euros for issues relating to competition; 30,000 euros for issues relating to the environment and 50,000 euros for all other issues.

## 12.1. Tax governance, control and risk management

DIA Corporate Tax Strategy was approved by the Board of Directors in 2015 and its main aim is to ensure compliance with tax regulations while safeguarding the Company's interests. The tax principles and good practices comprising the DIA Tax Strategy should guide decision making at all levels.

As part of the good tax practices guiding DIA's activity, the Tax Strategy establishes that DIA does not use opaque corporate structures of any kind or companies located in official tax havens (European Union's blacklist) for tax purposes. DIA Group is also committed to complying with the "OECD Guidelines for Multinational Enterprises" and the OECD's BEPS reports on tax avoidance. The Company is also part of the "Código de Buenas Prácticas Tributarias"<sup>22</sup>. In this regard, it should be noted that the transfer of assets from Spanish to Luxembourg subsidiaries is only for the purposes of the financial agreement reached with the syndicated lenders, as already explained, and not for tax purposes.

As a result of DIA Group's Tax Strategy, DIA has designed a System for the Control and Management of Tax Risks, which in addition to meeting the legal requirements, provides guidelines for the Company in this area. Thanks to this policy and its associated management system, the following progress has been made:

- Including the tax area manager as a permanent member of the Country and Group Risk Committee.
- Developing and drawing up the Tax Risk Control and Management Manual in line with DIA Group's Risk Management Policy. Therein, in addition to establishing the procedure and methodology for tax risk management, the roles and responsibilities for proper administration of these risks are also defined.
- Designing a Tax Risk Control and Management System, even where the legal standards do not strictly require it. The aim of this system is to identify the main tax risks in order to evaluate and prevent them: For these purposes:
  - Controls are defined within the different tax processes that are documented through risk matrices and controls (more than 90% of the controls defined are key controls).
  - The controls established are assessed annually, using SAP GRC.
  - In addition to the obligatory mention of control and tax risk management in the Annual Corporate Governance Report, the results of the annual review of the Tax Risk Management and Control System are reported to the Board of Directors' Audit and Compliance Committee.

	Profit before tax (thousand euros)		Tax paid (thousand euros)	
	2020	2019	2020	2019
ARGENTINA	-9,310	-34,513	353	-479
BRAZIL	-176,667	-263,488	-1,183	-505
SPAIN	-157,633	-357,174	-6,052	328
PORTUGAL	-8,331	-21,782	-444	1,358
<b>TOTAL</b>	<b>-351,941</b>	<b>-676,957</b>	<b>-7,326</b>	<b>702</b>

Table 26: Profit before tax and tax paid in 2020 in thousands of euros. Profit/(loss) before tax for Paraguay (76), included under Argentina; profit/(loss) before tax for Switzerland and Luxembourg (256 and -383, respectively), included under Spain.

<sup>22</sup>[https://www.agenciatributaria.es/AEAT.internet/Inicio/\\_Segmentos/\\_Empresas\\_y\\_profesionales/Foro\\_Grandes\\_Empresas/Codigo\\_de\\_Buenas\\_Practicas\\_Tributarias/Adhesiones\\_al\\_Codigo\\_de\\_Buenas\\_Practicas\\_Tributarias.shtml](https://www.agenciatributaria.es/AEAT.internet/Inicio/_Segmentos/_Empresas_y_profesionales/Foro_Grandes_Empresas/Codigo_de_Buenas_Practicas_Tributarias/Adhesiones_al_Codigo_de_Buenas_Practicas_Tributarias.shtml)

Further information about tax management, including lawsuits and periods open to inspection can be found in note 16 to the 2020 Consolidated Annual Accounts.

Regarding other transactions with government bodies, in 2020 DIA Group has received no government grants in any of the countries it operates in<sup>23</sup>.

## 12.2 Social projects

On 17 April 2020, DIA Group unveiled the global **DIAContribuye2020** project through which it aims to contribute to tackling the negative effects on society of Covid-19. In addition to managing the impact of the pandemic on employees, franchisees and customers (explained in previous sections), the **DIAContribuye2020** project has enabled the implementation of social actions and initiatives in the four countries in which DIA operates with the aim of minimising the effects of the pandemic on the most vulnerable.



Summary table 3: summary of DIA Group response to the pandemic

In this context of supporting the more disadvantaged communities, the following actions stand out:

a) Donations in kind:

The following table shows a summary of donations of food and essential health and hygiene products made by DIA Group to both charity associations and hospitals and public administrations. In total, in 2020, over 1,000,000 kilos of these products were donated by the four countries in the Group.

ARGENTINA	BRAZIL	SPAIN	PORTUGAL
<ul style="list-style-type: none"> <li>Over 89,000 kg donated to food banks, administrations and hospitals.</li> </ul>	<ul style="list-style-type: none"> <li>Over 162,000 kg donated to food banks.</li> <li>Over 98,000 products and over 14,000 solidarity hampers donated to charities and hospitals.</li> </ul>	<ul style="list-style-type: none"> <li>Over 640,000 kg donated to food banks, administrations and hospitals.</li> </ul>	<ul style="list-style-type: none"> <li>148,000 kg donated to food banks.</li> <li>Over €100,000 of food donated to administrations and charities.</li> </ul>

Summary table 4: main donations in kind in the Group in 2020

<sup>23</sup> Government grants are defined as any financial contribution paid by a government body to the company for the undertaking of a specific activity during the current year. Social security credits received for training and other items are not included here.

b) Other key actions:

Although already mentioned in section 7.1, in a context of social and economic crisis such as the present, it is worth stressing the efforts made by NGOs to offer job opportunities to vulnerable collectives at risk of exclusion. Although impulse has been given to the scheme in the last quarter of the year, in 2020 over 60 people have been hired from these collectives in Spain.

Finally, with face masks becoming essential-use items, DIA Spain was the first food distributor to offer this product to its customers at cost price.

### **12.3. Partnerships and sponsorship actions**

DIA is aware that many of the global challenges facing the sector and society as a whole require different players to come together and act in partnership. In this spirit, during the weeks prior to the publication of this report, the Company has signed a series of collaboration agreements with partners it considers to be strategic to implementing its sustainability strategy: Fundación Lealtad, World Vision, Cáritas and the Red Cross. Furthermore, DIA has joined the Alliance against Child Poverty promoted by the High Commission for the Fight against Childhood Poverty and has signed a partnership agreement with Zaragoza University.

For the sake of transparency, below are the main sector associations with which DIA Group is involved worldwide:

- Eurocommerce: DIA is present in this European distribution union through its participation in ASEDA.
- ASEDA (Asociación Española de Distribuidores de Autoservicio y Supermercados - Spanish Association of Distributors, Self-service Chains, and Supermarkets).
- Ecoembes.
- AECOC: (Asociación Española de Fabricantes y Distribuidores - Spanish Association of Manufacturers and Distributors).
- CEL (Centro Español de Logística - Spanish Logistics Centre).
- PACKNET (Plataforma Tecnológica Española de Envase y Embalaje - Spanish Technological Platform of Containers and Packaging).
- AEA (Agencia Española de Anunciantes - Spanish Advertisers' Agency).
- AGERS (Asociación Española de Gerencia de Riesgos y Seguros - Spanish Association of Risk Management and Insurance).
- IGREA (Iniciativa de Gerentes de Riesgos Españoles Asociados - Initiative of Associated Spanish Risk Managers).
- Asociación Española de Franquiciadores (Spanish Franchisers' Association).
- ISMS FORUM (La Asociación Española para el Fomento de la Seguridad de la Información - Spanish Association for the Advancement of Information Security).
- ISACA (Information Systems Audit and Control Association).
- APED (Associação Portuguesa de Empresas de Distribuição - Portuguese Association of Distribution Companies).
- APF (Associação Portuguesa de Franchising - Portuguese Franchising Association).
- ASU (Asociación de Supermercados Unidos - Association of United Supermarkets).

No sponsorship actions have taken place in 2020 (some actions took place in 2019, such as the UNICEF Race for Education in Argentina and the FEDER race for the fight against rare diseases in Spain).

## 13. TRACEABILITY MATRIX - ACT 11/2018 AND GRI INDICATORS

Requirements of Act 11/2018	GRI	Material for DIA	Scope	NFIS Chapter/Section
<b>GENERAL INFORMATION</b>				
<b>Business model</b>				
Description of the business model, business environment, organization and structure.	102-2; 102-5	Yes	Global	4.1. Company presentation; 3. Business model;
Markets in which the company operates	102-6	Yes	Global	4.1. Company presentation
Objectives and strategies	102-15	Yes	Global	3. Business model;
Key factors and trends that may affect the company's future development	102-15	Yes	Global	3. Business model;
Description of policies, including due diligence procedures and verification and control procedures, including what measures have been taken	GRI 103: Economic, environmental and social performance factor	Yes	Global	4.3. Internal control system; 6. Customers; 7. Employees; 8. Franchises; 9. Suppliers; 10. Investors; 11. Environment; 12. Society
The results of these policies and associated KPIs (these KPs should enable the assessment of progress and comparability between companies and sectors, in accordance with national, European or international benchmark frameworks used for each area)	GRI 103: Economic, environmental and social performance factor	Yes	Global	6. Customers; 7. Employees; 8. Franchises; 9. Suppliers; 10. Investors; 11. Environment; 12. Society
Main risks identified, risk management model and materialization of risks.	102-15	Yes	Global	4.4. Risk Management at DIA Group; 6. Customers; 7. Employees; 8. Franchises; 9. Suppliers; 10. Investors; 11. Environment; 12. Society
<b>ENVIRONMENTAL ISSUES</b>				
<b>General information about environmental performance</b>				
Current and foreseeable effects of the Company's activities on the environment and, where appropriate, on health and safety	GRI 103: Environmental focus; 102-15	Yes (Eco-efficiency)	Global	11. Environment

Requirements of Act 11/2018	GRI	Material for DIA	Scope	NFIS Chapter/Section
Environmental assessment or certification procedures	GRI 103: Environmental focus	Yes (Eco-efficiency)	Global	11.5 Identifying improvement opportunities
Resources dedicated to environmental risk prevention	GRI 103: Environmental focus	Yes (Eco-efficiency)	Global	11. Environment
Application of the principle of precaution	102-11	Yes (Eco-efficiency)	Global	11.1 Complying with existing laws and regulations
The amount of provisions and guarantees for environmental risks	307-1	Yes (Eco-efficiency)	Global	11.1 Complying with existing laws and regulations
<b>Pollution</b>				
Measures for preventing, reducing or offsetting carbon emissions that seriously affect the environment; Taking into account any kind of atmospheric pollution specific to an activity, including sound and light contamination.	GRI 103: Emissions management approach; 305-1; 305-2; 305-3; 305-5; 305-6	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases; 5.Management of Corporate Social Responsibility at DIA Group
<b>Circular economy and waste prevention</b>				
Waste: Measures for prevention, recycling, reusing, other forms of recovery and waste elimination;	GRI 103: Effluents and waste management approach; 306-2	Yes (Eco-efficiency)	Global	11.3 Waste management according to waste hierarchy model
Actions to combat food waste	GRI 103: Effluents and waste management approach	Yes (food waste)	Spain	11.3 Waste management according to waste hierarchy model
<b>Sustainable use of resources</b>				
Water consumption and water supply according to local limitations;	not reported	Not material	N/A	Water consumption is not reported as it is not material. Supporting information is however provided in the following chapter: 5.Management of Corporate Social Responsibility at DIA Group
Consumption of raw materials and measures adopted to improve efficiency of use;	301-1	Yes (Eco-efficiency)	Global	11.2 Promoting the responsible use of resources

Requirements of Act 11/2018	GRI	Material for DIA	Scope	NFIS Chapter/Section
Direct and indirect consumption of energy, measures adopted to improve energy efficiency and use of renewable energies.	GRI 103: energy management approach; 302-1; 302-2; 302-4	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
<b>Climate change</b>				
Significant elements of greenhouse gas emissions generated as a result of Company activity, including the use of goods and services it produces;	305-1; 305-2; 305-3; 305-5;	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
The measures adopted to adapt to the consequences of climate change	GRI 103: Emissions and energy management approach	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
Medium and long-term voluntary reduction targets for greenhouse gas emissions and the measures implemented for this purpose.	GRI 103: Emissions and energy management approach	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
<b>Biodiversity protection</b>				
Measures adopted to preserve or restore biodiversity;	not reported	Not material	N/A	The measures adopted are not reported, as it is not deemed to be a material issue. Supporting information is however provided in the following chapter: 5. Management of Corporate Social Responsibility at DIA Group
Impacts caused by activities or operations in protected areas.	not reported	Not material	N/A	These impacts are not reported, as they are not deemed to be material. Supporting information is however provided in the following chapter: 5. Management of Corporate Social Responsibility at DIA Group
<b>SOCIAL AND EMPLOYEE ISSUES</b>				
<b>Employment</b>				
Total number of employees by gender, age, country and professional category;	102-8; 405-1	Yes (labour practices)	Global	7.1. Employment and social dialogue
Total number of employees by contract type;	102-8	Yes (labour practices)	Global	7.1. Employment and social dialogue

Requirements of Act 11/2018	GRI	Material for DiA	Scope	NFIS Chapter/Section
Average annual number of permanent contracts, temporary, full and part-time contracts by gender, age and professional category;	102-8	Yes (labour practices)	Global	7.1. Employment and social dialogue
Number of terminations by gender, age and professional category;	401-1	Yes (labour practices)	Global	7.1. Employment and social dialogue
Average remuneration and evolution by gender, age and professional category or equivalent value;	405-2	Yes (labour practices)	Global	7.1. Employment and social dialogue
Wage gap, remuneration of equal jobs;	405-2	Yes (Gender equality)	Global	7.4. Equal opportunities
Average remuneration of board members and executives, including variable remuneration, allowances, indemnities, payment of long-term savings plans and any other benefit, broken down by gender;	GRI 103: Diversity and equality management approach	Yes (Gender equality)	Global	7.1. Employment and social dialogue
Implementation of policies safeguarding employees' right to disconnect;	GRI 103: Employment management approach	Yes (labour practices)	Global	7.1. Employment and social dialogue
Employees with disabilities.	405-1	Yes (labour practices)	Global	7.4. Equal opportunities
<b>Work organisation</b>				
Organisation of work time	GRI 103: Employment management approach	Yes (labour practices)	Global	7.2. Health and safety conditions in the workplace
Hours of absenteeism	403-2	Yes (labour practices)	Global	7.2. Health and safety conditions in the workplace
Measures adopted to facilitate work - life balance and promote shared responsibility by both parents	GRI 103: Employment management approach	Yes (Gender equality)	Global	7.2. Health and safety conditions in the workplace
<b>Health and safety</b>				

Requirements of Act 11/2018	GRI	Material for DiA	Scope	NFIS Chapter/Section
Health and safety conditions in the workplace;	GRI 103: Health and safety management approach	Yes (Health and safety)	Global	7.3. Work organisation and work-life balance
Workplace accidents, specifying accident rates and seriousness, reported by gender.	403-2	Yes (Health and safety)	Global	7.2. Health and safety conditions in the workplace
Professional illnesses; by gender..	403-3	Yes (Health and safety)	Global	Work organisation and work-life balance
<b>Social relations</b>				
Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff;	GRI 103: Employment management approach	Yes (labour practices)	Global	7.1. Employment and social dialogue
Percentage of employees covered by a collective agreement, by country;	102-41	Yes (labour practices)	Global	7.1. Employment and social dialogue
Balance of collective agreements, particularly in the area of health and safety in the workplace.	403-1	Yes (labour practices)	Global	7.1. Employment and social dialogue
<b>Training</b>				
Policies implemented in the area of training;	GRI 103: Training management approach	Yes (Development of human capital)	Global	7. Employees
Total hours of training by professional category.	404-1	Yes (Development of human capital)	Global	7.5. Employee training
Universal accessibility for persons with disabilities	GRI 103: Diversity and equal opportunities approach	Yes (labour practices)	Global	7.4. Equal opportunities
<b>Equality</b>				
Measures adopted to promote equal opportunities for and treatment of men and women;	GRI 103: Diversity and equal opportunities approach	Yes (Gender equality)	Global	7.4. Equal opportunities

Requirements of Act 11/2018	GRI	Material for DIA	Scope	NFIS Chapter/Section
Equality plans, measures taken to promote employment, protocols against sexual and gender-based harassment	GRI 103: Diversity and equal opportunities approach	Yes (Gender equality)	Global	7.4. Equal opportunities
Measures taken to promote the integration and universal accessibility of persons with disabilities.	405-1	Yes (labour practices)	Global	7.4. Equal opportunities
Policy against all types of discrimination and, if applicable, diversity management	GRI 103: Diversity and equal opportunities approach	Yes (Ethics and compliance)	Global	7.4. Equal opportunities
<b>HUMAN RIGHTS</b>				
Application of due diligence procedures with regard to human rights;	102-16	Yes for internal operations (Ethics and compliance; Labour practices); Not material for the supply chain.	Global	4.3.1. Compliance and ethical management; 7.1. Employment and social dialogue; 9 Suppliers;
Prevention of risks of violation of human rights and, if applicable, measures to mitigate, manage and address possible abuses committed;	102-16	Yes for internal operations (Ethics and compliance; Labour practices); Not material for the supply chain.	Global	4.3.1. Compliance and ethical management; 7.1. Employment and social dialogue; 9 Suppliers;
Cases of human rights violations reported;	102-15; 102-17	Yes for internal operations (Ethics and compliance; Labour practices); Not material for the supply chain.	Global	4.3.1. Compliance and ethical management; 7.1. Employment and social dialogue; 9 Suppliers;
Promotion and compliance with the provisions of the core agreements of the International Labour Organisation relating to respect for freedom of association and the right to collective negotiation;	102-16; 102-41	Yes for internal operations (Ethics and compliance; Labour practices); Not material for the supply chain.	Global	4.3.1. Compliance and ethical management; 7.1. Employment and social dialogue; 9 Suppliers;
Elimination of workplace job discrimination;	406-1	Yes for internal operations (Ethics and compliance; Labour practices); Not material for the supply chain.	Global	4.3.1. Compliance and ethical management; 7.1. Employment and social dialogue; 9 Suppliers;
Elimination of forced labour;	102-16 ; 102-17; 409-1	Yes for internal operations (Ethics and compliance; Labour practices); Not material for the supply chain.	Global	4.3.1. Compliance and ethical management; 7.1. Employment and social dialogue; 9 Suppliers;

Requirements of Act 11/2018	GRI	Material for DIA	Scope	NFIS Chapter/Section
Abolishment of child labour	102-16; 102-17; 408-1	Yes for internal operations (Ethics and compliance; Labour practices); Not material for the supply chain.	Global	4.3.1. Compliance and ethical management; 7.1. Employment and social dialogue; 9 Suppliers;
<b>CORRUPTION AND BRIBERY</b>				
Measures adopted to prevent corruption and bribery;	GRI 103: Anti-corruption management approach; 102-16; 205-2; 205-3 (incidents of corruption)	Yes (Ethics and compliance)	Global	4.3.1. Compliance and ethical management
Anti-money laundering measures.	102-16; 205-2	Not material	Global	4.3.1. Compliance and ethical management
Contributions to foundations and non-profits.	102-12	Not material	Global	12.2. Social projects
<b>SOCIETY</b>				
<b>Commitments to sustainable development</b>				
Impact of the company's activity on local jobs and development;	GRI 103: Socioeconomic compliance approach, Procurement practices; 102-8; 204-1;	Yes (labour practices)	Global	9. Suppliers; 12. Society
Impact of the company's activity on local towns and the region;	GRI 103: Employment management approach; Socioeconomic compliance approach;	Yes (Ethics and compliance; Labour practices)	Global	9. Suppliers; 12. Society
Relations with local community players and types of dialogue with these;	102-43	Yes (listening to stakeholders prior to defining material issues)	Global	5. Management of Corporate Social Responsibility at DIA Group
Association activities and sponsorship	102-12; 102-13;	Not material	Global	12.3. Partnerships and sponsorship actions
<b>Outsourcing and suppliers</b>				

Requirements of Act 11/2018	GRI	Material for DIA	Scope	NFIS Chapter/Section
Social issues, gender equality and environmental issues in the procurement policy; consideration in the relationships with suppliers and subcontractors of their social and environmental responsibility	GRI 103: Management approach Environmental and social assessment of suppliers; 102-9	Not material	Global	9. Suppliers
Supervision and auditing systems and the results thereof	308-1; 414-1	Not material	Global	9. Suppliers
<b>Customers</b>				
Measures for health and safety of consumers;	GRI 103: Customer health and safety management approach	Yes (Food quality and safety)	Global	6. Customers
Claims and complaints systems and resolution.	416-1; 416-2	Yes (Consumer information and protection)	Global	6. Customers
<b>Tax information</b>				
Profits earned by country	GRI 103: Economic performance management approach	Yes (Tax practices)	Global	12.1. Tax governance, control and risk management
Taxes paid on profits	GRI 103: Economic performance management approach	Yes (Tax practices)	Global	12.1. Tax governance, control and risk management
Public grants received	201-4	Not material	Global	12.1. Tax governance, control and risk management. Supporting information is however provided in the following section: 12.1 Tax governance, control and risk management
<b>ADDITIONAL INFORMATION</b>				
Other information about the organisational profile	102-1 to 102-10	Not material	Global	4.1. Company presentation; 7. Employees; 9. Suppliers;
Corporate governance	102-18	Yes (Governance system)	Global	4.2. Corporate governance
Stakeholder participation	102-40 to 102-44	Yes (Transparency and investor relations; Franchisee relations)	Global	5. Management of Corporate Social Responsibility at DIA Group

Requirements of Act 11/2018	GRI	Material for DIA	Scope	NFIS Chapter/Section
Other information about the report profile	102-45 to 102-53; 102-56	Not material	Global	1. Basis of preparation for the consolidated non-financial information statement; 5. Management of Corporate Social Responsibility at DIA Group

**Audit Report on the Consolidated Financial Statements  
issued by an Independent Auditor**

**DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.  
AND SUBSIDIARIES  
Consolidated Financial Statements and Management Report  
for the year ended  
December 31, 2020**

## **AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR**

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

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

### **Report on the consolidated financial statements**

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#### **Opinion**

We have audited the consolidated financial statements of Distribuidora Internacional de Alimentación, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2020, the income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and the consolidated financial position of the Group at December 31, 2020, and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework for financial reporting applicable in Spain.

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#### **Basis of the opinion**

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

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

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

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**Key audit matters**

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

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***Application of the going concern principle***

<b>Description</b>	<p>Notes 1.e), 1.f), 2.4), and 24 to the accompanying consolidated financial statements describe the current status of the measures adopted in the 2020 and 2021 up to the date of the authorization for issue of the financial statements for 2020 by the Board of Directors and management of the parent to ensure that the going concern principle is correctly applied.</p> <p>The main measures adopted which, to a large extent, are still being implemented, are aimed at i) carrying out the Hive Down transaction required as a result of the agreement entered into with its syndicated lenders, which was approved by the Extraordinary General Shareholders' Meeting of the parent held on August 30, 2019 and ii) developing the agreement entered into on March 23, 2021 with all its syndicated lenders, which provides a path for a more comprehensive recapitalization and refinancing transaction for the Group (the "Comprehensive Transaction").</p> <p>In this regard, and as explained in aforementioned note 2.4) to the accompanying consolidated financial statements, on November 29, 2020, the parent entered into an initial agreement with all its syndicated lenders (the "Lock-Up Agreement"), which created a path for carrying out a capitalization and refinancing transaction ("Original Transaction") and which, in the opinion of the parent's directors, provided a stable long-term capital and financial structure for the parent and its group. On March 23, 2021, as a result of further negotiations between the financial creditors and the parent's main shareholder, the parent reached a new agreement with all of its syndicated lenders that provides a new path for a comprehensive recapitalization and refinancing transaction (the "Comprehensive Transaction"). The "Comprehensive Transaction" includes, as part of its main features, all of which are contingent upon one another, i) a capital increase in the parent of up to 1,028 million euros, ii) the amendment and reformulation of the current syndicated financing agreement for a total of approximately 973 million euros, iii) the amendment of the terms and conditions of the bonds that currently mature in 2023, and iv) the extension of the maturity dates of certain bilateral financing lines and credit facilities entered into by the Group with its syndicated lenders. The terms under which the "Comprehensive Transaction" is expected to be carried out are described in note 24 to the accompanying consolidated financial statements.</p> <p>In abovementioned note 2.4) to the accompanying consolidated financial statements, the parent's directors state that the terms under which the "Comprehensive Transaction" is expected to be carried out will eliminate the Group's refinancing risk in the medium term, significantly reduce its interest rate burden, provide additional liquidity to ensure that operating financing needs are covered, improve and accelerate the ability to access the financial debt markets under normal conditions, and provide a stable capital structure in the long term. Overall, the directors of the parent consider that the Group will continue to operate on a going concern basis.</p>
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This is a key audit matter in the context of our audit in view of the relevance of the success of the actions taken by the parent's directors and its management to guarantee the continuity of the Group's operations.

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**Our response** Our audit procedures related to this matter included the following:

- ▶ Identifying and understanding the matters that could raise significant doubts as to the Group's capacity to continue as a going concern.
- ▶ Gaining an understanding, based on conversations with the parent's executives, of the significant events that occurred in 2020 and 2021, up to the date of the authorization for issue of the financial statements for 2020, described in Notes 1.e) and 1.f), 2.4) and 24 to the accompanying consolidated financial statements, aimed at restoring the parent's and its group's equity and financial position and reaching agreements designed to ensure the continuity of its business.
- ▶ Obtaining and analyzing the significant events communicated by the parent to the Spanish National Securities Market Commission (CNMV) and the minutes related to the agreements approved by the parent's General Shareholders' Meeting, its directors, and the remaining management bodies and committees in 2020 and 2021 up to the date of this report.
- ▶ Verifying the parent management's and its directors' assessment of the parent's capacity to continue as a going concern, after considering the significant measures adopted to restore the Group's equity and financial position. This verification included reviewing the Group's five-year business plan and expected financial performance over the next twelve years.
- ▶ Obtaining and analyzing the documentation supporting the agreement with syndicated lenders entered into on November 29, 2020 ("Lock-Up Agreement" of the "Original Transaction") disclosed in note 1.f) to the accompanying consolidated financial statements.
- ▶ Obtaining and analyzing the documentation supporting the agreement with syndicated lenders entered into on March 23, 2021 ("Lock-Up Agreement" of the "Comprehensive Transaction") disclosed in notes 2.4) and 24 to the accompanying consolidated financial statements.
- ▶ Obtaining and analyzing the documentation relating to the loan granted to the parent by its majority shareholder to finance the payment at maturity of the principal of the "2021 bonds" that will not be converted to capital, disclosed in note 24 to the accompanying consolidated financial statements.
- ▶ Obtaining and analyzing the documentation relating to the loans acquired by the parent's majority shareholder from DEA Finance S.à.r.l. which, where applicable, have been converted to new debt instruments prior to their conversion to capital, disclosed in note 24 to the accompanying consolidated financial statements.
- ▶ Obtaining and analyzing the documentation relating to the transfer to the parent from DIA Finance, S.L., of the super senior financing facility that this subsidiary owed as of December 31, 2020 to DEA Finance, S.à.r.l. (super senior term loan facility), prior to its conversion to capital, disclosed in Note 24 of the accompanying consolidated financial statements.

- ▶ Obtaining and analyzing the documentation existing at that date and referring to the fulfillment of the suspensive conditions affecting the validity of the "Comprehensive Transaction" disclosed in note 24 of the accompanying consolidated financial statements.
- ▶ Obtaining and analyzing the documentation relating to the proposed resolutions to be adopted at the General Shareholders' Meeting of the parent to approve the capital increase provided for in the "Comprehensive Transaction," disclosed in note 24 to the accompanying consolidated financial statements.
- ▶ Reviewing the disclosures in the notes to the accompanying consolidated financial statements in accordance with the applicable regulatory framework for financial reporting.

#### *Trade discounts with suppliers*

<b>Description</b>	<p>As explained in Note 3.r) to the accompanying consolidated financial statements, the Group's supplies (merchandise and other consumables used) is reduced by several types of discounts which vary based on the specific terms and conditions reached with each supplier. Some of the discounts are fixed and others vary. Their application depends on the volume of purchases accumulated during a contractually established period or on the volume of sales made of each supplier's articles in the Group's establishments.</p>
	<p>There is a risk of misstatement of the amount of recorded cost of net merchandise used, in the event the discount applied does not meet the actual terms and conditions agreed upon with the supplier. In these circumstances, correct recognition of the aforementioned cost requires the Group to reliably estimate the extent to which it has met the conditions entitling it to the discount. In addition, in previous years, misstatements were identified that arose from the Group incorrectly applying trade discounts with suppliers.</p>
	<p>Due to the quantitative significance of trade discounts with suppliers, the errors identified in previous years and the nature and extent of the audit procedures required to arrive at our conclusion, we determined this issue to be a key audit matter.</p>
<b>Our response</b>	<p>Our audit procedures related to this matter included the following:</p> <ul style="list-style-type: none"> <li>▶ Evaluating the design and implementation of relevant controls related to the Group's process for determining and recording the discounts applicable to each supplier, based on agreed-upon terms and conditions.</li> <li>▶ Obtaining, for a sample of suppliers, the related template agreements establishing the terms agreed upon with the Group for the year, including the trade discounts negotiated between the parties.</li> <li>▶ For the same sample of suppliers, we requested confirmation of the trade discounts granted to the Group during the year.</li> <li>▶ Recalculating, for a sample of suppliers, of the reduction in the cost of merchandised used recognized by the Group for the trade discounts applied, based on the terms and conditions reached with those suppliers.</li> <li>▶ Reviewing the disclosures in the notes to the accompanying consolidated financial statements in accordance with the applicable regulatory framework for financial reporting.</li> </ul>

***Recoverable amount of non-current assets subject to depreciation/amortization***

<b>Description</b>	<p>As explained in Notes 5, 6.2 and 6.1 to the accompanying consolidated financial statements, at December 31, 2020, the Group recognized property, plant and equipment amounting to 837,312 thousand euros, right-of-use assets amounting to 569,369 thousand euros, and goodwill amounting to 482,872 thousand euros.</p>
	<p>For purposes of calculating impairment loss on property, plant and equipment, right-of-use assets, the carrying amount of these non-current assets is assigned to each of the corresponding cash-generating units (CGUs), which in the case of the Group is determined at store level, as explained in Note 3.k to the consolidated financial statements.</p>
	<p>In the case of goodwill, it may also be allocated to stores; in the case of goodwill not allocated to stores, the future cash flows of each subsidiary are considered as a cash generating unit (CGU) for the purposes of calculating impairment.</p>
	<p>At each year-end, parent management makes significant judgments to determine the existence of indications of impairment of the recoverable amount of goodwill related to group companies and the various non-current assets linked to stores. In both cases, the recoverable amount is determined taking into account the value in use of cash-generating units, as applicable.</p>
	<p>To determine this value, the parent has used valuation techniques that require Management to make judgments, hypotheses, and estimates. Due to uncertainty related to these hypotheses and estimates, we determined this to be a key audit matter.</p>
<b>Our response</b>	<p>Our audit procedures related to this matter included the following:</p>
	<ul style="list-style-type: none"> <li>▶ Understanding the Group's analysis and evaluation process for determining the recoverable amount of the amounts recorded for non-current assets subject to amortization and depreciation with the involvement of our specialists in this area, including evaluation of the design and implementation of the process's relevant controls.</li> <li>▶ Understanding the Group's analysis and evaluation process in the current context in order to identify the stores showing indications of impairment.</li> <li>▶ Evaluating, with the involvement of our valuation specialists, the reasonableness of the methodology used by the Group to calculate the recoverable amount of the assets linked to stores and the recoverable amount of goodwill related to group companies, as well as the principal hypotheses applied.</li> <li>▶ Comparing the consistency applied in projecting future profit used as a basis for calculating the recoverable amount of stores and goodwill related to group companies with the group's latest business plan approved by the parent's directors.</li> <li>▶ Analyzing, with the involvement of valuation specialists, the sensitivity of certain hypotheses used in the model to future changes that could be considered reasonable.</li> <li>▶ Reviewing the disclosures in the notes to the accompanying consolidated financial statements in accordance with the applicable regulatory framework for financial reporting.</li> </ul>

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### **Other information: Consolidated Management Report**

Other information refers exclusively to the 2020 consolidated management report, the preparation of which is the responsibility of the Parent's directors and is not an integral part of the consolidated financial statements.

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

- a. Checking only that the consolidated non-financial statement and certain information included in the Corporate Governance Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.
- b. Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining the information contained therein is consistent with that provided in the 2020 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

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### **Responsibilities of the parent's directors and the audit committee for the consolidated financial statements**

The directors of the Parent are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee of the parent is responsible for overseeing the Group's financial reporting process.

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### **Auditor's responsibilities for the audit of the consolidated financial statements**

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

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

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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

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

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

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

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

## **Report on other legally stipulated disclosure requirements**

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### **Additional report for the parent's audit committee**

The opinion given in this report is coherent with what is set out in our additional report for the parent's audit and control committee dated April 27, 2021.

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### **Term of engagement**

The ordinary general meeting of shareholders held on March 20, 2019 appointed us as auditors of the Group for a period of three years, commencing the year ended December 31, 2019.

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

(Signed on the original Spanish version)

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

April 28, 2021

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

## **Consolidated Annual Accounts and Consolidated Directors' Report**

**31 December 2020**

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

The logo for DIA, consisting of the letters 'DIA' in a bold, red, sans-serif font. The 'D' and 'A' are in a larger, bolder font, while the 'i' is smaller and positioned between them.

**Distribuidora Internacional de Alimentación, S.A. and Subsidiaries****DIA GROUP CONSOLIDATED ANNUAL ACCOUNTS AT 31 DECEMBER 2020**

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# (I) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

(Expressed in thousands of Euros)

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

ASSETS	Notes	2020		2019	
		31 December	31 December	31 December	31 December
<b>Property, plant and equipment</b>	5	837,312		1,055,580	
Goodwill	6.1	482,872		489,051	
Use of right	6.2	569,369		700,037	
Other intangible assets	6.3	27,529		40,593	
Investments accounted for using the equity method	8	473		551	
Trade and other receivables	7.1	24,039		46,010	
Other non-current financial assets	7.2	56,956		64,043	
Non-current tax assets	16	46,070		52,297	
<b>Non-current assets</b>		<b>2,044,620</b>		<b>2,448,162</b>	
Inventories	10	445,763		496,517	
Trade and other receivables	7.1	128,369		110,971	
Consumer loans from financial activities		1,407		1,409	
Current tax assets	16	56,065		76,768	
Current income tax assets	16	1,205		6,932	
Other current financial assets	7.2	3,945		8,706	
Other assets	9	6,681		6,418	
Cash and cash equivalents	11	346,985		163,550	
		<b>990,420</b>		<b>871,271</b>	
Non-current assets held for sale	12	359		-	
<b>Current assets</b>		<b>990,779</b>		<b>871,271</b>	
<b>TOTAL ASSETS</b>		<b>3,035,399</b>		<b>3,319,433</b>	

The accompanying notes form an integral part of the consolidated annual accounts for 2020.

**(I) CONSOLIDATED STATEMENT OF FINANCIAL POSITION****At 31 December 2020****(Expressed in thousands of Euros)**

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

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>2020</b>	
		<b>31 December</b>	<b>2019</b>
		<b>31 December</b>	<b>31 December</b>
<b>Capital</b>	13.1	<b>66,780</b>	<b>66,780</b>
<b>Share premium</b>	13.2	<b>544,997</b>	<b>544,997</b>
<b>Reserves</b>	13.3	<b>(815,387)</b>	<b>(23,469)</b>
<b>Own shares</b>	13.4a)	<b>(5,763)</b>	<b>(7,252)</b>
<b>Other own equity instruments</b>	13.4b) and 17	<b>250</b>	<b>89</b>
<b>Net losses for the period</b>	13.3	<b>(363,788)</b>	<b>(790,468)</b>
<b>Translation differences</b>	13.7	<b>(124,284)</b>	<b>(141,179)</b>
<b>Equity attributable to equity holders of the Parent</b>		<b>(697,195)</b>	<b>(350,502)</b>
<b>Total Equity</b>		<b>(697,195)</b>	<b>(350,502)</b>
<b>Non-current borrowings</b>	14.1	<b>1,625,790</b>	<b>1,865,716</b>
<b>Provisions</b>	15	<b>84,328</b>	<b>61,306</b>
<b>Other non-current financial liabilities</b>	14.2	<b>2,306</b>	<b>3,806</b>
<b>Deferred tax liabilities</b>	16	<b>20,157</b>	<b>11,440</b>
<b>Non-current liabilities</b>		<b>1,732,581</b>	<b>1,942,268</b>
<b>Current borrowings</b>	14.1	<b>589,032</b>	<b>325,536</b>
<b>Trade and other payables</b>	14.3	<b>1,183,353</b>	<b>1,215,446</b>
<b>Current tax liabilities</b>	16	<b>55,453</b>	<b>64,679</b>
<b>Current income tax liabilities</b>	16	<b>531</b>	<b>9,151</b>
<b>Other current financial liabilities</b>	14.4	<b>171,644</b>	<b>111,583</b>
		<b>2,000,013</b>	<b>1,726,395</b>
<b>Liabilities directly associated with non-current assets held for sale</b>	12	-	<b>1,272</b>
<b>Current liabilities</b>		<b>2,000,013</b>	<b>1,727,667</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,035,399</b>	<b>3,319,433</b>

The accompanying notes form an integral part of the consolidated annual accounts for 2020.

## (II) CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2020

(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	2020 31 December	2019 31 December
Sales	4 and 18.1		6,882,373	6,870,435
Other income	19.1		45,833	77,156
<b>TOTAL INCOME</b>			<b>6,928,206</b>	<b>6,947,591</b>
Goods and other consumables used	19.2		(5,053,084)	(5,240,748)
Personnel expenses	19.3		(922,400)	(934,536)
Operating expenses	19.4		(637,836)	(675,383)
Depreciation and amortization	19.5		(426,531)	(518,366)
Impairment of non-current assets	19.5		(26,448)	(57,509)
Impairment of trade debtors	7.1		(12,931)	(31,327)
Losses on disposal of fixed assets	19.6		(31,079)	(69,968)
<b>RESULT FROM OPERATING ACTIVITIES</b>			<b>(182,103)</b>	<b>(580,246)</b>
Finance income	19.7		11,527	41,640
Finance expenses	19.7		(217,380)	(196,209)
Gain from net monetary positions	19.9		36,074	63,705
Result from financial instruments	19.10		-	(6,043)
Profit/(losses) of companies accounts for using the equity method	19.11		(59)	196
<b>LOSSES BEFORE TAX FROM CONTINUING OPERATIONS</b>			<b>(351,941)</b>	<b>(676,957)</b>
Income tax	16		(11,847)	(91,669)
<b>LOSSES AFTER TAX FROM CONTINUING OPERATIONS</b>			<b>(363,788)</b>	<b>(768,626)</b>
Losses net of taxes of discontinued operations	12		-	(21,842)
<b>NET LOSSES</b>			<b>(363,788)</b>	<b>(790,468)</b>
<b>Atributed to:</b>				
Equity holders of the Parent			(363,788)	(790,468)
<b>Basic and diluted earnings per share, in euros</b>				
Losses on continuing operations			(0.05)	(0.12)
Losses on discontinued operations			-	-
Losses for the period			(0.05)	(0.12)

The accompanying notes form an integral part of the consolidated annual accounts for 2020.

**(III) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 for the year ended 31 December 2020  
 (Expressed in thousands of Euros)

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

	<b>2020</b> 31 December	<b>2019</b> 31 December
<b>Net losses for the period</b>	<b>(363,788)</b>	<b>(790,468)</b>
<b>Other comprehensive income:</b>		
<b>Items not subject reclassifications to income statement</b>	-	-
<b>Items subject to reclassification to income statement</b>		
<b>Translation differences of financial statements of foreign operations</b>	16,895 16,895	1,523 1,523
<b>Value adjustments due to cash flow hedges</b>	-	(18)
<b>Tax effect</b>	-	5 (13)
<b>Other comprehensive income, net of income tax</b>	<b>16,895</b>	<b>1,510</b>
<b>Total comprehensive income, net of income tax</b>	<b>(346,893)</b>	<b>(788,958)</b>
<b>Attributed to:</b>		
<b>Equityholders of the Parent</b>	<b>(346,893)</b> <b>(346,893)</b>	<b>(788,958)</b> <b>(788,958)</b>

The accompanying notes form an integral part of the consolidated annual accounts for 2020.

## (IV) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

(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	Share premium	Reserves and accumulated earnings	Net losses	Own shares	Other own equity instruments	Value adjustments due to cash flow hedges	Translation differences	Equity attributable to the Parent	Total equity
<b>At 31 December 2018</b>	<b>62,246</b>	-	<b>246,701</b>	<b>(352,587)</b>	<b>(55,861)</b>	<b>6,820</b>	<b>13</b>	<b>(73,394)</b>	<b>(166,062)</b>	<b>(166,062)</b>
Reclassification from Reserves to Translation differences	-	-	69,308	-	-	-	-	(69,308)	-	-
<b>At 1 January 2019</b>	<b>62,246</b>	-	<b>316,009</b>	<b>(352,587)</b>	<b>(55,861)</b>	<b>6,820</b>	<b>13</b>	<b>(142,702)</b>	<b>(166,062)</b>	<b>(166,062)</b>
Transfer of the losses of the previous year	-	-	(352,587)	352,587	-	-	-	-	-	-
Net losses for the period	-	-	-	(790,468)	-	-	-	-	(790,468)	(790,468)
Other comprehensive income, net of income tax	-	-	-	-	-	-	(13)	1,523	1,510	1,510
Translation differences of financial statements of foreign operations	-	-	-	-	-	-	-	1,523	1,523	1,523
Value adjustments due to cash flow hedges	-	-	-	-	-	-	(13)	-	(13)	(13)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(790,468)</b>	<b>-</b>	<b>-</b>	<b>(13)</b>	<b>1,523</b>	<b>(788,958)</b>	<b>(788,958)</b>
Transactions with equityholders or owners	<b>4,534</b>	<b>544,997</b>	<b>13,109</b>	-	<b>48,609</b>	<b>(6,731)</b>	-	-	<b>604,518</b>	<b>604,518</b>
Capital Reduction	(56,021)	-	56,021	-	-	-	-	-	-	-
Capital Increase	60,555	544,997	(6,218)	-	-	-	-	-	599,334	599,334
Issuance net share-based payments	-	-	-	-	-	269	-	-	269	269
Value adjustments share-based payment	-	-	6,018	-	-	(6,018)	-	-	-	-
Issuance of share-based payments	-	-	(2,073)	-	2,692	(982)	-	-	(363)	(363)
Transactions with own shares or equity holdings	-	-	(40,662)	-	45,917	-	-	-	5,255	5,255
Other variations in shareholders' equity	-	-	23	-	-	-	-	-	23	23
<b>At 31 December 2019</b>	<b>66,780</b>	<b>544,997</b>	<b>(23,469)</b>	<b>(790,468)</b>	<b>(7,252)</b>	<b>89</b>	-	<b>(141,179)</b>	<b>(350,502)</b>	<b>(350,502)</b>
Transfer of the losses of the previous year	-	-	(790,468)	790,468	-	-	-	-	-	-
Net losses for the period	-	-	-	(363,788)	-	-	-	-	(363,788)	(363,788)
Other comprehensive income, net of income tax	-	-	-	-	-	-	-	16,895	16,895	16,895
Translation differences of financial statements of foreign operations	-	-	-	-	-	-	-	16,895	16,895	16,895
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(363,788)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,895</b>	<b>(346,893)</b>	<b>(346,893)</b>
Transactions with equityholders or owners	-	-	(1,450)	-	1,489	161	-	-	200	200
Issuance net share-based payments	-	-	-	-	-	200	-	-	200	200
Issuance of share-based payments	-	-	(1,450)	-	1,489	(39)	-	-	-	-
<b>At 31 December 2020</b>	<b>66,780</b>	<b>544,997</b>	<b>(815,387)</b>	<b>(363,788)</b>	<b>(5,763)</b>	<b>250</b>	-	<b>(124,284)</b>	<b>(697,195)</b>	<b>(697,195)</b>

The accompanying notes form an integral part of the consolidated annual accounts for 2020.

## (V) CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

(Expressed in thousands of Euros)

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

	Notes	2020 31 December	2019 31 December
<b>Operating activities</b>			
LOSS/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		(351,941)	(676,957)
Loss before tax from discontinued operations		-	(21,842)
<i>Loss before income tax</i>		(351,941)	(698,799)
<i>Adjustments to Profit and Loss:</i>		723,852	860,471
Depreciation and amortization	19.5	426,531	518,366
Impairment of non current assets	19.5	26,448	57,509
Impairment of trade debtors	7.1	12,931	31,327
Losses on disposal of non current assets	19.6	31,079	69,968
Result from financial instruments	19.10	-	6,043
Finance income	19.7	(11,527)	(41,640)
Finance expenses	19.7	217,380	196,209
Changes of provisions and grants		22,427	7,783
Other adjustments of discontinued operations	12	-	1,420
Other adjustments to Profit and Loss		(1,476)	13,682
Share of (Profit)/loss of companies accounted for using the equity method net of dividends	8 and 19.11	59	(196)
<i>Adjustments to working capital:</i>		18,592	(101,331)
Changes in trade and other receivables		(24,208)	68,069
Change in inventories		50,754	100,838
Changes in trade and other payables		(35,785)	(241,600)
Changes in consumer loan and refinancing commitments		2	(1,389)
Change in other assets		26,972	(40,997)
Change in other liabilities		9,512	(2,054)
Changes in working capital of discontinued operations	12	(1,329)	15,100
Current income tax payables		(7,326)	702
<b>Net cash flow from/(used in) operating activities</b>		<b>390,503</b>	<b>60,341</b>
<b>Investing activities</b>			
Purchases of intangible assets	6.3	(3,285)	(4,770)
Development cost	6.3	(4,952)	(6,011)
Payments of property, plant and equipment	5	(68,448)	(151,705)
Payment of financial instruments		22,634	31,048
Disposals of intangible assets		44	1,147
Disposals of property, plant and equipment		9,677	13,464
(Payments)/Collections for other financial assets		11,738	3,954
Interest received		8,886	3,403
Acquisition of subsidiaries net of cash acquired		-	769
<b>Net cash flow used in investing activities</b>		<b>(23,706)</b>	<b>(108,701)</b>
<b>Financing activities</b>			
Capital increase, net of cost	13.1	-	599,334
Charge for sale of own shares	13.4 a)	-	5,255
Financial lease payments	14.1 c)	(284,565)	(327,522)
Borrowings repaid	14.5	(23,284)	(379,756)
Borrowings made	14.5	163,762	164,752
Payments from other financial liabilities		28,679	1,697
Interest paid		(48,347)	(92,577)
<b>Net cash flow from/(used in) financing activities</b>		<b>(163,755)</b>	<b>(28,817)</b>
<b>Net changes in cash and cash equivalents</b>		<b>203,042</b>	<b>(77,177)</b>
Net foreign exchanges differences		(19,607)	884
<b>Cash and cash equivalents at 1st January</b>		<b>163,550</b>	<b>239,843</b>
<b>Cash and cash equivalents at 31th December</b>		<b>346,985</b>	<b>163,550</b>

The accompanying notes form an integral part of the consolidated annual accounts for 2020.

## (VI) Notes to the Consolidated Annual Accounts for 2020

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

### 1. NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

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

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

- (a) *The wholesale or retail purchase, sale and distribution of food products and any other consumer goods in both domestic and foreign markets; domestic healthcare, parapharmaceutical, homoeopathic, dietary and optical products, cosmetics, costume jewellery, household products, perfumes and personal hygiene products; and food, health and hygiene products and insecticides, and all other kinds of widely available consumer products for animals.*
- (b) *Corporate transactions; the acquisition, sale and lease of movable property and real estate; and financial transactions as permitted by applicable legislation.*
- (c) *Corporate services aimed at the sale of telecommunication products and services, particularly telephony services, through collaboration agreements with suppliers of telephony products and services. These co-operative services shall include the sale of telecommunication products and services, as permitted by applicable legislation.*
- (d) *All manner of corporate collaboration services aimed at the sale of products and services of credit institutions, payment institutions, electronic money institutions and currency exchange establishments, in accordance with the provisions of the statutory activity and administrative authorisation of these entities. This collaboration shall include, as permitted by applicable legislation and, where appropriate, subject to any necessary prior administrative authorisation, the delivery, sale and distribution of products and services of these entities.*
- (e) *Activities related to internet-based marketing and sales, and sales through any other electronic medium of all types of legally tradable products and services, especially food and household products, small electrical appliances, multimedia and IT products, photography equipment and telephony products, sound and image products and all types of services provided via the internet or any other electronic medium.*
- (f) *Wholesale and retail travel agency activities including, inter alia, the organisation and sale of package tours.*
- (g) *Retail distribution of petrol, operation of service stations and retail sale of fuel to the public.*
- (h) *The acquisition, ownership, use, management, administration and disposal of equity instruments of resident and non-resident companies in Spain through the concomitant management of human and material resources.*
- (i) *The management, coordination, advisory and support of investees and companies with which the Parent works under franchise and similar contracts.*
- (j) *The deposit and storage of goods and products of all types, both for the Company and for other companies.*

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

Distribuidora Internacional de Alimentación, S.A. and subsidiaries (hereinafter, the Group, the DIA Group) currently trades under the names of DIA Market, DIA Maxi, La Plaza de DIA, Clarel, Minipreço and DIA&go.

The Group comprises the Parent company and its subsidiaries which are all fully consolidated, except for ICDC Services, Sàrl (50% owned by DIA World Trade, S.A.), Red Libra Trading Services S.L. (50% owned by DIA, S.A.) and Horizon International Services Sàrl (25% owned by DIA World Trade, S.A.) which are equity-accounted and CD Supply Innovation, S.L. (50% owned by DIA, S.A.), which is accounted for as a joint venture.

As of 5 July 2011, DIA shares are listed on the Spanish stock exchanges.

### 1.1. Relevant events occurring during 2020

#### a) New organisational model

Following the successful completion of the first phase of DIA's transformation, on 14 April 2020 it was announced that Mr Karl-Heinz Holland was stepping down as CEO of the parent and member of the Board of Directors with effect from 20 May 2020. Mr Stephan DuCharme, who up until then was non-executive chair of the Board of Directors was appointed as the parent company's new executive chairman, effective 21 May 2020, providing strategic guidance to the team under the new organisational model.

The DIA Group thus successfully concluded the first phase of the company's transformation process, which began in May 2019 led by Mr Karl-Heinz Holland, who rolled out a comprehensive change plan to respond to the company's situation. The first phase focused on three key areas:

- Attract and incorporate talent at all levels and in all business areas to drive the transformation.
- Restore the basic retail business concepts in the Group, including a new sales value proposition and best operational practices throughout the supply chain and store network.
- Create a new organisational model for the Group, based on independent and empowered national leadership with full responsibility for results, which will be strategically backed up by the Group's corporate department, having appointed CEOs for the different countries.

The corporate department will focus on the company's purpose and strategy, digital transformation, strategic communication, institutional relations, the development of leadership and talent and corporate finance.

In July 2020, the Company announced the creation of a new Group Corporate Management team and the appointment of Mr Santiago Martínez-Lage Sobredo as Group Corporate Director, reporting directly to the Group's executive chairman. This new management team is responsible for developing the sustainability plan related to social and environmental issues, as well as policies that will allow DIA to improve its relationship with the Group's different stakeholders, with the aim of strengthening DIA's role as an active player in society and the communities where the Group is present, adopting the best corporate governance practices and promoting sustainable growth in accordance with the best international standards.

In September 2020, the corporate finance department announced the departure of the Group's Head of Corporate Finance, Mr Enrique Weickert Molina.

#### b) Changes to the Board of Directors and its committees

Christian Couvreux sadly passed away on 15 February 2021. Christian was a member of the DIA Group's Board since May 2019 and chairman of the Appointments and Remuneration Committee, and he sat on the Board's Capital and Financial Structure Committee. Since he joined, Christian played a key role in DIA's transformation, bringing his extensive knowledge of and international experience in the food distribution sector.

At 31 December 2020, the parent company's Board of Directors and committees are made up as follows:

##### Board of Directors:

Chairperson: Stephan DuCharme (executive director).

Directors: Basola Vallés Cerezuela (independent director).

Christian Couvreux (independent director coordinator).

Jaime García-Legaz Ponce (independent director).

José Wahnon Levy (independent director).

Sergio Antonio Ferreira Dias (external proprietary director).

On 10 December 2020, the Board of Directors approved the appointment by co-optation of Mr Marcelo Maia Tavares as other external director of the Parent company, effective from 1 January 2021. As a result of the foregoing, as of 1 January 2021, the Parent company's Board of Directors is comprised of seven members.

**Audit and Compliance Committee:**

Chairperson: José Wahnon Levy (independent director).

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

Jaime García-Legaz Ponce (independent director).

**Appointments and Remuneration Committee:**

Chairperson: Christian Couvreux (independent director).

Directors: Jaime García-Legaz Ponce (independent director).

Basola Vallés Cerezuela (independent director).

**Capital and Financial Structure Committee:**

Chairperson: Jaime García-Legaz Ponce (independent director).

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

Christian Couvreux (independent director).

**c) General Meeting of Shareholders of the Parent company**

The Parent company's General Meeting of Shareholders was held on 31 July 2020 and the following resolutions, among others, were adopted: (i) approval of the 2019 annual accounts, directors' reports, distribution of profit/(loss) and non-financial information statement; (ii) approval of Board of Directors management from 21 May to 31 December 2019; (iii) ratification and re-appointment of Ms Basola Vallés Cerezuela as independent director; (iv) setting of Board of Directors members at eight and holding of vacancies; (v) approval of severance pay of former CEO and (vi) advisory vote on the annual director remuneration report for 2019. The proposed resolution on the Board of Directors management from 1 January to 20 May 2019 was not approved.

**d) Impact of Coronavirus - Covid-19**

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

The Spanish Government introduced extraordinary measures to tackle this situation immediately and effectively, approving Royal Decree 463/2020 of 14 March, which enforced the first state of emergency for the management of the health crisis caused by COVID-19. A series of royal decrees were also issued to put certain extraordinary emergency measures into action in order to deal with the economic and social impact of COVID-19, including restricted movement to protect the general public, contain the spread of the virus and bolster the public health system.

A three-stage easing plan was approved on 28 April to loosen the lockdown measures initially adopted and the first state of emergency ultimately ended in Spain on 21 June, having completed all stages of the easing plan and removed the measures put in place by the state of emergency declaration in the corresponding provinces, islands and territories.

On 25 October 2020, the Government declared a second nationwide state of emergency to stop the spread of the virus, which ended on 9 November 2020. On 3 November 2020, the Cabinet of Ministers approved an extension to the state of emergency for a further six months, from 9 November 2020 to 9 May 2021. During this period, the general public's circulation on streets and public spaces is restricted to certain hours of the day and residents are to remain within their own autonomous community or city, unless travel is essential on certain limited grounds. Gatherings in public and private spaces and places of worship are also restricted.

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

To tackle this crisis, the DIA Group has set up and rolled out the necessary human and technical resources and protocols to ensure the prime objective of protecting the health and well-being of its staff is safeguarded while maintaining an adequate level of service for all customers of our warehouses and stores, in order to guarantee the running of the global food supply chain of which the DIA Group forms part. This objective was successfully met.

The economic impacts of this exceptional situation on the Group's sales cannot be reliably and objectively quantified. In terms of the associated costs, which can be clearly separated, the Group estimates that they total Euros 26 million in the first half of the year, including overtime costs for additional labour, the payment of bonuses to own employees and franchisees, and protection material for employees and customers. The costs associated with protecting staff and customers, such as providing masks and gloves, have been classified as recurring operating expenses from the second half of the year.

Given the complexity of the situation, the uncertain developments in the pandemic over the coming months and its potential impact on sales and production volumes, supply and distribution chains, businesses, consumers, capital markets and the economy in general, it is not possible at this time to objectively and reliably estimate the potential impact on the Group. This impact will be recorded prospectively in the financial statements when it occurs.

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

#### e) Implementation of the Hive Down imposed by the syndicated lenders

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

All the business, assets, liabilities and contracts held by DIA will be transferred to one or several subsidiaries indirectly wholly-owned by DIA, with the exception of: a) the European medium-term notes currently issued by the Parent company; b) any assets, liabilities and contracts that cannot be transferred due to legal or contractual restrictions; c) any assets, liabilities or contracts whose transfer would have a significant adverse effect on the business of the Parent company or the Company's group; d) any assets, liabilities and contracts whose transfer would incur a cost for the Company's group (including taxes or loss of tax assets) exceeding Euros 5,000,000; and, e) any lease agreements on real estate whose transfer or transmission would entitle the lessor to demand a rent increase or to terminate the lease. As the above-mentioned exceptions apply, as agreed with the syndicated lenders, the transfer of DIA's holding in the Brazilian and Argentine subsidiaries, and 26% of the Portuguese subsidiary, could not be executed in 2020 as part of the Hive Down.

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

The main milestones reached up to 31 December 2020 in relation to the Hive Down are as follows:

- i. Subject to the aforementioned exceptions, the following have been transferred to DIA Retail, a subsidiary indirectly wholly-owned by DIA: a) the assets, liabilities and contracts comprising the Spanish retail and wholesale business (excluding certain assets, liabilities and contracts relating to the commercial operations of DIA), b) the interests in the Spanish subsidiaries Grupo El Árbol Distribución y Supermercados and Beauty by DIA and the Swiss subsidiary DIA World Trade, and c) the DIA central services.
- ii. 74% of DIA's interest in the Portuguese subsidiary DIA Portugal Supermercados has been transferred to a Luxembourgian subsidiary indirectly wholly-owned by DIA.
- iii. All of the Clarel franchises owned by DIA have been transferred to the Spanish subsidiary Beauty by DIA. The sublease contracts linked to these franchises between DIA and Beauty by DIA have been terminated and the trade debtor and creditor accounts of these franchises transferred to Beauty by DIA.
- iv. Guarantees have been extended on the shares or participations, bank accounts and receivables of the subsidiaries directly or indirectly wholly-owned by DIA that form part of the Syndicated Financing, as collateral therefor.
- v. Certain subsidiaries directly or indirectly wholly-owned by DIA, which form part of the Hive Down, have become additional borrowers under the Syndicated Financing.
- vi. With effect from 1 July 2020 all sales and warehouse operations of DIA have been transferred to DIA Retail, including inventories and receivables from third parties, as well as the portion of the syndicated lending pertaining to reverse factoring and other amounts corresponding to the Company's sales operations.
- vii. All real estate owned by DIA in Spain has been transferred to DIA Retail, along with those land rights held by DIA whose transfer is not subject to the aforementioned exceptions. This transfer also included the transfer of the portion of the syndicated lending linked to the Spanish business.
- viii. The shares of the operating subsidiaries involved in the transaction have been transferred to other holding companies in Luxembourg, wholly-owned directly or indirectly by DIA, thus implementing the corporate structure agreed with the syndicated lenders.
- ix. In the context of the implementation of the final Hive Down structure, the remaining portion of the syndicated lending drawn down by DIA has been transferred to DIA Finance (except for a minimal amount of Euros 2 million for operating purposes), as agreed with the syndicated lenders.

Proceeding with the Hive Down is an obligation required by the Syndicated Lenders in the Syndicated Financing, and its implementation is expected to help facilitate access of the Parent company and its Group to possible future financing or refinancing.

**f) Public takeover bid for bonds and global capitalisation and refinancing transaction.**

**Public takeover bid for bonds**

On 10 August 2020 the company DEA Finance S.à.r.l. ("DEA Finance" or the "Offeror"), the sole lender under the super senior additional lending facility ("SS Facility") granted to DIA Finance, S.L. ("DIA Finance"), announced a bid addressed to:

- i. the eligible holders of bonds issued by the Parent company for an aggregate principal amount of Euros 300,000,000, with a coupon of 1.000% and maturing on 28 April 2021 (the "2021 Bonds"), and

ii. the eligible holders of bonds issued by the Parent company for an aggregate principal amount of Euros 300,000,000, with a coupon of 0.875% and maturing on 6 April 2023 (the "2023 Bonds", and together with the 2021 Bonds, the "Bonds"),

for the acquisition of up to Euros 225,000,000 of the aggregate principal of the 2021 Bonds and up to Euros 225,000,000 of the aggregate principal of the 2023 Bonds in exchange for a cash consideration (the "Bid"). The Bid was subject to the terms and conditions set forth in the tender offer memorandum issued by the Offeror, including two minimum purchase conditions which required the eligible holders to present requests for Bond sale offers representing at least Euros 150,000,000 of the aggregate principal amount of the 2021 Bonds and at least Euros 150,000,000 of the principal amount of the 2023 Bonds.

In light of demand, DEA Finance subsequently broadened the terms of the Bid, increasing the limit established for Bond acquisition. In addition, on 15 September 2020, DEA Finance presented a new bid to acquire all the 2023 Bonds that were not held at that date by the Offeror.

After the bids were closed in September 2020, DEA Finance became the holder of (i) an aggregate principal amount of 2021 Bonds of Euros 292,600,000, equivalent to 97.53% of the aggregate amount of the 2021 Bonds, and (ii) an aggregate principal amount of 2023 Bonds of Euros 269,200,000, equivalent to 89.73% of the aggregate principal amount of the 2023 Bonds.

DEA Finance is a Luxembourgian limited liability company (*société à responsabilité limitée*) controlled by Letterone Holdings S.A. The latest, is also a Luxembourgian company held by the same shareholders than Letterone Investment Holdings, S.A. (see note 13) and share the members of the board. DEA Finance has not been considered a related party in accordance with IAS24.

### Global capitalisation and refinancing agreement

On 30 November 2020, the Parent company announced that, after the negotiations held between L1R Invest1 Holdings S.à.r.l. ("L1R"), DEA Finance S.à.r.l. ("DEA Finance") and its syndicated lenders (the "Syndicated Lenders"), DIA had reached an agreement with all the Syndicated Lenders (the "Lock-Up Agreement") which facilitated a global capitalisation and refinancing transaction enabling a stable long-term capital and financial structure to be implemented for the DIA Group, thereby allowing its management team to fully focus on the execution of the DIA Group business plan.

The transaction includes the following key elements (which are conditional on each other):

- i. an increase in equity of Euros 500,000,000 (the "Capital Increase") which will release the DIA Group of an equivalent amount of financial debt, and in particular of:
  - the debt of Euros 200,000,000 held under the super senior term loan facility, granted by DEA Finance to DIA Finance, S.L. (The "SS Facility"); and
  - the debt corresponding to the bonds issued by DIA for an aggregate principal amount of Euros 300,000,000, with a coupon of 1.000% and maturity on 28 April 2021 (the "2021 Bonds");
- ii. an amendment and restatement of the current syndicated financing agreement for a total amount of Euros 973,219,190 (the "Syndicated Financing Agreement") in order to (a) extend the maturity date of the A-F Facilities (totalling Euros 902,426,478) (the "Senior Facilities") from 31 March 2023 to 31 December 2025, and (b) modify other terms and conditions of the Syndicated Financing Agreement.
- iii. an amendment of the terms and conditions of the bonds issued by DIA for an aggregate principal amount of Euros 300,000,000, with a coupon of 0.875% and maturity in April 2023 (the "2023 Bonds") in order to (a) extend their maturity date from 6 April 2023 to no earlier than 30 June 2026, and (b) increase the coupon from the modification date to an annual rate of 5% (3.25% in cash and 1.75% PIK), plus an increase in interest of 1% PIK where applicable under the Syndicated Financing Agreement; and
- iv. an extension of the maturity dates of certain bilateral facilities and credit lines entered into by various DIA Group companies with certain Syndicated Lenders or their affiliates (the "Bilateral Facilities").

The effectiveness of the Transaction (and, therefore, of points (i) to (iv) above) is subject to compliance (or waiver of compliance) with certain conditions precedent no later than 18 December 2020 (in certain cases), which were met in form and term, and 28 April 2021 (in others), or any other date agreed between DIA and the Senior Facilities' agent.

On 18 December 2020, the Group signed an Implementation Agreement with the syndicated lenders, establishing the main terms and conditions of the modification of the current Syndicated Financing Agreement. These will take effect when the conditions precedent are met.

#### **g) Profit/(loss) evolution during the year**

The evolution of the Group's profit/(loss) during the year has been affected by the effective response to the COVID-19 crisis and the positive evolution of the transformation measures put into action.

The results reflect the progress made in the last year, with an increase in net sales despite having a smaller store network and the effect of the Brazilian and Argentinian currencies, and positive like-for-like sales for the year.

The key elements of these results are attributable to the transformation initiatives carried out, with improved supply chain and store operations, which have enabled the fresh produce offering to be enhanced, a streamlined product selection, an improved franchise model and expanded online sales.

These results have been supported by strict cost controls, a reinforced financial structure and a decrease in net debt.

#### **1.2 Changes to Group structure**

The following changes to the Group occurred in 2020 and 2019:

##### **– 2020**

- The dissolution and liquidation of the company Compañía Gallega de Supermercados, S.A., effective at 26 August 2019, was registered on 5 February 2020, and it is therefore no longer included in the Group's scope of consolidation.
- Change of sole shareholder of Beauty by DIA. S.A.U. (BBD) and Grupo El Árbol Distribución y Supermercados, S.A.U. (GEA). On 1 January 2020, Distribuidora Internacional de Alimentación, S.A. transferred 100% of the shares held in BBD and GEA to DIA Retail España, S.A.U. in the context of the Hive Down, thereby rendering the latter sole shareholder of BBD and GEA.
- Change of sole shareholder of DIA Word Trade, S.A. (DWT). With effect from 31 March 2020, Distribuidora Internacional de Alimentación, S.A. transferred 100% of the shares held in DWT to DIA Retail España, S.A.U. in the context of the Hive Down, thereby rendering the latter sole shareholder of DWT.
- Change of name, capital increase and change in shareholding structure of DIA Portugal. In the context of the Hive Down, DIA Portugal has undergone different corporate changes, with the following status at 31 March 2020:

-Change of registered name from "Dia Portugal Supermercados, Sociedade Unipessoal, Lda." to "DIA PORTUGAL SUPERMERCADOS S.A.", as a result of the company's change from a private limited liability company (*sociedad de responsabilidad limitada*) to a public limited company (*sociedad anónima*).

-Increase in share capital from Euros 51,802,855.12 to Euros 51,803,000 (comprised of 5,180,300 shares of Euros 10 par value each);

-Shareholders: with effect from 31 March 2020, DIA transferred to Luxembourg Investment Company 322, S.à.r.l. 3,833,422 shares, rendering the shareholding structure as follows: 26% "Distribuidora Internacional de Alimentación S.A." and 74% "Luxembourg Investment Company 322 S.à r.l."

- On 3 July 2020, the deed of 19 June 2020 corresponding to the share capital increase and dissolution and liquidation of the company DIA Paraguay, was filed in the public registers. With regard to the legal entity, it is now duly liquidated and no longer forms part of the Group's consolidation scope.
- In the context of the Hive Down, on 14 July 2020 the following share transfers were carried out:
  - DIA transfers 100% of its shares in DIA Retail España, S.A. to its solely-owned subsidiary Luxembourg Investment Company 320 S.à r.l.
  - DIA transfers to its solely-owned subsidiary Luxembourg Investment Company 320 S.à r.l., 100% of the shares in (i) Luxembourg Investment Company 320 S.à r.l., (ii) Luxembourg Investment Company 321 S.à r.l., (iii) Luxembourg Investment Company 322 S.à r.l., and (iv) Luxembourg Investment Company 323 S.à r.l.
  - DIA transfers 100% of the shares of Luxembourg Investment Company 319 S.à r.l. to its solely-owned subsidiary DIA Finance, S.L.
  - DIA transfers 100% of its shares in DIA Finance, S.L. to its solely-owned subsidiary Luxembourg Investment Company 318 S.à r.l.
  - DIA transfers 100% of its shares in Luxembourg Investment Company 318 S.à r.l. to its solely-owned subsidiary Luxembourg Investment Company 317 S.à r.l.
- On 16 July 2020, the shareholders of the company "ICDC Services Sàrl" decided to put the company into liquidation, changing its registered name to "ICDC Services Sàrl, en liquidación".
- DIA ESHOPPING S.L. en liquidación was dissolved, liquidated and wound up by the agreements of its Sole Shareholder on 14 July 2020, and registered as such in the Companies Register on 26 October 2020, and therefore no longer forms part of the Group's consolidation scope.
- RED LIBRA was dissolved and put into liquidation by agreement of the General Shareholders' Meeting of 6 July 2020, its registered name from that date being Red Libra Trading Services, SL. en liquidación. This company was dissolved, liquidated and wound up with effect from 15 October 2020, and registered as such with the companies register on 18 November 2020.
- CD Supply was dissolved and put into liquidation by agreement of the General Shareholders' Meeting of 4 August 2020, its registered name from that date being CD Supply Innovation, S.L. en liquidación.
- On 6 October 2020 the Brazilian company DIA AMÉRICA LATINA ESTUDOS, PESQUISAS E TREINAMENTOS LTDA (DIA LATAM) was incorporated into its shareholder DBZ ADMINISTRAÇÃO, GESTÃO DE ATIVOS E SERVIÇOS IMOBILIÁRIOS LTDA.
- During 2020 several capital increases of DIA Brasil Sociedade Limitada were carried out through the conversion into capital of loans and intra-group debt balances as well as cash contributions that have amounted in total to 257,817 thousand euros. The capital of DIA Brasil has increased from 845,300,037 Brazilian Reals as of December 31, 2019 to 2,427,353,318.50 Brazilian Reals as of December 31, 2020, represented by 2,144,009,027 quotas of an approximate value of 1.13 Reals of nominal value. On December 7, 2020, DIA Brasil became a sole proprietorship when its partner DIA Argentina ceded its quota to Distribuidora Internacional de Alimentación, S.A.
- Finally, on December 28, 2020, there was a cancellation of intra-group debt balances to DIA Argentina for the amount of 16,531 thousand euros through a contribution from partners.

– **2019**

- The company Horizon International Services, S.à.r.l. was incorporated on 15 February 2019. Its activity consists of negotiating international services with the main suppliers of national brands and DWT holds a 25% shareholding therein.
- On 19 February 2019 the company DISTRIBUIDORA PARAGUAYA DE ALIMENTOS S.A. left the consolidated Group, since the shares held by DIA Paraguay in DISTRIBUIDORA PARAGUAYA DE ALIMENTOS S.A. (equivalent to a 10% stake) were sold on that date.
- On 3 June 2019 a capital increase of Brazilian Reals 174,350,000 was carried out, equivalent to Euros 40 million. This increase comprised two tranches: Euros 10 million (Brazilian Reals 43,850,000) at 30 May 2019, and Euros 30 million (Brazilian Reals 130,500,000) at 3 June 2019. The capital of DIA Brazil went from Brazilian Reals 670,950,037 to Brazilian Reals 845,300,037. DIA holds 845,300,036 shares and DIA Argentina holds one share in the share capital of DIA Brazil.
- On 19 June 2019 the company DIA AMÉRICA LATINA ESTUDOS, PESQUISAS E TREINAMENTOS LTDA. was incorporated. Its share capital amounts to 100 Brazilian Reals, represented by 100 shares with a nominal value of 1 Brazilian real. The sole shareholder is Brazilian company DBZ. Its statutory activity consists of rendering services in Latin American countries relating to market research and surveys on the retail sector and holding capital holdings in other companies.
- On 19 July 2019, Distribuidora Internacional de Alimentación, S.A. acquired the 3,500,000 shares on Finandia, S.A. held by Caixabank Payments &Consumer, E.F.C., E.P., S.A.U., thereby becoming sole shareholder. At 31 December 2019, this company has returned to fully consolidated status.
- Within the framework of the Hive Down, on 22 August 2019, Distribuidora Internacional de Alimentación, S.A. acquired 100% of seven Luxembourg companies, all of which a share capital of Euros 12,000 represented by 12,000 shares of Euros 1 par value each and whose sole shareholder is Distribuidora Internacional de Alimentación, S.A. Furthermore, on 2 August 2019, the company DIA Finance, S.L. was incorporated, with a share capital of Euros 3,000 represented by 3,000 shares of Euros 1 par value each. Its sole shareholder is Distribuidora Internacional de Alimentación, S.A.

Details of the DIA Group's subsidiaries, as well as their activities, registered offices and percentages of ownership at 31 December 2020 and 2019 are shown below. The country of incorporation is also its main centre of business activities.

Name	Location	Activity	% Ownership	
			2020	2019
DIA Portugal Supermercados, Lda. (*)	Lisbon	Wholesale and retail distribution of food products.	100.00	100.00
DIA Portugal II (*)	Lisbon	Wholesale and retail distribution of food products.	100.00	100.00
DIA Argentina, S.A. (*)	Buenos Aires	Wholesale and retail distribution of food products.	100.00	100.00
Distribuidora Internacional, S.A. (*)	Buenos Aires	Consulting services	100.00	100.00
DIA Paraguay, S.A. (*)	Asunción	Wholesale and retail distribution of food products.	-	100.00
DIA Brasil Sociedade Limitada (*)	Sao Paulo	Wholesale and retail distribution of food products.	100.00	100.00
DBZ Serv. Inmobiliario LTDA (*)	Sao Paulo	Wholesale and retail distribution of food products.	100.00	100.00
DIA América latina estudos, pesquisas e treinamentos, L.T.D.A	Sao Paulo	Delivery of services to latam countries related to studies and market surveys of the retail market and participation in the capital of other companies.	-	100.00
DIA Retail, S.A. (*)	Madrid	Distribution of food and toiletries through supermarkets.	100.00	100.00
Pe-Tra Servicios a la distribución, S.L. (*)	Madrid	Leasing of business premises.	100.00	100.00
DIA World Trade, S.A. (*)	Geneva	Provision of services to suppliers of DIA Group companies.	100.00	100.00
Beauty by DIA, S.A. (*)	Madrid	Distribution of cleaning and toiletry products	100.00	100.00
Grupo El Árbol, Distribución y Supermercados, S.A. (*)	Madrid	Wholesale and retail distribution of food products and others	100.00	100.00
Compañía Gallega de Supermercados, S.A. 'en liquidación'	Madrid	Wholesale and retail distribution of food products and others	-	100.00
DIA ESHOPPING, S.L. 'en liquidación'	Madrid	Creation, maintenance and exploitation of web pages and portals for the sale of products and services	-	100.00
Finandia, E.F.C., S.A.	Madrid	Loan and credit transactions, including consumer loans, mortgage loans and finance for commercial transactions, and credit and debit card issuing and management.	100.00	100.00
DIA FINANCE, S.L.U. (*)	Madrid	Import, export, acquisition, distribution and wholesale and retail sale of food, beverages, household goods and in general other products for domestic use and consumption.	100.00	100.00
Luxembourg Investment Company 317. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 318. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 319. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 320. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 321. S.a.r.l.	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 322. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 323. S.a.r.l.	Luxembourg	Company holding shares	100.00	100.00

(\*) Audited companies

Details of the DIA Group's associates and joint ventures at 31 December 2020 are as follows:

Name	Location	Activity	% Ownership	
			2020	2019
CD Supply Innovation S.L. 'en liquidación'	Madrid	Finantial and supplies services management for own brand.	50.00	50.00
ICDC Services Sàrl 'en liquidación'	Geneva	Finantial and supplies services management for own brand.	50.00	50.00
Red Libra Trading Services, S.L. 'en liquidación'	Madrid	Negociation with suppliers of distribution brands	-	50.00
Horizon International Services, S.a.r.l.	Geneva	Negociation with suppliers of distribution brands	25.00	25.00

The basis of consolidation applicable to the subsidiaries, associates and joint arrangements are set forth in Note 2.9.

## 2. BASIS OF PRESENTATION

### 2.1. Basis of preparation of the consolidated annual accounts

The directors of the Parent have prepared these consolidated annual accounts on the basis of the accounting records of Distribuidora Internacional de Alimentación S.A. and consolidated companies and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, to give a true and fair view of the consolidated equity and consolidated financial position of Distribuidora Internacional de Alimentación S.A. and subsidiaries at 31 December 2020 and of consolidated results of operations, consolidated cash flows and changes in consolidated equity for the year then ended.

These consolidated annual accounts have been prepared using the historical cost principle, with the exception of derivative financial instruments (see Note 14.5). It should be noted that the balances from the Group's Argentine companies have been expressed at current cost before being included in the DIA Group's consolidated annual accounts,

based on IAS 29 "Financial Reporting in Hyperinflationary Economies", since Argentina is considered a hyperinflationary economy (see Note 2.5).

Note 3 includes a summary of all mandatory and significant accounting principles, measurement criteria and alternative options permitted under IFRS.

The Group has opted to present a consolidated income statement separately from the consolidated statement of comprehensive income. The consolidated income statement is reported using the nature of expense method and the consolidated statement of cash flows has been prepared using the indirect method.

The DIA Group's consolidated annual accounts for 2020 were authorised for issue by the board of directors of the Parent on 31 March 2021 and are expected to be approved by the shareholders of the Parent at their ordinary general meeting without any changes.

## 2.2. Functional and presentation currency

The figures contained in the documents comprising these consolidated annual accounts are expressed in thousands of Euros, unless stated otherwise. The Parent's functional and presentation currency is the Euro. The items included in the consolidated accounts of each of the Group entities are measured using the currencies of the main economic environments in which the entities operate.

## 2.3. Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2020 include comparative figures for 2019, which are different from the consolidated annual accounts approved by the shareholders of the Parent at the ordinary general meeting held on 31 July 2020 as a consequence of the following restatement.

As a result of the interpretation issued in 2020 by the International Financial Reporting Standards Interpretations Committee, the DIA Group has modified the previous presentation of Translation Differences related to the Argentinian business, which were considered as reserves. The International Financial Reporting Standards Interpretations Committee clarified that inflation effect corrected by IAS29 on Equity for those countries affected by hyperinflation (excluding the net monetary position affected directly the result) have a currency effect similar to the one that arises when converting the financial statements of the country to the currency in which they are presented. As a result, both concepts must be reflected within translation differences. Taking into account the aforementioned decision, the Group has applied the same criteria with retroactive effect in the comparative figures for 2019.

In application of the above, the Group has reclassified an amount of Euros 69,308 thousand at the beginning of 2019, between Translation Differences and Reserves (see notes 2.5 and 13.7).

## 2.4. Going concern

The directors of the Parent company have prepared these consolidated annual accounts for the year ended 31 December 2020 on a going concern basis.

At 31 December 2020, consolidated equity amounted to a negative amount of Euros 697 million (a negative amount of Euros 351 million at 31 December 2019) and consolidated working capital, calculated as current assets less current liabilities, excluding assets and liabilities held for sale, was also negative, amounting to Euros 1,010 million (Euros 855 million at 31 December 2019). The consolidated loss for 2020 amounts to Euros 364 million (consolidated loss of Euros 790 million in 2019) and the net consolidated variation in cash and cash equivalents was a positive amount of Euros 183 million (negative amount of Euros 76 million in 2019).

At 31 December 2020, the Parent's equity is negative in the amount of Euro 42 million (31 December 2019: Euros 223 million) affected by 238 million impairment of the investment in the Brazilian subsidiary due to the negative evolution of the Brazilian Real. In accordance with the Spanish Companies Act, when losses bring a company's equity to less than half of share capital, unless capital is increased or reduced to a sufficient extent, the company has grounds for dissolution and

the Directors must call a general meeting within two months to adopt the dissolution agreement or reach the agreement or agreements deemed necessary to clear the grounds for dissolution.

Royal Decree-Law 16/2020, of 28 April 2020, on procedural and organisation measures to tackle Covid-19 in the justice system (the RDL) establishes that, solely for the purpose of determining the grounds for dissolution due to losses incurred reducing equity to less than half of capital – as stipulated in the Spanish Companies Act (article 363.1) – losses posted in 2020 will not be considered. Consequently, the parent company is not in a wind-up position at the date of this document.

In the context of the global recapitalisation and refinancing in progress, as mentioned in note 1.1.(f), on 30 November 2020, the Parent company announced the signing of an agreement with its financial lenders and its main shareholder. On 24 March 2021, following subsequent negotiations with financial lenders and its shareholders, the company reached a new agreement providing a path for a more comprehensive recapitalisation and refinancing transaction (the "Comprehensive Transaction") as further explained in note 24. By virtue of this agreement, the Parent company agreed, *inter alia*, to submit for approval by the Shareholders at an General Meeting a Capital Increase of Euros 1,028 million by means of converting into capital debt for an amount of Euro 769.2 million that, at the date of execution of the capital increase will be held by L1R, and a cash tranche of up to Euro 259 million reserved in first instance to all shareholders other than L1R.

Although at 31 December 2020 the Parent's equity and financial position presents an impairment situation as described in previous paragraphs, the Parent's Directors consider that certain very significant mitigating factors such as the execution of the upcoming Capital Increase exist and that, at this date, no doubts exist regarding the long-term continuity of the Parent's operations.

This resolution will redress the parent's equity balance during 2021, changing its capital structure and funding profile.

The Directors of the parent Company therefore consider that the planned recapitalisation of the DIA Group, together with the release of a material amount of financial liabilities corresponding to the cancellation of the SS Facility, the 2021 Bonds and the majority of the 2023 Bonds, as well as the extension of the maturity date of the Senior Facilities and the Bilateral Facilities, will reinforce the equity situation of the Parent company, substantially reduce the financial debt of the DIA Group, eliminate the risk of refinancing in the medium term, reduce significantly DIA group's interest burden, provide additional liquidity to ensure operational financing requirements are in place, improve and accelerate DIA Group's ability to access debt financing markets on normalised terms, and provide a stable long-term capital structure for the DIA Group, that will provide a clear runway for DIA's management to focus entirely on the implementation of its business plan.

At 31 December 2020, after managing to generate organic cash flow by executing the Business Plan and having reduced Net Financial Debt, at consolidated level the Group has Euros 397 million in cash and other cash equivalents. In this context, the Directors consider that the Group will continue to operate on a going concern basis.

## 2.5. Classification of Argentina as a hyperinflationary country

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

Consequently, in accordance with IFRS-EU, Argentina is considered a hyperinflationary economy for accounting purposes for the years ending after 1 July 2018. The application of IAS 29 to the Group's 2020 and 2019 consolidated annual accounts was conducted in accordance with the following criteria:

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

- The initial equity recorded in the uniform currency is subject to the accumulated effect of the restatement due to inflation of non-monetary items from the date they were first recognised and the effect of translating these balances to the closing rate at the start of the year. The Group opted to recognise the difference between equity at the closing of the prior year and at the start of the year in reserves, together with the accumulated exchange differences up to that date, 1 January 2018. In 2020, as a result of the interpretation issued by the International Financial Reporting Standards Interpretations Committee, the Company adopted the accounting policy of recording changes in equity relating to currency effects and the effect of inflation in full under Translation differences. The comparative figures have been restated as mentioned in note 2.3. As a result, the Group has reclassified Euros 69,308 thousand from the Reserves and retained earnings heading to Translation differences at 1 January 2019 restating, accordingly, the amounts of 2019. This change has no impact on Equity. Therefore, the Group has adopted the accounting policy of recognition of changes on Equity related to currency effect and hyperinflation effect under "Translation differences" in its whole.
- The Group has adjusted the consolidated income statement at 31 December 2020 and 31 December 2019 to reflect the financial profit relating to the impact of inflation on net monetary assets.
- The different items in the consolidated income statement and the consolidated cash flow statement at 31 December 2020 and 31 December 2019 have been adjusted by the inflation rate since their generation, with a balancing entry in financial results and net exchange differences, respectively.

The inflation rate considered for this calculation at 31 December 2020 was 36.14% (54.51% at 31 December 2019). This rate was obtained from the information issued by INDEC (National Statistics and Census Institute), a Public Organization, through the publication of the Consumer Price Index which measures variations in the price of goods and services comprised in domestic consumer spending.

The monthly evolution of the price index was as follows:

Month	Index	Month	Index	Month	Index	Month	Index
Jan-17	1.015859	Jan-18	1.26989	Jan-19	1.89706	Jan-20	2.89976
Feb-17	1.036859	Feb-18	1.30061	Feb-19	1.96849	Feb-20	2.95815
Mar-17	1.061476	Mar-18	1.33105	Mar-19	2.06061	Mar-20	3.05706
Apr-17	1.089667	Apr-18	1.36751	Apr-19	2.13159	Apr-20	3.10281
May-17	1.105301	May-18	1.39589	May-19	2.19680	May-20	3.15067
Jun-17	1.118477	Jun-18	1.44805	Jun-19	2.25651	Jun-20	3.22314
Jul-17	1.137852	Jul-18	1.49297	Jul-19	2.30601	Jul-20	3.28201
Aug-17	1.153819	Aug-18	1.55103	Aug-19	2.39729	Aug-20	3.37063
Sep-17	1.175719	Sep-18	1.65238	Sep-19	2.53838	Sep-20	3.46621
Oct-17	1.193528	Oct-18	1.74147	Oct-19	2.62198	Oct-20	3.59657
Nov-17	1.209940	Nov-18	1.79639	Nov-19	2.73354	Nov-20	3.71027
Dec-17	1.247956	Dec-18	1.84255	Dec-19	2.84834	Dec-20	3.85883

The most significant impacts on the consolidated financial statement deriving from inflation in Argentina relate to the revaluation of property, plant and equipment (see Note 5) and the corresponding effect on deferred tax assets and liabilities. The impact of inflation on non-monetary items has been included as translation differences.

Furthermore, the impact of the change in the net monetary position at 31 December 2020 and 31 December 2019 has been recognised as a financial profit (see Note 19.9).

## 2.6. Relevant accounting estimates, assumptions and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting principles to prepare the consolidated annual accounts in conformity with IFRS-EU. A summary of the

items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, is as follows:

- Evaluation of the potential impairment of non-financial assets subject to amortisation or depreciation: see Note 3k(ii) and Note 5.
- Evaluation of the potential goodwill impairment: see Note 3K(i) and Note 6.1.
- Evaluation of the recoverability of deferred tax assets (see Note 16).
- Analysis of possible contingencies or liabilities linked to processes in progress: (see Note 3w), 15 and 20).

Estimates and opinions are constantly assessed. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and are considered reasonable under the circumstances.

## 2.7. First-time application of accounting standards and interpretations

In 2020, as a result of the interpretation issued by the International Financial Reporting Standards Interpretations Committee, the Company adopted the accounting policy of recording changes in equity relating to currency effects and the effect of inflation in full under Translation differences. The comparative figures have been restated in order to collect the retroactive effect of the reclassification of the item "Reserves and accumulated earnings" to the item "Translation differences" mentioned above.

In May 2020, the International Accounting Standards Board (IASB), published an amendment to IFRS16 by which lessees were authorized not to account rental concessions as lease modifications if they are direct consequence of COVID-19 and meet certain conditions. The DIA Group has not embrace the aforementioned modification as determined conditions are not met.

The accounting standards used to prepare the accompanying consolidated annual accounts are the same as those used to prepare the consolidated annual accounts for the year ended 31 December 2019.

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

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

## 2.9. Basis of consolidation

### a) Subsidiaries

IFRS 10 requires an entity (the parent) that controls one or more other entities (subsidiaries) to present consolidated annual accounts and establishes control as the basis for consolidation. An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if and only if the investor has all the following:

- a) power over the investee;
- b) exposure, or rights, to variable returns from its involvement with the investee;
- c) the ability to use its power over the investee to affect the amount of the investor's returns; and
- d) The annual accounts of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent.

Subsidiaries are entities over which the Parent exercises control, either directly or indirectly, through subsidiaries. The Parent controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Parent has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Parent is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date on which the Group effectively takes control. Subsidiaries are excluded from the consolidated Group from the date on which this control is lost. For consolidation purposes the annual accounts of subsidiaries are prepared for the same reporting period as those of the Parent, and applying the same accounting policies. All balances, income and expenses, gains, losses and dividends arising from transactions between Group companies are eliminated in full.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of financial position, respectively.

#### **b) Associates**

Associates are entities over which the Parent, either directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or other entities, are considered when assessing the existence of significant influence.

Investments in associates are initially accounted at cost, and afterwards, using the equity method until the date that significant influence ceases.

#### **c) Joint agreements**

Joint agreements are considered to be those in which there exists a contractual agreement to share control of an economic activity, such that decisions regarding significant activities require the unanimous consent of the Group and the rest of the participants or operators. The existence of joint control is evaluated considering the subsidiaries' definition of control.

Joint agreements can be classified as joint ventures or joint operations. The classification depends on each investor's contractual rights and obligations rather than on the legal structure of the joint agreement. The Group's investments in joint ventures are carried using the equity method (see Note (2.9(d) below), following initial recognition at cost in the consolidated statement of financial position..

In joint transactions, the Group recognises its assets in the consolidated annual accounts, including its interest in the jointly-controlled assets; its liabilities, including its stake in the liabilities incurred jointly with the other operators; income obtained on the sale of its part of production deriving from the joint agreement, and its expenses, including its portion of joint expenses. The Group only recognises the results from joint agreement purchase transactions when the acquired assets are sold to third parties, unless those acquired assets reflect losses or impairment, in which case the Group recognises its proportional part of the losses in full.

Based on the financial reality of the transactions carried out by CDSI, such as the separation of CDSI from the management of the transactions carried out by each partner and the proximate termination of the agreement (see Note 1.2), in 2018 the Group classified the agreement as a joint arrangement and included the relevant assets and liabilities in the consolidated statement of financial position. This company ceased its activities in February 2020. The effect of this integration as at 31 December 2019 was mainly the addition of receivables, cash and supplier debt of Euros 0.7 million, Euros (0.7) million and Euros 0.01 million, respectively.

#### **d) Equity method**

Under the equity method, investments are adjusted to recognise in the income statement the Group's share of the investee's post-acquisition results, as well as the Group's shares of movements in other comprehensive income.

Dividends received or receivable from associates and joint ventures are carried as a reduction in the investment's carrying amount.

When the Group's share of losses on an investment carried under the equity method is equal to or exceeds its shareholding in the entity, including any other unsecured long-term receivable, the Group does not recognise additional losses, unless obligations have been incurred or payments have been made on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Unrealised losses are also eliminated, unless the transaction provides evidence of the impairment of the asset transferred. The accounting policies of equity-consolidated investees are changed when necessary to ensure consistency with the policies adopted by the Group.

#### e) Changes in ownership interests

The Group reflects transactions with non-controlling interests that do not result in a loss of control as transactions with the Group's equity holders. A change in an ownership interest gives rise to an adjustment to the carrying amounts of controlling and non-controlling interests to reflect their relative shareholdings in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the Group's owners.

When the Group discontinues consolidation or equity consolidation of an investment due to the loss of control, joint control or significant influence, any interest retained in the entity is remeasured to fair value, recognising the change in the carrying amount in the income statement. This fair value then becomes the initial carrying amount for the purposes of the subsequent recognition of the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amount previously recognised in other comprehensive income in relation to the entity concerned is recorded as if the Group had directly disposed of the related assets or liabilities. This could mean that the amounts previously recognised in other comprehensive income are reclassified to the income statement.

If its ownership interest in a joint venture or associate is reduced but joint control or significant influence is retained, only the proportionate part of the amounts previously recognised in other comprehensive income is reclassified to the income statement, if appropriate.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### a) Business combinations and goodwill

As permitted by IFRS 1, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition of the Carrefour Group to IFRS-EU, using the acquisition method (see Note 2.1). (The DIA Group was spun off from the Carrefour Group in 2011.) Entities acquired prior to that date were recognised in accordance with the generally accepted accounting principles applied by the Carrefour Group at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group applies IFRS 3 Business Combinations, revised in 2009, to all such transactions detailed in these consolidated annual accounts.

The Group applies the acquisition method for business combinations. The acquisition date is the date on which the Group obtains control of the acquiree.

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

The consideration paid excludes any payments that do not form part of the consideration given in exchange for the acquiree. Acquisition costs are recognised as an expense when incurred.

At the acquisition date the Group recognises the assets acquired, the liabilities assumed and any non-controlling interest at fair value. Non-controlling interests in the acquiree are recognised at the proportional part of the fair value of the net assets acquired. These criteria are only applicable for non-controlling interests which grant entry into economic benefits

and entitlement to the proportional part of net assets of the acquiree in the event of liquidation. Otherwise, non-controlling interests are measured at fair value or value based on market conditions.

The excess between: a) the consideration given, (b) the amount of any non-controlling interest in the acquiree and (c) the fair value at the acquisition date of any previous equity interest in the acquiree over the fair value of the assets acquired and liabilities assumed is recognised as goodwill. Any shortfall, after evaluating the consideration given and the identification and measurement of net assets acquired, is recognised in profit and loss.

Note 3k) (i) details the criteria relating to goodwill impairment.

When settlement of any part of the cash consideration is deferred, amounts payable in the future are discounted to present value at the exchange date. The discount rate used is the incremental interest rate on the entity's borrowings, which is the rate at which a similar loan could be obtained from an independent financial institution under comparable terms and conditions.

The contingent consideration is classified as equity or a financial liability. Amounts carried as a financial liability are subsequently remeasured at fair value and fair value changes are recognised in profit and loss.

If the business combination is achieved in stages, the carrying amount on the acquisition date of the equity interest previously held in the entity acquired is remeasured at fair value on the acquisition date, recognising any gain or loss in the income statement.

Moreover, for business combinations without consideration, the excess of the value assigned to non-controlling interests, plus the fair value of the previously held interest in the acquiree, over the net value of the assets acquired and liabilities assumed is recognised as goodwill. Any shortfall is recognised in profit or loss, after assessing the amount of non-controlling interests, the previous interest and the identification and measurement of net assets acquired. If the Group has no previously held interest in the acquiree, the amount allocated to net assets acquired is attributed in full to non-controlling interests and no goodwill or negative goodwill is recognised.

### **b) Non-controlling interests**

Non-controlling interests in subsidiaries are recognised at the amount of the share of the net assets.

Profit and loss and each component of other comprehensive income are allocated to equity attributable to shareholders of the Parent and to non-controlling interests in proportion to their investment, even if this results in the non-controlling interests having a deficit balance. Agreements entered into between the Group and non-controlling interests are recognised as a separate transaction.

Changes in the Group's percentage of ownership of a subsidiary that imply no loss of control are accounted for as equity transactions. When control over a subsidiary is lost, the Group adjusts any residual investment in the entity to fair value at the date on which control is lost.

Group investments and, where applicable, non-controlling interests in subsidiaries or associates are calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of subsidiaries and associates.

### **c) Translation of foreign operations**

The Group has applied the exemption permitted by IFRS 1, First-time Adoption of International Financial Reporting Standards, relating to accumulated translation differences. Consequently, translation differences recognised in the consolidated annual accounts generated prior to 1 January 2004 are recognised in retained earnings (see Note 2.1). As of that date, foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated into Euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.
- Capital and reserves are translated using historical exchange rates.

- Income and expenses, including comparative amounts, are translated at the exchange rates prevailing at each transaction date.
- All resulting exchange differences are recognised as translation differences in other comprehensive income.

For presentation of the consolidated statement of cash flows, cash flows of foreign subsidiaries and joint ventures, including comparative balances, are translated into Euros applying the exchange rates prevailing at the transaction date.

On consolidation, the exchange differences arising from the translation of any net investment in foreign operations, and of financial debt and other financial instruments designated as hedges of these investments, are recognised in other comprehensive income. When a foreign operation is sold or any financial debt that forms part of the net investment is paid, the associated exchange differences are reclassified to profit or loss for the year as part of the gain or loss on the sale.

Foreign operations whose functional currency is the currency of a hyperinflationary economy have been translated into Euros as follows:

The results and the financial situation have been converted to Euros based on the criteria detailed below, as the company operates in a hyperinflationary functional currency:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, income and expenses and cash flows, are translated at the closing rate at the most recent balance sheet date;
- The comparative balances are those presented in the previous year's consolidated annual accounts and are not adjusted for subsequent changes in price levels or exchange rates. The effect of the adjustment on the prior year's balances is recognised as a revaluation reserve in other comprehensive income/equity translation differences.

#### **d) Foreign currency transactions, balances and cash flows**

Transactions in foreign currency are translated into the functional currency at the spot exchange rate prevailing at the date of the transaction. Exchange gains and losses resulting from the settlement of these transactions are generally recognised in the income statement for the year. Exchange gains and losses on borrowings are presented in financial expenses in the income statement. Other exchange gains and losses are presented net in the income statement in other gains/(losses).

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Lastly, non-monetary items measured at fair value are translated into Euros using the exchange rate prevailing on the date on which this measurement is made. Currency translation differences on assets and liabilities carried at fair value are presented as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity interests carried at fair value through profit or loss are recognised in the income statement for the year as part of the fair value gain or loss and translation differences on non-monetary assets such as equity interests carried at fair value through other comprehensive income are recognised in other comprehensive income.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates prevailing at the dates the cash flows occurred. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognised separately in the statement of cash flows as net exchange differences.

Exchange differences arising on the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. However, exchange gains or losses arising on monetary items forming part of the net investment in foreign operations are recognised as translation differences in other comprehensive income.

#### **e) Financial information in hyperinflationary economies**

Under IFRS-EU, an assessment must be made as to whether any Group company operates in a hyperinflationary economy. IAS 29 defines this situation as that in which the monetary unit loses purchasing power at such a rate that any

comparison between the figures derived from transactions and other events occurring at different moments in time is misleading. Note 2.5 addresses the assessment of Argentina's classification as a hyperinflationary economy and the accounting treatment in the consolidated accounts of the items reflected in the financial statements of the companies in question.

#### **f) Recognition of income and expenses**

Income and expenses are recognised in the consolidated income statement on an accruals basis when the actual flow of goods and services they represent takes place, regardless of when the monetary or financial flows derived therefrom arise.

Income is recognised in the amount of the consideration to which the Group expects to be entitled for transferring goods or services to customers, excluding amounts collected on behalf of third parties (e.g. certain sales taxes). The consideration may include fixed or variable amounts, or both. The amount of the consideration may vary due to discounts, refunds, reimbursements, credits, price reductions, incentives, performance bonuses, penalties or other similar items.

Income obtained from contracts with customers is called revenue in these annual accounts.

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

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

#### **g) Intangible assets**

Intangible assets, except for goodwill (see Note 3 (a)), are measured at acquisition cost or cost of production, less any accumulated amortisation and accumulated impairment.

The Group assesses whether the useful life of each intangible asset is finite or indefinite. Intangible assets with finite useful lives are amortised systematically over their estimated useful lives and their recoverability is analysed when events or changes occur that indicate that the carrying amount might not be recoverable. Intangible assets with indefinite useful lives, including goodwill are not amortised, but are subject to analysis to determine their recoverability on an annual basis, or more frequently if indications exist that their carrying amount may not be fully recoverable. Management reassesses the indefinite useful life of these assets on a yearly basis.

The amortisation methods and periods applied are reviewed at year end and, where applicable, adjusted prospectively.

##### Internally generated intangible assets

Development expenses, which mainly relate to computer software and industrial property, are capitalised to the extent that:

- The Group has technical studies that demonstrate the feasibility of the production process.
- The Group has undertaken a commitment to complete production of the asset, to make it available for sale or internal use.
- The asset will generate sufficient future economic benefits.
- The Group has sufficient technical and financial resources to complete development of the asset and has devised budget control and cost accounting systems that enable monitoring of budgetary costs, modifications and the expenditure actually attributable to the different projects.

Expenditure on activities for which costs attributable to the research phase are not clearly distinguishable from costs associated with the development stage of intangible assets are recognised in profit and loss.

Expenditure on activities that contribute to increasing the value of the different businesses in which the Group as a whole operates is recognised as expenses when incurred.

Replacements or subsequent costs incurred on intangible assets are generally recognised as an expense, except where they increase the future economic benefits expected to be generated by the assets.

#### Computer software

Computer software comprises all the programs relating to terminals at points of sale, warehouses and offices, as well as micro-software. Computer software is recognised at cost of acquisition and/or production and is amortised on a straight-line basis over its estimated useful life, which is usually three years. Computer software maintenance costs are charged as expenses when incurred.

#### Leaseholds

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

#### Industrial property

Industrial property essentially comprises the investment in the development of commercial models and product ranges, amortised over four years.

### **h) Rights-of-use and lease liabilities (IFRS 16)**

#### Group as lessee

IFRS 16 introduces a single recognition and measurement model for lessees in the statement of financial position. The lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

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

The Group acts as lessee of buildings where it operates, machinery, vehicles and other equipment. The Group applies a single recognition and measurement model for all leases in which it operates as a lessee and the optional exemptions for short-term leases and leases of low value assets.

- Discount rate**

The incremental interest rate has been used for the initial lease liability calculation. This represents the interest rate that a lessee would have to pay for borrowing for a similar term, and with a similar guarantee, the funds needed to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The Group has calculated the incremental rate based on the types of bond issues made by companies with similar ratings, including the DIA debt itself, applying these spreads to the risk-free curve of the countries in which each contract is negotiated. Where there were no bond issues for certain periods, the spreads observed were interpolated on a linear basis.

- Lease term**

The Group calculates the lease term as the non-cancellable period, plus the optional extension periods, if there is reasonable certainty that this option will be exercised. Periods covered by the option to terminate the lease early are also included, if there is reasonable certainty that this option will not be exercised.

The period considered for the leases largely depends on whether the lease contract contains a mandatory period or not, as well as unilateral termination and/or renewal clauses that entitle the Group to terminate in advance or extend the contracts. In this regard, to establish the economic interests affecting the determination of the term, the Group has

considered the mandatory period and the average periods of return on investments for a portfolio of stores at national level and their subsequent investment cycles as a fundamental variable. As a result of this analysis, the Group has determined cycles of duration per country so that the probable end date of each lease will be the first date after 1 January 2019 resulting from applying the established cycle on a recursive basis, from the contract start date. In the case of warehouses and offices, the probable end date is determined based on each specific reasonable vesting period. However, the probable end dates will not be less than the mandatory period of compliance according to the contract.

- **Short-term and low value leases**

The Group applies the exemption for recognising the short-term leases where the lease term is twelve months or less from the start date and where there is no purchase option. It also applies the low-value asset recognition exemption to leases that are considered low-value. Lease payments under short-term and low-value leases are recognised on a straight-line basis over the term of the lease.

- **Right-of-use**

The Group recognises the right-of-use at the start of a lease. That is, the date on which the underlying asset is available for use. Rights-of-use are measured at cost, less accumulated amortisation and impairment losses and are adjusted for any changes to the value of associated lease liabilities. The initial cost of the right-of-use includes the recognised lease liabilities, initial direct costs and lease payments made before the start of the lease. Incentives received are deducted from the initial cost.

The right-of-use is amortised on a straight-line basis over the estimated lease term.

Right-of-use is subject to impairment analysis.

The Group's leases do not include decommissioning or restoration obligations.

Rights of use are presented under a separate heading in the balance sheet.

- **Lease liabilities**

At the start of the lease, the Group recognises the lease liabilities at the present value of the payments to be made during the lease term. Lease payments include fixed payments less lease incentives, variable payments depending on an index or rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option if the Group is reasonably certain of exercising this option and lease termination penalty payments if the term of the lease reflects the Group's exercising of the option to terminate the lease. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition that triggers the payment arises.

After the start date, the lease liability amount is increased to reflect the accrual of interest and reduced by the lease payments made. In addition, the lease liability shall be remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, or there is a change in the assessment made for purchasing the underlying asset. The liability also increases if there is a change in future lease payments arising from a change in the index or rate used to calculate these payments.

#### Group as operating lessor

If the agreement does not substantially transfer all the risks and benefits inherent to ownership of the asset, the lease is classified as an operating lease. The income generated by the agreement is recognised on a straight-line basis during the term of the contract and is included as revenue in the income statement to the extent that it is of an operating nature.

The direct costs incurred on the signing of a lease agreement are included as an increase in the value of the leased asset and are amortised over the term of the lease using the same criteria as those applied to income. Contingent payments are recognised as income in the period in which they accrue.

### i) Property, plant and equipment

Property, plant and equipment are measured at acquisition cost or cost of production, less any accumulated depreciation and accumulated impairment. Land is not depreciated.

The cost of acquisition includes external costs plus internal costs for materials consumed, which are recognised as income in the income statement. The cost of acquisition includes, where applicable, the initial estimate of the costs required to dismantle or remove the asset and to restore the site on which it is located, when the Group has the obligation to carry out these measures as a result of the use of the asset.

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

Non-current investments made in buildings leased by the Group under operating lease contracts are recognised following the same criteria as those used for other property, plant and equipment. These investments are depreciated on a straight-line basis over the shorter of their useful life and the lease term, taking renewals into account.

Enlargement, modernisation or improvement expenses that lead to an increase in productivity, capacity or efficiency or lengthen the useful life of the assets are capitalised as an increase in the cost of the assets when recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate. The carrying amount of any component accounted for as a separate asset is derecognised when it is replaced.

Repair and maintenance costs are recognised in the consolidated income statement in the year in which they are incurred.

The Group companies depreciate their property, plant and equipment items from the date on which these assets enter into service. Property, plant and equipment are depreciated by allocating the cost of the assets (net of their relevant residual values) over the following estimated useful lives, which are calculated in accordance with technical studies, which are reviewed on a regular basis:

	Years
Buildings	40
Installations in leased stores	10 – 20
Technical installations and machinery	3 – 7
Other installations, equipment and furniture	4 – 10
Other property, plant and equipment	3 – 5

Estimated residual values and depreciation methods and periods are reviewed at each year end and, where applicable, adjusted prospectively.

Note 3k) details the criteria relating to impairment of non-current assets subject to amortisation.

### j) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) whose carrying amount will be largely recovered through a sale transaction shall be classified as held for sale, instead of recognised at the value in use. In order to classify non-current assets or disposal groups as held for sale, they must be available for disposal in their current condition, exclusively subject to the usual terms and conditions of sale transactions, and the transaction must also be deemed to be highly probable.

Non-current assets (or disposal groups) classified as held for sale are not amortised or depreciated, and are recorded at their carrying amount or fair value, whichever is lower, less costs of retirement or disposal. An impairment loss is recognised for any initial or subsequent reduction in the value of the asset (or disposal group), up to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal group), although this may not exceed the cumulative impairment loss previously recognised. The loss or gain not previously recognised at the date of sale of a non-current asset (or disposal group) is recognised on the date it is written off. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets and disposal group assets classified as held for sale are disclosed separately from the other assets in the consolidated statement of financial position. Disposal group liabilities classified as held for sale are disclosed separately from the other liabilities in the consolidated statement of financial position.

The results of discontinued activities are disclosed separately in the income statement.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held-for-sale, and:

- Represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sell.

A component of the Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group.

The Group discloses the post-tax profit and loss of discontinued operations and the post-tax gain or loss recognised on the measurement at fair value less costs to sell or distribute or on the disposal of the assets or disposal group(s) constituting the discontinued operation in profit or loss net of taxes of discontinued operations in the consolidated income statement.

Intragroup balances arising between non-current assets and liabilities held and those classified as held for sale are eliminated on consolidation. Also, the Group eliminated in the consolidated income statement the transactions between continuing operations and discontinued operations.

If the Group ceases to classify a component as a discontinued operation, the results previously disclosed as discontinued operations are reclassified to continuing operations for all years presented.

#### **k) Impairment of non-financial assets**

##### **(i) Impairment of goodwill**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently in the event of events or changes in circumstances that indicate that they may be impaired. Pursuant to the criteria contained in IAS 36, the Group performs a test annually to assess potential impairment on each CGU or group of CGUs with associated goodwill, to determine whether the carrying amount of these assets exceeds their recoverable amount.

The recoverable amount of each CGU or group of CGUs is the higher of their fair value less costs to sell and their value in use. Determining this recoverable value and the grouping of cash-generating units to which goodwill has been allocated requires judgement on the part of the management and the use of estimates.

The CGU or group of CGUs to which goodwill has been allocated should represent the lowest level at which goodwill is monitored for internal management purposes and should not be larger than an operating segment before aggregation determined in accordance with IFRS 8, the DIA Group reviews the allocation of goodwill at two levels: a first level for stores with allocated goodwill and a second level on a company basis. This choice is based on both organisational and strategic criteria and how implementation decisions are made.

A CGU's value in use is measured based on the post-tax future cash flows the Group expects to derive from each CGU, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the assets and other factors that market participants would reflect in pricing the future cash flows associated with the assets.

Note 6.1 contains some of the main assumptions used to measure the value in use of the CGUs to which goodwill is allocated.

## **(ii) Impairment of non-financial assets subject to amortisation**

Pursuant to IAS 36, the Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation at the end of each reporting period to verify whether the carrying amount of these assets exceeds the recoverable amount.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. For the purposes of assessing impairment, each store relates to a separate cash-generating unit.

The Group tests non-current operating assets for impairment by level. At the first level, potential impairment of the property, plant and equipment and intangible assets is tested for the individual CGU (store). At the second level, potential impairment is analysed by grouping CGUs at the legal entity level and assigning the corporate assets that serve those CGU groups (mainly corporate headquarters, logistics centres and brands), together with the goodwill assigned at the legal entity level.

Based on past experience, the Group considers that there are indications of impairment when the performance of a mature store (one that has been in operation for more than two years) has been negative during the past two years and also those stores where impairment has been recorded in the past. When indications of impairment exist, the Group estimates the recoverable amount of the assets allocated to each cash-generating unit, calculated as the higher of fair value less costs to sell and value in use. Value in use is determined by discounting estimated future cash flows, applying a post-tax discount rate which reflects the value of money over time and the specific risks associated with the asset.

The stores that have been assigned individual goodwill are tested annually regardless of whether or not there is any indication of impairment.

Determining this value in use and evaluating whether there exist signs of impairment of the cash-generating units requires judgement on the part of Management and the use of estimates.

The Group uses a strategic plan to estimate the value in use. This strategic plan generally covers a five-year period. For longer periods, projections based on the strategic plan are used as of the fifth year, applying a constant expected growth rate up until the end of the asset's useful life, including a residual or disposal value of the asset at the end of its useful life, in accordance with accounting standards. Note 5.1 includes some of the main assumptions considered in determining the value in use of the cash-generating units to which the non-current assets are allocated.

The discount rates used are calculated after tax and are adjusted for the corresponding country and business risks.

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

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

## **(iii) Impairment of rights-of-use**

When a CGU has suffered fixed asset total impairment due to a negative value in use, the Group reassesses the reasonable term of its lease agreement and the lease is reclassified to short-term items. The existing right-of-use is derecognised together with the financial liability associated with that right-of-use. A provision for an onerous contract is

allocated for the costs associated with the termination of the lease agreement, as is mentioned in paragraph w) Provisions.

#### **I) Advertising and catalogue expenses**

The cost of acquiring advertising material or promotional articles and advertising production costs are recognised as expenses when incurred. However, advertising placement costs that can be identified separately from advertising production costs are accrued and expensed as the advertising is published.

#### **m) Trade receivables**

Trade receivables are initially measured at fair value. The Group applies the simplified approach under IFRS 9, which requires that losses expected over the life of the item are recognised from the initial recognition of the account receivable. The Group recognises trade receivables in order to collect contractual cash flows, so they are subsequently measured at amortised cost using the effective interest method, less impairment adjustments.

The calculation of impairment adjustments is described in Note 7.1 (d).

#### **n) Investments and other financial assets**

##### **(i) Classification**

Since 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those measured at amortised cost, y
- those measured subsequently at fair value (either with changes through profit and loss or in other comprehensive income).

The classification depends on the business model of the entity to manage the financial assets and contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in the income statement or in other comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the Group made an irrevocable choice upon initial recognition to recognise the investment in equity at fair value through changes in other comprehensive income.

The Group only reclassifies investments in debt when its business model for managing these assets changes.

##### **ii) Recognition and derecognition**

Conventional purchases and sales of financial assets are recognised at the date of trading, the date on which the Group undertakes to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or are transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### **iii) Measurement**

The Group only has financial assets that are measured at amortised cost. Upon initial recognition, the Group measures a financial asset at fair value plus the transaction costs directly attributable to the acquisition of the financial asset.

###### *Debt instruments*

The Group's debt instruments comprise contractual cash flows representing only principal and interest payments. These debt instruments are subsequently measured at amortised cost. Income on these financial assets is included in financial income according to the effective interest rate method. Any gain or loss arising when derecognised is taken directly to profit or loss for the year in other gain/(losses) together with exchange gains and losses. Impairment losses are presented as a separate line item in the income statement.

### **o) Derivatives and hedging activities**

Derivatives are initially recognised at fair value on the date the derivative contract is signed. They are subsequently remeasured to fair value at each balance sheet date. The accounting for subsequent changes in fair value depends on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item being hedged. The Group designates certain derivatives as:

- fair value hedges of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable expected transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging relationship, the Group documents the economic relationship between the hedging instruments and the hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The Group documents its risk management goal and strategy for undertaking hedging transactions.

The fair values of the financial derivatives designated as hedging instruments are detailed in Note 14.5. The total fair value of a hedging derivative is classified as non-current assets or liabilities if the remaining term of the hedged item is over 12 months, and classified as current when the remaining term is under 12 months. Trading derivatives are classified as current assets and liabilities.

#### **(i) Cash flow hedges that qualify for hedge accounting**

The effective part of the gain or loss on the hedging instrument classed as a cash flow hedge is recognised in the cash flow hedge reserve in equity. Gains or losses corresponding to the ineffective part is recognised immediately in other gains/(losses) for the year.

Gains and losses relating to the effective part of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve in equity. Changes in the time value of the option contracts relating to the hedged item ("aligned time value") are recognised under other comprehensive income in the hedging reserve cost in equity.

When forward contracts are used to hedge planned transactions, the Group generally only designates the change in the fair value of the forward contract related with the cash element as the hedging instrument. Gains and losses corresponding to the effective part of the change in the cash element of the forward contracts are recognised in the cash flow hedge reserve in equity. The change in the forward element of the contract relating to the hedged item ("aligned forward element") is recognised under other comprehensive income in the hedging cost reserve in equity. In certain cases, gains and losses corresponding to the effective part of the change in the fair value of the forward contract are recognised in the cash flow hedge reserve in equity.

The amounts accumulated in net equity are reclassified in the years in which the hedged item affects income for the year, as follows:

- When the hedged item subsequently results in the recognition of a non-financial asset (such as inventories), both the deferred hedging gains and losses and the deferred time value or the deferred forward points, if any, are included in the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss for the year as the hedged item affects net income (e.g. through the cost of sales).
- Gains or losses corresponding to the effective part of interest rate swaps hedging variable rate loans is recognised in the income statement under "financial expenses" at the same time as the interest expense on the hedged loans.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any accumulated deferred gain or loss and the deferred costs of the hedge in equity at that time remain in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventories. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred hedging costs that were presented in equity are immediately reclassified to profit or loss for the year.

**(ii) Derivatives that do not qualify for hedge accounting**

Certain derivatives do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in income and are included in other gains/(losses).

**p) Inventories**

Inventories are initially measured at cost of purchase based on the weighted average cost method.

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates, non-trading income or other similar items, plus any additional costs incurred to bring the goods to a saleable condition, other costs directly attributable to the acquisition and indirect taxes not recoverable from the Spanish taxation authorities.

Purchase returns are recognised as a reduction in the carrying amount of inventories returned, except where it is not feasible to identify these items, in which case they are accounted for as a reduction in inventories on a weighted average cost basis.

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

Write-downs to net realisable value recognised or reversed on inventories are classified under merchandise and other consumables used.

**q) Cash and cash equivalents**

Cash and cash equivalents recognised in the consolidated statement of financial position comprise cash on hand and in bank accounts, demand deposits and other highly liquid investments with original maturities of three months or less which are readily convertible into determined amounts of cash and which are subject to an insignificant risk of changes in value. These items are recognised at historical cost, which does not differ significantly from their realisable value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents reflect the items defined in the paragraph above. Any bank overdrafts are recognised in the consolidated statement of financial position as financial liabilities from loans and borrowings.

**r) Trade and other payables**

These amounts relate to liabilities for goods and services provided to the Group both billed and unbilled before the end of the financial year for which payment is pending. Trade and other payables are presented as current liabilities unless payment does not fall due within 12 months as from the end of the reporting period. They are initially recognised at fair value. In the year-end and based on historical experience, the amount unbilled because of different reasons is determined, being recorded as a lower amount of the year supplies.

The Group's expense relating to raw materials and other supplies is reduced as a result of the different kinds of discounts, depending on the commercial terms and conditions agreed with suppliers. Some discounts are fixed while others are variable, subject to the accumulated volume of sales over the contract term or the volume of sales made by the Group companies' stores of the corresponding supplier items.

Trade discounts are recognised as a reduction in the cost of inventories when it is probable that the conditions for discounts to be received will be met. Any unallocated discounts are used to reduce the balance of merchandise and other consumables used in the consolidated income statement. The main discounts applied to suppliers are as follows:

- Volume discounts: volume discounts are negotiated with suppliers as a percentage based on the volume of purchases.
- Advertising income: this results from credits negotiated with suppliers based on the inclusion of references in brochures, displays, shelving etc.
- Income from loyalty programmes and surrender of coupons: this relates to income from credits negotiated with suppliers based on the surrender of coupons by customers at stores using the CLUB DIA card or special offers.

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

#### s) Borrowings

Financial debt is initially recognised at fair value, net of transaction costs incurred. Subsequently, financial debts are valued at their amortised cost. Any difference between the income obtained (net of transaction costs) and the repayment value is recognised in income over the life of the debt in accordance with the effective interest rate method. Fees paid for obtaining loans are recognised as loan transaction costs insofar as it is probable that part or all of the facility will be available. In this case, the fees are deferred until the drawdown takes place. When there is no evidence that all or part of the credit facility is likely to be available, the fee is capitalised as an advance payment for liquidity services and amortised over the period to which the credit facility availability relates.

The financial debt is written off the statement of financial position when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of a financial liability cancelled or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss as other financial income or expenses.

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

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

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

The Group recognises exchanges of debt instruments with a lender, provided that the instruments have substantially different conditions, as a cancellation of the original financial liability and subsequent recognition of a new financial liability. Similarly, a substantial change in the terms of an existing financial liability or a portion thereof is accounted for as a cancellation of the original financial liability and subsequent recognition of a new financial liability. The difference between the carrying amount of the financial liability that has been cancelled and the consideration paid, which includes any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss for the year.

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

**t) Parent own shares**

The Group's acquisition of equity instruments of the Parent is recognised separately at cost of acquisition in the consolidated statement of financial position as a reduction in equity, irrespective of the reason for the purchase. Any gains or losses on transactions with own equity instruments are not recognised in consolidated profit and loss.

Any positive or negative difference between the purchase price and the par value of the shares is debited or credited to reserves. Transaction costs related to own equity instruments, including issue costs related to a business combination, are accounted for as a reduction in equity, net of any tax effect.

The subsequent redemption of the Parent instruments entails a capital reduction equivalent to the par value of the shares, and the positive or negative difference between the acquisition cost and the nominal amount of the shares is charged or credited to reserves.

Contracts that oblige the Group to acquire own equity instruments, including non-controlling interests, in cash or through the delivery of a financial asset, are recognised as a financial liability at the fair value of the amount redeemable against reserves. Transaction costs are likewise recognised as a reduction in reserves. Subsequently, the financial liability is measured at amortised cost or at fair value through consolidated profit or loss in line with the redemption conditions. If the Group does not ultimately exercise the contract, the carrying amount of the financial liability is reclassified to reserves.

**u) Distributions to shareholders**

Dividends, whether in cash or in kind, are recognised as a reduction in equity when approved by the shareholders at their annual general meeting, together with the recognition of the relevant provision.

**v) Employee benefits****Defined benefit plans**

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

Defined benefit liabilities recognised in the consolidated statement of financial position reflect the present value of defined benefit obligations at the reporting date, minus the fair value at that date of plan assets.

In the event that the result of the operations described in the paragraph above is negative, i.e. it results in an asset, the Group recognises the resulting asset up to the limit of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Economic benefits are available to the Group when they are realisable at some point during the life of the plan or on settlement of plan liabilities, even when not immediately realisable at the reporting date.

Income or expense related to defined benefit plans is recognised as employee benefits expense and is the sum of the net current service cost and the net interest cost of the net defined benefit asset or liability. Remeasurements of the net defined benefit asset or liability are recognised in other comprehensive income, comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability or asset. The costs of managing the plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions, are deducted when determining the return on plan assets. Any amounts deferred in other comprehensive income are reclassified to retained earnings during that year.

The Group recognises the past service cost as an expense for the year at the earlier of when the plan amendment or curtailment occurs and when the Group recognises related restructuring costs or termination benefits.

The present value of defined benefit obligations is calculated annually by independent actuaries using the Projected Unit Credit Method. The discount rate of the net defined benefit asset or liability is calculated based on the yield on high quality corporate bonds of a currency and term consistent with the currency and term of the post-employment benefit obligations.

The fair value of plan assets is calculated applying the principles of IFRS 13 Fair Value Measurement. In the event that plan assets include insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of the insurance policies is equal to the present value of the related obligations.

The Group only offsets an asset relating to one plan against the liability of another plan provided that it has a legally enforceable right to use a surplus in one plan to settle its obligation under the other plan, and when it intends to settle the obligation on a net basis, or to realise the surplus on one plan and settle its obligation under the other plan simultaneously.

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

#### Termination benefits

Termination benefits paid or payable that do not relate to restructuring processes in progress are recognised when the Group is demonstrably committed to terminating the employment of current employees prior to retirement date. The Group is demonstrably committed to terminating the employment of current employees when it has a detailed formal plan and is without realistic possibility of withdrawing or changing the decisions made. Termination benefits are measured on the basis of the number of employees expected to accept the offer. Benefits that are not to be paid within the 12 months following the reporting date are discounted to the net present value.

#### Restructuring-related termination benefits

Restructuring-related termination benefits are recognised when the Group has a constructive obligation, that is, when it has a detailed formal plan for the restructuring and there is valid expectation on the part of those affected that the restructuring will be carried out because the Group has already started to implement the plan or has announced its main features to those affected by it.

#### Short-term employee benefits

Wage and salary liabilities, including non-monetary compensation, annual leave and accrued sick leave, that are expected to be settled within the 12 months following the end of the period in which the employees render the related service are recognised in respect of the employees' services until the end of the reporting period and are measured as the amounts expected to be paid when the liabilities are settled. The liabilities are presented in the statement of financial position as current liabilities for employee benefits.

#### Long-term employee benefits

In order to encourage the achievement of the objectives of the Company's business plan for the period 2020-2022, the Board of Directors, after a favorable report from the Appointments and Remuneration Committee, approved on March 25, 2020 the Long-Term Incentive Plan 2020-2022 (ILP 2020-22) aimed to certain executives of the Company, both at its corporate headquarters and in the countries. The initial duration of the ILP covers the period between 01/01/2020 and 12/31/2022. This amount may be subject to review and modification by the Board of Directors during the term of the Plan. The ILP 2020-22 is a cash incentive that rewards the generation of value in the DIA group during the duration of the Plan.

#### **w) Provisions**

Provisions are recognised when the Group has a present obligation (legal or implicit) as a result of a past event, the settlement of which requires an outflow of resources which is probable and can be estimated reliably. No provisions are recognised for future operating losses. If it is virtually certain that some or all of a provisioned amount will be reimbursed by a third party, for example through an insurance contract, an asset is recognised in the consolidated statement of financial position and the related expense is recognised in the consolidated income statement, net of the foreseen reimbursement. If the time effect of money is material, the provision is discounted, recognising the increase in the provision due to the time effect of money as a finance cost.

The Group is undergoing legal proceedings and tax inspections in a number of jurisdictions. 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, so that the relevant provision can be made if necessary. 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 provided that the outflow can be reliably measured.

Assessments of the existence of provisions for onerous contracts are based on the present value of unavoidable costs, determined as the lower of the contract costs, net of any income that could be generated, and any compensation or penalties payable for non-completion.

#### **x) Share-based payments**

##### **(i) Equity-settled share-based payment transactions to employees and members of the board**

The Group recognises personnel expenses for services rendered as they are accrued over the period in which the equity instruments vest, as well as the corresponding increase in equity, under the caption "Other equity instruments" at the fair value of the equity instruments at the award date..

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

The Group determines the fair value of the instruments granted to employees and/or members of the board by reference to the market quotation value at the grant date.

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

The average number of shares expected to be delivered is calculated with the help of an independent expert, who performs the following:

- Regular updating of all relevant information for valuations taking into account the characteristics of the Plan, and information on the variable metrics of DIA and comparable companies.
- Application of a mathematical model, jointly modelling the financial variables using stochastic simulation techniques (Monte Carlo) to obtain the average number of shares expected to be handed over.

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

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

When the shares are handed over, the difference between the amount at which own shares acquired are booked and the amount recognised as Other equity instruments is taken to reserves. Shares granted to employees are net of withholdings applicable, calculated based on the fair value of the shares at the delivery date.

##### **(ii) Tax effect**

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

**y) Income tax**

Income tax in the consolidated income statement comprises total debits or credits deriving from income tax paid by Spanish Group companies and those of a similar nature of foreign entities.

The income tax expense for each year comprises current tax and, where applicable, deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities. The current income tax charge is calculated on the basis of the tax laws enacted or about to be enacted at the reporting date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates stances adopted in tax returns with respect to situations in which applicable tax legislation is subject to interpretation. Provisions are posted, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax liabilities reflect income tax payable in future periods in respect of taxable temporary differences. Deferred tax assets reflect income tax recoverable in future periods in respect of deductible temporary differences, tax loss carryforwards pending offset and unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

The deferred tax is determined by applying tax regulations and rates approved or about to be approved at the reporting date and which are expected to be applied when the corresponding deferred tax asset is realised or the deferred tax liability settled.

Deferred tax assets and liabilities are not discounted at present value and are classified as non-current irrespective of the reversal date.

At each close the Group analyses the carrying amount of the deferred tax assets recognised and makes the necessary adjustments where doubts exist regarding their future recovery. Following ESMA's recommendations, from 2019 the Group recognises a deferred tax asset up to the same amount as the deferred tax liability in each jurisdiction, insofar as the taxation unit generates tax losses in two consecutive years.

Deferred tax assets and liabilities are not recognised in respect of temporary differences between the carrying amount and tax base of investments in foreign operations when the entity is not able to control the date on which the temporary differences will reverse and they are not likely to reverse in the foreseeable future.

Current and deferred tax are recognised as income or expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets and liabilities, and when the deferred tax balances relate to the same tax authorities. The Group only offsets tax assets and liabilities if they have a legally enforceable right to offset the recognised amounts and it intends to either settle on a net basis or realise the assets and settle the liabilities simultaneously.

**z) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by DIA's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group has identified the Chief Executive Officer as the highest decision-making authority for this purpose.

**aa) Classification of assets and liabilities as current and non-current**

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**ab) Environmental issues**

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

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

**ac) Related party transactions**

Sales to and purchases from related parties are carried out under the same conditions as those existing in transactions between independent parties (see Note 21).

**ad) Interest**

Interest is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of a financial instrument to the net carrying amount of that financial instrument based on the contractual terms of the instrument and not considering future credit losses.

## **4. INFORMATION ON OPERATING SEGMENTS**

Information is provided on the following operating segments:

- Spain (including Swiss and Luxembourg operations)
- Portugal
- Brazil
- Argentina

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

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

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

Details of the key indicators expressed by segment are as follows:

Thousands of Euro at 31st December 2020	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	CONSOLIDATED
Sales (1)	4,508,826	629,989	813,774	929,784	6,882,373
Adjusted EBITDA	99,566	17,196	19,915	(13,779)	122,898
% of sales	2.21%	2.73%	2.45%	(1.48)%	1.79%
Non-current assets	1,431,362	246,029	137,990	229,239	2,044,620
Liabilities	2,989,308	236,450	184,723	322,113	3,732,594
Acquisition of non-current assets (2)	59,988	10,376	7,569	5,397	83,330
Number of outlets	3,918	565	907	779	6,169

Thousands of Euro at 31st December 2019	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	CONSOLIDATED
Sales (1)	4,177,181	593,933	917,268	1,182,053	6,870,435
Adjusted EBITDA	18,156	9,618	12,051	(130,680)	(90,855)
% of sales	0.43%	1.62%	1.31%	(11.06)%	(1.32)%
Non-current assets	1,620,239	257,238	170,003	400,682	2,448,162
Liabilities	2,733,785	218,258	208,405	508,215	3,668,663
Non-current assets held for sale	1,272	-	-	-	1,272
Acquisition of non-current assets (2)	33,765	9,242	9,432	40,536	92,975
Number of outlets	4,236	576	934	880	6,626

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

(2) Use of right not included

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

Thousands of euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL DECEMBER 2020
<b>Losses</b>	<b>(159,407)</b>	<b>(9,280)</b>	<b>(17,253)</b>	<b>(177,848)</b>	<b>(363,788)</b>
Net financial expense	66,709	7,114	24,184	107,846	205,853
Income tax	1,774	949	7,943	1,181	11,847
Depreciation and amortization	295,731	39,842	27,640	63,318	426,531
Gain from net monetary positions	-	-	(36,074)	-	(36,074)
Profit/(Losses) of companies accounts for using the equity method	59	-	-	-	59
Impairment of non-current assets	17,580	(683)	516	9,035	26,448
Losses on disposal of non current assets	9,729	361	3,291	17,698	31,079
<b>Restructuring Cost</b>	<b>52,979</b>	<b>3,320</b>	<b>4,425</b>	<b>8,929</b>	<b>69,653</b>
Expenses relating to store and warehouses closings	1,880	545	-	5,471	7,896
Expenses to efficiency projects	38,429	1,621	2,935	1,912	44,897
Other special projects					
Other expenses	5,254	9	-	-	5,263
Expenditure related to Long-Term Incentive Plans	7,416	1,145	1,490	1,546	11,597
IFRS 16 leases	(185,588)	(24,427)	(16,100)	(43,938)	(270,053)
NIC 29 hyperinflationary standard effect	-	-	21,343	-	21,343
<b>EBITDA ajustaded</b>	<b>99,566</b>	<b>17,196</b>	<b>19,915</b>	<b>(13,779)</b>	<b>122,898</b>

Thousands of euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL DECEMBER 2019
<b>Net profit/(losses)</b>	<b>(443,531)</b>	<b>(29,207)</b>	<b>(23,660)</b>	<b>(294,070)</b>	<b>(790,468)</b>
Net financial expense	76,786	9,602	34,644	33,537	154,569
Losses from financial instruments	5,970	-	73	-	6,043
Income tax	64,515	7,425	(10,853)	30,582	91,669
Depreciation and amortization	345,404	43,564	36,111	93,287	518,366
Losses net of taxes of discontinued operations	21,842	-	-	-	21,842
Gain from net monetary positions	-	-	(63,705)	-	(63,705)
Losses of companies accounts for using the equity method	(196)	-	-	-	(196)
Impairment of non-current assets	32,876	3,524	(163)	21,272	57,509
Losses on disposal of non current assets	18,452	22	16,241	35,253	69,968
<b>Restructuring Cost</b>	<b>108,966</b>	<b>1,169</b>	<b>6,855</b>	<b>14,119</b>	<b>131,109</b>
Expenses relating to store and warehouses closings	22,578	332	1,103	13,580	37,593
Expenses to efficiency projects	56,211	446	5,752	539	62,948
Other special expenses of which "consultory"	30,177	391	-	-	30,568
IFRS 16 leases	(212,928)	(26,481)	(17,355)	(64,660)	(321,424)
NIC 29 hyperinflationary standard effect	-	-	33,863	-	33,863
<b>EBITDA ajusted</b>	<b>18,156</b>	<b>9,618</b>	<b>12,051</b>	<b>(130,680)</b>	<b>(90,855)</b>

The breakdown of Restructuring Costs in 2020 relates to:

- Expenses relating to the closure of stores and warehouses totalling Euros 7.9 million, mainly comprising costs generated on the strategic sale of the operations of Rio Grande do Sul in Brazil.
- Expenses for efficiency projects and indemnity payments totalling Euros 44.9 million accrued mainly on the layoff scheme carried out in Spain.
- Expenses relating to Long-Term Incentive Plans (2020-22 LIP) for a total of Euros 11,597 thousand (see Note 17).
- Other expenses relating to financial and corporate advisory fees in Spain amounting to Euros 5,263 thousand.

The breakdown of Restructuring Costs in 2019 related to:

- Expenses totalling Euros 37.6 million associated with the closing of stores and warehouses, of which Euros 26.2 million were associated with compensation for closed premises, Euros 8.1 million to closing operations with the Master Franchiser of Bahia and other related operating costs in the amount of Euros 3.3 million.
- Expenses for efficiency projects and indemnity payments totalling Euros 62.9 million that accrued on total estimated costs associated with the group layoffs approved in Spain and dismissals in other countries.
- Expenses for advisors and other items totalling Euros 30.6 million, primarily consisting of extraordinary fees relating to: financial and corporate advisory services, auditors, forensic services, legal counsel and strategic consultancy services, as well as the preparation of the Euros 600 million share capital increase presented by the former Board to Shareholders, which included operating costs amounting to Euros 30.1 million and Euros 0.5 million included under other business expenses.

The effect of applying IFRS 16 and IAS 29 is presented separately in the table and this completes the explanation of the evolution of the items excluded from Adjusted EBITDA.

## 5. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment for 2020 and 2019 are as follows:

Thousands of Euros	Land	Buildings	Equipment, fixtures and fittings and machinery	Other installations, utensils and furniture	Tangible assets in progress and advances given	Other fixed assets	Total
<b><u>Cost</u></b>							
<b>At 1st January 2019</b>	<b>102,878</b>	<b>1,338,263</b>	<b>1,812,188</b>	<b>150,471</b>	<b>36,805</b>	<b>182,795</b>	<b>3,623,400</b>
Additions	2	27,210	34,587	3,660	10,945	5,790	82,194
Disposals	(2,012)	(95,596)	(129,199)	(9,013)	(3,045)	(10,657)	(249,522)
Transfers	-	7,789	22,300	(14,114)	(21,573)	3,992	(1,606)
Business combination	-	-	-	16	-	230	246
Transfers IFRS 16	(176)	(527)	(45,466)	-	-	(16,422)	(62,591)
Transfers to assets held for sale	-	(105)	(94)	-	-	-	(199)
Translation differences	(2,186)	(7,971)	(5,466)	(2,236)	(11,289)	(157)	(29,305)
<b>At 31st December 2019</b>	<b>98,506</b>	<b>1,269,063</b>	<b>1,688,850</b>	<b>128,784</b>	<b>11,843</b>	<b>165,571</b>	<b>3,362,617</b>
Additions	-	7,785	54,536	1,565	5,501	5,706	75,093
Disposals	(2,383)	(46,040)	(154,744)	(15,273)	(1,909)	(18,694)	(239,043)
Transfers	2	1,211	5,758	49	(9,751)	1,715	(1,016)
Translation differences	(1,238)	(59,283)	(66,369)	(12,269)	2,128	(11,390)	(148,421)
<b>A 31st December 2020</b>	<b>94,887</b>	<b>1,172,736</b>	<b>1,528,031</b>	<b>102,856</b>	<b>7,812</b>	<b>142,908</b>	<b>3,049,230</b>
<b><u>Depreciation</u></b>							
<b>A 1st January 2019</b>	<b>-</b>	<b>(724,492)</b>	<b>(1,245,464)</b>	<b>(87,735)</b>	<b>-</b>	<b>(147,692)</b>	<b>(2,205,383)</b>
Amortisation and depreciation (note 19.5)	-	(60,220)	(125,332)	(11,085)	-	(11,857)	(208,494)
Disposals	-	54,689	91,915	7,408	-	9,299	163,311
Transfers	-	(875)	(7,708)	7,585	-	(469)	(1,467)
Business combination	-	-	-	(16)	-	(230)	(246)
Transfers IFRS 16	-	138	25,338	-	-	7,188	32,664
Transfers to assets held for sale	-	5	6	-	-	-	11
Translation differences	-	17,097	(297)	(257)	-	1,450	17,993
<b>At 31st December 2019</b>	<b>-</b>	<b>(713,658)</b>	<b>(1,261,542)</b>	<b>(84,100)</b>	<b>-</b>	<b>(142,311)</b>	<b>(2,201,611)</b>
Amortisation and depreciation (note 19.5)	-	(44,750)	(105,335)	(12,192)	-	(10,531)	(172,808)
Disposals	-	18,012	133,784	13,151	-	16,501	181,448
Transfers	-	(2,364)	(4,194)	3,327	-	(67)	(3,298)
Translation differences	-	16,301	40,906	7,094	-	8,164	72,465
<b>A 31st December 2020</b>	<b>-</b>	<b>(726,459)</b>	<b>(1,196,381)</b>	<b>(72,720)</b>	<b>-</b>	<b>(128,244)</b>	<b>(2,123,804)</b>
<b><u>Impairment</u></b>							
<b>A 1st January 2019</b>	<b>(271)</b>	<b>(69,211)</b>	<b>(20,515)</b>	<b>(10)</b>	<b>-</b>	<b>(3)</b>	<b>(90,010)</b>
Allowance (note 19.5)	(9,467)	(41,186)	(10,280)	(169)	-	(11)	(61,113)
Distribution	-	20,279	4,574	2	-	-	24,855
Reversals (note 19.5)	-	13,510	3,063	-	-	-	16,573
Other movements	-	(27)	-	-	-	-	(27)
Transfers	-	1,733	1,160	-	-	-	2,893
Transfers IFRS 16	-	290	-	-	-	-	290
Transfers to assets held for sale	-	18	-	-	-	-	18
Translation differences	-	1,095	-	-	-	-	1,095
<b>A 31st December 2019</b>	<b>(9,738)</b>	<b>(73,499)</b>	<b>(21,998)</b>	<b>(177)</b>	<b>-</b>	<b>(14)</b>	<b>(105,426)</b>
Allowance (note 19.5)	(511)	(16,988)	(17,956)	(900)	-	(90)	(36,445)
Distribution	-	17,724	7,225	56	-	-	25,005
Reversals (note 19.5)	118	10,654	4,412	79	-	9	15,272
Transfers	-	2,098	2,348	(9)	-	(144)	4,293
Translation differences	-	9,178	9	-	-	-	9,187
<b>A 31st December 2020</b>	<b>(10,131)</b>	<b>(50,833)</b>	<b>(25,960)</b>	<b>(951)</b>	<b>-</b>	<b>(239)</b>	<b>(88,114)</b>
<b><u>Net carrying amount</u></b>							
<b>At 31st December 2019</b>	<b>88,768</b>	<b>481,906</b>	<b>405,310</b>	<b>44,507</b>	<b>11,843</b>	<b>23,246</b>	<b>1,055,580</b>
<b>At 31st December 2020</b>	<b>84,756</b>	<b>395,444</b>	<b>305,690</b>	<b>29,185</b>	<b>7,812</b>	<b>14,425</b>	<b>837,312</b>

In 2020 and 2019 additions have been limited due to the Group's financial difficulties. Additions were a result of new stores being opened, the refurbishment work carried out and the remodelling to accommodate new formats, as follows:

Thousands of Euros at 31st December	2020	2019
Spain	52,536	24,672
Switzerland	-	18
Portugal	10,099	9,055
Argentina	7,101	8,730
Brazil	5,357	39,719
<b>Total</b>	<b>75,093</b>	<b>82,194</b>

Disposals in 2020 and 2019 mainly include those associated with the remodelling and closure of stores in Brazil and Spain during this period.

In 2020, two stores were sold for subsequent leasing in Brazil, generating a profit of Euros 1,190 thousand (five stores in Argentina in 2019, generating a profit of Euros 868 thousand) and relating to the rights transferred to the purchaser-lessor and which therefore do not relate to the right-of-use held by the Group.

Details of the cost of fully depreciated property, plant and equipment in use at 31 December are as follows:

Thousands of Euros at 31st December	2020	2019
Buildings	387,167	359,517
Equipment, fixtures and fittings and machinery	767,965	727,534
Other installations, utensils and furniture	26,434	24,358
Other fixed assets	98,604	95,057
<b>Total</b>	<b>1,280,170</b>	<b>1,206,466</b>

No interest expense was capitalised in 2020 or 2019.

The Group has taken out insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

At 31 December 2020, there were no contractual commitments to purchase fixed assets.

The composition of payments for investments in property, plant and equipment recorded in the consolidated cash flow statement is as follows:

Thousands of Euros at 31st December	2020	2019
Additions property, plant and equipment	75,093	82,194
Variation suppliers of fixed assets	(6,645)	69,511
<b>68,448</b>	<b>151,705</b>	

## 5.1 Impairment of property, plant and equipment

As described in Note 3 k) (ii), based on past experience, the Group considers that there are indications of impairment when the performance of a mature store (one that has been in operation for more than two years) has been negative during the past two years and also those stores where impairment were recorded in the past. Also, all stores assigned individual goodwill have been analysed to identify the existence of potential impairment.

The recoverable amount of each store is based on the value in use calculations using discounted future cash flows which require the use of a market participant's assumptions. These calculations are based on cash flow projections from the approved five-year business plan (see Note 1.1). Cash flows beyond this projected period are extrapolated using the estimated growth rates indicated below. The growth rate considered as of the fifth year should not exceed the average long-term growth rate for the distribution business in which the Group operates.

The business plan used has been drawn up taking past experience into account, as well as forecasts consistent with those included in the specific sector reports. This business plan takes into account significant structural changes and store refurbishments and, hence, the projections include capital expenses to undertake these refurbishments and achieve a boost in sales to recover the market position.

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

	Spain		Portugal	
	2020	2019	2020	2019
Sales growth rate (1)	6.86%	8.77%	7.68%	8.73%
Growth rate (2)	1.70%	1.70%	1.50%	1.50%
Discount rate (3)	6.15%	6.90%	6.16%	7.05%
Commercial margin (4)	22.52%	24.15%	21.04%	21.18%

	Argentina		Brazil	
	2020	2019	2020	2019
Sales growth rate (1)	8.92%	5.90%	11.51%	13.13%
Growth rate (2)	2.30%	1.70%	2.30%	0.00%
Discount rate (3)	14.42%	14.29%	7.44%	8.86%
Commercial margin (4)	18.16%	18.67%	20.17%	19.74%

(1) Weighted average annual growth rate of sales for the five-year projected period

(2) Weighted average growth rate used to extrapolate cash flows beyond the budgeted period.

(3) Post-tax discount rate calculated in a date close to the end of the financial year applied to cash flow projections.

(4) Sales margin, average for the 2021-2025 period calculated on net sales less merchandise used and other revenue.

Discount rates included in the table above reflect the return required for stores with growth rates falling within the ranges of expected growth rates based on the expected growth in the short and medium term of private consumption and GDP in the countries affected by the impairment analysis. Additionally, for those stores whose sale growth exceeded the upper range of the expected growth rate, an incremental discount rate has been used, as described below.

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

#### *Sales growth rate*

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

#### *Long-term growth rate*

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

These weighted average growth rates of cash flows in perpetuity are consistent with the forecasts for the industry's expected evolution.

#### *Post-tax discount rate*

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

The assumptions considered to calculate discount rates use Euros in all cases.

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

As it is mentioned above, for those stores whose sales growth exceeded a specific threshold, an increased discount rate has been used as follows.

	Increased discount rate
Spain	8.67%
Portugal	8.68%
Argentina	16.73%
Brazil	9.72%

#### *Sales margin*

The sales margin remained stable throughout the budget period in all countries, with a slight improvement in logistics costs.

The impairment test has been carried out in accordance with the criteria set forth in Note 3k) ii), as follows:

- 1) Firstly, the Cash Generating Units (CGUs) with store-level impairment indications (individual CGU) have been identified and the impairment of stores whose recoverable value is less than their carrying value has been analysed.
- 2) Secondly, CGUs have been aggregated at the country level and the corporate assets that serve those CGU groups (mainly corporate headquarters, logistics centres and brands), together with the goodwill at the legal entity level, have been assigned.

As a result of the impairment tests performed, net impairment of Euros 21,173 thousand was recognised in 2020 in relation to property, plant and equipment. As a result of these impairment tests, Euros 193 thousand in intangible assets and Euros 5,082 thousand in goodwill impairment have been recognised. (See Notes 6.1, 6.3 and 19.5). This impairment relates to 489 stores for a total of Euros 44,319 thousand, the estimated closing of 157 stores for a total of Euros 3,880 thousand and the impairment/reversal of three warehouses for a net amount of Euros 122 thousand. In addition, the impairment of stores in prior years amounting to Euros (21,873) thousand has been reversed.

The impairment tests performed have resulted in the recognition of net impairment in 2019 totalling Euros 44,540 thousand relating to property, plant and equipment. This impairment relates to 410 stores for a total of Euros 34,920 thousand, the estimated closing of 188 stores for a total of Euros 5,484 thousand, the impairment of four warehouses for a total of Euros 12,949 thousand and the impairment of fruit display furnishings, which would be replaced, for a total of Euros 7,760 thousand. In addition, the impairment of stores in prior years amounting to Euros 16,573 thousand was reversed. Furthermore, as a result of these impairment tests, Euros 508 thousand of intangible assets were reversed (see Note 19.5) and Euros 13,477 thousand of goodwill were recognised (see Note 6.1).

Total net impairment by country at 31 December 2020 and 2019 is as follows:

Thousands of Euros	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL
Impairment total 31st December 2020	(17,579)	683	(516)	(9,036)	<b>(26,448)</b>
Impairment total 31st December 2019	(32,876)	(3,524)	163	(21,272)	<b>(57,509)</b>

As mentioned in the preceding paragraphs, the new business plan updated at the end of 2020 envisages the closure/sale of stores in the Group of which around 157 (69 in Spain, 71 in Portugal and 17 in Brazil) have been identified to date, relating to the stores expected to be closed or sold in 2021 (188 stores in 2019, 168 in Spain). In addition, for the purposes of the test, since sale values could not be estimated for the stores earmarked for closure or sale, and which are also generating negative cash flows, the full carrying value of their non-moveable assets and those not expected to be recovered through use in other stores has been impaired. Stores to be closed that have not been individually identified have been analysed using the same methodology applied to stores not expected to close.

The second-level analysis did not result in the need to recognise any impairment whatsoever relating to the corporate headquarters and brands (also see Note 6.1).

Details of the sensitivity of the impairment analysis to changes in key assumptions are set forth below, keeping the rest of the variables constant:

- A reduction in the average sales growth rate of 100 basis points would have led to an additional impairment of Euros 25,509 thousand;;
- A decrease of 20 basis points in the sales margin would have led to an additional impairment of Euros 16,887 thousand;
- An increase of 100 basis points in the discount rate would have led to an additional impairment of Euros 18,204 thousand;
- Or a drop in the perpetual growth rate of 100 basis points would have led to an additional impairment of Euros 18,341 thousand.

## 6. INTANGIBLE ASSETS

### 6.1. Goodwill

Details of goodwill by legal entity and country and movement during the period are as follows:

Thousands of Euros	Plus Supermercados, S.A. (1)	Grupo El Árbol, S.A. (2)	Acquisitions 148 stores Grupo Eroski (3)	Schlecker, S.A. (4)	Distribuciones Reus, S.A. (5)	Other additional acquisitions	SPAIN	Companhia Portuguesa de Lojas de Desconto, S.A. (6)	PORTUGAL	TOTAL
ADQUISITION YEAR	2007	2014	2015	2013	1991	Varios		1998		
<b>Net Goodwill 31/12/2018</b>	<b>160,553</b>	<b>154,444</b>	<b>86,957</b>	<b>10,820</b>	<b>26,480</b>	<b>24,575</b>	<b>463,829</b>	<b>39,754</b>	<b>39,754</b>	<b>503,583</b>
Disposals	-	-	(1,000)	-	-	(8)	(1,008)	-	-	(1,008)
Transfers	-	-	(47)	-	-	-	(47)	-	-	(47)
Impairment allowance (note 19.5)	-	-	(9,649)	-	-	(3,828)	(13,477)	-	-	(13,477)
<b>Net Goodwill 31/12/2019</b>	<b>160,553</b>	<b>154,444</b>	<b>76,261</b>	<b>10,820</b>	<b>26,480</b>	<b>20,739</b>	<b>449,297</b>	<b>39,754</b>	<b>39,754</b>	<b>489,051</b>
Disposals	-	-	-	-	-	(1,097)	(1,097)	-	-	(1,097)
Transfers	-	-	(5)	-	-	5	-	-	-	-
Impairment allowance (note 19.5)	-	-	(4,790)	-	-	(292)	(5,082)	-	-	(5,082)
<b>Net Goodwill 31/12/2020</b>	<b>160,553</b>	<b>154,444</b>	<b>71,466</b>	<b>10,820</b>	<b>26,480</b>	<b>19,355</b>	<b>443,118</b>	<b>39,754</b>	<b>39,754</b>	<b>482,872</b>

- (1) Goodwill arising in the business combination by which the Group acquired Plus Supermercados, S.A., the entity currently called DIA Retail España, S.A., which operates under the name of DIA Maxi.
- (2) This goodwill arose from the acquisition of Grupo El Árbol, S.A., a business currently operated under the name La Plaza de DIA.
- (3) Goodwill associated with the acquisition of 148 Eroski Group stores. The goodwill was assigned to the legal entities DIA, S.A. and Grupo El Árbol, S.A. and the commercial name under which these stores operate is DIA Market and La Plaza de DIA, respectively.
- (4) The goodwill for Schlecker, S.A. relates to the entity currently called Beauty by DIA, S.A., which operates under the Clarel brand.
- (5) The goodwill associated with Distribuciones Reus, S.A. is assigned to the legal entity DIA, S.A. and relates to stores operated under the brands DIA Maxi and DIA Market.
- (6) The goodwill for Companhia Portuguesa de Lojas de Desconto, S.A., relates to the legal entity DIA Portugal II, and refer to stores operated under the Minipreço brand.

The recoverable amount is based on the value in use calculations using discounted future cash flows, having considered the same key variables as indicated in Note 5.1. in the case of individual stores' goodwill. In the case of consolidation goodwill, the same variables mentioned in Note 5.1. are considered, with the exception of the discount rates, where the following rates calculated in a date close to the end of the financial year have been considered: Portugal, 8.68%, and Spain between 6.15% and 10.60%.

As a result of impairment testing, an impairment loss in 2020 for Euros 5,082 thousand was recognised, which relates to impairment of the goodwill allocated to the stores where the analysis has led to the need to reflect impairment, as mentioned in Note 5.1.. (In 2019: Euros 13,477 thousand relating to the impairment of goodwill assigned to the stores whose analysis resulted in the need to reflect impairment as is described in Note 5.1. and the impairment of the goodwill recognised by the subsidiary Dia Eshopping after the decision to liquidate the company in June 2019, as is mentioned in Note 1). The remaining goodwill arising on consolidation, which is tested for impairment at the entity level, has not reflected a need for any impairment.

The elimination of goodwill in 2020 corresponds to the closure of the store located in Esparraguera, for an amount of Euros 1,097 thousand (the corresponding 2019 figure was from the closure of the Santiago Bernabeu store).

### Sensitivity analysis

Sensitivity analyses are carried out in all cases in relation to the sales growth rate, the sales margin, the discount rate used and the perpetual cash flow growth rates, in order to verify that reasonable changes in these assumptions would not have an impact on the possible recovery of the goodwill recorded.

No impacts have been identified in the goodwill impairment test for changes that the Group considers reasonably possible in the variables noted in the preceding paragraph. Finally, the recoverable amount of the CGUs for Spain and Portugal would be equal to their carrying value if the key assumptions, each considered separately, were to reach the values shown in the table below:

	Sales growth rate (1)	Growth rate (2)	Discount rate (3)	Sales margin (4)
<b>Spain</b>				
DIA and Dia Retail España	4.4 %	<(25.0)%	24.8 %	19.8%
Schlecker (Beauty by DIA-Clarel)	3.8%	(1.1)%	13.7 %	32.7 %
Grupo el Arbol	(1.1)%	(4.1)%	12.5%	29.7 %
<b>Portugal</b>	<b>4.9 %</b>	<b>(14.6)%</b>	<b>30.7 %</b>	<b>18.9 %</b>

<sup>(1)</sup> Weighted average annual growth rate of sales for the five-year projected period

<sup>(2)</sup> Weighted average growth rate used to extrapolate cash flows beyond the budgeted period.

<sup>(3)</sup> Post-tax discount rate applied to cash flow projections.

<sup>(4)</sup> Sales margin, average for the 2021-2025 period calculated on net sales and other income less merchandise used.

It is estimated that the recoverable amount of the CGUs in Spain exceeds the carrying amount of the CGUs by Euros 1,096.1 million at 31 December 2020 (Euros 600 million at 31 December 2019).

It is also estimated that the recoverable value of the CGUs in Portugal exceeds the carrying amount by Euros 256.0 million at 31 December 2020 (Euros 222 million at 31 December 2019).

### 6.2. Right-of-use

In 2019, IFRS 16 Leases was applied for the first time.

The Group has chosen to apply IFRS 16 using the modified retrospective method, recognising the right-of-use asset for an amount equal to the lease liability (see Note 14.1 c). In applying this approach, the Group does not restate comparative information.

Details of right-of-use assets and movement during 2020 and 2019 are as follows:

Thousands of Euros	Land and buildings	Equipment, fixtures and fittings and machinery	Other installations, utensils and furniture	Other fixed assets	Total
<b><u>Cost</u></b>					
<b>At 1st January 2019</b>	<b>738,080</b>	-	-	-	<b>738,080</b>
Additions	247,718	5,784	-	2,317	255,819
Disposals	(91,075)	(9,587)	-	(3,309)	(103,971)
Transfers	-	(419)	77	-	(342)
Transfers IFRS16	703	45,466	-	16,422	62,591
Value update	26,525	-	-	-	26,525
Translation differences	(3,833)	-	-	-	(3,833)
<b>A 31st December 2019</b>	<b>918,118</b>	<b>41,244</b>	<b>77</b>	<b>15,430</b>	<b>974,869</b>
Additions	160,319	4,572	-	460	165,351
Disposals	(107,248)	(12,874)	-	(7,176)	(127,298)
Transfers	-	(55)	7	-	(48)
Value update	29,377	-	-	-	29,377
Translation differences	(57,896)	-	-	-	(57,896)
<b>At 31st December 2020</b>	<b>942,670</b>	<b>32,887</b>	<b>84</b>	<b>8,714</b>	<b>984,355</b>
<b><u>Depreciation</u></b>					
Amortisation and depreciation (note 19.5)	(280,679)	(7,557)	(12)	(2,966)	(291,214)
Disposals	34,463	8,204	-	2,885	45,552
Transfers	-	184	-	-	184
Transfers IFRS16	(138)	(25,338)	-	(7,188)	(32,664)
Translation differences	3,600	-	-	-	3,600
<b>A 31st December 2019</b>	<b>(242,754)</b>	<b>(24,507)</b>	<b>(12)</b>	<b>(7,269)</b>	<b>(274,542)</b>
Amortisation and depreciation (note 19.5)	(229,507)	(5,888)	(15)	(1,920)	(237,330)
Disposals	61,378	11,716	-	4,417	77,511
Transfers	-	55	2	-	57
Translation differences	19,608	-	-	-	19,608
<b>At 31st December 2020</b>	<b>(391,275)</b>	<b>(18,624)</b>	<b>(25)</b>	<b>(4,772)</b>	<b>(414,696)</b>
<b><u>Impairment</u></b>					
Transfers IFRS16	(290)	-	-	-	(290)
<b>A 31st December 2019</b>	<b>(290)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(290)</b>
<b>At 31st December 2020</b>	<b>(290)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(290)</b>
<b><u>Net carrying amount</u></b>					
<b>A 31st December 2019</b>	<b>675,074</b>	<b>16,737</b>	<b>65</b>	<b>8,161</b>	<b>700,037</b>
<b>At 31st December 2020</b>	<b>551,105</b>	<b>14,263</b>	<b>59</b>	<b>3,942</b>	<b>569,369</b>

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

Transfers under IFRS 16 in 2019 for a net amount of Euros 29,637 thousand relate to the assets recorded in the 2018 consolidated annual accounts as property, plant and equipment under finance leases and comprise certain commercial premises, technical installations, machinery and other property, plant and equipment (vehicles), which have been transferred to this caption as a result of the enforcement of IFRS 16, since they correspond to right-of-use.

Details by segment of additions in 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
Spain	133,514	214,797
Portugal	23,477	22,977
Argentina	3,100	(7,800)
Brazil	5,260	25,845
<b>Total</b>	<b>165,351</b>	<b>255,819</b>

The initial value of right-of-use assets recognised at 1 January 2019 is equal to the value of the aforementioned finance lease liability.

The effect of applying IFRS 16 at 1 January 2019 was as follows:

		EQUITY AND LIABILITIES	2019
ASSETS	2019		
Fixed assets	(29,637)	Financial debt Non-current	507,319
Other intangible assets	767,717	<b>Non-current liabilities</b>	<b>507,319</b>
<b>Non-current assets</b>	<b>738,080</b>	Financial debt current	230,761
		<b>Current liabilities</b>	<b>230,761</b>
<b>TOTAL ASSETS</b>	<b>738,080</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>738,080</b>

The Group has approximately 6,430 and 7,250 operating lease contracts in place at 31 December 2020 and 2019, respectively. In general terms, the operating leases on stores only establish the payment of a fixed monthly charge which is reviewed annually in line with an index linked to the rate of inflation. Operating leases generally do not include clauses establishing variable amounts such as turnover-based fees, or contingent rent amounts.

Leases on warehouses generally have the same characteristics as for stores. The Group has purchase options on several warehouse leases, which are included under commitments off the statement of financial position (see Note 20.1).

Details of the main operating lease contracts in force at 31 December 2020 and 2019 are as follows:

2020							
Warehouse	Country	Minimum lease period	Warehouse	Country	Minimum lease period		
Mejorada del Campo	Getafe	SPAIN	2,026	Torres Novas	SPAIN	2,021	
	Mallén	SPAIN	2,023		Valongo	PORTUGAL	2,028
	Miranda	SPAIN	2,024		Averca	PORTUGAL	2,028
	Orihuela	SPAIN	2,023		Anhanghera	BRAZIL	2,021
	Sabadell	SPAIN	2,029		Americana	BRAZIL	2,021
	San Antonio	SPAIN	2,023		Ribeirao Preto	BRAZIL	2,021
	Villanubla	SPAIN	2,022		Belo Horizonte	BRAZIL	2,021
	Villanueva de Gállego	SPAIN	2,030		Mauá	BRAZIL	2,021
	Dos Hermanas	SPAIN	2,027		Cajamar	BRAZIL	2,021
	Azuqueca	SPAIN	2,023				
	Granda-Siero	SPAIN	2,022				
2019							
Warehouse	Country	Minimum lease period	Warehouse	Country	Minimum lease period		
Getafe	SPAIN	2,026	Torres Novas	SPAIN	2,020		
Mallén	SPAIN	2,023		Valongo	PORTUGAL	2,028	
Mejorada del Campo	SPAIN	2,024		Averca	PORTUGAL	2,028	
Miranda	SPAIN	2,020		Anhanghera	BRAZIL	2,020	
Orihuela	SPAIN	2,023		Americana	BRAZIL	2,020	
Sabadell	SPAIN	2,029		Ribeirao Preto	BRAZIL	2,020	
San Antonio	SPAIN	2,023		Belo Horizonte	BRAZIL	2,020	
Villanubla	SPAIN	2,022		Mauá	BRAZIL	2,021	
Villanueva de Gállego	SPAIN	2,030		Nova Santa Rita	BRAZIL	2,021	
Dos Hermanas	SPAIN	2,027					
Azuqueca	SPAIN	2,020					
Granda-Siero	SPAIN	2,020					

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

Thousands of Euros	2020	2019
Less than one year	496	44
<b>Total minimum lease payments, property</b>	<b>496</b>	<b>44</b>
Less than one year	3,237	2,249
One to five years	1,221	1,939
Over five years	158	4
<b>Total minimum lease payments, furniture and equipment</b>	<b>4,616</b>	<b>4,192</b>

At 31 December 2020 and 2019, only minimum payments linked to lease agreements not included in the scope of IFRS 16 or which are not provisioned for as onerous contracts are listed.

The majority of the lease contracts for stores signed by the Group contain clauses allowing them to be terminated at any time throughout their useful lives, once the mandatory tie-in period has elapsed, by informing the lessor of this decision with the agreed period of notice, which is generally under three months. On 1 January 2019, after this standard entered into force, all irrevocable leases were capitalised together with future lease payments, to the extent that a reasonably certain permanence period has been estimated and, therefore, those amounts were capitalised as a right-of-use, as mentioned at the start of this Note.

### 6.3. Other intangible assets

Details of other intangible assets and movements are as follows:

Thousands of Euros	Development cost	Industrial property	Leaseholds	Computer software	Other intangible assets	Total
<b><u>Cost</u></b>						
<b>At 1st January 2019</b>	<b>22,242</b>	<b>8,254</b>	<b>23,665</b>	<b>59,016</b>	<b>12,808</b>	<b>125,985</b>
Additions/Internal development	6,011	-	11	4,712	47	10,781
Disposals	(339)	(5,567)	(700)	(1,388)	(1,564)	(9,558)
Transfers	(21,047)	-	-	21,436	-	389
Business combination	-	-	-	1,002	-	1,002
Translation differences	-	-	93	(106)	245	232
<b>At 31st December 2019</b>	<b>6,867</b>	<b>2,687</b>	<b>23,069</b>	<b>84,672</b>	<b>11,536</b>	<b>128,831</b>
Additions/Internal development	4,952	-	-	3,285	-	8,237
Disposals	(2,133)	-	(173)	(1,926)	(224)	(4,456)
Transfers	(4,412)	97	-	4,412	-	97
Translation differences	-	-	(148)	(2,608)	(239)	(2,995)
<b>At 31st December 2020</b>	<b>5,274</b>	<b>2,784</b>	<b>22,748</b>	<b>87,835</b>	<b>11,073</b>	<b>129,714</b>
<b><u>Depreciation</u></b>						
<b>At 1st January 2019</b>	<b>-</b>	<b>(6,711)</b>	<b>(20,426)</b>	<b>(43,635)</b>	<b>(4,445)</b>	<b>(75,217)</b>
Amortisation and depreciation (note 19.5)	-	(618)	(991)	(16,567)	(482)	(18,658)
Disposals	-	5,453	671	807	844	7,775
Transfers	-	-	-	-	(32)	(32)
Business combination	-	-	-	(1,001)	-	(1,001)
Translation differences	-	-	(121)	116	(131)	(136)
<b>At 31st December 2019</b>	<b>-</b>	<b>(1,876)</b>	<b>(20,867)</b>	<b>(60,280)</b>	<b>(4,246)</b>	<b>(87,269)</b>
Amortisation and depreciation (note 19.5)	-	(263)	(387)	(15,314)	(429)	(16,393)
Disposals	-	-	164	500	11	675
Transfers	-	(98)	-	-	(9)	(107)
Translation differences	-	-	(44)	1,790	21	1,767
<b>At 31st December 2020</b>	<b>-</b>	<b>(2,237)</b>	<b>(21,134)</b>	<b>(73,304)</b>	<b>(4,652)</b>	<b>(101,327)</b>
<b><u>Impairment</u></b>						
<b>At 1st January 2019</b>	<b>-</b>	<b>-</b>	<b>(161)</b>	<b>(39)</b>	<b>(1,641)</b>	<b>(1,841)</b>
Allowance (note 19.5)	-	-	(2)	(99)	(325)	(426)
Distribution	-	-	28	77	227	332
Reversals	-	-	105	-	829	934
Transfers	-	-	-	(3)	31	28
Translation differences	-	-	-	4	-	4
<b>At 31st December 2019</b>	<b>-</b>	<b>-</b>	<b>(30)</b>	<b>(60)</b>	<b>(879)</b>	<b>(969)</b>
Dotación (nota 19.5)	-	-	(167)	-	(47)	(214)
Distribution	-	-	4	60	218	282
Reversals (note 19.5)	-	-	-	-	21	21
Transfers	-	-	-	-	22	22
<b>At 31st December 2020</b>	<b>-</b>	<b>-</b>	<b>(193)</b>	<b>-</b>	<b>(665)</b>	<b>(858)</b>

Additions recorded in 2020 and 2019 mainly include development expenses corresponding to in-house IT projects produced in Spain for an amount of Euros 4,952 thousand (Euros 6,011 thousand in 2019) and acquisitions of software essentially in Spain for a total of Euros 3,285 thousand (Euros 4,770 in 2019). Details are as follows:

Thousands of Euros	2020	2019
Additions of intangible assets	3,285	4,770
Development cost	4,952	6,011
<b>Total</b>	<b>8,237</b>	<b>10,781</b>

Details by segment, are as follows:

Thousands of Euros	2020	2019
Spain	7,452	9,075
Portugal	277	187
Argentina	468	702
Brazil	40	817
<b>Total</b>	<b>8,237</b>	<b>10,781</b>

Note 19.5 includes the impairment of intangible assets recorded in 2020 and 2019 under the income statement caption "Amortisation and impairment".

Details of fully amortised intangible assets at each year end are as follows:

Thousands of Euros	2020	2019
Computer software	44,863	37,191
Leaseholds and other	18,950	18,755
<b>Total</b>	<b>63,813</b>	<b>55,946</b>

## 7. FINANCIAL ASSETS

Details of financial assets in the statements of financial position at 31 December 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
<b>Non-current assets</b>		
Trade and other receivables	24,039	46,010
Other Non-current financial assets	56,956	64,043
<b>Current assets</b>		
Trade and other receivables	128,369	110,971
Consumer loans from financing activities	1,407	1,409
Other current financial assets	3,945	8,706
<b>TOTAL</b>	<b>214,716</b>	<b>231,139</b>

## 7.1. Trade and other receivables

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

Thousands of Euros	2020	2019
Trade and other receivables	24,039	46,010
<b>Total non-current</b>	<b>24,039</b>	<b>46,010</b>
Trade and other receivables net impairment	111,004	63,458
Other receivables	4,402	8,102
Receivables from suppliers	10,941	33,040
Advances to suppliers	46	510
Receivables from associates companies	1,976	5,861
<b>Total current</b>	<b>128,369</b>	<b>110,971</b>

Due to the short-term nature of current receivables, their carrying amount is considered to be the same as their fair value.

### a) Trade receivables

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

Thousands of Euros	2020	2019
Trade and other receivables non current	24,039	46,010
Trade and other receivables current	165,481	119,773
<b>Total Trade and other receivables</b>	<b>189,520</b>	<b>165,783</b>
Impairment loss	(54,477)	(56,315)
<b>Total</b>	<b>135,043</b>	<b>109,468</b>

These trade balances are measured at amortised cost less any impairment allowances and have generated interest of Euros 1,207 thousand in 2020 (Euros 1,390 thousand in 2019), which has been recognised in the consolidated income statement.

### b) Receivables from suppliers

This heading includes balances with suppliers that have become receivables and are pending collection.

In the first half of 2020, the Group entered into agreements to transfer trade receivables from suppliers without recourse. The balance at 31 December 2020 is Euros 0. In 2019, the Group entered into this type of agreement for Euros 14,128 thousand. The Group believes that it has retained neither the default risk nor the credit risk on these transfers without recourse, therefore writing off these amounts from receivables from suppliers. Costs of Euros 179 thousand were accrued on the transfer of these receivables during the first half of 2020 (Euros 947 thousand in the same period of the prior year) (see Note 19.7).

### c) Trade receivables from other related parties

In 2020 and 2019, transactions have been carried out with the companies ICDC, Horizon and Red Libra (see Note 21), mainly relating to trade operations. Balances at 31 December 2020 and 2019 are shown below:

Thousands of Euros	2020	2019
ICDC	132	4,760
Horizon	1,844	1,092
Red Libra	-	9
<b>Commercial debts with other related parties</b>	<b>1,976</b>	<b>5,861</b>

#### d) Impairment

Each Group company posts a provision as a percentage of the total balance outstanding with commercial customers, estimating the percentage based on the segmentation of the customer portfolio. The Group considers that the most relevant customer portfolio provision covers default by franchisees.

Under this approach, the provision (percentage ratio) is calculated in an amount equal to expected credit losses over the asset's life based on internal calculations or scoring using internal historical data or market information (debtor's credit situation, geographical area, maturity, collateral, etc.) which, in management's opinion, facilitates portfolio segmentation on the basis of consistent behaviours. Using this segmentation and historical behaviours, the Group calculates percentages taking into consideration risk exposure to each type of franchisee, with respect to past-due amounts, and the provisioning need is determined by applying the percentage to outstanding risk by type. Movements in the provision for impairment of receivables (see other disclosures on credit risk in Note 22.4) were as follows:

2020		Customer for sales (note 7.1 a))		Credits receivable from suppliers	Total
Thousands of Euros		Other debtors			
<b>At 1st January</b>	<b>(56,315)</b>	<b>(7,242)</b>	<b>(5,260)</b>	<b>(68,817)</b>	
Charge	(14,114)	(503)	(2,399)	(17,016)	
Applications	5,938	7	-	5,945	
Reversals	3,634	292	159	4,085	
Transfer	(4,344)	133	399	(3,812)	
Translation differences	10,724	417	266	11,407	
<b>A 31st December de 2020</b>	<b>(54,477)</b>	<b>(6,896)</b>	<b>(6,835)</b>	<b>(68,208)</b>	

2019		Customer for sales (note 7.1 a))		Credits receivable from suppliers	Total
Thousands of Euros		Other debtors			
<b>At 1st January</b>	<b>(36,556)</b>	<b>(8,077)</b>	<b>(8,949)</b>	<b>(53,582)</b>	
Charge	(36,746)	(2,768)	(5,918)	(45,432)	
Applications	3,742	2,706	6,485	12,933	
Reversals	10,143	863	3,265	14,271	
Translation differences	3,265	34	6	3,305	
<b>A 31st December de 2019</b>	<b>(56,315)</b>	<b>(7,242)</b>	<b>(5,260)</b>	<b>(68,817)</b>	

The balance of current receivables for sales relates to the deliveries of goods to franchisees whose collection is in a very short period of time. Expected losses are therefore linked essentially to sales to franchisees with longer-term collection conditions, corresponding to the initial order to fill the store, to specific campaigns with a higher volume of sales or to collection efforts linked to sales to end customers. At 31 December 2020, the current balance also includes the amount generated by deliveries invoiced to franchises, which have begun to be managed through the new 2020 franchise model, according to which collections are made based on cash generated in the point-of-sale terminal of the franchisee.

## 7.2. Other financial assets

All the Group's financial assets are measured at amortised cost. Details of finance assets at 31 December 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
Equity instruments	1,080	1,270
Guarantees	55,757	62,548
Other loans	119	225
<b>Total non-current</b>	<b>56,956</b>	<b>64,043</b>
Franchise deposits	752	2,280
Credits to personnel	2,033	3,014
Other loans	12	76
Loans on the sale of fixed assets	31	347
Other financial assets	1,117	2,989
<b>Total current</b>	<b>3,945</b>	<b>8,706</b>

Non-current security and other deposits are the amounts pledged to lessors to secure lease contracts. These amounts are measured at present value and any difference with their nominal value is recognised under prepayments for current or non-current assets. The interest on these assets included in the consolidated income statement in 2020 and 2019 amounted to Euros 210 and Euros 225 thousand, respectively.

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

## 8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Details of equity-accounted investees at 31 December 2020 and 2019 are as follows:

	At 31st December 2020	At 31st December 2019
ICDC Services Sàrl	50%	50%
Horizon International Services Sàrl	25%	25%
RED LIBRA	-	50%

The key financial indicators of these companies in 2020 and 2019 are as follows:

Thousands of euro	ICDC Services Sárl		Horizon		RED LIBRA	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
<b>Current assets</b>						
Cash and cash equivalents	104	638	830	867	9	189
Other current assets	302	20,526	36,079	16,369	77	123
<b>Total current assets</b>	<b>406</b>	<b>21,164</b>	<b>36,909</b>	<b>17,236</b>	<b>86</b>	<b>312</b>
<b>Non current assets</b>						
Current liabilities						
Financial liabilities (payable accounts excluded)	-	-	-	-	-	-
Other current liabilities	148	20,872	28,273	16,081	4	92
<b>Total current liabilities</b>	<b>148</b>	<b>20,872</b>	<b>28,273</b>	<b>16,081</b>	<b>4</b>	<b>92</b>
<b>Net assets</b>	<b>258</b>	<b>294</b>	<b>8,646</b>	<b>1,177</b>	<b>82</b>	<b>220</b>
<b>Reconciliation with net carrying amount</b>						
<b>Net assets at 1 January</b>	<b>294</b>	<b>393</b>	<b>1,177</b>	<b>1,045</b>	<b>220</b>	<b>(364)</b>
Annual profit (losses)	4	42	189	132	(220)	284
Dividends paid	(40)	(141)	-	-	-	-
Shareholder contributions						300
<b>Net assets at year end</b>	<b>258</b>	<b>294</b>	<b>1,367</b>	<b>1,177</b>	<b>-</b>	<b>(81)</b>
Part of group %	50%	50%	25%	25%	-	50%
Part of the group in thousands of euro	129	147	344	294	-	110
<b>Net carrying amount</b>	<b>129</b>	<b>147</b>	<b>344</b>	<b>294</b>	<b>-</b>	<b>110</b>

## 9. OTHER ASSETS

Details of other assets are as follows:

Thousands of Euros	2020	
	Current	2019
Prepayments for operating leases	2,908	3,071
Prepayments for guarantees	275	353
Prepayments for insurance contracts	745	969
Other prepayments	2,753	2,025
<b>Total other assets</b>	<b>6,681</b>	<b>6,418</b>

## 10. INVENTORIES

Details of inventories are as follows:

Thousands of Euros	2020	2019
Goods for resale	442,428	490,892
Other supplies	3,335	5,626
<b>Total inventories</b>	<b>445,763</b>	<b>496,517</b>

Reductions in the value of inventories to their net realisable value amount to Euros 10,123 thousand at 31 December 2020 (Euros 9,759 thousand at 31 December 2019).

At 31 December 2020 there are no restrictions of any kind on the availability of inventories.

## 11. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents are as follows:

Thousands of Euros	2020	2019
Cash and current account balances	290,915	129,970
Cash equivalents	56,070	33,580
<b>Total</b>	<b>346,985</b>	<b>163,550</b>

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

## 12. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group has classified the assets from its Rio Grande do Sul (Brazil) business as held for sale in the 2020 statement of financial position.

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

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

Thousands of Euros	2019
Income	54,109
Amortisation and depreciation	(6)
Impairment	(4,236)
(Losses)/Gains on disposal of fixed assets	29
Expenses	(71,738)
<b>Gross Margin</b>	<b>(21,842)</b>
<b>Loss before taxes of discontinued operations</b>	<b>(21,842)</b>
<b>Profit of discontinued operations</b>	<b>(21,842)</b>

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

The effect on the cash flow of the Group's discontinued operations during the same period is as follows:

Thousands of Euros	2019
<b>Loss before tax from discontinued operations</b>	<b>(21,842)</b>
Adjustments to Profit and Loss	1,420
Changes in working capital	15,100
<b>Total cash flows</b>	<b>(5,322)</b>

Details of the assets and liabilities of discontinued operations classified as held for sale at 31 December 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
<b>Assets</b>		
Tangible fixed assets	359	-
<b>Non-current assets held for sale</b>	<b>359</b>	<b>-</b>
<b>Liabilities</b>		
Trade and other payables	-	1,272
<b>Liabilities directly associated with non-current assets held for sale</b>	<b>-</b>	<b>1,272</b>

## 13. EQUITY

### 13.1. Capital

At 31 December 2020 and 2019 DIA's share capital is Euros 66,779,789.79, represented by 6,677,978,979 shares of Euros 0.01 par value each, subscribed and fully paid up. The shares are freely transferable.

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

- i. Writing off of losses against reserves and a capital reduction of Euros 56,021,086.17 by reducing the nominal value of the Company's shares by Euros 0.09 per share in order to restore the balance and structure of the Company's equity. The capital decrease was registered at the Mercantile Registry of Madrid on 28 October 2019 and as a result, the Company's new share capital amount is Euros 6,224,565.13, represented by 622,456,513 shares of Euros 0.01 par value each.
- ii. Share capital increase for a nominal amount of Euros 60,555,224.66 by issuing and placing into circulation 6,055,522,466 new ordinary shares of Euros 0.01 par value each, with a share premium of Euros 0.09 and a cash amount of Euros 605,552,246.60 (par value plus share premium).

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

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

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

- Letterone Investment Holdings, S.A. holds indirectly 74.819%
- Direct ownership is held by L1R Invest1 Holding, S.à.r.l. in the same percentage

### 13.2. Share premium

As mentioned in Note 13.1 above, the capital increase was carried out in 2019 by issuing 6,055,522,466 new ordinary shares of Euros 0.01 par value each, with a share premium of Euros 0.09, amounting to a share premium total of Euros 544,997,021.94.

### 13.3. Reserves and retained earnings

Details of reserves and retained earnings are as follows:

Thousands of Euros	2020	2019
Other reserves non available	15,170	15,170
Other reserves	(830,557)	(38,639)
Profit attributable to equity holders of the parent	(363,788)	(790,468)
<b>Total</b>	<b>(1,179,175)</b>	<b>(813,937)</b>

The application of the Company's 2019 losses ultimately approved by the General Shareholders' Meeting on 31 July 2020 was to take 2019 losses (Euros 281,543,229.11) to prior year's losses.

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

#### (i) Legal reserve

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

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

At 31 December 2020 and 2019, the Company had not recognised this reserve, as it had been fully offset, for an amount of Euros 13,021 thousand, to compensate for losses, as agreed by the Extraordinary General Meeting of Shareholders of 22 October 2019.

#### (ii) Capital redemption reserve

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

#### (iii) Other non-distributable reserves

This reserve amounting to Euros 15,170 thousand is non-distributable and arose as a result of the entry into force of Royal Decree 602/2016, which eliminated the concept of intangible assets with indefinite useful lives, establishing that from 1 January 2016, these would be subject to amortisation. At 31 December 2016, after the publication of this Royal Decree, this reserve, which up to that date was on account of goodwill, was transferred to voluntary reserves, remaining non-distributable, while the net amount of the goodwill exceeds the carrying amount, it may be transferred to freely distributable reserves.

**(iv) Other reserves**

This caption includes the negative reserves of the Parent company for an amount of Euros 5,298 thousand and negative consolidated reserves.

**13.4. Own shares and other own equity instruments**

**a) Own shares**

Changes in own shares in 2020 and 2019 are as follows:

	Number of shares	Average price	Total (€)
<b>At 31 December 2018</b>	<b>9,542,356</b>	<b>5.8540</b>	<b>55,861,183.89</b>
Sale of shares	(7,843,729)		(45,917,380.17)
Delivery of shares to Members of Board Director	(94,247)		(551,724.23)
Delivery of shares as part of the incentive plan 2016-2018 (note 18)	(365,590)		(2,140,172.74)
<b>At 31 December 2019</b>	<b>1,238,790</b>	<b>5.8540</b>	<b>7,251,906.75</b>
Delivery of shares to Members of Board Director	(254,310)		(1,488,736.91)
<b>At 31 December 2020</b>	<b>984,480</b>	<b>5.8540</b>	<b>5,763,169.84</b>

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

During 2019, 365,590 shares were received, amounting to Euros 2,140 thousand, as remuneration through the 2016-2018 incentive plan. Furthermore, directors have received remuneration in the form of shares totalling Euros 552 thousand (94,247 shares).

In addition, also in 2019, a total of 7,843,729 shares were sold after the PTB to LetterOne at Euros 0.67 per share, which gave rise to a cash influx of Euros 5,255,298.43, eliminating own shares valued at Euros 45,917,380.17 and generating transfers to reserves on account of the difference in price of Euros 40,662,081.74.

At 31 December 2020 the Company holds 984,480 own shares of the Parent with an average purchase price of Euros 5.8540 per share, representing a total amount of Euros 5,763,169.84.

**b) Other own equity instruments**

At 31 December 2020, Other equity instruments includes the reserve for deferred remuneration in shares for non-proprietary directors (see Note 17).

**13.5. Distribution of profit/(loss)**

The proposal for the application of 2020 losses of the Company prepared by the Board of Directors for submission to the Annual General Shareholders' Meeting is to take the losses in full for the year totalling Euros 264,719,596.21 to prior-year losses.

The application of 2019 losses of the Company ultimately approved by the General Shareholders' Meeting on 31 July 2020 was to take 2019 losses (Euros 281,543,229.11) to prior year's losses.

### 13.6. Earnings per share

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

	2020	2019
<b>Average number of shares</b>	<b>6,676,983,717</b>	<b>6,669,403,563</b>
Profit for the period in thousands of Euros	(363,789)	(790,468)
Profit per share in Euros	(0.05)	(0.12)

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

	Weighted average ordinary shares in circulation at 31/12/2020	Ordinary shares at 31/12/2020	Weighted average ordinary shares in circulation at 31/12/2019	Ordinary shares at 31/12/2019
Total shares issued	6,677,978,979	6,677,978,979	6,677,978,979	6,677,978,979
Own shares	(995,262)	(984,480)	(8,575,416)	(1,238,790)
<b>Total shares available and diluted</b>	<b>6,676,983,717</b>	<b>6,676,994,499</b>	<b>6,669,403,563</b>	<b>6,676,740,189</b>

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

### 13.7. Translation differences

Details of translation differences at 31 December 2020 and 2019 are as follows:

Thousands of euro	2020	2019
Argentina	(76,996)	(70,186)
Brazil	(47,288)	(70,993)
<b>Total</b>	<b>(124,284)</b>	<b>(141,179)</b>

As mentioned in the consolidated annual accounts for the year ended 31 December 2019 in Note 2.5, as a result of applying IAS 29 for Argentina, the Company chose the accounting policy of recording changes in equity relating to currency effects in full under the Reserves heading, treating them as adjustments to equity balances.

In March 2020, the International Financial Reporting Standards Interpretations Committee concluded that the currency effect of economies declared as hyperinflationary must be recorded under the translation differences heading in equity. As a result, the DIA Group has reclassified Euros 69,308 thousand (see notes 2.3 and 2.5) from the Reserves and retained earnings heading to Translation differences at 1 January 2019. The Group has adopted the accounting policy of recognition of changes on Equity related to currency effect and hyperinflation effect under "Translation differences" in its whole.

## 14. FINANCIAL LIABILITIES

Details of financial liabilities in the consolidated statements of financial position at 31 December 2020 and 2019 are as follows:

Thousands of Euros	2020	2019
<b>Non-current liabilities</b>		
Non-current borrowings	1,625,790	1,865,716
Other non-current financial liabilities	2,306	3,806
<b>Current liabilities</b>		
Current borrowings	589,032	325,536
Trade and other payables	1,183,353	1,215,446
Other financial liabilities	171,644	111,702
<b>Total financial liabilities</b>	<b>3,572,125</b>	<b>3,522,087</b>

#### 14.1. Borrowings

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

At 31st december 2020	Total	Current						Non Current Total
		1 year	2 years	3 years	4 years	5 years	> 5 years	
Debentures and bonds	599,394	303,795	-	295,599	-	-	-	295,599
Syndicated credits (Revolving credit facilities) (*)	136,193	3,153	-	133,040	-	-	-	133,040
Syndicated credits (Term loan)	387,289	-	-	387,289	-	-	-	387,289
Other bank loans	273,118	72,982	200,136	-	-	-	-	200,136
Mortgage loans	-	-	-	-	-	-	-	-
Credit facilities drawn down	186,667	3,158	-	183,509	-	-	-	183,509
Finance lease payables (**)	611,960	197,373	163,606	123,679	51,242	18,556	57,504	414,587
Guarantees and deposits received	12,081	1,026	-	-	-	-	11,055	11,055
Shareholder loan	-	-	-	-	-	-	-	-
Other current borrowings	8,120	7,545	575	-	-	-	-	575
<b>Total non-current borrowings</b>	<b>2,214,822</b>	<b>589,032</b>	<b>364,317</b>	<b>1,123,116</b>	<b>51,242</b>	<b>18,556</b>	<b>68,559</b>	<b>1,625,790</b>

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

(\*) The incremental costs linked to the new debt unaccrued at 31 December 2020, amounting to Euros 3,702 thousand (Euros 5,354 thousand at 31 December 2019), are deducted from the balance of the Syndicated Loan (Revolving credit facilities) heading.

(\*\*) The finance lease liability amount resulting from the application of IFRS 16 stands at Euros 591,492 thousand at 31 December 2020 (current: Euros 190,306 thousand and non-current: Euros 401,186 thousand). In 2019, the amount was Euros 705,401 thousand (current: Euros 217,226 thousand and non-current: Euros 488,175 thousand).

#### a) Bonds

The Parent company has outstanding bonds with a nominal value of Euros 600,000 thousand at 31 December 2020, all of which were issued as part of a Euro Medium Term Note programme approved by the Central Bank of Ireland.

Details of bond issues pending repayment at 31 December 2020 are as follows:

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

During the period from 31 December 2019 to 31 December 2020 there have been no movements in bond issues.

#### b) Loans and borrowings

##### Multi-product Syndicated Financing and other credit facilities

The Group has entered into a Syndicated Financing Agreement with a series of Financial Creditors for a total amount of Euros 973,219 thousand, originally signed on 31 December 2018, modified and refinanced on different occasions and maturing on 31 March 2023. This financing includes a Super Senior supplier lending facility of Euros 70,793 thousand with maturity on 17 July 2021 and the option to extend for one additional year.

In relation to the guarantees package imposed by the financing creditors on the Parent company in the Syndicated Financing Agreement, the obligation is established to implement a Hive Down, whereby (a) new companies and Company subsidiaries will be set up, (b) certain Parent company assets, liabilities and Agreements will be transferred to certain

subsidiaries indirectly held by the Parent company, and in particular, (c) the new Spanish operating subsidiary and the Spanish financing subsidiary will become additional borrowers under the new Financing Agreements, and (d) the Parent company will issue new pledges on the shares of the new subsidiaries set up in the hive down, the Spanish operating subsidiary and the Spanish financing subsidiary (see Note 1.1. e)).

On 23 June 2020, in compliance with the obligations imposed by the syndicated financing to execute the Hive Down, the Parent company formalized the transfer to DIA Retail España, S.A of the portion of syndicated debt linked to the Spanish business, as well as the portion of syndicated debt relating to confirming and other debt linked to the Parent company's commercial operations. As a result of these transfers, DIA Retail España, S.A. is now the borrower of a total syndicated debt amount of Euros 653,552 thousand.

Continuing with the implementation of the final Hive Down structure, on 15 July 2020 the Company transferred the remaining portion of the syndicated debt drawn down by the Parent company (except a minimal amount of Euros 2,000 thousand held for operating purposes). As a result of this transfer, DIA Finance, S.L. now holds a total syndicated debt amount of Euros 317,667 thousand.

On 30 December 2020, an amount of Euros 3,607 thousand was redistributed from the revolving tranche to the term loan tranche at DIA Retail España, S.A., and an amount of Euros 6,412 thousand from the revolving tranche to the term loan tranche at DIA Finance, S.L.

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

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

- At least 80% of the Group's cash must be held in bank accounts subject to guarantees securing the financing and held by Syndicated Lenders (if applicable) providing cash deposit services in the jurisdiction in which the Group company operates.

The Parent Company is granted the authority to obtain additional financing of Euros 400 million to refinance the bonds maturing in 2021 and part of the debt under the Financing Agreement, although the Company is obliged to make considerable efforts to only refinance Facility A under the Financing Agreement prior to refinancing the bonds maturing in 2021 (for further information, see the Debt Baskets sub-section later).

Certain guarantees have also been set up in relation to financing during 2020 and 2019, including:

- Personal guarantee from DIA, DIA Retail España, S.A., Beauty By DIA, S.A., Pe-Tra Servicios a la Distribución, S.L., Grupo El Árbol Distribución y Supermercados, S.A.
- Pledge on shares owned by DIA in Luxembourg Investment Company 317 S.à r.l. and DIA Brazil Sociedade Ltda.
- Pledge on shares owned by DIA and Luxembourg Investment Company 322 S.à r.l. in DIA Portugal Supermercados, S.A.
- Pledge on shares owned by DIA and Pe-Tra Servicios a la Distribución S.L. in DIA Argentina, S.A.
- Pledge on shares owned by Luxembourg Investment Company 317 S.à r.l. in Luxembourg Investment Company 318 S.à r.l.
- Pledge on shares owned by Luxembourg Investment Company 318 S.à r.l. in DIA Finance, S.L.
- Pledge on shares owned by DIA Finance, S.L. in Luxembourg Investment Company 319 S.à r.l.
- Pledge on shares owned by Luxembourg Investment Company 319 S.à r.l. in Luxembourg Investment Company 320 S.à r.l., Luxembourg Investment Company 321 S.à r.l., Luxembourg Investment Company 322 S.à r.l., and Luxembourg Investment Company 323 S.à r.l.
- Pledge on shares owned by Luxembourg Investment Company 320 S.à r.l. in DIA Retail España, S.A.
- Pledge on shares owned by DIA Retail España, S.A. in Beauty By DIA, S.A., Grupo El Árbol Distribución y Supermercados, S.A., Pe-Tra Servicios a la Distribución, S.L. and DIA World Trade SA.
- Pledge on receivables arising from financing contracts between Group companies granted by DIA and DIA Retail España.
- Pledge on current accounts held by the DIA, DIA Retail España, S.A., Beauty By DIA, S.A., and Pe-Tra Servicios a la Distribución, S.L.
- Personal guarantee by DIA World Trade, S.A.
- Mortgage guarantees on certain real estate assets located in Spain and Portugal and guarantees on certain intellectual property rights registered in Spain and Portugal.

The Group has additional credit facilities that are not part of the financing agreements previously mentioned. Below are details of the syndicated financing and other credit facilities drawn down at 31 December 2020 and 31 December 2019:

At 31st december 2020	Limit	Amount used	Conf/Fact	Amount available
<b>DIA RETAIL</b>	<b>653,553</b>	<b>392,789</b>	<b>212,553</b>	<b>48,211</b>
<b>Revolving Credit Facility (RCF) - Syndicated Financing</b>	<b>83,196</b>	<b>83,196</b>	-	-
<i>Super Senior Supplier Tranche</i>	3,153	3,153	-	-
<i>Tranche A</i>	55,390	55,390	-	-
<i>Tranche B</i>	11,626	11,626	-	-
<i>Tranche D</i>	13,027	13,027	-	-
<b>Loan Facility (Term loan) - Syndicated Financing</b>	<b>136,200</b>	<b>136,200</b>	-	-
<i>Tranche A</i>	31,969	31,969	-	-
<i>Tranche B</i>	77,891	77,891	-	-
<i>Tranche D</i>	26,340	26,340	-	-
<b>Credit Facility - Syndicated Financing</b>	<b>221,483</b>	<b>173,393</b>	-	<b>48,090</b>
<i>Credit Lines</i>	<b>12,500</b>	<b>2,823</b>	-	<b>9,677</b>
<i>Tranche B*</i>	12,500	2,823	-	9,677
<i>Credit Lines which may be utilised as reverse factoring</i>	<b>164,761</b>	<b>126,489</b>	-	<b>38,272</b>
<i>Tranche B</i>	63,761	26,134	-	37,627
<i>Tranche C</i>	101,000	100,355	-	645
<i>Credit Lines which may be utilised as factoring</i>	<b>44,222</b>	<b>44,081</b>	-	<b>141</b>
<i>Tranche D</i>	44,222	44,081	-	141
<b>Reverse Factoring - Syndicated Financing</b>	<b>212,674</b>	-	<b>212,553</b>	<b>121</b>
<i>Super Senior Supplier Tranche</i>	67,640	-	67,607	33
<i>Tranche C</i>	141,687	-	141,625	62
<i>Tranche F</i>	3,347	-	3,321	26
<b>DIA FINANCE</b>	<b>317,667</b>	<b>317,604</b>	-	<b>63</b>
<b>Revolving Credit Facility (RCF) - Syndicated Financing</b>	<b>56,699</b>	<b>56,699</b>	-	-
<i>Tranche D</i>	31,699	31,699	-	-
<i>Tranche F</i>	25,000	25,000	-	-
<b>Loan Facility (Term loan) - Syndicated Financing</b>	<b>251,088</b>	<b>251,088</b>	-	-
<i>Tranche D</i>	251,088	251,088	-	-
<b>Credit Facility - Syndicated Financing</b>	<b>9,879</b>	<b>9,816</b>	-	<b>63</b>
<i>Credit Lines which may be utilised as reverse factoring</i>	<b>9,879</b>	<b>9,816</b>	-	<b>63</b>
<i>Tranche D</i>	9,879	9,816	-	63
<b>DIA S.A.</b>	<b>2,000</b>	<b>301</b>	-	<b>1,699</b>
<b>Credit Facility - Syndicated Financing</b>	<b>2,000</b>	<b>301</b>	-	<b>1,699</b>
<i>Credit Lines</i>	<b>1,000</b>	<b>301</b>	-	<b>699</b>
<i>Tranche B</i>	1,000	301	-	699
<i>Credit Lines which may be utilised as reverse factoring</i>	<b>1,000</b>	-	-	<b>1,000</b>
<i>Tranche B</i>	1,000	-	-	1,000
<b>Total Multiproduct Syndicated Financing</b>	<b>973,219</b>	<b>710,693</b>	<b>212,553</b>	<b>49,973</b>
<b>Other Credit lines (not included in syndicated credits)</b>	<b>3,158</b>	<b>3,158</b>	-	-

(\*) Limit distributed between DIA Retail, BBD and GEA

At 31st december 2019	Limit	Amount used	Conf/Fact	Amount available
<b>Revolving Credit Facility (RCF) - Syndicated Financing</b>	<b>149,914</b>	<b>149,914</b>	-	-
Super Senior Supplier Tranche	3,153	3,153	-	-
Tranche A	56,155	56,155	-	-
Tranche B	27,494	27,494	-	-
Tranche D	38,111	38,111	-	-
Tranche F	25,000	25,000	-	-
<b>Loan Facility (Term loan) - Syndicated Financing</b>	<b>377,268</b>	<b>377,268</b>	-	-
Tranche A	31,204	31,204	-	-
Tranche B	101,388	101,388	-	-
Tranche D	244,676	244,676	-	-
<b>Credit Facility - Syndicated Financing</b>	<b>233,363</b>	<b>169,952</b>	<b>10,059</b>	<b>53,352</b>
Credit Lines	13,500	1,915	-	11,585
Tranche B	13,500	1,915	-	11,585
Credit Lines which may be utilised as reverse factoring	165,761	124,332	-	41,429
Tranche B	64,761	23,977	-	40,784
Tranche C	101,000	100,355	-	645
Credit Lines which may be utilised as factoring	54,102	43,705	10,059	338
Tranche D	54,102	43,705	10,059	338
<b>Reverse Factoring - Syndicated Financing</b>	<b>212,674</b>	-	<b>212,249</b>	<b>425</b>
Super Senior Supplier Tranche	67,640	-	67,281	359
Tranche C	141,687	-	141,628	59
Tranche F	3,347	-	3,340	7
<b>Total Multiproduct Syndicated Financing</b>	<b>973,219</b>	<b>697,134</b>	<b>222,308</b>	<b>53,777</b>
<b>Other Credit lines (not included in syndicated credits)</b>	<b>26,049</b>	<b>26,049</b>	-	-

Credit facilities not included in syndicated loans amounting to Euros 3,158 thousand at 31 December 2020 and Euros 26,049 thousand at 31 December 2019 refer to several credit facilities arranged with banks by DIA Brasil Sociedade Limitada and DIA Argentina. All of these facilities mature in 2021.

On 30 November 2020, after the negotiations held between L1R Invest1 Holdings S.à.r.l., DEA Finance S.à.r.l., the Syndicated Lenders and the DIA Group, the Group reached an agreement with all the Syndicated Lenders (the "Lock-Up Agreement") which includes the following key elements (which are conditional on each other):

- an increase in equity of Euros 500,000 thousand which will release the DIA Group of an equivalent amount of financial debt, and in particular of:
  - a. the debt corresponding to the super senior facility of Euros 200,000 thousand granted by DEA Finance S.à.r.l. to DIA Finance, S.L. (indicated below in this note); and
  - b. the debt corresponding to the bonds issued by DIA for an aggregate principal amount of Euros 300,000 thousand, with a coupon of 1.000% and maturity on 28 April 2021;
- the modification and refunding of the current syndicated financing agreement for a total amount of Euros 973,219 thousand (the Syndicated Financing Agreement) in order to extend the maturity date of the A-F Facilities, totalling Euros 902,426 thousand, from 31 March 2023 to 31 December 2025, and modify other terms and conditions of the Syndicated Financing Agreement.
- the modification of the terms and conditions of the bonds issued by DIA for an aggregate principal amount of Euros 300,000 thousand, with a coupon of 0.875% and maturity in April 2023 in order to extend their maturity date from 6 April 2023 to after 30 June 2026, and increase the coupon from the modification date to an annual

rate of 5% (3.25% in cash and 1.75% PIK), plus an increase in interest of 1% PIK where applicable under the Syndicated Financing Agreement; and

- the extension of the maturity dates of certain bilateral facilities and credit facilities entered into between several DIA Group companies with certain Syndicated Lenders or entities in their respective groups.

The effectiveness of the Operation is subject to compliance (or waiver of compliance) with certain conditions precedent no later than 28 April 2021, so as the year end 2020 this new financial Agreement subscribed at 30 November 2020 was not yet in force.

On 18 December 2020, the Group signed an implementation Agreement with the syndicated lenders, establishing the following main terms and conditions of the modification of the current Syndicated Financing Agreement, which will take effect when the conditions precedent are met:

- extension of the maturity date of the Senior Facilities from 31 March 2023 to 31 December 2025;
- extension of the maturity date of the Bilateral Facilities owed by DIA or any of its subsidiaries to the Syndicated Lenders (or entities in their respective groups) at a subsequent date that is satisfactory for the Company and, in any event, in terms that are substantially consistent with each Bilateral Facility agreement in question;
- repayment of (a) up to Euros 35,000 thousand of the commitments of the super senior suppliers facility once the Operation comes into effect, and (b) the remaining amount of the Suppliers Facility Commitments (i.e. at least Euros 35,793 thousand) no later than 17 July 2022, reducing the amount of repayments for which each Syndicated Lender is eligible by an amount equivalent to that by which the Bilateral Facility signed by the Syndicated Lender is reduced or permanently cancelled, on or before the date the said repayment is due;
- increase in the total amount of the Syndicated Lending available for use through reverse factoring facilities or bilateral lending facilities by an amount equal to that by which the Commitments of the Suppliers Facility are reduced and cancelled at the given time (without the increase leading to a rise in the overall aggregate sum of the Syndicated Lending) and conversion of certain revolving credit facility (RCF) commitments into term loan commitments;
- elimination from the annual cash sweep of a portion of the free cash flow which would otherwise be applied from the second quarter of 2022;
- fixed amortisation of Euros 25,000 thousand of the Senior Facilities on 31 March 2023 and Euros 25,000 thousand on 31 March 2024. Reducing the amount of these Early Repayments to which each Syndicated Lender is eligible by an amount equivalent to that by which the Bilateral Facility signed by the Syndicated Lender is reduced or permanently cancelled, on or before the date the said Early Repayment is due. This possible reduction in the amount of the Early Repayments will not be applicable if the Restated EBITDA, as defined in the Syndicated Financing Agreement, for the year prior to the date on which the Early Repayment is due is higher than Euros 300,000 thousand;
- initial reduction in the additional super senior debt (the "Additional Super Senior Debt Basket") from Euros 380,000 thousand to Euros 75,000 thousand plus any amount of the Suppliers Facility Commitments that has not yet been repaid by the Company;
- elimination of the additional senior and junior debt basket of Euros 400,000 thousand (the "Additional Senior and Junior Debt Basket") which was used, inter alia, for refinancing the 2021 Bonds;
- increase in the interest margin applicable to the Syndicated Lenders under the Senior Facilities up to a margin of 325 annual basis points;
- ratchet increase of 100 annual basis points PIK in the interest margin of the Syndicated Lenders in the event that (a) the leverage ratio for the 12-month period ending 31 December 2022 and/or 30 June 2023 is higher than 3.25:1, and (b) the leverage ratio for each 12-month period ending thereafter on 31 December and 30 June is

higher than 2.50:1, no longer applying this increase if the leverage ratio falls below the applicable threshold on any of the subsequent verification dates;

- obligation to submit to the Syndicated Lenders, as a condition for closing the Transaction, a budget for 2021 and 2022, and the obligation to submit an updated business plan (covering 2023, 2024 and 2025) by no later than 31 December 2022 (the “Updated Business Plan”);
  - i. restating the financial covenants of DIA, S.A. based on the Updated Business Plan, with the Company’s covenant for 2023 to 2025 being equal to or less than the leveraging covenant included in the Company’s existing business plan for 2022;
  - ii. acknowledging that the Group’s Hive Down obligations under the Syndicated Financing Agreement have been fully settled and that the Group has no other obligation to undertake additional actions with respect to the Hive Down other than: (a) the transfer of any Group asset (except shares in other subsidiaries) not transferred to DIA Retail España, S.A. due to applying one or more of the restrictions agreed under the Syndicated Financing Agreement -the Group must strive to execute any such transfers, as long as the restrictions no longer apply; (b) the transfer of the shares owned by DIA, S.A. in its Portuguese subsidiary to the corresponding wholly-owned Luxembourgian company, which the Company will make its best efforts to execute as soon as possible, once the legal, regulatory or tax impediments hindering the transfer have been resolved; and (c) the transfer of the shares owned by the Company in its Brazilian and Argentine subsidiaries to the corresponding wholly-owned Luxembourgian companies, which the Company must strive to execute as long as there is a change in the applicable legislation or tax regime that allows the pertinent shares to be transferred at no additional cost); and
  - iii. obligation to (a) present before the competent Spanish courts the request for judicial certification of an ad hoc refinancing agreement to be signed, *inter alia*, between the Group and the Syndicated Lenders, and (b) to make reasonable efforts to obtain the confirmation of judicial certification of the ad hoc refinancing agreement by a competent Spanish court, but without guaranteeing or committing to any result.

### **Financial covenants**

Under the financing Agreement in force as of 31 December 2020, the Group must meet the following ratios:

- Liquidity ratio:

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

This will be measured quarterly throughout the established period.

At 31 December 2020, the Group has met the established liquidity criteria.

- Financial Leverage Ratio:

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

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

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

Thousand Euros	2020	2021	2022	2023
Covenant level	1,025.9x	14.2x	5.6x	4.2x

At 31 December 2020 the financial leverage ratio required of the DIA Group's consolidated annual accounts has been met. Details are as follows:

**Total adjusted net debt / Restated EBITDA < 1,025.9x**

Total adjusted net debt and restated Ebitda figures are calculated according to the definition included in the loan agreement. Thus, these figures do not agree with the figures included in Notes 4 and 14.1 in this document.

- Investment ratio (capex) and restructuring costs:

The Group undertakes, as a whole, during the period from 1 January 2020 to 31 December 2023, the following: (i) total investment costs (capex) shall not exceed the amount set out in the Covenant Plan by more than Euros 187,500 thousand, equivalent to 12.5% deviation and; (ii) restructuring costs shall not exceed the amount set out in the Covenant Plan by more than Euros 23,300 thousand, equivalent to 20.0% deviation.

At 31 December 2020, the Company has met the established ratios.

### **Debt baskets**

The Syndicated Financing Agreement in force as of 31 December 2020 allows the Group to incur in a certain amount of financial debt in addition to the existing debt:

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

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

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

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

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

On 18 December 2020, within the framework of the refinancing (nor yet in force), the Company reached an agreement with its Syndicated Lenders to reduce the Additional Super Senior Financing basket from Euros 380,000 thousand to Euros 75,000 thousand, plus any amount of the Suppliers Facility Commitments that has not yet been repaid by the Company. This reduction takes effect once all the conditions precedent of the refinancing agreement are met.

- The Financing Agreement also allows the Group to arrange additional financing of up to Euros 400,000 thousand to refinance the 2021 Bonds, and if the requested financing exceeds Euros 300,000 thousand, it will be used to prepay part of the Syndicated Financing Agreement debt, provided that the following conditions are met:
  - The end date of the new loans cannot be before the end date of any financing entered into under the Syndicated Financing Agreement. The loans cannot be secured, unless classified after the tranche A and B financing and before the C, D, E and F tranches. If the loans are not secured, the debt must be formalised by the Company; if the loans are secured, the debt must be formalised by DIA Finance, S.L.

On 18 December 2020, within the framework of the refinancing, the Company reached the agreement with its Syndicated Lenders to eliminate this additional senior and junior debt basket of Euros 400,000 thousand, effective from when the conditions precedent of the refinancing agreement are met.

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

### Bank loans

Details of the maturity of the Group's mortgages and other bank loans, grouped by type of operation and company, at 31 December 2020 and 31 December 2019 are as follows:

At 31st December 2020		Currency	Total	Current		Non-Current Total
Type	Owner			1 year	2 years	
Loan	DIA Finance	Euros	199,171	-	199,171	199,171
Loan	DIA Portugal	Euros	8,300	8,300	-	-
Loan	DIA Brasil	Euros	65,647	64,682	965	965
<b>Other Loans</b>			<b>273,118</b>	<b>72,982</b>	<b>200,136</b>	<b>200,136</b>

At 31st December 2019		Divisa	Total	Current		Non-Current Total
Tipo	Titular			1 year	2 years	
Loan	DIA	Euros	15,036	15,036	-	-
Loan	DIA Brasil	Euros	8,300	-	8,300	8,300
Loan	Dia Argentina	Euros	99,577	41,152	58,425	58,425
<b>Other Loans</b>			<b>122,913</b>	<b>56,188</b>	<b>66,725</b>	<b>66,725</b>
Mortgage	Beauty by DIA	Euros	393	393	-	-
<b>Mortgage Loans</b>			<b>393</b>	<b>393</b>	-	-

During 2020 the following transactions were carried out:

- On 15 June 2020 and 15 December 2020, the Parent Company DIA, S.A. repaid the third, fourth and final partial maturity on the Liberbank loan amounting to Euros 7,500 thousand in each repayment. After these two repayments, this loan has been fully cancelled.
- On 31 January 2020, the Parent company subsidiary DIA Finance, S.L. signed the Financing Agreement with the lender DEA Finance S.à. R.l., in the format of a Super Senior Facility amounting to Euros 200,000 thousand, thereby meeting the obligation held by the majority shareholder of the Company, L1R Invest1 Holdings S.à r.l., which guaranteed its commitment to grant the said financing. The applicable interest rate is 7% plus Euribor. This loan has been fully drawn down during 2020.
- On 18 December 2020, DIA Portugal arranged the extension of its bilateral loan agreement by an additional 18 months, setting a new maturity date for July 2022. This extension takes effect once the conditions precedent of the refinancing agreement are met.
- In 2020, DIA Brazil renewed its bilateral loans and at 31 December 2020 the balance stands at Euros 65,647 thousand, as follows:

- On 14 February 2020, a bilateral loan agreement of 127,007 thousand Brazilian Reals was renewed, repayable on a straight-line basis until January 2022. At 31 December 2020, the balance amounts to 75,041 thousand Brazilian Reals.
- On 7 July 2020, the loan amounting to Euros 26,352 miles was repaid.
- On 10 December 2020, a new bilateral loan of 10,000 Brazilian Reals was granted, with maturity in December 2021.
- On 18 December 2020, an agreement was reached to extend the two bilateral loans totalling Euros 35,439 thousand for an additional 18 months from the current March 2021 maturity. Thus, the new maturity is set for September 2022, subject to compliance with the conditions precedent of the syndicated refinancing agreement.
- On 18 December 2020, the maturity of the bilateral loan of Euros 100,000 Brazilian Reals has been extended for an additional 18 months, setting the new maturity for July 2020, effective once the conditions precedent of the syndicated refinancing agreement are met.

### c) Finance lease payables

On 1 January 2019, IFRS 16 Leases was applied for the first time.

The Group chose to apply IFRS 16 using the modified retrospective method, recognising the right-of-use asset for an amount equal to the lease liability (see Note 6.2).

Details of finance lease payables and movement during 2020 and 2019 are as follows:

	Short-term debt	Long-term debt	Total
<b>At 1st January 2019</b>	<b>230,761</b>	<b>507,319</b>	<b>738,080</b>
Additions	-	257,187	257,187
Disposals	-	(58,372)	(58,372)
Interest expenses	69,120	-	69,120
Transfers	243,601	(243,601)	-
Transfers IFRS16	9,611	20,678	30,289
Value update	-	26,525	26,525
Payments	(326,168)	(1,354)	(327,522)
Translation differences	(952)	(2,087)	(3,039)
<b>A 31st December 2019</b>	<b>225,973</b>	<b>506,295</b>	<b>732,268</b>
Additions	-	169,177	169,177
Disposals	-	(49,079)	(49,079)
Interest expenses	58,802	-	58,802
Transfers	211,438	(211,438)	-
Transfers IFRS16	-	29,377	29,377
Payments	(284,565)	-	(284,565)
Translation differences	(14,275)	(29,745)	(44,020)
<b>At 31st December 2020</b>	<b>197,373</b>	<b>414,587</b>	<b>611,960</b>

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

The transfers on account of IFRS 16 in 2019 amounting to Euros 9,611 and Euros 20,678 thousand as current and non-current debt, respectively, correspond to the debt on goods under finance leases already existing at 31 December 2018, which comprise certain commercial premises, technical installations, machinery and other property, plant and equipment (vehicles) (see Note 6.2). The non-current debt on goods under finance leases for these elements at 31 December 2020 amounts to Euros 13,401 thousand (Euros 18,120 in 2019) and current debt amounts to Euros 7,067 thousand (Euros 8,747 in 2019).

Details of lease expenses included under the line "Property leases" in the consolidated income statement, which appears in the disclosures in Note 19.4, but is excluded from IFRS 16, are as follows:

Thousands of Euros	2020	2019
Short-term leases	23,742	37,949
Low-valuee leases	391	139
Community	1,960	2,615
Taxes	2,394	2,633
Utilities	486	946
Others	3,301	2,068
<b>Total expenditure real estate lease</b>	<b>32,274</b>	<b>46,350</b>

The outflows of cash for the Group's property leases amounted to Euros 316,839 thousand and Euros 373,872 thousand in 2020 and 2019, respectively.

#### d) Participating loans

In order to provide the Company with liquidity, while the formalities for executing the capital increase mentioned in Note 16 of these explanatory notes were completed, the following participating loans were arranged with its majority shareholder:

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

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

At 31 December 2019 both participating loans were cancelled and had accrued joint interest of Euros 3,706 thousand (see Note 19.7).

#### 14.2. Other non-current financial liabilities

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

Thousands of Euros	2020	2019
Other non-current financial liabilities	2,306	3,806
<b>Total other non-current financial liabilities</b>	<b>2,306</b>	<b>3,806</b>

Other non-current financial liabilities at 31 December 2019 include Euros 3,806 thousand relating to the debt with Caixa Bank for the purchase of 50% of the Finandia subsidiary on 19 July 2019. During 2020 this liability has decreased by Euros 1,500 thousand because this amount has been taken to Other current liabilities.

#### 14.3. Trade and other payables

Details are as follows:

Thousands of Euros	2020	2019
Suppliers	1,012,854	1,039,460
Suppliers, other related parties	2,638	1,433
Advances received from receivables	2,355	2,016
Trade payables	146,441	152,035
Onerous contracts provisions	19,065	20,502
<b>Total Trade and other payables</b>	<b>1,183,353</b>	<b>1,215,446</b>

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

Trade and other payables do not bear interest.

At 31 December 2020 the Group has reverse factoring facilities with a limit of Euros 248,299 thousand (31 December 2019: Euros 254,237 thousand) of which Euros 248,120 has been used (31 December 2019: Euros 250,304 thousand).

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

The information required from Spanish DIA Group companies under the reporting requirement established in Spanish Law 15/2010 of 5 July 2010, which amended Spanish Law 3/2004 of 29 December 2004 and introduced measures to combat late payments in commercial transactions, is as follows:

	2020	2019
	Days	Days
Average payment period to suppliers	38	42
Paid operations ratio	37	42
Pending payment transactions ratio	40	39
	Amount (euros)	Amount (euros)
Total payments made	3,371,694,184	3,783,989,845
*Total payment pending	426,131,765	410,169,233

\*Receptions unbilled and invoices included in the confirming lines at the year end previously mentioned, are not included in this amount

The above average payment period considers the reverse factoring facilities with suppliers. Payment periods in agreements with suppliers vary between 60 and 90 days.

#### 14.4. Other financial liabilities

Details of other financial liabilities are as follows:

Thousands of Euros	2020	2019
Personnel	84,625	65,909
Suppliers of fixed assets	54,133	41,456
Other current liabilities	32,886	4,218
<b>Total other liabilities</b>	<b>171,644</b>	<b>111,583</b>

Other current liabilities include deposits received from franchises for an amount of Euros 29,253 thousand (Euros 1,704 thousands in 2019). The increase in this caption corresponds to the deposits required from franchises which have begun to be managed through the new 2020 franchise model, according to which collections are made based on cash generated in the point-of-sale terminal of the franchisee. Furthermore, Euros 1,500 thousand are included in both years relating to the debt with Caixa Bank for the purchase of 50% of the Finandia subsidiary on 19 July 2019.

#### 14.5. 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 necessary to reflect any difference in credit risk between the instruments commonly traded and the instrument being measured. 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	
			31/12/2020	31/12/2019
<b>Financial assets</b>				
Trade and other receivables		152,408	156,981	
Other financial assets		60,901	72,749	
Consumer loans from financial activities		1,407	1,409	
<b>Total</b>		<b>214,716</b>	<b>231,139</b>	

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:

Thousands of Euros	Carrying amount					
	Debts and items payable		Hedge derivatives		Fair value	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
<b>Financial liabilities</b>						
Trade and other payables	1,183,353	1,215,446	-	-	-	-
Debentures and bonds	599,394	596,892	-	-	494,676	427,317
Mortgage Loans	-	393	-	-	-	-
Syndicated credits (Revolving credit facilities) (note 14.1 b))	136,193	144,560	-	-	-	-
Syndicated credits (Term loan) (note 14.1 b))	387,289	377,268	-	-	-	-
Credit facilities drawn down (note 14.1 b))	186,667	196,001	-	-	-	-
Bank loans and credits (note 14.1 b))	273,118	122,913	-	-	-	-
Finance lease payables	611,960	732,268	-	-	-	-
Guarantees and deposits received	12,081	13,397	-	-	-	-
Other financial liabilities	182,070	122,262	-	687	-	-
<b>Total</b>	<b>3,572,125</b>	<b>3,521,400</b>	<b>-</b>	<b>687</b>	<b>494,676</b>	<b>427,317</b>

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

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

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

The reconciliation between financial liabilities on the consolidated statement of financial position and the cash flows from financing activities is as follows:

Thousands of Euro	Financial debt non current	Financial debt current	TOTAL
<b>At 31 December 2019</b>	<b>1,865,716</b>	<b>325,536</b>	<b>2,191,252</b>
Net cash flows from financing activities (payments)	-	(23,284)	(23,284)
Net cash flows from financing activities (charges)	155,267	8,495	163,762
Net cash flows from financing activities (lease payments)	-	(284,565)	(284,565)
<b>Changes non-monetary:</b>			
Reclassification to short term	(519,180)	519,180	-
Exchange differences	(43,236)	(29,380)	(72,616)
Transfer held for sale	-	-	-
Other Change non-monetary	167,223	73,050	240,273
<b>At 31 December 2020</b>	<b>1,625,790</b>	<b>589,032</b>	<b>2,214,822</b>

Thousands of Euro	Financial debt non current	Financial debt current	TOTAL
<b>At 31 December 2018</b>	<b>920,354</b>	<b>775,592</b>	<b>1,695,946</b>
Net cash flows from financing activities (payments)	-	(379,756)	(379,756)
Net cash flows from financing activities (charges)	160,156	4,596	164,752
Net cash flows from financing activities (lease payments)	-	(327,522)	(327,522)
<b>Changes non-monetary:</b>			
Reclassification to short term	(184,007)	184,007	-
Exchange differences	(3,463)	(3,891)	(7,354)
Transfer held for sale	-	-	-
Other Change non-monetary	972,676	72,510	1,045,186
<b>At 31 December 2019</b>	<b>1,865,716</b>	<b>325,536</b>	<b>2,191,252</b>

## 15. PROVISIONS

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

Thousands of Euro	Provisions for long-term employee benefits under defined benefit plans	Tax liabilities	Social security provisions	Legal contingencies provisions	Other provisions	Total provisions
<b>At 1 January 2019</b>	<b>2,997</b>	<b>30,066</b>	<b>7,970</b>	<b>19,053</b>	<b>1,220</b>	<b>61,306</b>
Charge	12,158	10,122	6,657	14,740	64	43,741
Applications	-	(1,152)	(2,698)	(1,384)	-	(5,234)
Reversals	(82)	(1,682)	(1,388)	(5,584)	(88)	(8,824)
Transfers	-	-	(22)	22	-	-
Other movements	20	390	-	-	6	416
Translation differences	(135)	(2,054)	(2,347)	(2,469)	(72)	(7,077)
<b>A 31st December de 2019</b>	<b>14,958</b>	<b>35,690</b>	<b>8,172</b>	<b>24,378</b>	<b>1,130</b>	<b>84,328</b>
<b>At 1 January 2018</b>	<b>3,077</b>	<b>21,418</b>	<b>10,954</b>	<b>12,493</b>	<b>1,164</b>	<b>49,106</b>
Charge	282	9,289	7,091	16,372	149	33,183
Applications	-	-	(5,565)	(3,190)	(21)	(8,776)
Reversals	(396)	(568)	(2,355)	(6,186)	(21)	(9,526)
Other movements	34	30	-	-	7	71
Translation differences	-	(103)	(654)	(436)	(57)	(1,250)
<b>A 31st December de 2019</b>	<b>2,997</b>	<b>30,066</b>	<b>7,970</b>	<b>19,053</b>	<b>1,220</b>	<b>61,306</b>

The provisions for long-term employee benefits in 2020 relate mainly to the 2020-2022 Long-Term Incentive Plan, as mentioned in Notes 4 and 17.

Tax liabilities in 2020 mainly arise from estimated provisions for differences in criteria with the authorities in Brazil (in 2019 this was essentially in Brazil, Spain and Portugal).

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

Tax reversals in 2020 and 2019 mainly arise from matters resulting from tax inspections that are no longer considered probable.

In 2020 and 2019, charges, applications and reversals of provisions for lawsuits filed by employees (related to social security contributions) include labour contingencies mainly in Brazil and Argentina.

With regard legal provisions, in the first half of 2020, Euros 6,767 thousand have been allocated in Spain in relation to a dispute with the Food Information and Control Agency at the Ministry of Agriculture (AICA). Furthermore, in 2019 Euros 643 thousand was allocated in Spain to cover lawsuits with third parties (Euros 7,361 thousand in 2019), Euros 5,572 thousand in Brazil (Euros 5,697 thousand in 2019), and Euros 1,113 thousand in Argentina (Euros 2,898 thousand in 2019).

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

The Group may at any time be party to litigation or a pre-litigation claim arising in the ordinary course of business. They all relate to civil, criminal or tax disputes involving the Group. The most relevant court proceedings to date are summarised below. See details of tax contingencies in Note 16.

#### Arbitration

In June 2018, the Company applied for arbitration to the Spanish Civil and Commercial Court of Arbitration ("CIMA") against Eroski and Cecosa (jointly, the "Eroski Group") in relation to the breach of the agreement signed by both parties regarding the incorporation of Red Libra Trading Services, S.L., the joint venture set up by the Company and the Eroski Group (the "Agreement"). In this arbitration request, the Company claimed from the Eroski Group, among other things, damages amounting to Euros 40 million. In July 2018, the Eroski Group filed a defence and counterclaim, alleging breach of the Agreement by DIA and claiming damages of Euros 59.8 million from DIA.

On 4 March 2020 an agreement was signed between the parties whereby they both irrevocably waive the existing shares held between them in relation to these arbitration proceedings, which has been jointly notified by the parties to the CIMA Arbitration Court, which has issued an order of 11 March 2020 declaring the proceedings closed and the proceedings definitively terminated by virtue of the agreement reached between the parties.

#### Administrative proceedings

In 2016, the Agency for Food Information and Control initiated a number of penalty procedures against the Company for alleged serious infringements under Law 12/2013 of 2 August on measures to improve the functioning of the food chain. On 13 March 2017, the Ministry of Agriculture and Fisheries, Food and Environment issued a resolution imposing penalties of Euros 6.8 million on the Company for serious infringements in the acquisition of food (the "Resolution"). The Company appealed the Resolution, first in administrative channels and later in the courts of law. On 3 June 2020 the Spanish National Court informed the Company of its resolution of 15 April 2020, whereby the appeal presented by the Company is dismissed. An appeal for this resolution to be reversed can be filed before the Supreme Court. On 17 February 2021, the contentious-administrative section of the Supreme Court (sala de lo contencioso administrativo del Tribunal Supremo) has notified an order (auto) admitting the appeal prepared by the Company by partially estimating the objective cassational interest (interés casacional obetivo) of the claims included in the preparation statement (escrito de preparación). The Company will file the corresponding appeal (recurso de casación) in time. Notwithstanding the foregoing, as at 31 December 2020, there is a provision of Euros 6.8 million for said procedure.

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

#### Court proceedings in Argentina

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

Based on AFIP's hypothesis, the franchisees would be Company employees and therefore their Social Security debts could be claimed from DIA Argentina, S.A. This hypothesis is undermined by the Company's defence, based essentially on (i) similar court proceedings resolved in the Company's favour in the past and (ii) favourable resolutions by the National Ministry for Work where the autonomous and independent nature of franchisor and franchisee is recognized.

As of the date hereof, the total amount claimed by the AFIP goes up to ARS 808 million (Euros 7.8 million), out of which, the prosecutor (*el fiscal*) has ordered to deduct ARS 462 million (4.5 million) corresponding to amounts already paid by ex-franchisees. DIA Argentina, S.A., as joint and several debtor of the ex-franchisees, has requested to include the outstanding amount in the tax amnesty program existent in December 2020. As of the date hereof, the aforementioned request remains pending of acceptance. Should the request be accepted and, therefore, the tax amnesty benefits apply, DIA Argentina, S.A. estimates that the amount of the debt could go up to ARS 170 million (1.7 million). DIA Argentina, S.A. has provisioned such amount.

In December 2020, the prosecutor of this case requested the judge to proceed with the formal accusation against DIA Argentina, S.A. and certain of its current and former directors. Such request remains unanswered by the court.

#### Criminal proceedings before the Spanish National Court

On 14 January 2020, the Company became aware of the processing of Preliminary Proceedings 45/2019 before the Court of Instruction number 6 of the Spanish National Court whereby the court was investigating certain events involving former executives of DIA. The aforementioned proceedings derive from an action brought by several of the Company's minority shareholders, alongside the investigation proceedings by the Prosecutor's Office for Anti-Corruption, initiated as a result of the claim filed by DIA on 6 February 2019 before the aforementioned Prosecutor's Office.

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

As a result of the foregoing, DIA requested that it be allowed to appear in the aforementioned proceedings as an injured party. By Judicial Order (*Providencia*) of 17 January 2020, the National High Court admitted the Company as party to the proceedings.

By means of two Judicial Orders (*Autos*) dated 26 February 2021, the Court has ruled, to deny DIA the condition of injured party, granting it instead the condition of subsidiary civilly liable party, and to consider the investigation phase to have ended and the intermediate phase prior to the oral trial phase to have begun (*Auto de Procedimiento Abreviado*). The two orders are not final as of the date of preparation of these annual accounts, as the parties (both prosecution and defence) have lodged an appeal against them. Significantly, the Company has filed an appeal against the decision of the National High Court denying it the status of injured party.

At the date of authorisation of these annual accounts this appeal is pending of resolution.

#### Civil proceedings brought by minority shareholders

On 2 June 2020, the Company was notified of a civil lawsuit for damages brought by an individual minority shareholder, pursuant to which the shareholder claims from the Company (and LetterOne, as co-defendants), compensation amounting to Euros 23,350 for the losses and damages allegedly suffered as a result of the decrease in value of the Company's shares in connection with the restatement of the 2016 and 2017 annual accounts undertaken in 2018. The Company considers that it is not civilly liable for these damages and has, therefore, responded to the lawsuit in a timely and suitable manner. The date for the preliminary hearing of these proceedings is set for 19 April 2021.

On 12 June 2020, the Company was notified of the filing of a civil lawsuit for damages by another individual minority shareholder, whereby the shareholder is claiming Euros 110,605 in damages suffered, alleging a breach by the Company of the obligation to reflect a true and fair view of its equity in the 2016 and 2017 annual accounts, and the decrease in the value of shares as part of the restatement of the Company's annual accounts in 2018. The Company has responded to the lawsuit in a timely and appropriate manner. On 4 February 2021, the preliminary hearing was held and the court date for the next 25 June 2020.

Procedure relating to LetterOne's acquisition of its shares in DIA

In October 2019, the Company became aware of information published in the media on an investigation initiated by the National Court in relation to LetterOne's acquisition of shares in the Company. The Company has ascertained through the media that this case has been closed.

Other proceedings.

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

## 16. TAX ASSETS AND LIABILITIES AND INCOME TAX

### 16.1. Income tax

Details of the income tax expense/income are as follows:

Thousands of Euros	2020	2019
<b>Current income taxes</b>		
Current period	918	1,105
Prior periods' current income taxes	2,406	9,595
<b>Total current income taxes</b>	<b>3,324</b>	<b>10,700</b>
<b>Deferred taxes</b>		
Source of taxable temporary differences	6,403	4,002
Source of deductible temporary differences	(20,026)	(47,404)
Reversal of taxable temporary differences	(4,904)	(8,019)
Reversal of deductible temporary differences	27,050	132,390
<b>Total deferred taxes</b>	<b>8,523</b>	<b>80,969</b>
<b>TOTAL EXPENSE TAX</b>	<b>11,847</b>	<b>91,669</b>

Due to the different treatment of certain transactions permitted by tax legislation, the accounting profit of each Group company differs from taxable income.

A reconciliation of accounting profit for the year with the total taxable income of the Group (calculated as the sum of the taxable income stated in the tax return of each Group company) is as follows:

Thousands of Euros	2020	2019
Profit/(Loss) for the period before taxes from continuing operations	(351,941)	(676,957)
Share in profit/(loss) for the year of equity accounted investees	59	(196)
<b>Profit/(Loss) for the period before tax</b>	<b>(351,882)</b>	<b>(677,153)</b>
Tax calculated at the tax rate of each country	(103,953)	(193,764)
Unrecognised tax credits	103,093	161,745
Non-taxable income	(20,798)	(6,732)
Non-deductible expenses	21,288	10,690
Unrecognised deferred taxes	(2,732)	28,575
Deductions and credits for the current period	342	(5)
Disposals of previous years tax loss carryforwards	-	53,287
Adjustments for prior periods	1,822	(158)
Previous Years Deferred Tax	12,202	27,682
Other adjustments	583	10,349
Tax rate's change adjustment	11,847	91,669
<b>Total (income)/expense tax</b>	<b>11,847</b>	<b>91,669</b>

The tax rates of each of the different countries or jurisdictions in which the Group operates have been taken into account to perform this reconciliation. Details of these rates are as follows:

Spain	25%
Portugal	21%
Argentina	30%
Brazil	34%
Switzerland	14%
Paraguay	0%

In 2020, the Spanish companies Distribuidora Internacional de Alimentación, S.A. (parent) and DIA Retail, S.A., Pe-Tra Servicios a la Distribución, S.L., Beauty by Dia, S.A., Grupo El Árbol Distribución y Supermercados S.A., Dia Eshopping, S.L. , DIA Finance S.L. and Finandia S.A. (subsidiaries) filed consolidated tax returns in 2020 as part of tax group 487/12, pursuant to Title VII, Chapter VI of the Spanish Corporate Income Tax Law 27/2014 of 27 November 2014.

## 16.2. Tax assets and tax liabilities

Details of the tax assets and liabilities for 2020 and 2019 recognised in the consolidated statement of financial position at 31 December are as follows:

Thousands of Euros	2020	2019
Non current tax assets	46,070	52,297
Taxation authorities, VAT	39,232	66,972
Taxation authorities	16,833	9,796
Current income tax assets	1,205	6,932
<b>Total tax assets</b>	<b>103,340</b>	<b>135,997</b>
Deferred tax liabilities	20,157	11,440
Taxation authorities, VAT	20,800	25,768
Taxation authorities	34,653	38,911
Current income tax liabilities	531	9,151
<b>Total tax liabilities</b>	<b>76,141</b>	<b>85,270</b>

Non-current tax assets comprise ICMS for Brazilian Reals 293,629 thousand (Brazilian Reals 236,157 thousand at 31 December 2019) which correspond to tax on the circulation of goods and services, and tax on purchases of property, plant and equipment in Brazil, which is equivalent to VAT in other jurisdictions. Additionally, the VAT receivable caption includes the current portion of ICMS in Brazil, which amounts to 36,440 thousand Brazilian Reals (43,513 thousand Brazilian Reals) at 31 December 2020.

In relation to the tax on circulation of goods and services (ICMS), in March 2017 the Supreme Court sentence of October 2016 was ratified, allowing the companies to recover a portion of the ICMS tax paid. This decision was confirmed by the final court ruling of May 2019 in favour of DIA Brazil.

At 31 December 2019, DIA Brazil had a total estimated amount of ICMS tax assets to be recovered of 372,670 thousand Brazilian Reals and a provision for loan write-offs based on impairment testing in a 10-year term, amounting to 93,000 thousand Brazilian Reals, and therefore the end balance on its balance sheet amounted to 279,670 thousand Brazilian Reals (Euros 52,297 thousand in non-current assets and Euros 9,636 thousand in current assets, i.e. a total of Euros 61,933 thousand, valued at the exchange rate applicable at 31 December 2019).

During 2020, with the assistance of external advisors the amount of ICMS tax assets for 2018, 2019 and 2020 was re-evaluated since the amount recorded to date had been calculated on the basis of prudent estimates. As a result of the above, there has been an increase in non-current assets of 38,638 thousand Brazilian Reals. In addition, during 2020, interest in arrears recorded has been restated by 6,318 thousand Brazilian Reals. Recurring balances offset have amounted to (8,143) thousand Brazilian Reals and the 10-year impairment test carried out at the end of 2020 has enabled 13,586 thousand Brazilian Reals of the impairment amount booked in 2019 to be reversed. Based on all of the above, Dia Brazil has recorded on its balance sheet at 31 December 2020 under non-current assets the ICMS amount of 293,629 thousand Brazilian Reals (Euros 46,070 thousand) and in current assets an amount of 36,440 thousand Brazilian Reals (Euros 5,717 thousand), with the total balance sheet balance of 330,069 thousand Brazilian Reals (Euros 51,787 thousand at the 31 December 2020 exchange rate).

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

	2020	2019
Capitalised tax loss carryforwards	2,018	-
+ Deferred tax assets	30,376	56,814
<b>Total deferred tax assets</b>	<b>32,394</b>	<b>56,814</b>
Assets offset	(32,394)	(56,814)
<b>Deferred tax assets</b>	<b>-</b>	<b>-</b>
Deferred tax liabilities	52,551	68,254
Liabilities offset	(32,394)	(56,814)
<b>Deferred tax liabilities</b>	<b>20,157</b>	<b>11,440</b>

Details of and movements in the Group's tax assets and liabilities (before consolidation adjustments) are as follows:

DEFERRED TAX ASSETS

Thousands of Euros	1 Jan 2019	Adjustments to tax rate	Profit/(loss)		Net Equity		Others	Exchange gains/losses	31 Dec 2019
			Additions	Disposals	Additions	Disposals			
Provisions	44,418	-	16,656	(5,393)	-	-	499	(2,196)	53,984
Onerous contracts	1,776	-	3,924	(22)	-	-	-	-	5,678
Share-based payments	1,111	-	39	(677)	-	-	1	-	474
Others remunerations	768	-	951	(19)	-	-	1	-	1,701
Loss carryforwards	53,275	-	3,581	(56,868)	-	-	-	12	-
Deductions activation	6,105	-	5,470	(1,363)	-	-	1,008	-	11,220
Difference between depreparations tax-accounting	39,854	-	4,438	(322)	-	-	775	(191)	44,554
Restament	80	-	-	(80)	-	-	-	-	-
NIIF 16 - Leases	-	-	3,386	-	-	-	(471)	-	2,915
Others	5,240	(19)	8,978	(151)	-	-	(308)	(1,142)	12,598
Impairment (not included impairment of loss carryforwards)	-	-	-	(67,495)	-	-	(9,727)	912	(76,310)
<b>Total non-current deferred tax asset</b>	<b>152,627</b>	<b>(19)</b>	<b>47,423</b>	<b>(132,390)</b>	<b>-</b>	<b>-</b>	<b>(8,222)</b>	<b>(2,605)</b>	<b>56,814</b>

Thousands of Euros	1 Jan 2020	Adjustments to tax rate	Profit/(loss)		Net Equity		Others	Exchange gains/losses	31 Dec 2020
			Additions	Disposals	Additions	Disposals			
Provisions	53,984	-	12,839	(7,412)	-	-	2,814	(10,041)	52,184
Onerous contracts	5,678	-	583	(1,374)	-	-	-	-	4,887
Share-based payments	474	-	-	(67)	-	-	(9)	-	398
Others remunerations	1,701	-	3,680	(4)	-	-	883	-	6,260
Loss carryforwards	-	-	-	(1,454)	-	-	3,472	-	2,018
Deductions activation	11,220	-	-	-	-	-	(444)	-	10,776
Difference between depreparations tax-accounting	44,554	-	779	(5,082)	-	-	(6,392)	(2,967)	30,892
NIIF 16 - Leases	2,915	-	-	(19)	-	-	(2,896)	-	-
Others	12,598	(52)	992	(2,544)	25	-	7,833	(3,258)	15,594
Impairment (not included impairment of loss carryforwards)	(76,310)	-	1,205	(9,094)	-	-	(18,464)	12,048	(90,615)
<b>Total non-current deferred tax asset</b>	<b>56,814</b>	<b>(52)</b>	<b>20,078</b>	<b>(27,050)</b>	<b>25</b>	<b>-</b>	<b>(13,203)</b>	<b>(4,218)</b>	<b>32,394</b>

Based on the considerations published by the European Securities and Markets Authority (ESMA), the Group has eliminated all capitalised tax bases, except for those of DIA Argentina, and has only recognised deferred tax assets to the extent that there are deferred tax liabilities in the same jurisdiction. Consequently, at 31 December 2019 the Group had recognised a net deferred tax liability of Euros 11,440 thousand, consisting of assets in the amount of Euros 56,814 thousand and liabilities totalling Euros 68,254 thousand.

At 31 December 2020 the Group has recognised a net deferred tax liability of Euros 20,157 thousand, consisting of assets in the amount of Euros 32,394 thousand and liabilities totalling Euros 52,551 thousand.

The breakdown of recognized deferred tax liabilities is as follows:

**DEFERRED TAX LIABILITIES**

Thousands of Euros	1 Jan 2019	Adjustments to tax rate	Profit/(loss)		Net Equity		Others	Exchange gains/losses	31 Dec 2019
			Additions	Disposals	Additions	Disposals			
Goodwill	1,419	-	-	(163)	-	-	-	-	1,256
Amortisation and depreciation	33,261	-	3,011	(683)	-	-	29	(230)	35,388
Portfolio provisions	6,613	-	-	(3,306)	-	-	-	-	3,307
NIIF 16 - Leases	-	-	698	-	-	-	-	-	698
Store Sales	4,382	-	-	(919)	-	-	-	-	3,463
Hiperinflation adjustment	22,209	-	5	(2,947)	-	-	12,319	(7,949)	23,637
Others	10,069	-	288	(1)	-	-	(9,851)	-	505
<b>Total non-current deferred tax liabilities</b>	<b>77,953</b>	<b>-</b>	<b>4,002</b>	<b>(8,019)</b>	<b>-</b>	<b>-</b>	<b>2,497</b>	<b>(8,179)</b>	<b>68,254</b>

Thousands of Euros	1 Jan 2020	Adjustments to tax rate	Profit/(loss)		Net Equity		Others	Exchange gains/losses	31 Dec 2020
			Additions	Disposals	Additions	Disposals			
Goodwill	1,256	-	-	-	-	-	(1,256)	-	-
Amortisation and depreciation	35,388	-	50	(493)	-	-	(11,516)	(146)	23,283
Portfolio provisions	-	-	-	-	-	-	-	-	-
Provisiones Cartera	3,307	-	-	(3,307)	-	-	-	-	-
NIIF 16 - Leases	698	-	-	(1,089)	-	-	-	(242)	(633)
Store sales	3,463	-	-	(15)	-	-	-	-	3,448
Hiperinflation adjustment	23,637	-	931	-	-	-	4,164	(8,206)	20,526
Others	505	-	5,422	-	-	-	-	-	5,927
<b>Total ID de Pasivo No Corriente</b>	<b>68,254</b>	<b>-</b>	<b>6,403</b>	<b>(4,904)</b>	<b>-</b>	<b>-</b>	<b>(8,608)</b>	<b>(8,594)</b>	<b>52,551</b>

Based on the tax returns, the Group companies have the following accumulated tax losses, to be offset in future years amounting to Euros 1,851,508 thousand in 2020 and Euros 1,595,716 thousand in 2019.

Thousands of Euros	which	Limitation period (years)						TOTAL	BINS	Loss carryforwards
		to limitation	2022	2023	2024	2025	> 2025			
Distribuidora Internacional de Alimentación, S.A.	2014-2020	374,719	-	-	-	-	-	374,719	-	374,719
Finandia E.F.C., S.A.U.	2017-2019	2,627	-	-	-	-	-	2,627	-	2,627
DIA Retail, S.A.	2006-2019	430,696	-	-	-	-	-	430,696	-	430,696
Pe-Tra Servicios a la distribución, S.L.	1997-1999	18,549	-	-	-	-	-	18,549	-	18,549
Beauty by DIA, S.A.	2012-2020	49,227	-	-	-	-	-	49,227	-	49,227
Grupo El Árbol, Distribución y Supermercados, S.A.	2000-2020	567,142	-	-	-	-	-	567,142	-	567,142
DIA FINANCE, S.L.U.	2020	19,232	-	-	-	-	-	19,232	-	19,232
Dia Brasil Sociedade Limitada	2018-2020	343,830	-	-	-	-	-	343,830	-	343,830
Dia Portugal Supermercados S.U., Lda	2014-2020	-	12,559	16,525	6,251	2,941	38,276	-	-	38,276
Dia Argentina, S.A.	2019	-	-	6,727	-	-	6,727	6,727	6,727	-
DIA Portugal II, S.A.	2017-2018	-	34	66	-	-	-	100	-	100
LuxCo	2020	383	-	-	-	-	-	383	-	383
<b>Total tax loss carryforwards</b>	<b>1,806,405</b>	<b>34</b>	<b>12,625</b>	<b>23,252</b>	<b>6,251</b>	<b>2,941</b>	<b>1,851,508</b>	<b>6,727</b>	<b>6,727</b>	<b>1,844,781</b>

**16.3. Years open to inspection and tax inspections**

the inspections and investigations being carried out by the Spanish tax authorities on the following items and tax periods in Spain have concluded, without any findings of misconduct or penalties applied:

Tax	Periods
Income tax	01/2013 to 12/2014
Value Added tax	06/2014 to 12/2015
Personal Income tax	06/2014 to 12/2014
Withholding/ Advance Payments on Work Revenue/Profesional	06/2014 to 12/2014
Withholding/ Advance Payments on property leases	06/2014 to 12/2014
Withholding on account of Non-Resident Income Tax	06/2014 to 12/2014

Subsequent to the reporting date of these accounts, in January 2021, the partial investigations being carried out into 2015 income tax have concluded, without any findings of misconduct or penalties applied by the tax authorities.

On 29 January 2019, DIA Brazil received the result of the inspections carried out on the 2014 accounts, resulting in an updated debt of Euros 73,710 thousand (469,793 thousand Brazilian Reals) relating to the different items of PIS and COFINS taxes. The company has appealed this ruling through administrative proceedings and, if necessary, will file a court appeal, since it considers that there are sufficient grounds to obtain a favourable outcome. Based on reports drawn up by two legal firms, the company has deemed the risk of loss of the items disputed in this appeal as remote/possible in the most part and has therefore only recorded a provision of Euros 1,852 thousand (11,806 thousand Brazilian Reals) at 31 December 2020. Furthermore, approximately 30% of the amount of the ruling corresponds to the discrepancy regarding the tax on income from supplier discounts, which had already been raised in the 2010 inspection.

As a result of the inspections, which were closed in 2014, DIA Brazil received two notifications from the Brazilian tax authorities regarding 2010, one for an updated amount of Euros 11,731 thousand (74,768 thousand Brazilian Reals) in relation to the discrepancy regarding the tax on income from supplier discounts, and the other for omission of income from circulation of goods for an updated amount of Euros 60,389 thousand (384,890 thousand Brazilian Reals). In relation to the first issue (regarding tax on income from supplier discounts), an unfavourable decision was passed down in the administrative proceedings and the company filed a court appeal in 2016. In 2020 a favourable ruling by the examining magistrate was received to annul the notification. This decision has been appealed by the authorities. Based on reports from external lawyers, the company considers that there are sufficient grounds to secure a ruling in this lawsuit in favour of DIA Brazil. In relation to the second issue (on circulation of goods), the administrative proceedings resulted in an unfavourable ruling, which was subsequently appealed. As a result, the administrative court of second instance (CARF) recognised deficiencies in the inspection process and ordered another inspection, which concluded in June 2019 with a favourable ruling for DIA Brazil. The administrative court of second instance (CARF) must now analyse the conclusions of the new inspection. The external legal advisors continue to deem the likelihood of losing this case as remote.

The years open to inspection at 31 December 2020 for the main taxes to which the Companies of the various jurisdictions are subject are as follows.

TAX	SPAIN	PORTUGAL	ARGENTINA	BRAZIL
Income tax	2015 and following	2017 and following	2015 and following	2016 and following
Value Added tax	2016 and following	2017 and following	2015 and following	2016 and following
Personal Income tax	2016 and following	2017 and following	2015 and following	2016 and following

Subsequent to the closure of these annual accounts, the Portuguese administration has opened general inspection proceedings for the financial year 2019.

The directors do not expect that any major additional liabilities in relation to the consolidated annual accounts taken as a whole will arise as a result of the years open to inspection or the appeals submitted.

## **17. LONG-TERM INCENTIVE PLANS AND SHARE-BASED PAYMENT TRANSACTIONS**

In order to encourage the objectives set out in the Company's business plan for the 2020-2022 period to be met, on 25 March 2020 the Board of Directors, following a favourable report from the Appointments and Remuneration Committee, approved the Long-Term Incentive Plan 2020-2022 (ILP 2020-22) aimed at certain executives in the Company, both at its corporate headquarters and in other countries. The Long-Term Incentive Plan covers an initial period from 01/01/2020 to 31/12/2022. This amount may be reviewed and modified by the Board of Directors during the Plan's term. The Long-Term Incentive Plan 2020-22 is a money incentive that rewards the generation of value within the DIA Group during the Plan's term. At 31 December 2020 the total provision amount for the 2020-22 long-term incentive plan is Euros 11,597 thousand.

In 2019, expenses relating to the 2016-2018 long-term Incentive Plan amounting to Euros 180 thousand were recorded under personnel expenses in the income statement with a balancing entry in "Other own equity instruments" since this was a share-based plan accruing personnel expenses until the share handovers in April 2019 and January 2020,

respectively. The equity instruments granted during 2019 under this plan have led to a net movement in other equity instruments of Euros 2,782 thousand, reflecting the distribution of 365,590 own shares, net of withholdings. In addition, an amount of Euros 3,984 thousand of these instruments was written off relating to the second handover based on the decision adopted by the Board of Directors. The April 2019 delivery and the cancellation of the second delivery in January 2020 had an impact on reserves of Euros 6,018 thousand due to the impact of the non-market condition caused by the difference in the share price taken as the reference.

In addition, in 2020 as a result of the new remunerations policy approved by shareholders at the Extraordinary General Meeting held on 30 August 2019, there is deferred remuneration in shares for non-proprietary directors, the accrual of which has initially been estimated at Euros 200 thousand (Euros 50 thousand in 2019).

## 18. REVENUE

### 18.1. Revenue from contracts with customers

Revenue corresponds to sales income from the store itself, sales to franchises and online sales from the Group's activity, which is mainly focused in the markets of Spain, Portugal, Brazil and Argentina. At 31 December 2020 and 2019, revenue amounts to Euros 6,882,373 thousand and Euros 6,870,435 thousand, respectively. Its distribution by geographical segment is shown as follows:

	2020			2019		
	Ordinary income of the segment	Ordinary income between segments	Ordinary income of external clients	Ordinary income of the segment	Ordinary income between segments	Ordinary income of external clients
<b>Sales in own stores</b>	<b>4,550,747</b>	<b>2,003</b>	<b>4,548,744</b>	<b>4,420,372</b>	<b>2,770</b>	<b>4,417,602</b>
Spain	2,938,061	2,003	2,936,058	2,657,760	2,770	2,654,990
Portugal	340,953	-	340,953	304,391	-	304,391
Brazil	606,901	-	606,901	700,023	-	700,023
Argentina	664,832	-	664,832	758,198	-	758,198
<b>Sales to franchise stores</b>	<b>2,179,781</b>	<b>-</b>	<b>2,179,781</b>	<b>2,354,749</b>	<b>-</b>	<b>2,354,749</b>
Spain	1,450,973	-	1,450,973	1,437,792	-	1,437,792
Portugal	275,991	-	275,991	277,834	-	277,834
Brazil	309,104	-	309,104	480,059	-	480,059
Argentina	143,713	-	143,713	159,064	-	159,064
<b>On line sales</b>	<b>139,216</b>	<b>-</b>	<b>139,216</b>	<b>63,059</b>	<b>-</b>	<b>63,059</b>
Spain	121,381	-	121,381	62,066	-	62,066
Portugal	1,248	-	1,248	-	-	-
Brazil	11,358	-	11,358	993	-	993
Argentina	5,229	-	5,229	-	-	-
<b>Other sales</b>	<b>14,632</b>	<b>-</b>	<b>14,632</b>	<b>35,034</b>	<b>9</b>	<b>35,025</b>
Spain	414	-	414	22,333	-	22,333
Portugal	11,797	-	11,797	11,708	-	11,708
Brazil	2,421	-	2,421	978	-	978
Argentina	-	-	-	15	9	6
<b>Total</b>	<b>6,884,376</b>	<b>2,003</b>	<b>6,882,373</b>	<b>6,873,214</b>	<b>2,779</b>	<b>6,870,435</b>

### 18.2. Significant accounting policies

#### Sales in own stores:

The Group's own stores sell food and household and personal hygiene products. Sales revenues are recognised when a store sells products to customers. The transaction price is immediately payable when customers purchase and take away products.

The Group has a policy of granting a 15-day return period for products sold. The policy applies to its own store sales and online sales. Although the customer is allowed to return any item, this is not common practice in our stores, so the impact of this was irrelevant in the Group based on the IFRS 15.

**Sales to franchisees:**

The Group has collaboration agreements with franchisees and recognises revenues for sales when the goods are made available to the franchisee concerned. These agreements establish the payment of an initial charge that is recognised as income at that time by the Group, but is immaterial. The initial order from a franchisee may be financed and, if this takes place, an intrinsic financial component is recognised in the transaction.

**Online sales:**

The Group sells a range of products through its website. Products are delivered to customers at the postal address they state when the purchase is made or in stores.

In the case of customers that ask for products to be sent to a specific address (not a store), the revenue is recognised when control of the products is transferred. Although customers pay for products at the time of purchase, they have no capacity to use the product until it is received. In such cases, the customer does not have the capacity to change the destination of the delivery and does not have physical possession or accept the products until they are received. Accordingly, control is transferred and revenue is therefore recognised when the customer receives the product. The difference between both these moments in time does not exceed one day in the case of perishable products. The sale of other types of products through this channel is residual.

If customers ask to pick up the products purchased online from a store, DIA recognises the revenue when payment is made online because, although the products have not been delivered to the customer, they have been set aside, are available at the collection point and cannot be used for other customers (criteria that must be fulfilled in order for the customer to have obtained control under *bill and hold arrangements*).

**Sale of goods - customer loyalty programme:**

The Group has a loyalty programme whereby customers accumulate points for purchases made that entitle them to discounts on future purchases. Since, in general, the points are exchangeable in the same period the revenue accrues, the Group recognises the reduction in revenue at the transaction date.

The Group has agreements with franchisees whereby the period between the transfer of the goods or services promised to the customer and payment by the customer exceeds one year. In these cases, DIA does not adjust transaction prices on account of the time value of money.

## **19. OTHER INCOME AND EXPENSES**

### **19.1. Other income**

Details of other income are as follows:

Thousands of Euros	2020	2019
Fees and interest to finance companies	236	149
Service and quality penalties	4,262	21,024
Revenue from lease agreements	21,130	30,154
Other revenues from franchises	5,904	9,407
Revenue from information services to suppliers	8,357	7,861
Revenue from the sale of packaging	2,827	3,841
Other revenues	3,117	4,720
<b>Total other operating income</b>	<b>45,833</b>	<b>77,156</b>

Service agreement penalties refer to the charges made by the Group to its suppliers following quality control processes and service level reviews on goods received. The change compared to 2019 is due to the negotiations with suppliers.

Transfer on account of rights of use includes the income received from franchisees, which has decreased in 2020 with respect to 2019 due to the change to the new franchise model.

## 19.2. Merchandise and other consumables used

This heading includes purchases, less volume discounts and other trade discounts and changes in inventories. In 2020, as a result of the change in supplier negotiations, many of the discounts are included in the invoice.

Details of the main items in this heading are as follows:

Thousands of Euros	2020	2019
Goods and other consumables used	5,767,327	6,192,972
Discounts	(761,229)	(1,091,086)
Inventory variation	14,499	94,044
Other sales costs	32,487	44,818
<b>Total consumption of goods and other consumables</b>	<b>5,053,084</b>	<b>5,240,748</b>

## 19.3. Personnel expenses

Details of personnel expenses are as follows:

Thousands of Euros	2020	2019
Salaries and wages	661,874	653,482
Social Security	167,075	177,505
Indemnizaciones	58,056	70,576
Defined contribution plans	17,728	7,484
Other employee benefits expenses	17,467	25,220
<b>Parcial total personnel expenses</b>	<b>922,200</b>	<b>934,267</b>
Expenses for share-based payment transactions	200	269
<b>Total personnel expenses</b>	<b>922,400</b>	<b>934,536</b>

Changes in this heading are a result of the costs associated with the redundancy proceedings carried out in 2019.

## 19.4. Operating expenses

Details of operating expenses are as follows:

Thousands of Euros	2020	2019
Repairs and maintenance	94,521	70,861
Utilities	85,558	95,126
Fees	59,274	82,505
Advertising	47,840	55,640
Taxes	19,261	31,669
Rentals, property	32,274	46,350
Rentals, equipment	7,765	5,499
Transport	157,292	163,012
Travel expenses	14,231	21,780
Security	29,953	29,796
Other general expenses	89,867	73,145
<b>Total operating expenses</b>	<b>637,836</b>	<b>675,383</b>

## 19.5. Amortisation, depreciation and impairment

Details are as follows:

Thousands of Euros	2020	2019
Amortisation of intangible assets (Note 6.3)	16,393	18,658
Depreciation of property, plant and equipment (Note 5)	172,808	208,494
Depreciation of uses rights (Note 6.2)	237,330	291,214
<b>Total amortisation and depreciation</b>	<b>426,531</b>	<b>518,366</b>
Impairment of goodwill (Note 6.1)	5,082	13,477
Impairment of intangible assets (Note 6.3)	193	(508)
Impairment of property, plant and equipment (Note 5)	21,173	44,540
<b>Total impairment</b>	<b>26,448</b>	<b>57,509</b>

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

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

Thousands Euros	2020	2019
Losses on disposal of non-current assets (Notes 5 and 6)	(40,800)	(77,871)
Profit from disposal of fixed assets (Note 5)	9,721	14,611
Profit/(loss) from the sale of subsidiaries	-	(6,708)
<b>Total</b>	<b>(31,079)</b>	<b>(69,968)</b>

The losses recorded in 2020 and 2019 are mainly due to the remodelling and closure of stores in Brazil.

On 19 July 2019, the Group acquired 50% of the stake in FINANDIA E.F.C. as a result of Caixabank Consumer Finance E.F.C.. S.A.U. exercising the purchase option it held in the event of a change of control in the Dia Group. As a result of this acquisition, a loss of Euros 12,514 thousand was recorded, of which Euros 6,708 thousand was included under Profit/(loss) on the sale of subsidiaries and Euros 5,806 thousand was included under Profit/(loss) on financial instruments (see Note 19.10).

## 19.7. Finance income/cost

Details of finance income are as follows:

Thousands of Euros	2020	2019
Interest on other loans and receivables	1,551	207
Exchange gains (note 19.8)	192	3,343
Change in fair value of financial instruments	609	293
Other finance income	9,175	37,797
<b>Total finance income</b>	<b>11,527</b>	<b>41,640</b>

Other finance income in 2019 derives mainly from the financial restatement of assets in Brazil relating to the ICMS tax, other taxes and amounts deposited to guarantee contingent liabilities.

Details of finance cost are as follows:

Thousands of Euros	2020	2019
Interest on bank loans	40,214	49,962
Interest on debentures and bonds	8,133	11,021
Finance expenses for finance leases	59,853	70,777
Interest on shareholder's loan (note 14.1 d)	-	3,706
Exchange losses (note 19.8)	84,932	17,614
Change in fair value of financial instruments	735	-
Financial expenses assignment of receivables operations (notes 7.1 (b))	179	947
Other finance expenses	23,334	42,182
<b>Total finance expenses</b>	<b>217,380</b>	<b>196,209</b>

The negative translation differences have arisen on loans with third parties and intra-group debt in Brazil.

Other finance costs at 31 December 2020 and 2019 reflect the bank debit and credit interest rates in Argentina linked to its revenues. Furthermore, in 2019 costs were recognised for the financial restatement of liabilities in Brazil. In 2019, non-incremental costs relating to the refinancing are included for Euros 8,315 thousand.

### 19.8. Foreign currency transactions

The transactions in foreign currency carried out by the DIA Group during 2020 and 2019 are not significant. Details of the exchange differences on foreign currency transactions are however as follows:

Thousands of Euros	2020	2019
Currency exchange losses (note 19.7)	(84,932)	(17,614)
Currency exchange gains (note 19.7)	192	3,343
Trade exchange losses	(2,363)	(1,605)
Trade exchange gains	2,538	2,973
<b>Total</b>	<b>(84,565)</b>	<b>(12,903)</b>

### 19.9. Gains/(losses) on net monetary position

This caption includes the positive financial effect of the impact of inflation on monetary assets, which amounted to Euros 36.1 million in 2020 and Euros 63.7 million in 2019 (see Note 2.5). The majority of this amount is generated by trade payables.

In Argentina, the sales margin rose by 15.5% in 2020 (13.1% in 2019). In 2020, the sales margin, before applying IAS 29, would be 17.9% (16.7% in 2019). The sales margin differences in the two periods is due mainly to an improved gross margin, which essentially reflects a smaller promotional effort. One impact that negatively affects the margin by applying IAS 29 is the impact of restating inflation on the cost of goods sold. The method of restating this item is based on the measurement of the initial inventories at the rate corresponding to the period immediately prior to the start of the year, in this case December 2020. This is considered an average inventory turnover of 30 days. This methodology means that the restatement adjustment has a greater effect on the cost of goods sold than the rest of the lines in the income statement.

### 19.10. Profit or loss on financial instruments

In 2019 this heading mainly includes an amount of Euros 5,806 thousand for the negative adjustment to the measurement of the investment in Finandia linked to the purchase of 50% of this company (see Note 19.6).

### 19.11. Profit/(loss) of equity-accounted investees

This heading includes the profit/(loss) attributable to equity-accounted companies amounting to Euros 59 thousand in costs (income of Euros 196 thousand in 2019) (see Notes 1.2, 2.9 d) and 8).

## 20. 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 facilities and syndicated loans which were unused at the reporting date;
- bank commitments received.

Expansion operation commitments were undertaken for expansion at Group level.

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

**20.1. Pledged:**

Thousands of Euros - 31st December de 2020	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	164	-	3,922	10,794	14,880
Mortgage security	25,296	-	-	-	25,296
Credit facilities to customers (finance companies)	29,627	-	-	-	29,627
<b>Cash</b>	<b>55,087</b>	<b>-</b>	<b>3,922</b>	<b>10,794</b>	<b>69,803</b>
Purchase options	18,985	-	-	25,827	44,812
Commitments related to commercial contracts	8,223	5,213	5,252	869	19,557
Other commitments	-	-	-	6,096	6,096
<b>Transactions / properties / expansion</b>	<b>27,208</b>	<b>5,213</b>	<b>5,252</b>	<b>32,792</b>	<b>70,465</b>
<b>Total</b>	<b>82,295</b>	<b>5,213</b>	<b>9,174</b>	<b>43,586</b>	<b>140,268</b>

Thousands of Euros - 31st December de 2019	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	3,014	97	201	18,398	21,710
Credit facilities to customers (finance companies)	80,862	-	-	-	80,862
<b>Cash</b>	<b>83,876</b>	<b>97</b>	<b>201</b>	<b>18,398</b>	<b>102,572</b>
Purchase options	18,985	-	-	25,827	44,812
Commitments related to commercial contracts	7,099	2,065	2,839	1,625	13,628
Other commitments	3,268	3,258	-	9,285	15,811
<b>Transactions / properties / expansion</b>	<b>29,352</b>	<b>5,323</b>	<b>2,839</b>	<b>36,737</b>	<b>74,251</b>
<b>Total</b>	<b>113,228</b>	<b>5,420</b>	<b>3,040</b>	<b>55,135</b>	<b>176,823</b>

The Parent company is the guarantor of the drawdowns on the credit facilities made by its Spanish subsidiaries, which at 31 December 2020 amounted to Euros 183,209 thousand (Euros 4,643 thousand in 2019).

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

Mortgage loans include the value of assets placed as collateral for bilateral loans in DIA Portugal in "commercial paper" facilities and reverse factoring (see Note 14).

Purchase options include options over warehouses amounting to Euros 44,262 thousand, in both years.

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

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

- Societé Generale guarantee for a maximum amount of Euros 27,170 thousand with maturity 28 March 2021.
- Societé Generale guarantee for a maximum amount of Euros 13,585 thousand with maturity 28 March 2021.

**20.2. Received:**

Thousands of Euros at 31st December 2020	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Available credit facilities	49,847	-	-	-	49,847
Available loans may be balanced with reverse factoring	121	-	-	-	121
Available confirming lines (not included in syndicated credits)	58	-	-	-	58
<b>Cash</b>	<b>50,026</b>	-	-	-	<b>50,026</b>
Guarantees received for commercial contracts	13,411	5,052	2,307	43,197	63,967
Other commitments	49	35	-	131	215
<b>Transactions / properties / expansion</b>	<b>13,460</b>	<b>5,087</b>	<b>2,307</b>	<b>43,328</b>	<b>64,182</b>
<b>Total</b>	<b>63,486</b>	<b>5,087</b>	<b>2,307</b>	<b>43,328</b>	<b>114,208</b>
Thousands of Euros at 31st December 2019	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Available credit facilities	53,352	-	-	-	53,352
Available loans may be balanced with reverse factoring	425	-	-	-	425
Available confirming lines (not included in syndicated credits)	3,508	-	-	-	3,508
<b>Cash</b>	<b>57,285</b>	-	-	-	<b>57,285</b>
Guarantees received for commercial contracts	16,960	6,540	4,506	53,644	81,650
Other commitments	-	49	35	201	285
<b>Transactions/ properties/expansion</b>	<b>16,960</b>	<b>6,589</b>	<b>4,541</b>	<b>53,845</b>	<b>81,935</b>
<b>Total</b>	<b>74,245</b>	<b>6,589</b>	<b>4,541</b>	<b>53,845</b>	<b>139,220</b>

At 31 December 2020, within the framework of the syndicated financing agreement, the Super Senior reverse factoring facility for suppliers of Euros 67,640 thousand is established as the amount granted under the Super Senior Supplier tranche.

**b) Contingencies**

The Group is undergoing legal proceedings and tax inspections in a number of jurisdictions, some of which have been completed by the taxation authorities at 31 December 2020 and appealed by Group companies (see Note 16). The Group recognises a provision if it is probable that an obligation will exist at year end which will give rise to an outflow of resources embodying economic benefits and the outflow can be reliably measured. As a result, management uses significant judgement when determining whether it is probable that the process will result in an outflow of resources and when estimating the amount.

Note 15 contains details of legal contingencies and Note 16 includes details of tax contingencies.

**21. RELATED PARTIES**

Details of related party balances and transactions are as follows:

**Transactions other than ordinary business or under terms differing from market conditions carried out by the directors of the Parent**

In 2020 and 2019 the directors of the Parent have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Parent or any other Group company.

### Balances and transactions with associates

During 2020 and 2019 the Group has carried out the following transactions with associate: ICDC, HIS, Red Libra, LetterOne and Finandia, mainly relating to commercial transactions. The trade payables balance at 31 December 2020 and 2019 is shown in Notes 7.1c) and 14.3. The transactions carried out with associates in both years are as follows:

Thousands of Euros	2020	2019
ICDC	1,213	15,470
HIS	11,780	2,021
Red Libra	-	(163)
LetterOne	(5,265)	(6,748)
Finandia	-	(200)
<b>Total transactions</b>	<b>7,728</b>	<b>10,380</b>

### Transactions with directors and senior management personnel

Details of remuneration received by the directors and senior management of the Group in 2020 and 2019 are as follows:

Thousands of Euros			
2020		2019	
Members of Board Director	Senior management	Members of Board Director	Senior management
4,954	15,851	3,246	8,299

In 2020 and 2019 the directors of the Parent earned Euros 617 thousand and Euros 708 thousand, respectively, (included in the table above) in their capacity as board members.

In 2019 shares from the 2016-2016 Incentive Plan were awarded to members of Senior Management, recognised in shares awarded in each of the years.

Article 39.5 of the Parent's articles of association requires the disclosure of the remuneration earned by each of the members of the board of directors in 2020 and 2019. Details are as follows:

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

(\*) Remuneration as senior management and as director

Members of Board Directors	Thousands of euro				
	From	to	Financial Instrument	Fixed salary	No competence
					Others (Ret.Kind)
Mr. Richard Golding	01/01/2019	20/05/2019	2.4	48.4	-
Mr. Mariano Martín Mampaso	01/01/2019	20/05/2019	3.0	51.0	-
Mr. Antonio Urcelay Alonso	01/01/2019	20/05/2019	2.4	48.4	-
Mr. Borja de la Cierva Sotomayor (*)	01/01/2019	21/05/2019	1.8	299.4	353.9
Mr. Julián Díaz González	01/01/2019	20/05/2019	2.8	41.0	-
Mrs. Angela Lesley Spindler	01/01/2019	20/05/2019	2.9	44.8	-
Mrs. María Luisa Garaña Corces	01/01/2019	20/05/2019	2.4	44.4	-
Mr. Miguel Ángel Iglesias Peinado (*)	01/01/2019	20/03/2019	1.0	76.9	2.6
Mr. Christian Couveaux	21/05/2019	31/12/2019	2.3	94.2	-
Mr. Jose Wahnon Levy	20/05/2019	31/12/2019	1.9	94.4	-
Mr. Jaime Garcia Legaz	01/01/2019	31/12/2019	4.4	154.8	-
Mr. Karl-Heinz Holland (*)	20/05/2019	31/12/2019	-	1,841.7	17.7
Mr. Stephan DuCharme	20/05/2019	31/12/2019	-	-	-
Mr. Sergio Antonio Ferreira Dias	20/05/2019	31/12/2019	-	-	-
Mr. Michael Joseph Casey	20/05/2019	31/12/2019	-	-	-
<b>Total</b>			<b>27</b>	<b>2,839</b>	<b>354</b>
					<b>26</b>

(\*) Remuneration as senior management and as director

Additionally, as a result of the new remunerations policy approved by shareholders at the Extraordinary General Meeting held on 30 August 2019, there is deferred remuneration in shares for non-proprietary directors, the accrual of which has initially been estimated at Euros 200 thousand (Euros 50 thousand in 2019). The accrual of shares granted and pending delivery under the previous remunerations policy, net of withholdings, amounted to Euros 27 thousand in 2019 (a gross amount of Euros 39 thousand). The amounts for 2019 in the above tables relating to the remuneration of Directors in equity instruments only reflect the amount of net shares granted and pending delivery, relating to the previous remunerations policy.

In 2020, remunerations have also been recorded for employees performing Director functions in prior years, on account of considerations for post-contractual non-compete agreements, amounting to Euros 253 thousand in the case of Borja de la Cierva.

The increase in the remunerations to members of senior management is mainly due to (i) the integration of new members of senior management who have accrued higher fixed and variable salaries than those of senior management personnel considered in the year 2019, (ii) the provision amount at 31 December 2020 for the long term incentive plan 2020-2022, and (iii) the increase in amounts arising from terminating employment relationships with Senior Executives.

During 2020 and 2019 the members of the board of directors and senior management personnel of the Group have not carried out transactions other than ordinary business or applying terms that differ from market conditions with the Parent or Group companies.

The civil liability insurance premiums paid in respect of directors and senior management personnel totalled Euros 562 thousand in 2020 (2019: Euros 808 thousand).

#### Conflicts of interest concerning the directors

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

## **22. FINANCIAL RISK MANAGEMENT: OBJECTIVES AND POLICIES**

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 policies.

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

### **22.1. Financial risk factors**

The Group's activities are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits. The Group uses derivatives to mitigate certain risks.

Risks are managed by the Group's Finance Department. This department identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units.

### **22.2. Currency risk**

The Group operates internationally and is therefore exposed to currency risk when operating with foreign currencies, especially with regard to the US Dollar.

Currency risk arises from future commercial transactions and assets and liabilities denominated in a currency other than the functional currency of the relevant DIA Group company. The Group companies control this risk by means of forward currency contracts arranged by the Group's Treasury Department.

In 2020 and 2019 the Group has performed no significant transactions in currencies other than the functional currency of each company. However, the Group has contracted exchange rate insurance policies for non-recurrent transactions in US Dollars.

In 2020 and 2019, the Group has not carried out significant commercial transactions in currencies other than the functional currency of each Company, not having carried out hedging transactions during 2020 (605 million dollars in 2019, representing 13.47% of the transactions carried out in dollars).

The Group has several 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 Argentinian Pesos and Brazilian Reals is mitigated primarily through borrowings in the corresponding foreign currencies. Only certain liabilities are arranged in euros (current accounts and intercompany loans in euros of the Group subsidiaries located in LATAM with the Spanish subsidiary totalling Euros 24,402 thousand and a bank loan in euros granted to the Brazil subsidiary for an amount of Euros 35,439 thousand).

The translation differences included in other comprehensive income are significant due to the major depreciation of the Brazilian Real in 2020. The devaluation effects of the Argentine Peso are detailed in Note 2.5. Changes in translation differences, if the Brazilian Real had been devalued/appreciated by 10%, would have been +/- 51.34%, respectively. Likewise, changes in reserves if the Argentine peso had been devalued/appreciated by 10% would have been +/- 6.61%, respectively.

The Group's exposure to currency risk at 31 December 2020 and 2019 in respect of the balances outstanding in currencies other than the functional currency of each country is immaterial.

Changes in exchange rates at 31 December 2020 and 2019 due to outstanding balances in currencies other than the functional currencies of each country would not have a material impact on the consolidated income statements.

### 22.3. Price risk

The Group is not significantly exposed to risk derived from the price of equity instruments or listed raw material prices.

### 22.4. Credit risk

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

The Group does not have significant concentrations of credit risk. The risk of concentration is minimised through diversification, managing and combining various areas of impact. Firstly, the customer base is distributed geographically at the international level and secondly there are different types of customers such as franchisees and retailers.

The Group has policies to ensure that wholesale sales are only made to customers with adequate credit records. Retail customers pay in cash or by credit card. Derivative transactions are only arranged with financial institutions that have a high credit rating so as to mitigate credit risk. The Group has policies to limit the amount of risk with any one financial institution.

The credit risk presented by the Group is attributable to the transactions it carries out with the majority of its franchisees and is mitigated through the bank and other guarantees received, which are described in Note 20. Details are as follows:

Thousands of Euros	2020	2019
Trade operations non-current (note 7.1 a))	24,039	46,010
Trade operations current (notes 7.1 a))	165,481	119,773
Franchise deposits (note 7.2)	752	2,280
Guarantees received (note 20.2)	(63,967)	(81,650)
	<b>126,305</b>	<b>86,413</b>

Non-current commercial transactions reflect the financing of the starting inventory of the franchisees, which is repaid monthly based on the cash generation profile of the business. Current commercial transactions comprise financing of goods supplies and amounts falling due less than 12 months from the initial financing. At 31 December 2020, the current balance also includes the amount generated by deliveries invoiced to franchises, which have begun to be managed through the new 2020 franchise model, according to which collections are made based on cash generated in the point-of-sale terminal of the franchisee.

The Group entered into agreements to transfer supplier trade receivables without recourse during the first half of 2020. At 31 December 2020, the balance is Euros 0. In 2019, the Group entered into this type of agreement for Euros 14,128 thousand. The Group believes that it has retained neither the default risk nor the credit risk on these transfers without recourse, therefore writing off these amounts from receivables from suppliers. Costs of Euros 179 thousand were accrued on the transfer of these receivables in the first half of 2020 (Euros 947 thousand in the same period of the prior year) (see Note 19.7 and 7.1 b)).

The Group's exposure to credit risk at 31 December 2020 and 2019 is shown below. The accompanying tables reflect the analysis of financial assets by remaining contractual maturity dates:

Thousands of Euros	Maturity	2020
Guarantees	per contract	55,757
Equity instruments	-	1,080
Other loans	2022	119
Trade receivables	2022-2036	24,039
<b>Non-current assets</b>		<b>80,995</b>
Franchise deposit	2021	752
Credits to personnel	2021	2,033
Other loans	2021	12
Loans on the sale of ffixed assets	2021	31
Other financial assets	2021	1,117
Trade receivables	2021	126,393
Receivables from group companies	2021	1,976
Consumer loans from finance companies	2021	1,407
<b>Current assets</b>		<b>133,721</b>

Thousands of Euros	Maturity	2019
Guarantees	per contract	62,548
Equity instruments	-	1,270
Other loans	2021	225
Trade receivables	2021-2036	46,010
<b>Non-current assets</b>		<b>110,053</b>
Franchise deposit	2020	2,280
Credits to personnel	2020	3,014
Other loans	2020	76
Loans on the sale of ffixed assets	2020	347
Other financial assets	2020	2,989
Trade receivables	2020	105,110
Receivables from group companies	2020	5,861
Consumer loans from finance companies	2020	1,409
<b>Current assets</b>		<b>121,086</b>

The returns on these financial assets totalled Euros 1,654 thousand in 2020 and Euros 1,829 thousand in 2019.

Details of non-current and current trade and other receivables by maturity in 2020 and 2019 are as follows:

Current	Thousands of Euros					
	Total	Unmatured	Less than 1 month	2 and 3 months	4 and 6 months	7 and 12 months
31st December de 2020	128,369	120,502	2,040	4,215	1,111	501
31st December de 2019	110,971	58,835	20,121	30,672	1,014	329
Non Current	Thousands of Euros					
	Total	2 years	3 y 5 years	> 5 years		
31st December de 2020	24,039	12,028	7,990	4,021		
31st December de 2019	46,010	11,775	22,120	12,115		

Details of the impairment policy can be found in Note 7.

## 22.5. Liquidity risk

The Parent company applies a prudent policy to cover its liquidity risks, based on having sufficient cash and marketable securities as well as sufficient financing through credit facilities to settle market positions. Given the dynamic nature of its underlying business, the Group's Finance Department aims to be flexible with regard to financing through drawdowns on contracted credit facilities.

In the context of the global recapitalisation and refinancing in progress, on 30 November 2020, the Parent company announced the signing of an agreement with its financial lenders and its main shareholder. By virtue of this agreement, the Parent company agreed, inter alia, to submit for approval by the Shareholders at an General Meeting, a Capital Increase of Euros 500 million by means of converting into capital debt represented by Euros 300 million in 2021 Bonds and Euros 200 million of the SS Facility.

The Directors of the parent Company therefore consider that the planned recapitalisation of the DIA Group, together with the release of a material amount of financial liabilities, as well as the extension of the maturity date of certain financial debt, will reinforce the equity situation of the Parent company, substantially reduce the financial debt of the DIA Group, eliminate the risk of refinancing in the medium term, ensure that the operating finance needs are covered and provide a viable long-term capital structure for the DIA Group.

The Group's exposure to liquidity risk at 31 December 2020 and 2019 is shown below. The tables below reflect the analysis of financial liabilities by contracted maturity.

Thousands of Euros	Maturity	2020
Debentures and bonds long term	2023	295,599
Syndicated credits (Revolving credit facilities)	2023	133,040
Syndicated credits (Term Loan)	2023	387,289
Other bank loans	2022	200,136
Finance lease payables	2022-2042	414,587
Credit facilities drawn down	2023	183,509
Guarantees and deposits received	per contract	11,055
Other non-current financial debt	2022	575
Other non-current financial liabilities	2022	2,306
<b>Total non-current financial liabilities</b>		<b>1,628,096</b>
Debentures and bonds	2021	303,795
Other bank loans	2021	72,982
Finance lease payables	2021	197,373
Syndicated credits (Revolving credit facilities)	2021	3,153
Credit facilities drawn down	2021	3,158
Expired interest	2021	5,170
Guarantees and deposits received	2021	1,026
Other financial debts	2021	2,375
Trade and other payables	2021	1,183,353
Suppliers of fixed assets	2021	54,133
Personnel	2021	84,625
Other current liabilities	2021	32,886
<b>Total current financial liabilities</b>		<b>1,944,029</b>

Thousands of Euros	Maturity	2019
Debentures and bonds long term	2021-2023	592,912
Syndicated credits (Revolving credit facilities)	2023	141,407
Syndicated credits (Term Loan)	2023	377,268
Other bank loans	2,021	66,725
Finance lease payables	2021-2031	506,295
Credit facilities drawn down	2,023	169,952
Guarantees and deposits received	per contract	10,709
Other non-current financial debt	2021	448
Other non-current financial liabilities	2022	3,806
<b>Total non-current financial liabilities</b>		<b>1,869,522</b>
Debentures and bonds	2020	3,980
Mortgage loan	2020	393
Other financial liabilities (note 15.1 c))	2020	56,188
Finance lease payables	2020	225,973
Syndicated credits (Revolving credit facilities)	2020	3,153
Credit facilities drawn down	2020	26,049
Expired interest	2020	2,429
Guarantees and deposits received	2020	2,688
Derivatives	2020	687
Other debt with group companies	2020	90
Other financial debts	2020	3,906
Trade and other payables	2020	1,215,446
Suppliers of fixed assets	2020	41,456
Personnel	2020	65,909
Other current liabilities	2020	4,218
<b>Total current financial liabilities</b>		<b>1,652,565</b>

The finance costs accrued on these financial liabilities totalled Euros 108,200 thousand and Euros 131,760 thousand in 2020 and 2019, respectively. The decrease in these costs is due mainly to lower interest on bank borrowings and lower finance costs on finance lease payables.

## 22.6. Cash flow and fair value interest rate risks

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

The Group contracts different interest rate hedges to mitigate its exposure, in accordance with its risk management policy. At 31 December 2020 and 2019 there were no outstanding derivatives contracted with external counterparties to hedge interest rate risk related to long-term financing.

During 2020 fixed-rate debt as a percentage of the volume of average gross debt totalled 39.10%, compared with 41.25% in the previous year.

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

A 0.5 percentage point rise in interest rates would have led to a variation in profit after tax of Euros 1,303 thousand in 2020 (Euros 1,349 thousand in 2019).

## 23. OTHER INFORMATION

### Employee information

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

	2020	2019
Management	167	175
Middle management	1,456	1,613
Other employees	36,993	38,000
<b>Total</b>	<b>38,616</b>	<b>39,788</b>

The average headcount in 2019 included 182 employees in the Cash & Carry business. Personnel expenses for these employees were recorded under discontinued operations in the income statement.

At year end the distribution by gender of Group personnel and the members of the board of directors is as follows:

	2020		2019	
	Female	Male	Female	Male
Board members	1	5	-	6
Senior management	2	5	2	8
Other management	52	107	47	99
Middle management	579	818	606	878
Other employees	25,604	12,416	25,282	12,451
<b>Total</b>	<b>26,238</b>	<b>13,351</b>	<b>25,937</b>	<b>13,442</b>

During 2020 the Group employed an average of one executive (one in 2019), five middle management personnel (four in 2019) and 474 other employees (535 in 2019) with a disability rating of 33% or above (or an equivalent local classification).

### Audit fees

The audit firm Ernst & Young, S.L. and other audit firms working as auditors of the Group's annual accounts, and their international affiliates of the aforementioned firms have invoiced the following fees for professional services during the years ended 31 December 2020 and 2019:

Thousands of Euros	2020			
	Ernst & Young, S.L.	Other companies associated with EY International	Other audited entities	Total
Audit services	723	418	-	1,141
Other services relating to audit	407	107	-	514
Other services	136	3	-	139
<b>Total</b>	<b>1,266</b>	<b>528</b>	<b>-</b>	<b>1,794</b>

Miles de euros	2019			
	Ernst & Young, S.L.	Other companies associated with EY International	Other audited entities	Total
Audit services	730	327	-	1,057
Other services relating to audit	585	109	43	737
Tax advisory services	-	135	-	135
Other services	680	217	-	897
<b>Total</b>	<b>1,995</b>	<b>788</b>	<b>43</b>	<b>2,826</b>

Other audit-related services and other services invoiced by these audit firms comprise limited reviews of six-monthly financial statements, comfort letters relating to securities issues and agreed financial information procedures services rendered to DIA, S.A. and its subsidiaries during the year ended 31 December 2020 and 2019.

The amounts detailed in the above tables include the total fees for accrued services in 2020 and 2019, irrespective of the date of invoice.

### Environmental information

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

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

The Parent's board of directors considers that there are no significant contingencies in connection with the protection and improvement of the environment and that it is not necessary to recognise any environmental provisions.

## 24. EVENTS AFTER THE REPORTING PERIOD

On 10 December 2020, the Board of Directors approved the appointment by co-optation of Mr Marcelo Maia Tavares as other external director of the Parent company, effective from 1 January 2021. As a result of the foregoing, as of 1 January

2021, the Parent company's Board of Directors is comprised of seven members. On the same date, the Board of Directors approved the appointment of Mr Jesús Soto Cantero as new Group CFO, with effect from 1 January 2021.

On 29 January 2021, the loans granted by the Parent company to Dia Argentina, amounting to Euros 12,000 thousand were capitalised via shareholder contributions.

Christian Couvreux sadly passed away on 15 February 2021. Christian was a member of the DIA Group's Board since May 2019 and chairman of the Appointments and Remuneration Committee, and he sat on the Board's Capital and Financial Structure Committee. Since he joined, Christian played a key role in DIA's transformation, bringing his extensive knowledge of and international experience in the food distribution sector.

On 16 February 2021, the credit rating agency, Moody's, confirmed the Company's long-term corporate family rating of Caa2 and upgraded its probability of default rating from Caa3-PD to Caa2-PD. Moody's also confirmed its long-term senior unsecured debt rating of Ca and its senior unsecured MTN programme rating of (P)Ca. It revised the outlook from "negative" to "stable".

On 25 February 2021, the Company has carried out a cash contribution to DIA Brasil for an amount of Euros 10,590 thousand (Brazilian Real 70,000 thousand) as capital increase.

On 11 March 2021, the Parent informed that the services in respect of Parent's long-term corporate issuer rating, its probability of default rating, its senior unsecured long-term rating and its senior unsecured MTN program rating provided by Standard & Poor's Financial Services ("S&P") and Moody's Investors Service ("Moody's") had been cancelled.

On 29 March 2021, DIA repaid an existing bilateral facility in Brazil for a total amount of Euro 35 million in the name and on behalf of DIA Brasil creating an intercompany receivable. On the same date, DIA increased its equity interest in DIA Brazil by way of capitalising this intercompany receivables for an amount of Euro 35 million.

#### **Global capitalization and refinancing agreement**

On 30 November 2020, the Company published a communication of privileged information (registration number 613), informing the market that, following negotiations among L1R Invest1 Holdings S.à r.l. ("L1R"), DEA Finance S.à r.l. ("DEA Finance"), DIA and its syndicated financial lenders (the "Syndicated Lenders"), DIA had reached an agreement with all of its Syndicated Lenders regarding a recapitalisation and refinancing transaction (the "Original Transaction") aimed at providing a stable long-term capital and financial structure for the DIA group.

On 24 March 2021, following subsequent negotiations among DIA, L1R, DEA Finance, and its Syndicated Lenders, DIA has reached a new agreement with all of its Syndicated Lenders (the "Lock-up Agreement") providing a path for a more comprehensive recapitalisation and refinancing transaction (the "Comprehensive Transaction") which would ensure achieving a stable long-term capital and financial structure for the DIA group that would allow the management to focus fully on the implementation of its business plan.

The Comprehensive Transaction would involve the following key elements (interconditional on each other):

- (i) an equity increase at the level of DIA of up to EUR 1,028 million<sup>1</sup> (the "Capital Increase"), in two tranches:
  - (a) a debt capitalisation tranche of EUR 769.2 million to be subscribed for by L1R by way of set-off of the following financial debt within the DIA group (all such debt currently held by DEA Finance shall be purchased by L1R from DEA Finance prior to the capitalisation), at the nominal value of such debt:
    - (w) EUR 200 million debt currently owed by DIA Finance, S.L. to DEA Finance as the principal amount outstanding under the super senior term loan facility (the "SS Facility") (such debt will be transferred from DIA Finance, S.L. to DIA prior to the capitalisation);
    - (x) EUR 292.6 million of principal of the EUR 300 million 1.000% Euro Medium Term Notes maturing on 28 April 2021 (the "2021 Notes") issued by DIA and held by DEA Finance. The remaining outstanding

<sup>1</sup> Exact figure may vary in order to allow an adequate Capital Increase exchange ratio.

amount owed under the 2021 Notes not held by DEA Finance would be repaid by DIA at maturity on 28 April 2021;

- (y) EUR 7.4 million debt under a loan to be granted by L1R to DIA to finance (or refinance) the payment by DIA of the principal amount outstanding under the 2021 Notes to those holders of 2021 Notes other than DEA Finance on 28 April 2021 (as referred to in paragraph (x) above); and
- (z) EUR 269.2 million aggregate principal amount of EUR 300 million 0.875% Euro Medium Term Notes currently maturing on 6 April 2023 (the "2023 Notes") issued by DIA and held by DEA Finance; and
- (b) a cash tranche of up to EUR 259 million, reserved in first instance to all shareholders other than L1R, so that they can exercise their preferential subscription rights and subscribe for new shares up to their pro-rata entitlements at the same issue price as the new shares to be issued in the debt capitalisation tranche. The cash proceeds raised in the cash tranche would be available for DIA for general corporate purposes, including the acceleration of its business transformation plan. The cash tranche would be subject to customary subscription rounds and over-subscription pro-rata rules, and would not be underwritten in case of incomplete subscription;
- (ii) an amendment and restatement of the existing EUR 973,219,190 syndicated facilities agreement (the "SFA") to (a) extend the maturity date of facilities A-F (which amount to a total of EUR 902,426,478) (the "Senior Facilities") from 31 March 2023 to 31 December 2025, and (b) amend other terms and conditions of the SFA (as further detailed in Schedule 1);
- (iii) an amendment of the terms and conditions of the 2023 Notes to (a) extend their maturity date from 6 April 2023 to no earlier than 30 June 2026 and (b) increase the coupon from the date of the amendment to 3.50% per annum (3% in cash and 0.50% PIK) plus an additional increase in interest of 1% PIK in circumstances where PIK is payable under the SFA (as set out below); and
- (iv) an extension of the maturity dates of certain bilateral facilities and credit lines entered into by various DIA group companies with certain Syndicated Lenders or their affiliates (the "Bilateral Facilities").

The Comprehensive Transaction would essentially imply the following changes with respect to the Original Transaction:

- (i) upsizing the equity increase from EUR 500 million to up to EUR 1,028 million, by means of (a) L1R also capitalising the entire principal amount of 2023 Notes held by it, such principal amount being EUR 269.2 million, and (b) offering a cash tranche of up to EUR 259 million for minority shareholders to exercise their pro rata preferential subscription rights; and
- (ii) improving certain terms under the SFA for the benefit of DIA, including (a) introducing an effective basket for a permitted new super senior incremental facilities of up to EUR 50 million to be made available in the form of confirming, term loans and/or revolving commitments (which may be drawn by way of certain ancillary facilities) (the "SS Incremental Facility"), (b) a reduction of the Syndicated Lenders margin with respect to the Original Transaction, and (c) further flexibility around investments in Portugal and Argentina and in permitted disposals and financial reporting, all of it as indicated in Schedule 1.

The effectiveness of the Comprehensive Transaction (and, therefore, of all key elements (i) to (iv) above) is subject to the fulfilment or waiver of certain conditions precedent indicated in Schedule 2 on or before the longstop dates indicated in such Schedule.

The recapitalisation of the DIA group by up to EUR 1,028 million, together with the discharge of EUR 769.2 million of financial liabilities corresponding to the principal owed under the SS Facility, the 2021 Notes, and the 2023 Notes currently held by DEA Finance, in combination with the extension of the maturity dates of the Senior Facilities, the remaining 2023 Notes and the Bilateral Facilities, together with the injection of up to EUR 259 million of additional liquidity under the cash tranche, and with the permitted SS Incremental Facility, will restore and strengthen significantly the net equity position of DIA [(which is currently in a negative equity situation)], materially reduce the financial indebtedness of the DIA group, eliminate refinancing risk over the medium term, reduce significantly DIA group's interest burden, provide additional liquidity to ensure operational financing requirements are in place, improve and accelerate DIA's ability to access debt

financing markets on normalised terms, and provide a stable long-term capital structure for DIA that will provide a clear runway for DIA's management to focus entirely on the implementation of its business plan.

### Schedule 1 – Summary of amendments to the SFA

The main terms and conditions of the agreed amendment and restatement of the SFA are the following:

- (i) extension of the maturity date of the Senior Facilities from 31 March 2023 to 31 December 2025;
- (ii) extension of the maturity date of the Bilateral Facilities owed by DIA or any of its affiliates to a Syndicated Lender or its affiliates to a later date that is satisfactory to the Company, and otherwise on terms and conditions materially consistent with the relevant Bilateral Facility agreement;
- (iii) repayment of (a) up to EUR 35 million of the super senior supplier commitments (the "SS Supplier Commitments") upon effectiveness of the Comprehensive Transaction, and (b) the rest of the SS Supplier Commitments (that is, at least EUR 35,792,712) by no later than 17 July 2022, with the amount of the repayments that each Syndicated Lender is entitled to being reduced on a euro-for-euro basis if a Bilateral Facility in respect of which it is a lender is permanently reduced and/or cancelled on or before the date on which each repayment falls due for payment;
- (iv) increase in the total amount of the Syndicated Facilities available to be utilised by way of confirming lines or bilateral credit facilities by (a) an amount equal to the amount by which the SS Supplier Commitments are reduced and cancelled from time to time (such increase not resulting in an increase in the total aggregate amount of the Syndicated Facilities) and conversion of certain RCF commitments into term loan commitments, and (b) the SS Incremental Facility, which, subject to reaching an agreement with the Syndicated Lenders on the provision of such SS Incremental Facility and on its terms, may be made available in the form of confirming lines, bilateral facilities, revolving credit facilities, or term loans (should certain institutions not be able to provide ancillary facilities), up to an amount depending on the amount of cash proceeds received by DIA in the cash tranche of the Capital Increase, based on the following grid:

Cash proceeds received by DIA in the Capital Increase	Incremental facility commitments
Equal to or less than EUR 50 million	Nil
Greater than EUR 50 million but less than EUR 100 million	EUR 15 million
Equal to or greater than EUR 100 million but less than EUR 150 million	EUR 30 million
Equal to or greater than EUR 150 million but less than EUR 200 million	EUR 40 million
Equal to or greater than EUR 200 million	EUR 50 million

such SS Incremental Facility of up to EUR 50 million (x) ranking super senior (this is, it would rank senior to the Senior Facilities and the SS Supplier Commitments), (y) being subject to a 7% margin cap, and (z) with the rest of its terms and conditions to be negotiated with the Syndicated Lenders;

- (v) elimination of the annual cash sweep from a proportion of free cash flow, which would otherwise apply from the second quarter of 2022;
- (vi) fixed amortisation of EUR 25 million of the Senior Facilities on 31 March 2023 and EUR 25 million on 31 March 2024 (the "Early Repayments"), with the amount of Early Repayments that each Syndicated Lender is entitled to being reduced on a euro-for-euro basis if a Bilateral Facility in respect of which it is a lender is permanently reduced and/or cancelled on or before the date on which each Early Repayment falls due for payment. Such potential reduction to the Early Repayments will not apply if the Restated EBITDA (as defined in the SFA) for the

financial year ending immediately prior to the date on which that Early Repayment falls due exceeds EUR 300 million;

- (vii) initial reduction of the super senior secured facilities basket (the "SS Facility Basket") from EUR 380 million to EUR 75 million plus any amount of the SS Supplier Commitments which has not yet been repaid by the Company (as per paragraph (iii) above). Any amounts borrowed under the SS Incremental Facility would utilise capacity under the EUR 75 million SS Facility Basket;
- (viii) elimination of the EUR 400 million additional senior and junior debt basket, which was intended for the purposes of, amongst other things, refinancing the 2021 Notes;
- (ix) increase in the applicable margin for Syndicated Lenders under the Senior Facilities from 250 basis points per annum to the lower of (a) 325 basis points per annum, or (b) 300 basis points per annum if (y) an aggregate principal amount of 2023 Notes currently held by DEA Finance in an amount of EUR 269.2 million has been capitalised in the Capital Increase, and (z) the amount of cash proceeds received by DIA in the cash tranche of the Capital Increase is equal to or greater than EUR 125 million;
- (x) margin ratchet of 125 basis points per annum PIK if (a) the leverage ratio for the relevant 12 month period ending on each of 31 December 2022 and/or 30 June 2023 is greater than 3.25:1, and/or (b) the leverage ratio for each 12 month period ending on each of 31 December and 30 June thereafter is greater than 2.50:1, such increase ceasing to apply if the leverage ratio falls below the relevant threshold on any subsequent test dates;
- (xi) obligation to deliver to the Syndicated Lenders a budget for financial years 2021 and 2022 as a condition to the completion of the Comprehensive Transaction, and an updated business plan (to include financial years 2023, 2024 and 2025) no later than 31 December 2022 (the "Updated Business Plan");
- (xii) roll forward of the Company's financial covenants, based on the Updated Business Plan, with the Company's leverage covenant for financial years 2023 to 2025 being equal to or lower than the leverage covenant included for financial year 2022 in the Company's existing business plan;
- (xiii) extension of permitted debt and equity baskets to allow certain investments by the DIA group in Portugal and Argentina (in addition to Brazil), and increase of the permitted disposals basket;
- (xiv) elimination of certain obligations of upstreaming cash from foreign operating subsidiaries exceeding certain minimum agreed levels of cash which are currently contemplated under the SFA;
- (xv) acknowledgement that the Company's hive down obligations under the SFA have been fully satisfied and that the Company is under no further obligation to take further actions with respect to the hive down save for:
  - (a) the transfer of any asset of the Company (other than shares in any other subsidiary) which has not been transferred to DIA Retail España, S.A. because of one or more of the restrictions agreed under the SFA applying, which the Company must procure to execute if and to the extent that all applicable restrictions cease to apply at any time;
  - (b) the transfer of the Company's shares in its Brazilian and Argentinean subsidiaries to the corresponding wholly owned Luxembourg companies, which the Company must procure to execute if and to the extent there is a change in law or the applicable tax regime(s) that would allow the relevant shares to be transferred without any cost; and
  - (c) the transfer of the Company's shares in its Portuguese subsidiary to the relevant wholly owned Luxembourg company, in respect of which the Company must use best endeavours to effect such transfer as soon as reasonably practicable after the relevant legal, regulatory or taxation impediment to the transfer ceases to apply;
- (xvi) obligation to (a) submit a petition for the *homologación judicial* before the relevant Spanish court of an ad hoc refinancing agreement to be entered into between, among others, the Company and the Syndicated Lenders, and (b) use its reasonable endeavours to pursue the successful sanction (*auto de homologación*) of the ad hoc refinancing agreement by the relevant Spanish court, but without guaranteeing or committing to any result.

## Schedule 2 – Conditions Precedent

The effectiveness of the Comprehensive Transaction (and, therefore, of all items (i) to (iv) in the first page of this communication of inside information) is subject to the fulfilment or waiver of certain conditions precedent by the longstop dates indicated further below, including the following (the "Conditions Precedent"):

- (i) evidence that the maturity date in respect of the 2023 Notes not currently held by DEA Finance has been extended to no earlier than 30 June 2026 and that the interest rate under the 2023 Notes is no higher than 3.50% per annum (3% in cash and 0.50% PIK) plus an additional increase in interest of 1% PIK in circumstances where PIK interest is payable under the SFA;
- (ii) evidence to the satisfaction of the Company that the lender of each of the Bilateral Facilities has committed to consider and negotiate in good faith a potential further extension of the maturity date from its current maturity date (considering the relevant extensions agreed on 18 December 2020);
- (iii) evidence that the confirming lines, factoring lines or bilateral credit facilities by virtue of which the ancillary facilities are documented have been amended to reflect the applicable margin in accordance with the amendments agreed in the amended and restated SFA;
- (iv) evidence of discharge of the outstanding principal amount under the SS Facility, the 2021 Notes and the 2023 Notes (or with respect to the 2023 Notes held by DEA Finance, any instrument into which such 2023 Notes have been exchanged prior to the closing of the Comprehensive Transaction to facilitate the implementation of the Comprehensive Transaction) currently held by DEA Finance through the issuance of new shares by the Company in the Capital Increase, and/or from the proceeds thereof;
- (v) evidence that (a) the Company has discharged its obligations to repay the outstanding principal amount in respect of the 2021 Notes not currently held by DEA Finance, and (b) L1R or DEA Finance has made available a new loan to the Company in an amount equal to the outstanding principal amount in respect of the 2021 Notes not currently held by DEA Finance, and the Company's obligation to repay such new loan has been discharged through the issuance of new shares by the Company to L1R;
- (vi) execution of an ad hoc refinancing framework agreement for the sole purposes of filing (after the effectiveness of the Comprehensive Transaction) for the *homologación judicial* in Spain of such ad hoc refinancing agreement;
- (vii) extension and ratification of the existing security package; and
- (viii) other customary conditions precedent in this type of agreements (such as execution, notarisation and delivery of certain documentation and confirmation that no event of default has occurred and is continuing).

The longstop date for the fulfilment or waiver of the Conditions Precedent is the later to occur of the following dates (or such other date as DIA and the agent in respect of the Senior Facilities may agree):

- (i) 30 July 2021; or
- (ii) 29 October 2021, in the event that the prospectus required for the proposed Capital Increase has not been approved by the *Comisión Nacional del Mercado de Valores* by 15 June 2021 (provided that the Company has used reasonable endeavours to achieve such approval by 15 June 2021).

**CONSOLIDATED DIRECTOR'S REPORT 2020**

Distribuidora Internacional de Alimentación, S.A. (the Company) and its dependent companies (the Group, or the DIA Group) have prepared this consolidated directors' report, following the recommendations of the guide for the preparation of the directors' report of listed companies issued by the CNMV on 29 July 2013.

## 2020 GROUP OPERATIONAL UPDATE

In line with the operational roadmap presented at the first quarter financial results, 2020 saw the implementation of Phase Two of DiA's business transformation led by strengthened country leadership teams with strategic guidance, performance oversight and capital allocation provided by the corporate center.

Key priorities during 2020 included the continued development of DiA's commercial value proposition, improved assortment with a focus on fresh produce and the development of a new private label offer combining quality, value-for-money and more attractive packaging.

In the second half of the year, the comprehensive roll out of an updated franchise model began in Spain and Portugal. The program, which includes payment and operational support, a new merchandise payment and sales incentive system as well as a simplified cost structure has now been activated for over 950 of DiA's franchise partners in Spain (64% of franchisees including Clarel) and 180 partners in Portugal (67% of franchisees). In Argentina an updated franchise model is also being rolled out while a tailored offer is being prepared to launch in Brazil.

The expansion of online and express delivery continues in all four countries to meet new customer purchasing trends accelerated during pandemic restrictions. In Spain, 14 stores have been converted into dark stores (i.e. online fulfilment only) and the Company reached agreements with a number of partners to improve last mile delivery which is now available from 440 stores<sup>1</sup> covering 90% of population in main cities<sup>2</sup> from our own website as well as through partnerships. In Portugal, online delivery now covers the Greater Lisbon and Oporto areas, with express delivery available in 95 stores via regional partnerships.

In addition, the Group maintains a strict focus on cost efficiencies and delivering reduced complexity. This is primarily being achieved thanks to the ongoing enhancement of our operational model across the entire supply chain, as well as more efficient logistics processes.

A key driver of the Group's improved performance has been the implementation of a new organisational structure aligned to DiA's long-term vision, resulting in greater country autonomy to develop compelling, relevant offers for local customers, led by an empowered CEO and supported by a strategic and lean corporate center.

Other highlights on a country-by-country basis are listed below:

- **Spain:** Roll out of optimized assortment and store layout to over 1,100 stores in Spain (c. 40% of network excluding Clarel) with priority focus on fresh fruit and vegetable offer resulting in 12% increase in Net Sales for fresh produce categories. Ready-made and new private label products launched in stores during second half of the year. New store model testing launched including an improved look and feel, and more simple and efficient layout.
- **Portugal:** Fresh produce service frequency increased for 450 priority stores to support fresh offer. Continuing implementation of optimized assortment and light refurbishments in over 380 stores (c. 77% excluding Clarel).
- **Brazil:** Continued the implementation of a reinforced assortment adding over 400 new private label products developed during the year. The management kept focus on defining a value proposition adapted to the local market and developing a sustainable and profitable business model. The sale of underperforming operations in Rio Grande Do Sul Region has been successfully completed and the strategic focus is on the state of Sao Paulo and Sao Paulo metropolitan area.
- **Argentina:** New assortment implemented in over 65% of stores focused on potentiating fresh offer. On-going expansion of online and express delivery with over 240 pick-up stores and 114 stores with last-mile service. New store model testing launched.

<sup>1</sup> As of 31/12/20

<sup>2</sup> Over 50,000 inhabitants

## GROUP PERFORMANCE

(€m)	2020	2019	Change (%)
Like-for-like sales growth (%)	7.6%	-7.6%	n/a
Net sales	6,882.4	6,870.5	0.2%
Gross Profit	1,498.5	1,318.5	13.7%
Adjusted EBITDA	122.9	(90.9)	n/a
EBIT	(182.1)	(580.2)	68.6%
Net attributable Result	(363.8)	(790.5)	54.0%
(€m)	2020	2019	Change (€m)
Trade Working Capital (negative)	609.2	607.9	1.3 inflow
Total Net Debt	1,867.8	2,027.7	(159.9)

Group Net Sales increased 0.2% on a streamlined store network (-6.9%), and despite Brazilian Real and Argentinean Peso devaluations, and lower tourist traffic in Spain and Portugal as a result of Covid-19 related restrictions.

Group Comparable Sales (Like-for-Like) reached 7.6%, continuing the positive momentum initiated in the first quarter, driven by ongoing business improvements efforts and resulting in a 24.6% increase in average basket size.

Gross Profit (as a percentage of Net Sales) increased to 21.8% from 19.2% during 2020 thanks to increased volumes and positive operational improvements.

Adjusted EBITDA turned back positive to 1.8% as a percentage of Net Sales.

Net Result amounted to negative Euros 363.8 million, impacted by foreign exchange losses recognized mainly related to the depreciation of the Brazilian Real.

Available Liquidity: Ample levels at Euros 397 million (December 2019: Euros 421 million) with 87% in the form of Cash or Cash equivalents.

Net Financial Debt (ex IFRS16): Euros 1,276 million down Euros 46 million versus December 2019 thanks to positive Cash Flow from Operations, controlled Capital Expenditures and stable Trade Working Capital.

## FY 2020 RESULTS

(€m)	2020	2019	Change (%)
<b>Gross sales under banner</b>	<b>8,394.5</b>	<b>8,675.3</b>	<b>-3.2%</b>
Like-for-like sales growth (%)	7.6%	-7.6%	n/a
<b>Net sales</b>	<b>6,882.4</b>	<b>6,870.5</b>	<b>0.2%</b>
Cost of goods sold & other income	(5,383.9)	(5,552.0)	-3.0%
<b>Gross profit</b>	<b>1,498.5</b>	<b>1,318.5</b>	<b>13.7%</b>
Labour costs	(735.6)	(741.0)	-0.7%
Other operating expenses & leases	(391.3)	(380.8)	2.8%
Restructuring costs	(69.7)	(131.1)	-46.9%
<b>EBITDA</b>	<b>301.9</b>	<b>65.6</b>	<b>360.3%</b>
D&A	(426.5)	(518.4)	-17.7%
Impairment	(26.4)	(57.5)	-54.0%
Write-offs	(31.1)	(70.0)	-55.6%
<b>EBIT</b>	<b>(182.1)</b>	<b>(580.2)</b>	<b>-68.6%</b>
Net financial results	(169.8)	(96.7)	75.6%
<b>EBT</b>	<b>(351.9)</b>	<b>(677.0)</b>	<b>-48.0%</b>
Income taxes	(11.9)	(91.7)	-87.1%
<b>Consolidated profit</b>	<b>(363.8)</b>	<b>(768.6)</b>	<b>-52.7%</b>
Discontinuing operations	-	(21.8)	n/a
<b>Net attributable Result</b>	<b>(363.8)</b>	<b>(790.5)</b>	<b>-54.0%</b>

The reconciliation between the EBITDA indicated in the financial states and the one indicated in the preceding table, due to the assignment due to the nature of the logistical costs attributed to the stores and the restructuring cost for 2020 and 2019, is explained in the next table:

(€m)	Income statement	Logistics cost	Restructuring cost	Total 2020
<b>Net sales</b>	<b>6,882.4</b>	-	-	<b>6,882.4</b>
<b>Cost of goods sold &amp; other income</b>	<b>(5,020.2)</b>	<b>(365.2)</b>	<b>1.5</b>	<b>(5,383.9)</b>
Goods and other consumables used	(5,053.1)	(365.2)	-	(5,418.3)
Other income	45.8	-	-	45.8
Impairment of trade debtors	(12.9)	-	1.5	(11.4)
<b>Gross profit</b>	<b>1,862.2</b>	<b>(365.2)</b>	<b>1.5</b>	<b>1,498.5</b>
Labour costs	(922.4)	129.4	57.5	(735.6)
Other operating expenses	(605.6)	232.1	7.5	(365.9)
Leased property expenses	(32.3)	3.7	3.2	(25.4)
Restructuring costs	-	-	(69.7)	(69.7)
<b>EBITDA</b>	<b>301.9</b>	-	-	<b>301.9</b>

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

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

EBITDA to Adjusted EBITDA reconciliation			
(€m)	2020	2019	Change
<b>Gross Operating Profit (EBITDA)</b>	<b>301.9</b>	<b>65.6</b>	<b>236.3</b>
Restructuring costs and LTIP	69.7	131.1	(61.4)
IFRS 16 lease effect	(270.1)	(321.4)	51.3
IAS 29 hyperinflation effect	21.3	33.9	(12.6)
<b>Adjusted EBITDA</b>	<b>122.9</b>	<b>(90.9)</b>	<b>213.8</b>

Group Net Sales increased 0.2% on 6.9% fewer stores and the currency impact of Brazilian Real and Argentinean Peso (depreciation of 24.1% and 33.7% respectively, during 2020) and lower tourist traffic in some areas in Spain and Portugal because of Covid-19 restrictions.

Group Comparable Sales (Like-for-Like) reached 7.6%, continuing the positive momentum since the first quarter supported by ongoing transformation efforts, driven by an increase of 24.6% in average basket size and more than offsetting a 13.7% decrease in number of tickets.

Gross Profit (as a percentage of Net Sales) increased to 21.8% from 19.2% during 2020 thanks to the increase in the volume effects and positive operational improvements including optimized logistics and reduction of food waste.

Labor costs decreased 0.1% as a percentage of Net Sales, as 2019 rationalization measures continued to offset Covid-19 related staffing requirements.

Other operating expenses (as a percentage of Net Sales) increased to 5.7% from 5.5% during 2019 impacted by the franchising process carried out during 2019 and 2020, despite negative Covid-19 related costs including protective equipment, which have been offset by cost cutting initiatives.

EBITDA increased significantly to Euros 301.9 million in the period (360.3%), thanks to improved Gross Profit and a continued cost discipline as well as a decrease in Restructuring Costs.

Adjusted EBITDA improved to 1.8% as a percentage of Net Sales and turning back positive to Euros 122.9 million.

Depreciation and Amortization decreased by Euros 91.9 million on strategic closures of stores and warehouses.

Net Result amounted to negative Euros 363.8 million (-54.0%), impacted by foreign exchange losses recognized (Euros 84.7 million during the year) mainly related to the depreciation of the Brazilian Real.

**Financial Results**

(€m)	2020	2019	Change
Finance income	10.7	38.3	(27.6)
Interest expense	(48.3)	(65.6)	17.3
Other financial expenses	(23.6)	(33.9)	10.3
Refinancing costs	-	(8.3)	8.3
FX differences	(84.7)	(14.3)	(70.4)
IFRS 16 related financial costs	(59.9)	(70.8)	10.9
Gains from net monetary position (IAS 29)	36.1	63.7	(27.6)
Results from financial instruments	-	(6.0)	6.0
P&L from companies accounted under equity method	(0.1)	0.2	(0.3)
<b>Net financial results</b>	<b>(169.8)</b>	<b>(96.7)</b>	<b>(73.1)</b>

Interest expenses decreased Euros 17.3 million due to the improved financing conditions achieved following the refinancing process in July 2019.

Other financial expenses decreased to Euros 23.6 million thanks to lower bank credit and credit interest rates in Argentina linked to revenues and other financial expenses linked to financial liabilities in Brazil.

Foreign Exchange differences include Euros 75.1 million of negative currency effect resulting from the devaluation of the Brazilian Real in the period, of which Euros 57.3 million (76.3%) came from Euro denominated intra-Group long-term structural financing provided to DIA Brazil primarily by the Group, and the remaining Euros 17.8 million (23.7%) from USD and Euro denominated bank loans held by the Brazilian affiliate.

The drop in the number of stores and lower inflation in Argentina drove the reduction in IFRS16 and IAS29 effects, respectively.

**INFORMATION BY COUNTRY**

SPAIN (€m)	2020	%	2019	%	Change (%)
<b>Gross sales under banner</b>	<b>5,357.7</b>		<b>5,023.0</b>		<b>6.7%</b>
Like-for-like sales growth	11.3%		-6.4%		
<b>Net sales</b>	<b>4,508.8</b>		<b>4,177.2</b>		<b>7.9%</b>
<b>Adjusted EBITDA</b>	<b>99.6</b>	<b>2.2%</b>	<b>18.2</b>	<b>0.4%</b>	<b>447.2%</b>

Positive Net Sales trend continues strongly year on year despite 7.5% fewer stores.

Adjusted EBITDA increased 180bps offsetting increased Operating Expenses to support enhanced fresh offer, Covid-19 related costs and Euros 6.8 million legal contingency recognition as highlighted in the Interim Consolidated Financial Statements for the year 2020.

PORUGAL (€m)	2020	%	2019	%	Change (%)
<b>Gross sales under banner</b>	<b>862.9</b>		<b>767.9</b>		<b>12.4%</b>
Like-for-like sales growth	6.1%		-4.6%		
<b>Net sales</b>	<b>630.0</b>		<b>593.9</b>		<b>6.1%</b>
<b>Adjusted EBITDA</b>	<b>17.2</b>	<b>2.7%</b>	<b>9.6</b>	<b>1.6%</b>	<b>79.2%</b>

Net Sales increased by 6.1% during the year, mainly driven by local transformation measures and refurbishments focused on supporting fresh product offer that offset the effect of lower tourist traffic in main cities during the peak holiday season.

Adjusted EBITDA increased 110bps on the back of operational excellence measures implemented.

BRAZIL (€m)	2020	%	2019	%	Change (%)
<b>Gross sales under banner</b>	<b>1,045.6</b>		<b>1,344.0</b>		<b>-22.2%</b>
Like-for-like sales growth	7.1%		-8.8%		
<b>Net sales</b>	<b>929.8</b>		<b>1,182.1</b>		<b>-21.3%</b>
<b>Adjusted EBITDA</b>	<b>(13.8)</b>	<b>-1.5%</b>	<b>(130.7)</b>	<b>-11.1%</b>	<b>89.5%</b>

Net Sales up 4.5% in local currency year on year, with 11.5% fewer stores following closure of underperforming locations.

Adjusted EBITDA recovered significantly achieving a 9.6% improvement in margin but remains negative due to low performing regional activity.

ARGENTINA (€m)	2020	%	2019	%	Change (%)
<b>Gross sales under banner</b>	<b>1,128.3</b>		<b>1,540.5</b>		<b>-26.8%</b>
Like-for-like sales growth	-1.7%		-10.2%		
<b>Net sales</b>	<b>813.8</b>		<b>917.3</b>		<b>-11.3%</b>
<b>Adjusted EBITDA(*)</b>	<b>19.9</b>	<b>2.4%</b>	<b>12.1</b>	<b>1.3%</b>	<b>64.5%</b>

Net Sales up 35.9% in local currency on the back of improved operational performance in a challenging macroeconomic environment.

Adjusted EBITDA(\*) increased 110bps driven by ongoing cost reduction efforts and despite negative volume effect on sales and currency effect.

(\*) Adjusted EBITDA margin to Net Sales calculated without inflation in Argentina is 2.2%.

## BALANCE SHEET

(€m)	2020	2019
Non-current assets	2,044.6	2,448.2
Inventories	445.8	496.5
Trade & Other receivables	128.4	111.0
Other current assets	69.3	100.2
Cash & Cash equivalents	347.0	163.6
Non-current assets held for sale	0.4	-
<b>Total assets</b>	<b>3,035.4</b>	<b>3,319.4</b>
Total equity	(697.2)	(350.5)
Long-term debt	1,625.8	1,865.7
Short-term debt	589.0	325.5
Trade & Otherpayables	1,183.4	1,215.4
Provisions & Other	334.4	262.0
Liabilities associated with assets held for sale	-	1.3
<b>Total equity &amp; liabilities</b>	<b>3,035.4</b>	<b>3,319.4</b>

At 31 December 2020, the shareholders' equity balance in the individual financial statements of the Parent Company (which are those used for the purpose of computing the legal dissolution or capital increase obligation) amounted to negative Euros 41.8 million (Euros 222.7 million as of December 2019) impacted by Euros 238.0 million impairment of the investment in the Brazilian affiliate to reflect the negative evolution of the Brazilian Real.

## NET DEBT

(€m)	2020	2019
Net financial debt	1,276.3	1,322.2
IFRS 16 related debt effect	591.5	705.4
<b>Total net debt</b>	<b>1,867.8</b>	<b>2,027.6</b>

Decrease in Total Net Financial Debt of Euros 45.9 million since end 2019, down to Euros 1,276.3 million driven by positive Cash Flow from Operations, stable Trade Working Capital and limited Capital Expenditures.

## Debt maturity profile

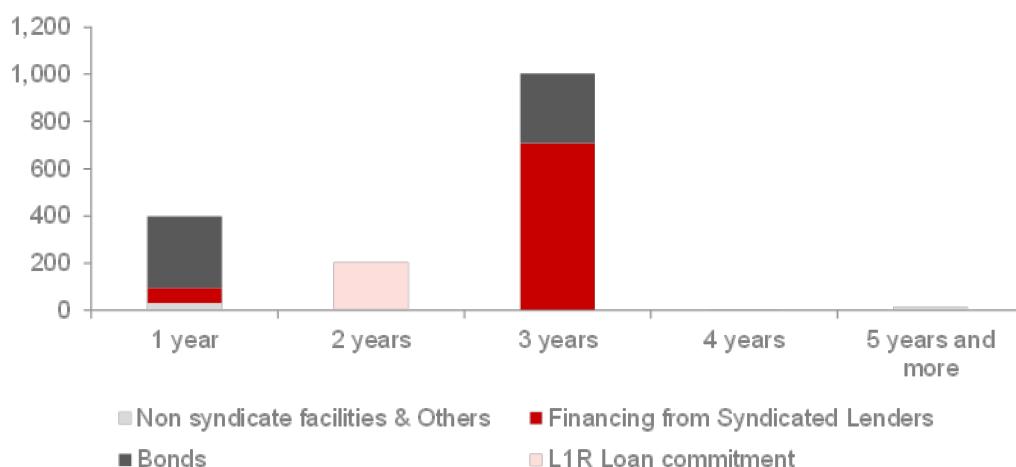
Actual Gross Debt Maturity Profile as of 31th December 2020 (exc. IFRS 16): Euros 1,623.3 million.

Non-Syndicated Facilities & Others are Euros 31.9 million (December 2020-December 2021), Euros 5.7 million (December 2021-December 2022), and Euros 15.8 million (December 2022 onwards).

L1R Super Senior Loan facility are Euros 200.0 million (July 2022).

Bonds are Euros 303.8 million (April 2021) and Euros 295.6 million (April 2023).

Financing from Syndicated Lenders are Euros 63.0 million (December 2020-December 2021) and Euros 707.5 million (December 2022-December 2023).



(\*) Not including lease payments (IFRS 16).

On 10th August 2020, DEA Finance S.à r.l. ("DEA Finance"), a company ultimately controlled by Letterone Holdings S.A. and the sole lender under the Euros 200 million L1R Super Senior Facility, launched an offer addressed to the eligible holders of the 2021 and 2023 Bonds to purchase a significant portion of the Bonds. As a result of the transaction settled during the month of September, the offeror held as of 30th September 2020 an aggregate principal amount of 97.53% of 2021 Bonds and 89.73% of 2023 Bonds.

The offeror announced in the tender offer memorandum that following settlement date, it may seek to engage with the Company to discuss and implement options to address the Company's capital structure on a long-term basis.

On 30th November 2020, the company announced an agreement reached with its majority shareholder L1R Invest1 Holdings S.à.r.l. ("L1R"), DEA Finance and its syndicated financial lenders to implement a comprehensive recapitalization and refinancing transaction (the "Transaction") which would allow the management to focus fully on the implementation of the DIA group business plan.

The Transaction involves: (i) a Euros 500 million equity increase at DIA to discharge an equivalent amount of financial debt under the Euros 200 million L1R Super Senior Facility and Euros 300 million 2021 Bonds due on 28th April 2021; (ii) an amendment and restatement of the existing Euros 973 million syndicated facilities agreement to extend the maturity date of certain facilities to 31st December 2025 and amend other terms and conditions; (iii) an amendment of terms and conditions of Euros 300 million 2023 Bonds to extend the maturity date from 6th April 2023 to 30th June 2026 and increase the interest to 5% per annum; and (iv) an extension of the maturity dates of certain bilateral facilities and credit lines entered into with certain syndicated financial lenders ("Bilateral Facilities").

The effectiveness of the Transaction is subject to the fulfillment or waiver of certain conditions precedent by no later than 18th December 2020 (in some cases) and that were successfully completed and 28th April 2021 (in other cases).

The recapitalization of the DIA Group, together with the discharge of a significant amount of Net Financial Debt, as well as the extension of the maturity dates of the senior facilities, the 2023 Bonds and the Bilateral Facilities, will materially reduce the financial indebtedness of the DIA Group, eliminate refinancing risk over the medium term, ensure operational financing requirements are in place, and provide a stable long-term capital structure for DIA.

#### TRADE WORKING CAPITAL

(€m)	2020	2019	Change
<i>Non recourse factoring</i>	-	14.1	(14.1)
Inventories (A)	445.8	496.5	(50.7)
Trade & other receivables (B)	128.4	111.0	17.4
Trade & other payables (C)	1,183.4	1,215.4	(32.1)
<b>Total working capital (1)</b>	<b>(609.2)</b>	<b>(607.9)</b>	<b>(1.3)</b>

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

Trade Working Capital stable at Euros 609.2 million, thanks to a 10.2% decrease in inventories facilitated by improved stock management, an increase of Euros 17.4 million of Trade and Other Receivables linked to the increase in Net Sales and a decrease of Euros 32.0 million in Trade and other Payables within a normalized relationship with suppliers and credit insurance agencies.

Non-Recourse Factoring amounted to 0 at year end 2020 (December 2019: 14.1m) and stable Confirming amount of Euros 248.1 million as of December, 31th (December 2019; Euros 250.3 million).

#### CAPEX

(€m)	2020	2019	Change (%)
Spain	60.0	33.8	77.5%
Portugal	10.4	9.2	13.0%
Argentina	7.6	9.4	-19.1%
Brazil	5.4	40.5	-86.7%
<b>Total Capex</b>	<b>83.3</b>	<b>93.0</b>	<b>-10.4%</b>

Capital Expenditure down 10.4% due to investment control measures implemented in the early stages of the business transformation plan.

## STORE NETWORK

DIA GROUP	Owned	Franchised	Total
Total stores 31 December 2019	3,725	2,901	6,626
New openings	4	10	14
Net change from franchised to owned stores	28	-28	0
Closings	-270	-201	-471
<b>Total DIA GROUP stores at 31 December 2020</b>	<b>3,487</b>	<b>2,682</b>	<b>6,169</b>
Spain	2,441	1,477	3,918
Portugal	298	267	565
Brazil	462	317	779
Argentina	286	621	907

DIA reached an inflection point during 2020, initiating the conversion of owned stores into franchised stores in Spain and Portugal, following the completion of a two year franchisee network rationalization process which saw 712 net stores converted from franchised to owned within the group. In Spain, 203 franchised stores are now managed by franchisees that already hold at least one location and 113 stores were transferred already from owned stores to franchised stores during 2020 with newly selected entrepreneurs attracted by DIA's strategic vision.

During the year, 41 net stores were transferred from franchised to owned in Spain including 22 Clarel stores, 8 net locations were transferred from franchised to owned in Brazil and net changes in Portugal were 0 (19 stores were transferred to owned stores and 19 owned stores were transferred to franchised). Net change of format in Argentina resulted in 21 additional franchised stores.

Regarding the closing, 104 DIA stores closed in Spain (55 franchised and 49 owned) as well as 1 La Plaza store, 12 franchised stores in Portugal, 29 in Argentina (13 franchised and 16 owned) and 107 in Brazil (81 owned and 26 franchised including the strategic sale of Rio Grande do Sul stores). In addition, as part of a previously announced exit strategy for this specific type of franchisees, a total of 95 Cada Dia stores were closed during the period. Additionally, 123 Clarel stores were closed in Spain.

The openings correspond to 2 owned stores and 3 franchised stores in Spain, 1 franchised store in Portugal, 2 owned stores and 4 franchised stores in Brazil and 2 franchised stores in Argentina.

## DEFINITION OF APMs

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

## PURPOSE

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

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

## CHANGES TO APMs

The Adjusted EBITDA definition was updated in 2019 to:

- I. Exclude the effect of IAS 29 and IFRS 16, and,
- II. Include as Ordinary Operational Expenses or Revenues –to be more conservative – those related to store remodeling and closings, long-term incentive programs (LTIP), and write-offs of account receivables related to Franchisees.

On 25 March the Board of Directors, approved an LTIP for the 2020-22 period. The Company has amended the Adjusted EBITDA definition to exclude the accrual of costs related to long-term incentive programs (LTIP) to isolate this effect.

Adjusted EBITDA definition will therefore exclude: effect of IAS 29 and IFRS 16, restructuring costs and LTIP costs.

**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)	2020	2019	Change (%)
Net sales	6,882.4	6,870.5	0.2%
VAT and other	1,512.1	1,804.8	-16.2%
<b>Total Gross sales under banner</b>	<b>8,394.5</b>	<b>8,675.3</b>	<b>-3.2%</b>

**LFL growth of Gross Sales under Banner:** Growth rate of Gross Sales under Banner at constant currency of the stores that have been operating for more than thirteen months under the same conditions.

To be more conservative in applying this definition, LFL figures reported in this document exclude from the comparison base of calculation only those stores that have been closed for significant remodeling activities or severely impacted by external objective reasons. Additionally, the LFL figures corresponding to Argentina have been deflated using internal inflation to reflect volume LFL, avoiding misleading nominal calculations in relation to hyperinflation

**Adjusted EBITDA:** Underlying Operating Profit that is calculated after adding back to EBIT Depreciation & Amortization (including amortization related to the closing of stores and impairment of fixed assets), losses on the write-down of fixed assets, impairment of fixed assets, restructuring costs, gains and losses on disposals of fixed assets, the effect related to the application of IAS 29 and IFRS 16, and the costs related to LTIP programs.

**OPERATING PROFIT TO ADJUSTED EBITDA RECONCILIATION**

(€m)	2020	2019	Change
Operating profit (EBIT)	(182.1)	(580.2)	398.2
Depreciation & Amortization	426.5	518.4	(91.9)
Losses on write-down of fixed assets	31.1	70.0	(38.9)
Impairment of fixed assets	26.4	57.5	(31.1)
<b>Gross operating profit (EBITDA)</b>	<b>301.9</b>	<b>65.6</b>	<b>236.3</b>
Restructuring costs	58.1	131.1	(73.0)
Long-term incentive program	11.6	-	11.6
IFRS 16 lease effect	(270.1)	(321.4)	51.3
IAS 29 hyperinflation effect	21.3	33.9	(12.6)
<b>Adjusted EBITDA</b>	<b>122.9</b>	<b>(90.9)</b>	<b>213.7</b>

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

**NET DEBT RECONCILIATION**

(€m)	2020	2019	Change
Long-term debt	1,224.6	1,377.5	(152.9)
Short-term debt	398.7	108.3	290.4
Cash & Cash equivalents	347.0	163.6	183.4
<b>Total net debt</b>	<b>1,276.3</b>	<b>1,322.2</b>	<b>(45.9)</b>
IFRS 16 related debt effect	591.5	705.4	(113.9)
<b>Net financial debt</b>	<b>1,867.8</b>	<b>2,027.6</b>	<b>(159.8)</b>

## INFORMATION ABOUT THE FORESEEABLE EVOLUTION OF THE ENTITY

During year 2019 the Group initiated its business transformation process, with the aim of laying the solid foundations for the creation of a solid business, re-establishing "core retail practices" and creating an operating model based on the reinforcement and strengthening the leadership at country level with the support of a lean corporate centre.

Key priorities during 2020 included the continued development of DIA's commercial value proposition, improved assortment with a focus on fresh produce and the development of a new private label offer combining quality, value-for-money and more attractive packaging.

**First phase of the business transformation** was initiated in May 2019, and it ended during the first quarter of 2020 being the key achievements as follows:

- **Investment in capabilities – attracting and retaining talent at all levels:** country leadership strengthened with the appointment of Ricardo Alvarez as CEO Spain and Marcelo Maia as new Executive Chairman Brazil; new operating model in place, based on devolved and empowered country leadership with full P&L responsibility, strategically supported by a lean Group corporate centre.
- **Focus on Culture & Trust – rebuilding trust and fostering long-term relationships:** (i) Customers: new value-for-money proposition and effective COVID-19 response positively repositioning DIA with its communities; (ii) Employees: Collective Employee 2019-2021 Agreement signed in January 2020 and new performance-based culture introduced; (iii) Franchisees: new model in roll-out phase based on long-term partnership, transparent margin and payment terms, and opportunities for selected Franchisees to manage multiple locations; (iv) Suppliers: alignment of all relationships and simplification of negotiations and agreements based on transparent approach.
- **Rebuild DIA – re-establishing core retail practices:** (i) Commercial: optimized assortment offering enhanced product visibility and shopping experience; (ii) Franchise: strengthened network with 712 Group stores transferred from Franchise to Owned since January 1st, 2019; (iii) Operational: excellence program implemented including store layout improvements, product display planograms and logistic optimization measures, increasing productivity ratios; (iv) Finance: Focus on OPEX reduction and disciplined CAPEX allocation, working capital improvement following stock optimization efforts.

In line with the objectives achieved during the first phase, the deployment of the **second phase of business transformation** was initiated. The Group has clear operational priorities that are being implemented by country leadership, with strategic guidance, performance oversight and capital allocation provided by the corporate centre.

Phase 2 of DIA's business transformation is focused on the implementation of key initiatives at country level, among which may be highlighted:

- **Commercial Assortment and Store Layout:**
  - Spain: roll out of optimized assortment and store layout to over 1,100 stores in Spain (c. 40% of network excluding Clarel) with priority focus on fresh fruit and vegetable offer resulting in 12% increase in Net Sales for fresh produce categories in 2020. New store model testing launched including an improved look and feel, and more simple and efficient layout.
  - Portugal: Fresh produce service frequency increased for 450 priority stores to support fresh offer. Continuing implementation of optimized assortment and light refurbishments in over 380 stores (c. 77% excluding Clarel).
  - Brazil: The management kept focus on defining a value proposition adapted to the local market and developing a sustainable and profitable business model.
  - Argentina: new assortment implemented in over 65% of stores focused on potentiating fresh offer. New store model testing launched.

- **Private Label:**

- Spain: Ready-made and new private label products launched.
- Brazil: continued the implementation of a reinforced assortment adding over 400 new private label products during the year.

- **Online / E-commerce:**

- Spain: expansion of online service with the conversion of 14 stores into dark stores (i.e. online fulfilment only). The Company has reached agreements with a number of partners to improve last mile delivery which is now available from 440 stores covering 90% of population in main cities (over 50,000 inhabitants) from our website as well as through partnerships.
- Portugal: online delivery now covers the Greater Lisbon and Oporto areas, with express delivery available in 95 stores via regional partnerships.
- Argentina: on-going expansion of online and express delivery with over 240 pick-up stores and 114 stores with last-mile service.

- **Franchise:**

- Spain and Portugal: comprehensive roll-out of an updated franchise model, which includes among others, a new merchandise payment and sales incentive system as well as simplified cost structure has now been activated for over 950 of DIA's franchise partners in Spain (64% of franchisees including Clarel) and 180 partners in Portugal (67% of franchisees).
- Brazil: a tailored offer is being prepared to launch.
- Argentina: an updated franchise model is also being rolled out.

In addition, the Group maintains a strict focus on cost efficiencies and delivering reduced complexity. This is primarily being achieved thanks to the ongoing enhancement of our operational model across the entire supply chain, as well as more efficient logistics processes.

The basis for all the momentum achieved has been the implementation of a new organizational structure, initiated during the first semester with the aforementioned appointments, to which should be added the appointment of Santiago Martínez-Lage Sobreiro as Group Corporative Director in July 2020, José M<sup>a</sup> Jimenez in August 2020 as CEO Clarel, Martín Tocalchir in September 2020 as CEO Brazil and Jesús Soto as CFO of DIA Group. This new corporate structure is aligned to DIA's long-term vision, resulting in greater country autonomy to develop compelling, relevant offers for local customers, led by an empowered CEO and supported by a strategic corporate centre.

DIA Group made a concerted effort in 2020 to re-build trust and build long-term relationships with all external stakeholders as a foundation for a transparent, performance-oriented business culture. In 2021 we will continue to relentlessly focus on improving our position as a modern proximity food retailer with innovative commercial and e-commerce solutions delivered by motivated employees and franchise partners – growing closer to our customers every day.

## RESEARCH, DEVELOPMENT AND INNOVATION ACTIVITIES

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

As established in the IAS 38, DIA includes the development costs generated internally in the assets, once the project has reached a development phase, as long as they are clearly identifiable and linked to

new commercial model projects and IT developments, to the extent that it can be justified that they will result in an increase in future profit for the Company.

The costs associated with R&D+i incurred by DiA during 2020 are, as a percentage, smaller compared to the rest of the costs arising from the development of activities aligned with its social objectives.

Euros 4.95 million was activated during 2020, corresponding to the capitalization of IT developments (Euros 6.01 million in 2019).

### TREASURY STOCK AND EARNINGS PER SHARE

Changes in own shares in 2020 and 2019 are as follows:

	Number of shares	Average price	Total
<b>At 31 December 2018</b>	<b>9,542,356</b>	<b>5.8540</b>	<b>55,861,183.89</b>
Sale of shares	(7,843,729)		(45,917,380.17)
Delivery of shares to Directors	(94,247)		(551,724.23)
Delivery of shares as part of the incentive plan 2016-2018 (note 18)	(365,590)		(2,140,172.74)
<b>At 31 December 2019</b>	<b>1,238,790</b>	<b>5.8540</b>	<b>7,251,906.75</b>
Delivery of shares to Directors	(254,310)		(1,488,736.91)
<b>At 31 December 2020</b>	<b>984,480</b>	<b>5.8540</b>	<b>5,763,169.84</b>

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

During 2019, 365,590 shares were received, amounting to Euros 2,140 thousand, as remuneration through the 2016-2018 incentive plan. Furthermore, directors have received remuneration in the form of shares totalling Euros 552 thousand (94,247 shares).

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

At 31 December 2020 the Company holds 984,480 own shares of the Parent with an average purchase price of Euros 5.8540 per share, representing a total amount of Euros 5,763,169.84.

### EARNINGS/LOSSES PER SHARE

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

	2020	2019
<b>Average number of shares</b>	<b>6,676,983,717</b>	<b>6,669,403,563</b>
Losses for the period in thousands of Euros	(363,788)	(790,468)
Losses per share in Euros	(0.05)	(0.12)

The weighted average number of ordinary shares are as follow:

	Weighted average ordinary shares in circulation at 31/12/2020	Ordinary shares at 31/12/2020	Weighted average ordinary shares in circulation at 31/12/2019	
			Ordinary shares at 31/12/2019	Ordinary shares at 31/12/2019
Total shares issued	6,677,978.979	6,677,978.979	6,677,978.979	6,677,978.979
Own shares	(995,262)	(984,480)	(8,575,416)	(1,238,790)
<b>Total shares available and diluted</b>	<b>6,676,983.717</b>	<b>6,676,994.499</b>	<b>6,669,403.563</b>	<b>6,676,740.189</b>

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.

#### AVERAGE PAYMENT PERIOD TO SUPPLIERS

The information required from Spanish DIA Group companies under the reporting requirement established in Spanish Law 15/2010 of 5 July 2010, which amended Spanish Law 3/2004 of 29 December 2004 and introduced measures to combat late payments in commercial transactions, is as follows:

	2020	2019
	Days	Days
Average payment period to suppliers	38	42
Paid operations ratio	37	42
Pending payment transactions ratio	40	39
	Amount (euros)	Amount (euros)
Total payments made	3,371,694,184	3,783,989,845
*Total payment pending	426,131,765	410,169,233

\*Receptions unbilled and invoices included in the confirming lines at the year end previously mentioned, are not included in this amount

The above average payment period considers the reverse factoring facilities with suppliers. Payment periods in agreements with suppliers vary between 60 and 90 days.

#### LIQUIDITY

The Parent company applies a prudent policy to cover its liquidity risks, based on having sufficient cash and marketable securities as well as sufficient financing through credit facilities to settle market positions. Given the dynamic nature of its underlying business, the Group's Finance Department aims to be flexible with regard to financing through drawdowns on contracted credit facilities.

In the context of the global recapitalisation and refinancing in progress, on 30 November 2020, the Parent company announced the signing of an agreement with its financial lenders and its main shareholder. By virtue of this agreement, the Parent company agreed, inter alia, to submit for approval by the Shareholders at an General Meeting (which was announced on 25 February 2021 and is scheduled to be held on 15 March 2021, as set forth in the Events after the reporting period section) a Capital Increase of Euros 500 million by means of converting into capital debt represented by Euros 300 million in 2021 Bonds and Euros 200 million of the SS Facility.

The Directors of the parent Company therefore consider that the planned recapitalisation of the DIA Group, together with the release of a material amount of financial liabilities, as well as the extension of the maturity date of certain financial debt, will reinforce the equity situation of the Parent company, substantially reduce the financial debt of the DIA Group, eliminate the risk of refinancing in the medium term, ensure that the operating finance needs are covered and provide a viable long-term capital structure for the DIA Group.

The Group's exposure to liquidity risk at 31 December 2020 and 2019 is shown below. The tables below reflect the analysis of financial liabilities by contracted maturity.

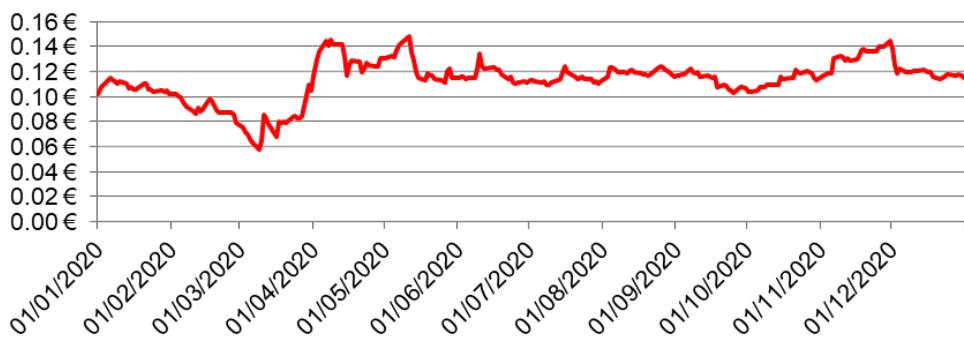
Thousands of Euros	Maturity	2020
Debentures and bonds long term	2023	295,599
Syndicated credits (Revolving credit facilities)	2023	133,040
Syndicated loan (Term Loan)	2023	387,289
Other bank loans	2022	200,136
Finance lease payables	2022-2042	414,587
Credit facilities drawn down	2023	183,509
Guarantees and deposits received	per contract	11,055
Other non-current financial debt	2022	575
Other non-current financial liabilities	2022	2,306
<b>Total non-current financial liabilities</b>		<b>1,628,096</b>
Debentures and bonds long term	2021	303,795
Other bank loans	2021	72,982
Finance lease payables	2021	197,373
Syndicated credits (Revolving credit facilities)	2021	3,153
Credit facilities drawn down	2021	3,158
Expired interest	2021	5,170
Guarantees and deposits received	2021	1,026
Other financial debts	2021	2,375
Trade and other payables	2021	1,183,353
Suppliers of fixed assets	2021	54,133
Personnel	2021	84,625
Other current liabilities	2021	32,886
<b>Total current financial liabilities</b>		<b>1,944,029</b>

Thousands of Euros	Maturity	2019
Debentures and bonds long term	2021 and 2023	592,912
Syndicated credits (Revolving credit facilities)	2023	141,407
Syndicated loan (Term Loan)	2023	377,268
Other bank loans	2021	66,725
Finance lease payables	2021-2031	506,295
Credit facilities drawn down	2023	169,952
Guarantees and deposits received	per contract	10,709
Other non-current financial debt	2021	448
Other non-current financial liabilities	2022	3,806
<b>Total non-current financial liabilities</b>		<b>1,869,522</b>
Debentures and bonds long term	2020	3,980
Mortgage loan	2020	393
Other bank loans	2020	56,188
Finance lease payables	2020	225,973
Syndicated credits (Revolving credit facilities)	2020	3,153
Credit facilities drawn down	2020	26,049
Expired interest	2020	2,429
Guarantees and deposits received	2020	2,688
Derivatives	2020	687
Other debt with group companies	2020	90
Other financial debts	2020	3,906
Trade and other payables	2020	1,215,446
Suppliers of fixed assets	2020	41,456
Personnel	2020	65,909
Other current liabilities	2020	4,218
<b>Total current financial liabilities</b>		<b>1,652,565</b>

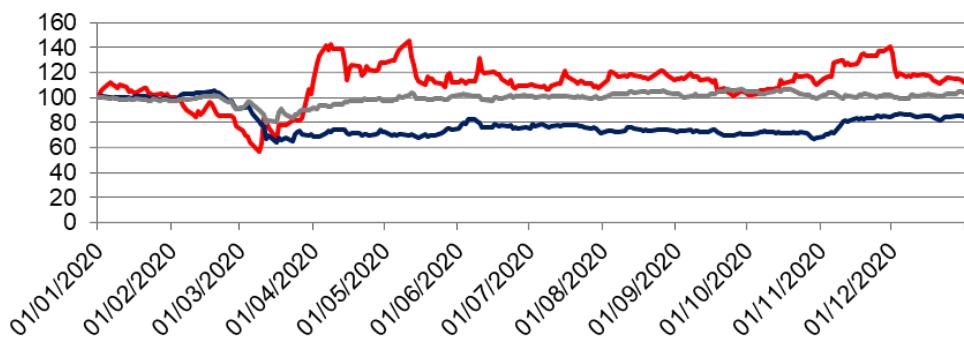
The finance costs accrued on these financial liabilities totalled Euros 108,200 thousand and Euros 131,760 thousand in 2020 and 2019, respectively. The decrease in these costs is due mainly to lower interest on bank borrowings and lower finance costs on finance lease payables.

## STOCK EXCHANGE INFORMATION

**Share Price Evolution**  
(From January 1, 2020 to December 31, 2020)



**Share Price Relative Evolution**  
(From January 1, 2020 to December 31, 2020)



In 2020 DiA's share Price increased by 12.1% while IBEX 35 Index declined by 15.5% and Bloomberg European Food Retail Index increased by 4.2%.

During 2020 DiA's share price closed at price of 0.1145 euros per share, being the average share Price during the year of 0.1135 euros.

## CREDIT RATING

Due to the negative evolution of the results, initiated in year 2018 which has been extended to 2019 and 2020, and the highly volatile and disrupted corporate business marked by the Group's transformation, the credit rating agencies Standard and Poor's (S&P) and Moody's have been lowering the long term rating attributed to the DiA Group, losing the investment grade.

At 31 December 2020, credit rating in force is as follow:

Standard & Poor's		Rating	Outlook	Date of last review
Type of Rating				
Corporate		CCC-	Negative	October 2020
Senior unsecured debt		C	Negative	October 2020
Moody's		Rating	Outlook	Date of last review
Corporate		Caa2	Negative	April 2020
Probability of default		Caa3-PD/LD	Negative	September 2020
Long-term senior unsecured debt		Ca	Negative	April 2020
Senior unsecured MTN programme		(P)Ca	Negative	April 2020

#### DIVIDEND POLICY

The Group has entered into a Syndicated Financing Agreement with a series of Financial Creditors originally signed on 31 December 2018, modified and refinanced on different occasions and maturing on 31 March 2023. This agreement includes a commitment by the Company to not distribute dividends to shareholders without the consent of the financing institutions until the debt owed to them has been repaid in full.

#### CHANGE IN CURRENCY RATE

Period	€/Argentinean Peso	€/Brazilian Real
FY 2019 average	0.0190	0.2267
FY 2020 average	0.0126	0.1720
<b>FY 2020 change (1)</b>	<b>-33.7%</b>	<b>-24.1%</b>

(1) Bloomberg average currency rates (a negative change in exchange rates implies a depreciation versus the Euro)

#### EVENTS FOLLOWING THE CLOSE OF THE PERIOD

On 10 December 2020, the Board of Directors approved the appointment by co-optation of Mr Marcelo Maia Tavares as other external director of the Parent company, effective from 1 January 2021. As a result of the foregoing, as of 1 January 2021, the Parent company's Board of Directors is comprised of seven members. On the same date, the Board of Directors approved the appointment of Mr Jesús Soto Cantero as new Group CFO, with effect from 1 January 2021.

On 29 January 2021, the loans granted by the Parent company to Dia Argentina, amounting to Euros 12,000 thousand were capitalised via shareholder contributions.

Mr. Christian Couvreux sadly passed away on 15 February 2021. Mr. Christian Couvreux was a member of the DIA Group's Board since May 2019 and chairman of the Appointments and Remuneration Committee, and he sat on the Board's Capital and Financial Structure Committee. Since he joined, Mr Christian Couvreux played a key role in DIA's transformation, bringing his extensive knowledge of and international experience in the food distribution sector.

On 16 February 2021, the credit rating agency, Moody's, confirmed the Company's long-term corporate family rating of Caa2 and upgraded its probability of default rating from Caa3-PD to Caa2-PD. Moody's also confirmed its long-term senior unsecured debt rating of Ca and its senior unsecured MTN programme rating of (P)Ca. It revised the outlook from "negative" to "stable".

On 25 February 2021, the Company has carried out a cash contribution to DIA Brasil for an amount of Euros 10,590 thousand (Brazilian Real 70,000 thousand) as capital increase.

On 11 March 2021, the Parent informed that the services in respect of Parent's long-term corporate issuer rating, its probability of default rating, its senior unsecured long-term rating and its senior unsecured MTN program rating provided by Standard & Poor's Financial Services ("S&P") and Moody's Investors Service ("Moody's") had been cancelled.

On 29 March 2021, DIA repaid an existing bilateral facility in Brazil for a total amount of Euro 35 million in the name and on behalf of DIA Brasil creating an intercompany receivable. On the same date, DIA increased its equity interest in DIA Brazil by way of capitalising this intercompany receivables for an amount of Euro 35 million.

### Global capitalization and refinancing agreement

On 30 November 2020, the Company published a communication of privileged information (registration number 613), informing the market that, following negotiations among L1R Invest1 Holdings S.à r.l. ("L1R"), DEA Finance S.à r.l. ("DEA Finance"), DIA and its syndicated financial lenders (the "Syndicated Lenders"), DIA had reached an agreement with all of its Syndicated Lenders regarding a recapitalisation and refinancing transaction (the "Original Transaction") aimed at providing a stable long-term capital and financial structure for the DIA group.

On 24 March 2021, following subsequent negotiations among DIA, L1R, DEA Finance, and its Syndicated Lenders, DIA has reached a new agreement with all of its Syndicated Lenders (the "Lock-up Agreement") providing a path for a more comprehensive recapitalisation and refinancing transaction (the "Comprehensive Transaction") which would ensure achieving a stable long-term capital and financial structure for the DIA group that would allow the management to focus fully on the implementation of its business plan.

The Comprehensive Transaction would involve the following key elements (interconditional on each other):

- (i) an equity increase at the level of DIA of up to EUR 1,028 million<sup>3</sup> (the "Capital Increase"), in two tranches:
  - (a) a debt capitalisation tranche of EUR 769.2 million to be subscribed for by L1R by way of set-off of the following financial debt within the DIA group (all such debt currently held by DEA Finance shall be purchased by L1R from DEA Finance prior to the capitalisation), at the nominal value of such debt:
    - (w) EUR 200 million debt currently owed by DIA Finance, S.L. to DEA Finance as the principal amount outstanding under the super senior term loan facility (the "SS Facility") (such debt will be transferred from DIA Finance, S.L. to DIA prior to the capitalisation);
    - (x) EUR 292.6 million of principal of the EUR 300 million 1.000% Euro Medium Term Notes maturing on 28 April 2021 (the "2021 Notes") issued by DIA and held by DEA Finance. The remaining outstanding amount owed under the 2021 Notes not held by DEA Finance would be repaid by DIA at maturity on 28 April 2021;
    - (y) EUR 7.4 million debt under a loan to be granted by L1R to DIA to finance (or refinance) the payment by DIA of the principal amount outstanding under the 2021 Notes to those holders of 2021 Notes other than DEA Finance on 28 April 2021 (as referred to in paragraph (x) above); and
    - (z) EUR 269.2 million aggregate principal amount of EUR 300 million 0.875% Euro Medium Term Notes currently maturing on 6 April 2023 (the "2023 Notes") issued by DIA and held by DEA Finance; and
  - (b) a cash tranche of up to EUR 259 million, reserved in first instance to all shareholders other than L1R, so that they can exercise their preferential subscription rights and subscribe for new shares up to their pro-rata entitlements at the same issue price as the new shares to be issued in the debt capitalisation tranche. The cash proceeds raised in the cash tranche would be available for DIA for general corporate purposes, including the acceleration of its business transformation plan. The cash tranche would be subject to customary subscription rounds and over-subscription pro-rata rules, and would not be underwritten in case of incomplete subscription;

<sup>3</sup> Exact figure may vary in order to allow an adequate Capital Increase exchange ratio.

- (ii) an amendment and restatement of the existing EUR 973,219,190 syndicated facilities agreement (the "SFA") to (a) extend the maturity date of facilities A-F (which amount to a total of EUR 902,426,478) (the "Senior Facilities") from 31 March 2023 to 31 December 2025, and (b) amend other terms and conditions of the SFA (as further detailed in Schedule 1);
- (iii) an amendment of the terms and conditions of the 2023 Notes to (a) extend their maturity date from 6 April 2023 to no earlier than 30 June 2026 and (b) increase the coupon from the date of the amendment to 3.50% per annum (3% in cash and 0.50% PIK) plus an additional increase in interest of 1% PIK in circumstances where PIK is payable under the SFA (as set out below); and
- (iv) an extension of the maturity dates of certain bilateral facilities and credit lines entered into by various DIA group companies with certain Syndicated Lenders or their affiliates (the "Bilateral Facilities").

The Comprehensive Transaction would essentially imply the following changes with respect to the Original Transaction:

- (i) upsizing the equity increase from EUR 500 million to up to EUR 1,028 million, by means of (a) L1R also capitalising the entire principal amount of 2023 Notes held by it, such principal amount being EUR 269.2 million, and (b) offering a cash tranche of up to EUR 259 million for minority shareholders to exercise their pro rata preferential subscription rights; and
- (ii) improving certain terms under the SFA for the benefit of DIA, including (a) introducing an effective basket for a permitted new super senior incremental facilities of up to EUR 50 million to be made available in the form of confirming, term loans and/or revolving commitments (which may be drawn by way of certain ancillary facilities) (the "SS Incremental Facility"), (b) a reduction of the Syndicated Lenders margin with respect to the Original Transaction, and (c) further flexibility around investments in Portugal and Argentina and in permitted disposals and financial reporting, all of it as indicated in Schedule 1.

The effectiveness of the Comprehensive Transaction (and, therefore, of all key elements (i) to (iv) above) is subject to the fulfilment or waiver of certain conditions precedent indicated in Schedule 2 on or before the longstop dates indicated in such Schedule.

The recapitalisation of the DIA group by up to EUR 1,028 million, together with the discharge of EUR 769.2 million of financial liabilities corresponding to the principal owed under the SS Facility, the 2021 Notes, and the 2023 Notes currently held by DEA Finance, in combination with the extension of the maturity dates of the Senior Facilities, the remaining 2023 Notes and the Bilateral Facilities, together with the injection of up to EUR 259 million of additional liquidity under the cash tranche, and with the permitted SS Incremental Facility, will restore and strengthen significantly the net equity position of DIA [(which is currently in a negative equity situation)], materially reduce the financial indebtedness of the DIA group, eliminate refinancing risk over the medium term, reduce significantly DIA group's interest burden, provide additional liquidity to ensure operational financing requirements are in place, improve and accelerate DIA's ability to access debt financing markets on normalised terms, and provide a stable long-term capital structure for DIA that will provide a clear runway for DIA's management to focus entirely on the implementation of its business plan.

#### **Schedule 1 – Summary of amendments to the SFA**

The main terms and conditions of the agreed amendment and restatement of the SFA are the following:

- (i) extension of the maturity date of the Senior Facilities from 31 March 2023 to 31 December 2025;
- (ii) extension of the maturity date of the Bilateral Facilities owed by DIA or any of its affiliates to a Syndicated Lender or its affiliates to a later date that is satisfactory to the Company, and otherwise on terms and conditions materially consistent with the relevant Bilateral Facility agreement;
- (iii) repayment of (a) up to EUR 35 million of the super senior supplier commitments (the "SS Supplier Commitments") upon effectiveness of the Comprehensive Transaction, and (b) the rest of the SS Supplier Commitments (that is, at least EUR 35,792,712) by no later than 17

July 2022, with the amount of the repayments that each Syndicated Lender is entitled to being reduced on a euro-for-euro basis if a Bilateral Facility in respect of which it is a lender is permanently reduced and/or cancelled on or before the date on which each repayment falls due for payment;

- (iv) increase in the total amount of the Syndicated Facilities available to be utilised by way of confirming lines or bilateral credit facilities by (a) an amount equal to the amount by which the SS Supplier Commitments are reduced and cancelled from time to time (such increase not resulting in an increase in the total aggregate amount of the Syndicated Facilities) and conversion of certain RCF commitments into term loan commitments, and (b) the SS Incremental Facility, which, subject to reaching an agreement with the Syndicated Lenders on the provision of such SS Incremental Facility and on its terms, may be made available in the form of confirming lines, bilateral facilities, revolving credit facilities, or term loans (should certain institutions not be able to provide ancillary facilities), up to an amount depending on the amount of cash proceeds received by DiA in the cash tranche of the Capital Increase, based on the following grid:

Cash proceeds received by DiA in the Capital Increase	Incremental facility commitments
Equal to or less than EUR 50 million	Nil
Greater than EUR 50 million but less than EUR 100 million	EUR 15 million
Equal to or greater than EUR 100 million but less than EUR 150 million	EUR 30 million
Equal to or greater than EUR 150 million but less than EUR 200 million	EUR 40 million
Equal to or greater than EUR 200 million	EUR 50 million

such SS Incremental Facility of up to EUR 50 million (x) ranking super senior (this is, it would rank senior to the Senior Facilities and the SS Supplier Commitments), (y) being subject to a 7% margin cap, and (z) with the rest of its terms and conditions to be negotiated with the Syndicated Lenders;

- (v) elimination of the annual cash sweep from a proportion of free cash flow, which would otherwise apply from the second quarter of 2022;
- (vi) fixed amortisation of EUR 25 million of the Senior Facilities on 31 March 2023 and EUR 25 million on 31 March 2024 (the "Early Repayments"), with the amount of Early Repayments that each Syndicated Lender is entitled to being reduced on a euro-for-euro basis if a Bilateral Facility in respect of which it is a lender is permanently reduced and/or cancelled on or before the date on which each Early Repayment falls due for payment. Such potential reduction to the Early Repayments will not apply if the Restated EBITDA (as defined in the SFA) for the financial year ending immediately prior to the date on which that Early Repayment falls due exceeds EUR 300 million;
- (vii) initial reduction of the super senior secured facilities basket (the "SS Facility Basket") from EUR 380 million to EUR 75 million plus any amount of the SS Supplier Commitments which has not yet been repaid by the Company (as per paragraph (iii) above). Any amounts borrowed under the SS Incremental Facility would utilise capacity under the EUR 75 million SS Facility Basket;
- (viii) elimination of the EUR 400 million additional senior and junior debt basket, which was intended for the purposes of, amongst other things, refinancing the 2021 Notes;

- (ix) increase in the applicable margin for Syndicated Lenders under the Senior Facilities from 250 basis points per annum to the lower of (a) 325 basis points per annum, or (b) 300 basis points per annum if (y) an aggregate principal amount of 2023 Notes currently held by DEA Finance in an amount of EUR 269.2 million has been capitalised in the Capital Increase, and (z) the amount of cash proceeds received by DIA in the cash tranche of the Capital Increase is equal to or greater than EUR 125 million;
- (x) margin ratchet of 125 basis points per annum PIK if (a) the leverage ratio for the relevant 12 month period ending on each of 31 December 2022 and/or 30 June 2023 is greater than 3.25:1, and/or (b) the leverage ratio for each 12 month period ending on each of 31 December and 30 June thereafter is greater than 2.50:1, such increase ceasing to apply if the leverage ratio falls below the relevant threshold on any subsequent test dates;
- (xi) obligation to deliver to the Syndicated Lenders a budget for financial years 2021 and 2022 as a condition to the completion of the Comprehensive Transaction, and an updated business plan (to include financial years 2023, 2024 and 2025) no later than 31 December 2022 (the "Updated Business Plan");
- (xii) roll forward of the Company's financial covenants, based on the Updated Business Plan, with the Company's leverage covenant for financial years 2023 to 2025 being equal to or lower than the leverage covenant included for financial year 2022 in the Company's existing business plan;
- (xiii) extension of permitted debt and equity baskets to allow certain investments by the DIA group in Portugal and Argentina (in addition to Brazil), and increase of the permitted disposals basket;
- (xiv) elimination of certain obligations of upstreaming cash from foreign operating subsidiaries exceeding certain minimum agreed levels of cash which are currently contemplated under the SFA;
- (xv) acknowledgement that the Company's hive down obligations under the SFA have been fully satisfied and that the Company is under no further obligation to take further actions with respect to the hive down save for:
  - (a) the transfer of any asset of the Company (other than shares in any other subsidiary) which has not been transferred to DIA Retail España, S.A. because of one or more of the restrictions agreed under the SFA applying, which the Company must procure to execute if and to the extent that all applicable restrictions cease to apply at any time;
  - (b) the transfer of the Company's shares in its Brazilian and Argentinean subsidiaries to the corresponding wholly owned Luxembourg companies, which the Company must procure to execute if and to the extent there is a change in law or the applicable tax regime(s) that would allow the relevant shares to be transferred without any cost; and
  - (c) the transfer of the Company's shares in its Portuguese subsidiary to the relevant wholly owned Luxembourg company, in respect of which the Company must use best endeavours to effect such transfer as soon as reasonably practicable after the relevant legal, regulatory or taxation impediment to the transfer ceases to apply;
- (xvi) obligation to (a) submit a petition for the *homologación judicial* before the relevant Spanish court of an ad hoc refinancing agreement to be entered into between, among others, the Company and the Syndicated Lenders, and (b) use its reasonable endeavours to pursue the successful sanction (*auto de homologación*) of the ad hoc refinancing agreement by the relevant Spanish court, but without guaranteeing or committing to any result.

## Schedule 2 – Conditions Precedent

The effectiveness of the Comprehensive Transaction (and, therefore, of all items (i) to (iv) in the first page of this communication of inside information) is subject to the fulfilment or waiver of certain conditions precedent by the longstop dates indicated further below, including the following (the "Conditions Precedent"):

- (i) evidence that the maturity date in respect of the 2023 Notes not currently held by DEA Finance has been extended to no earlier than 30 June 2026 and that the interest rate under the 2023 Notes is no higher than 3.50% per annum (3% in cash and 0.50% PIK) plus an additional increase in interest of 1% PIK in circumstances where PIK interest is payable under the SFA;
- (ii) evidence to the satisfaction of the Company that the lender of each of the Bilateral Facilities has committed to consider and negotiate in good faith a potential further extension of the maturity date from its current maturity date (considering the relevant extensions agreed on 18 December 2020);
- (iii) evidence that the confirming lines, factoring lines or bilateral credit facilities by virtue of which the ancillary facilities are documented have been amended to reflect the applicable margin in accordance with the amendments agreed in the amended and restated SFA;
- (iv) evidence of discharge of the outstanding principal amount under the SS Facility, the 2021 Notes and the 2023 Notes (or with respect to the 2023 Notes held by DEA Finance, any instrument into which such 2023 Notes have been exchanged prior to the closing of the Comprehensive Transaction to facilitate the implementation of the Comprehensive Transaction) currently held by DEA Finance through the issuance of new shares by the Company in the Capital Increase, and/or from the proceeds thereof;
- (v) evidence that (a) the Company has discharged its obligations to repay the outstanding principal amount in respect of the 2021 Notes not currently held by DEA Finance, and (b) L1R or DEA Finance has made available a new loan to the Company in an amount equal to the outstanding principal amount in respect of the 2021 Notes not currently held by DEA Finance, and the Company's obligation to repay such new loan has been discharged through the issuance of new shares by the Company to L1R;
- (vi) execution of an ad hoc refinancing framework agreement for the sole purposes of filing (after the effectiveness of the Comprehensive Transaction) for the *homologación judicial* in Spain of such ad hoc refinancing agreement;
- (vii) extension and ratification of the existing security package; and
- (viii) other customary conditions precedent in this type of agreements (such as execution, notarisation and delivery of certain documentation and confirmation that no event of default has occurred and is continuing).

The longstop date for the fulfilment or waiver of the Conditions Precedent is the later to occur of the following dates (or such other date as DIA and the agent in respect of the Senior Facilities may agree):

- (i) 30 July 2021; or
- (ii) 29 October 2021, in the event that the prospectus required for the proposed Capital Increase has not been approved by the *Comisión Nacional del Mercado de Valores* by 15 June 2021 (provided that the Company has used reasonable endeavours to achieve such approval by 15 June 2021).

**OTHER INFORMATION**

DiA's Corporate Governance Report is part of the Director's Report and is available at [www.diacorporate.com](http://www.diacorporate.com) and published as price-sensitive information on the CNMV (Spanish National Securities Market Commission) website.

In accordance with the Law 11/2018, of December 28 regarding non-financial information and diversity, the DiA Group has prepared the "NON-FINANCIAL INFORMATION STATEMENT" related to the 2019 financial year, which is part, as established in articles 44 and 49 of the Commercial Code of this Director's Report and which is attached as a separate document.



## **Distribuidora Internacional de Alimentación, S.A.**

Independent verification report  
Non-Financial Information Statement  
31 December 2020

***This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.***

## Independent verification report

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

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying Non-Financial Information Statement (hereinafter "NFIS") for the year ended 31 December 2020 of Distribuidora Internacional de Alimentación, S.A. (the Parent company) and subsidiaries (hereinafter "DIA" or "entity" or "the Group") which forms part of DIA Group's Consolidated Management's Report (hereinafter "CMR") attached.

The content of the NFIS includes additional information to that required by the current commercial legislation on non-financial information reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in Appendix "Traceability Matrix - Act 11/2018 and GRI indicators" of the accompanying NFIS.

### Responsibility of the directors (of the Parent company)

The preparation of the NFIS included in DIA's CMR and the content thereof, are responsibility of directors of DIA, S.A. The NFIS has been drawn up according to the provisions of current commercial legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter "GRI Standards") selected, in line with the details provided for each topic in the section "Traceability Matrix - Act 11/2018 and GRI indicators" of the aforementioned NFIS..

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to ensure that the NFIS to be free of any immaterial misstatement, due to fraud or error.

The directors of DIA, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS is obtained.

### Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in Non-Financial Information reviews and specifically in information on economic, social and environmental performance.

#### Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance verification report based on the work carried out. Our work has been aligned with the requirements set by the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution and are more restricted than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to management and several DIA, S.A. units that were involved in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with DIA S.A. personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the contents included in the NFIS for 2020, based on the materiality analysis carried by DIA and described in "Management of corporate social responsibility at DIA" section, considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in the NFIS for 2020.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFIS for 2020.
- Verification, through sample testing, of the information relating to the content of the NFIS for 2020 and its adequate compilation using data supplied by the sources of information.
- Obtainment of a management representation letter from the directors and the management of the Parent company.



## Conclusions

Based on the procedures performed in our verification and the evidence we have obtained, no matters have come to our attention which may lead us to believe that NFIS of Distribuidora Internacional de Alimentación, S.A. and its subsidiaries for the year ended 31 December 2020 has not been prepared, in all of their significant matters, according to the provisions of current commercial legislation and with the GRI Standards selected, in line with the details provided for each topic in the section "Traceability Matrix - Act 11/2018 and GRI indicators" of the aforementioned NFIS.

## Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by  
Pablo Bascones Ilundain

28<sup>th</sup> of April, 2021

## **2020 CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT**

Distribuidora Internacional de Alimentación, S.A. and its subsidiaries have prepared the consolidated non-financial information statement in accordance with the requirements of Act 11/2018 of 28 December, amending the Code of Commerce, the consolidated Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Act 22/2015 of 20 July on the Auditing of Annual Accounts, with regard non-financial reporting and diversity. This report is part of DIA Group's 2020 Consolidated Directors' Report.

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

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## 1. BASIS OF PREPARATION FOR THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

DIA Group Directors' Report includes both its financial and non-financial information, based on the recommendations of the "*Guide for the preparation of management reports of listed companies*" of the Spanish Securities Market Commission (hereinafter, the "CNMV") and the requirements of Act 11/2018 of 28 December, amending the Code of Commerce, the consolidated Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Act 22/2015 of 20 July on the Auditing of Annual Accounts, with regard non-financial reporting and diversity. This "integrated" approach combines information on the environmental, social and employee-related issues needed to understand the impact of DIA Group's activity with information on the Group's financial position.

The Consolidated Non-Financial Information Statement (hereinafter, "NFIS") of Distribuidora Internacional de Alimentación SA and Group subsidiaries (hereinafter, either "DIA", "Group", "DIA Group" or the "Company") is issued on a yearly basis and includes general consolidated data about the Company<sup>1</sup> for 2020. The information has been prepared in accordance with current legislation on the issues relevant to the Group. A large part of the information contained in the report is structured around the company's main stakeholders, detailing current communication channels, key risks, associated policies and impacts and also the main actions. The indicators used follow the *Global Reporting Initiative* standards (GRI) and show the Company's performance in 2020 compared to the previous year. More detailed information for certain indicators included in this report is provided in the appendix "Regional information on key indicators".

For any general enquiries about this report, stakeholders should contact the Sustainability and Communications and External Relations departments at St. Jacinto Benavente 2A, CP 28232, Las Rozas de Madrid, or by sending an email to [rsc@diagroup.com](mailto:rsc@diagroup.com) and [comunicacion@diagroup.com](mailto:comunicacion@diagroup.com).

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<sup>1</sup> All companies that comprise DIA Group are included in this report (see Corporate structure in section "4.1. Company presentation"). It is however important to note that in terms of size and activity, the most significant companies from an ESG (environmental, social and governance) perspective are: Distribuidora Internacional de Alimentación, S.A. as the parent company; DIA Portugal Supermercados, Lda and DIA Portugal II in Portugal; DIA Argentina, S.A. in Argentina; DIA Brasil Sociedade Limitada in Brazil; DIA Retail España, S.A.U., Beauty by DIA, S.A.U. and Grupo El Árbol, Distribución y Supermercados, S.A.U. in Spain.

## 2. COVID-19 PANDEMIC MANAGEMENT AND OTHER KEY EVENTS OF 2020

The serious crisis caused by the global Covid-19 pandemic declared by the World Health Organization in March 2020 and caused by the SARS-CoV-2 coronavirus has disrupted our way of life, our habits and the way we relate to each other. DIA Group was aware of this from the beginning and has addressed this event with the seriousness and professionalism it required.

As an essential service, the Company has played a key role in ensuring provisions have reached the population, particularly during the months of lockdown, as a result of its proximity and close relationship with society. In other words, the unprecedented context that we have experienced has demonstrated the relevance and value of the purpose that guides DIA's day-to-day operations: to be "closer every day" to its stakeholders.

New priorities that have been addressed due to the pandemic	
Employees	Protect employees' health, respond to the high level of turnover, promote work-life balance, and ensure information security for remote working.
Franchisees	Ensure the supply to the store network and protect the health of franchisees.
Customers	Ensure the supply to the entire store network, protect customers' health, and respond to the increase in online demand.
Suppliers	Ensure the supply to the entire store network.
Environment	Certain risks have become more relevant with the pandemic, such as ensuring the sustainability of raw materials and deforestation in particular. All of this has been taken into account in the new Sustainability Plan that is being put together at the same time as this report.
Society	Address the increase in food demand by the most vulnerable groups by donating basic products, helping to minimise the economic and social crisis (labour integration).

Summary table 1: New priorities that have been addressed due to the pandemic. Further details about these actions can be found in each of the sections on the main stakeholders in this report.

This unprecedented response has gone hand in hand with the immediate implementation of health protection measures which, very often, have gone beyond what the authorities have imposed. To this end, ad-hoc management protocols and procedures have been set up in stores, warehouses, regional centres and DIA offices, protection equipment has been supplied to prevent and avoid the spread of infection among employees, franchisees and customers, and flexible and remote working plans have been drawn up. All these measures, which are discussed in greater detail in the chapters on Customers, Employees and Franchises, have been specifically adapted to the most vulnerable, such as those who have a chronic illness, are immunodeficient or the most elderly.

Along with ensuring basic supply processes, DIA has, in record time, strengthened a service that has proved to be of great value to customers, especially during the pandemic's toughest moments, and among certain vulnerable groups: online shopping. In Spain alone, and thanks to an alliance with other logistics operators, DIA has reached 500 towns and 26 million customers in record time, delivering over one million orders during the first lockdown.

To alleviate the negative impact of the pandemic on society, in April the Group launched the **DIAContribuye2020 programme in the four countries it operates in**. This programme involved several actions and initiatives, which resulted in the donation over one million kilos of essential items (food, masks and hygiene products) to not-for-profit organisations, public administrations and hospitals, seeking to minimise the socio-economic impact on affected groups, especially the most vulnerable.

Lastly, the Company also wants to use the publication of these Annual Accounts to once again thank each of its 39,583<sup>2</sup> employees in the four countries where it operates for their hard work and professionalism. The commitment they have shown has exceeded all expectations and is a genuine reflection of the company we are building, and society has been very aware of this.

Although ensuring operations to distribute food to each of the neighbourhoods has taken great efforts by the Company, the exceptional situation has not prevented DIA from moving forward with its roadmap to

<sup>2</sup> Directors, employees of franchises or other external parties have not been included in this breakdown.

become one of the companies most highly valued by customers, shareholders and the other stakeholders on which it depends and to whom it is indebted.

Below we highlight the key events for the Company in 2020. They are conveniently described in each of the report's chapters:

- **New business range:** the range available in shops has been simplified, based on a business offering that is better aligned with customers' needs, in particular fresh goods, thus making shopping and the teams' operational work easier.
- **Own brand renewal:** as part of this move to strengthen the sales proposal for customers, both the quality and presentation of DIA's own brand have been renewed.
- **Defining the new store concept:** the new store concepts that are adapted to the local characteristics of the countries where they operate have been tested so as to improve customers' shopping experiences.
- **Outlining the new franchise management model: a new franchise management model has been outlined, which is more profitable for the franchisee and more transparent.**
- **Expanding the online service:** 2020 has been a complicated year and in order to respond quickly to customer demand, the Company activated its online service in Portugal and Brazil, while in Argentina, the service that began in 2019 was improved. Spain's distribution network has also been strengthened with new order preparation points, turning shops into dark stores (small warehouses in certain city centres). The express service with deliveries of orders in under an hour has also been rolled out.
- **New capital structure:** having reached an agreement with the syndicated lenders and the leading shareholder, the Company has been provided with an optimal capital structure that enables it to focus exclusively on the business and its plans for transformation.
- **Improved corporate governance:** 2020 has also served to further improve clarity and simplicity and the values that govern business management and decision making. New Internal Compulsory Regulation (ICR) approved for the entire Group and improvements to an anonymous reporting system managed by an independent third party stand out.
- **More transparent relations:** DIA has worked hard to rebuild the trust-based relationship with all its stakeholders to form the basis for a transparency-centred business culture.
- In terms of environmental issues, **DIA Group has been included on the A List of companies by the Carbon Disclosure Project (CDP)**, being the only food distribution company in Spain to achieve this recognition and thus demonstrating its commitment to reducing greenhouse gas emissions. CDP is a not-for-profit charity with the largest global database of corporate emission and climate change-related information.
- **New purpose:** the Company has defined a purpose that encompasses all those who are part of it. "Closer every day" represents the local nature of the business, the corner shop, but also new ways that we can be closer to customers, to the online business, and to other stakeholders.

### 3. BUSINESS MODEL

DIA Group is a leading company, engaged in the distribution and retail sale of food and household products, aiming to offer the best quality products at the best price to its millions of customers in Spain, Portugal, Brazil and Argentina.

At the 2020 close, DIA's network of supermarkets included a total of 6,169 own stores and franchises. In particular, proximity and closeness are the foundations of the Company's business model in the four countries where it operates. Its many physical sales points enable DIA to meet the ongoing needs of its customers. DIA Group also offers its online service to all customers in Spain, Portugal, Argentina and Brazil via its own website or through specific agreements with third parties through whom the Company operates a market place. Furthermore, DIA has linked up with express home delivery companies so that customers can receive their purchases in less than one hour.

With the commitment and passion of its more than 39,500 employees around the world, DIA strives to be "closer every day" to its employees, franchisees, suppliers and, of course, its customers, giving them the service and value proposal they demand.

Its franchise network, which represents 43% of the total store network, makes DIA Group the leading franchisor in Spain in terms of turnover and number of stores, and the sixth-largest franchisor in Europe.<sup>3</sup> The DIA franchise has been bolstered by a new management model that aims to provide greater security and financial independence to franchisees, leading to a fairer system that places the franchisee as a genuine DIA business partner.

The Company's offering aims to combine an attractive and quality own brand, which has a history of over 30 years, with a balanced, adequate range of products by international brands. Fresh produce is key to DIA's business model, particularly fruit and vegetables. The range of fresh produce has been increased and it is now better quality and fresher. Clarel is a corner shop concept focused on personal care, with beauty and household products. It also has a limited number of food products on offer.

DIA suppliers, who are essentially local, are chosen using demanding food safety and quality criteria. Together with them, and thanks to a logistics distribution system with 31 warehouses around the world (31 warehouses in 2019 also)<sup>4</sup>, DIA Group supplies its network of stores daily so that they can offer the best selection of products at all times.

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<sup>3</sup> 2020 Franchise Direct ranking.

<sup>4</sup> DIA Group's 2019 Consolidated Non-Financial Information Statement mentions a total of 29 warehouses, as the 2 Clarel warehouses in Spain were not included.

## 4. STRUCTURE AND CORPORATE GOVERNANCE

### 4.1. Company presentation

Distribuidora Internacional de Alimentación S.A., together with its subsidiaries, is a leading proximity store distribution company with over 16 million customers worldwide. With its headquarters in Las Rozas de Madrid and listed in Spain on the Madrid, Barcelona, Bilbao and Valencia Stock Markets, DIA Group is the food retailer with the largest store network, the highest penetration rate in small towns and the fourth largest market share in Spain at the end of 2020.<sup>5</sup>

At 31 December 2020, DIA Group operated 6,169 stores in Spain, Portugal, Brazil and Argentina, and including franchises and Clarel (at 2019 year end, 6,626 stores were open), and it had 39,583 employees worldwide (39,374 in 2019).

The Group has four business units: Spain, Portugal, Brazil and Argentina. At 31 December 2020, Spain represented 65.5% of the Group's sales (in 2019 it was 60.8%), Portugal 9.2% (in 2019 it was 8.6%), Brazil 13.5% (in 2019 it was 17.2%) and Argentina 11.8% (in 2019 it was 13.4%).

#### a) Corporate structure

Name	Registered address	Activity	% investment 2020	% investment 2019
DIA Portugal Supermercados, S.A.	Lisbon	Wholesale and retail distribution of food and consumer products.	100.00	100.00
DIA Portugal II, S.A.	Lisbon	Retail distribution of food and consumer products.	100.00	100.00
DIA Argentina, S.A.	Buenos Aires	Wholesale and retail distribution of food and consumer products.	100.00	100.00
Distribuidora Internacional, S.A.	Buenos Aires	Service consultancy	100.00	100.00
DIA Brasil Sociedade Limitada	Sao Paulo	Wholesale and retail distribution of food and consumer products.	100.00	100.00
DBZ Administração, Gestão de Ativos e Serviços Imobiliários, L.T.D.A.	Sao Paulo	Administration of properties owned by DIA Brazil.	100.00	100.00
DIA Retail España, S.A.U.	Las Rozas de Madrid	Wholesale and retail distribution of food and consumer products.	100.00	100.00
Pe-Tra Servicios a la distribución, S.L.U.	Las Rozas de Madrid	Leasing of business premises.	100.00	100.00
DIA World Trade, S.A.	Geneva	Provision of services to suppliers of DIA Group companies.	100.00	100.00
Beauty by DIA, S.A.U.	Las Rozas de Madrid	Marketing of drugstore and perfumery products	100.00	100.00
Grupo El Árbol, Distribución y Supermercados, S.A.U.	Las Rozas de Madrid	Wholesale and retail distribution of food and consumer products.	100.00	100.00
Finandia, S.A.U.	Las Rozas de Madrid	Loans and credit transactions, including consumer credit and the financing of sales transactions.	100.00	100.00
DIA FINANCE, S.L.U.	Las Rozas de Madrid	The import, export, acquisition, distribution and wholesale and retail sale of food, drink, goods and other household products.	100.00	100.00
Luxembourg Investment Company 317, S.A.R.L. <sup>6</sup>	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 318, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 319, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00

<sup>5</sup> Kantar Worldpanel.

<sup>6</sup> Against the backdrop of the agreement to amend and consolidate DIA Group's bank debt, on the 30 August 2019 the General Shareholders' Meeting agreed to a Hive Down at the request of the syndicated lenders. To execute this agreement, and following approval of this transaction by DIA Group's Board of Directors on 26 December 2019, several transactions and legal formalities were initiated during the first few months of 2020 to transfer the Company's main business units to certain subsidiaries, either directly or indirectly, owned by several Luxembourg companies, which in turn are direct or indirect subsidiaries of DIA, S.A.

Name	Registered address	Activity	% investment 2020	% investment 2019
Luxembourg Investment Company 320, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 321, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 322, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 323, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
CD Supply Innovation, S.L., in the process of winding up.	Madrid	Purchase of own-brand products from its partners.	50.00	50.00
ICDC Services, S.A.R.L., in the process of winding up.	Geneva	Negotiation with private label international suppliers.	50.00	50.00
Horizon International Services, S.A.R.L.	Geneva	Negotiation with private label international suppliers.	25.00	25.00

Table 1: List of subsidiaries that, together with DIA, S.A., comprise DIA Group at 31 December 2020, including company name, registered address, main business activity and the company's direct or indirect shareholding (percentage).

b) Shareholder structure at year end

	Percentage of shares 2020	Percentage of shares 2019
Treasury stock	0.015%	0.015%
Free Float	21.157%	25.166%
LETTERONE INVESTMENT HOLDINGS, S.A.	74.819%	74.819%
ÈGOIRE AUGUSTIN BONTOUX HALLEY	4.009%	N/A

Table 2: Significant shareholdings and treasury stock at 31 December, according to the Annual Corporate Governance Report (ACGR) available at [www.diacorporate.com](http://www.diacorporate.com)

## 4.2. Corporate governance

DIA Group's corporate governance system strives to ensure not only the meeting of targets and company growth, but also an appropriate climate of control and compliance with both internal and external regulations.

The company's internal regulations are in line with the Spanish Companies Act, the CNMV's Code of Good Governance for Listed Companies and best practice in listed companies. Key internal regulations include: the Articles of Association, the General Shareholders' Meeting Regulations, the Board of Directors Regulations, the Audit and Compliance Committee Regulations, the Internal Code of Conduct on the Securities Market, the Ethics Code and corporate policies.

In order to make progress on corporate governance, and without prejudice to the fact that it was already specifically included in its operating regulations (which can be consulted on the DIA corporate website), the Board of Directors approved on October 29, 2020 a specific policy on Conflict of Interest Management and Related-Party Transactions that includes the applicable regulations in this matter, clearly betting on transparency, independence and the orientation towards compliance with the best standard of good corporate governance.

### Membership of and changes to the Board of Directors and the executive team

In accordance with its regulations and through the Appointments and Remunerations Committee, DIA's Board of Directors ensures that director selection procedures encourage a diversity of experience and knowledge. Proposed appointments are always based on a prior analysis of Board needs so that each

member is a professional with a clear executive background and ample experience in retail and consumer goods related businesses.

On 30 August 2019, the Extraordinary General Shareholders' Meeting set the maximum number of Board of Director members at eight. The professional backgrounds of the members of the Board of Directors can be viewed on DIA's website. Board members are taking a new approach to performance management and financial oversight.

At 31 December 2020, the Board of Directors had the following members: Stephan DuCharme, Jaime García-Legaz Ponce, Sergio Ferreira Dias, José Wahnon Levy, Christian Couvreux and Basola Vallés. Effective 1 January 2021, Marcelo Maia Tavares, former Executive Chairman of DIA Brasil, joins the board as an external director.

In addition to the Board changes, on 21 May 2020 Stephan DuCharme was appointed as the Group's new CEO to lead the Company's transformation<sup>7</sup>. Alongside the Executive Committee, whose members have extensive experience in the retail industry, DuCharme is in charge of executing the new business plan, where the main aim is to stabilise operations and to capitalise on the Company's strengths and opportunities so as to meet its targets.

Generally speaking, the new corporate organization aims to create a leadership culture with a strong focus on accountability, ethics, performance management and a sense of commitment.

### Board committees

There are several Board committees that are governed by the company's articles of association, the Board of Directors Regulations and the specific committee regulations, if applicable. These Committees are structured as followed:

#### Audit and Compliance Committee

José Wahnon Levy (Independent Chair and Director).  
 Sergio Ferreira Dias (External Proprietary Director)  
 Jaime García-Legaz Ponce (Independent Director).

#### Appointments and Remuneration Committee

Christian Couvreux (Independent Chair and Director)  
 Jaime García-Legaz Ponce (Independent Director).  
 Basola Vallés (Independent Director)

#### Capital Structure and Finance Committee

Jaime García-Legaz Ponce (Independent Chair and Director)  
 Christian Couvreux (Independent Director)  
 Sergio Ferreira Dias (External Proprietary Director)

### Directors' remuneration

In accordance with the Spanish Companies Act and the Company's internal regulations, members of the Board of Directors shall receive remuneration, in their capacity as directors, that is determined by the General Shareholders' Meeting via the approval of a Remuneration Policy, submitted for approval at least every three years. Directors' remuneration for each year, explained in detail in the Annual Remuneration Report, comprises a fixed monthly amount and a deferred remuneration in shares.

On 30 August 2019, the Extraordinary General Shareholders' Meeting approved a new 2020-2022 Directors' Remuneration Policy with the following features:

- Engagement, attraction and talent retention: the aim of the Remuneration Policy is to reward the quality, dedication, accountability, business expertise and engagement with the company of individuals in key posts who lead the organisation.

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<sup>7</sup> On 20 May 2020, Karl-Heinz Holland left the Company.

- External and internal equality: the external competitive environment and internal equity shall be taken into consideration when setting remuneration.
- Transparency.
- Encourage the long-term creation of value for the company and its shareholders.
- Proprietary directors shall not be paid for their work as directors.

Board of Directors	From	Until	Financial instruments	Fixed remuneration	Compensation	No competition	Others (compensation in kind )
Christian Couvreaux	01/01/2020	31/12/2020	-	170.00	-	-	-
José Wahnon	01/01/2020	31/12/2020	-	150.00	-	-	-
Jaime García-Legaz	01/01/2020	31/12/2020	-	183.00	-	-	-
Basola Vallés	01/01/2020	31/12/2020	-	114.00	-	-	-
Karl-Heinz Holland	01/01/2020	25/05/2020	-	1,167.00	2,850.00	300.00	20.10
Michael Joseph Casey	01/01/2020	14/01/2020	-	-	-	-	-
Stephan DuCharme	01/01/2020	31/12/2020	-	-	-	-	-
Sergio Antonio Ferreira Dias	01/01/2020	31/12/2020	-	-	-	-	-
<b>TOTAL</b>			-	<b>1,784.00</b>	<b>2,850.00</b>	<b>300.00</b>	<b>20.10</b>

Average remuneration paid (thousands Euros)			
	2020		2019
	Men	Women	Men
Directors	585.32	114.00	680.84
			123.21

Table 3a and 3b. Total remuneration and average remuneration paid to directors for all remuneration items, considering in the average remuneration calculations the real time that each one has served as a director during 2020, in thousands of euros. The Executive Director Karl-Heinz Holland received a compensation of 2,850,000 euros in 2020 that has not been included in the calculation of the average remuneration, although his remuneration as an executive has been included. Since proprietary directors do not receive any remuneration for their work on the Board, they have not been taken into account for this calculation either. More information in this regard can be found in note 21 of the Consolidated Annual Accounts and in the Annual Report on Directors' Remuneration for the financial year 2020.

#### 4.3. Internal control system

Internal control system at DIA, based on the COSO framework, aims to provide reasonable assurance in the accomplishment of the goals pertaining to operations, information and compliance. The system is standard across the board for the entire Group and provides a comprehensive overview of all the company's control areas:

- Operational control: focuses on the effectiveness and efficiency of operations in stores, warehouses, the supply chain and purchasing, among other areas. This also covers the organisation itself, its performance targets and protection of the Company's assets against losses.

- Information control: relates to financial and non-financial reporting and can encompass reliability, transparency and other concepts established by the regulators, external standardisation bodies and Group policies.
- Compliance: ensures compliance with voluntary commitments undertaken, values and the internal and external regulations applicable to DIA Group in each of the countries where it is present.

Improving and consolidating the internal control model has been one of the Company's priority projects in the last two years. Two key milestones stand out:

- a) The creation of the Group's Internal Control Committee, represented by a coordinator and country representatives from the main control units (operational, information and compliance).
- b) Improving the Company's regulatory system by creating a stable framework that adapts to the operating and business environment of DIA Group. This system is made up of different standards:
  - Code of Ethics: formalizes DIA Group ethics and compliance model.
  - Corporate policies<sup>8</sup>: these policies set out the general principles that should govern all Company matters, following the CNMV's Good Governance recommendations. If applicable, they are approved by the Board of Directors.
  - Internal Compulsory Regulations (ICR): these standards regulate high impact issues and those of a critical nature for the Group, including key controls. These types of standards have been introduced into the Company's regulatory system in 2020. The Internal Control Committee has approved a set of twenty-nine ICRs that cover key risks in the three control areas and are applicable throughout the DIA Group.
  - Implementing and procedural standards: these include all other company operating standards, some of which are corporate and others which are specific to certain countries.

Internal control is a process carried out by the Board of Directors, the Management and the rest of the entity's personnel. More details on implementing the Company's regulatory system are provided in the chapters below.

#### 4.3.1 Ethical management and compliance

DIA Group has developed its Compliance management model to align with best corporate governance practices in order to achieve a sustainable, ethical and transparent business model, for the benefit of all of its stakeholders. In particular, DIA Group Compliance is guided by the following basic principles:

- a) Compliance risks are analysed on a regular basis.
- b) Expected behaviours are carefully defined in different Policies and internal systems, which are shared and actively communicated to all employees. In this regard, mention should be given to the approval and dissemination, during 2020, of the following policies relating to the improvement of the compliance framework:
  - The Corporate Internal Regulatory Framework Policy, which laying the foundation for the production, approval and publication of the regulations developed by DIA Group.
  - The Compliance Policy, which defines the principles of Compliance and forms the basis of the running and development of DIA Group's Compliance Function.
  - The International Sanctions Policy, which aims to establish a regulatory framework for all scenarios in which DIA Group may be involved during the course of its commercial activities and establishing an authorisation procedure that allows DIA to maintain control of all relationships entered into with third parties.

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<sup>8</sup> The policies that cannot be delegated by the Board of Directors according to law, the Company's Articles of Association or Good Governance recommendations are available on [www.diacorporate.com](http://www.diacorporate.com).

- The Anti-Bribery Policy, which defines the compliance regulations for the supervision and safeguarding of DIA's position with regard to bribery; and establish effective communication and awareness mechanisms between the Regulated Parties in order to prevent, detect and react to bribery-related issues.
- The Policy on Managing Conflicts of Interest and Related-Party Transactions, which aims to establish and regulate the procedure applicable in situations in which there is a direct or indirect clash between the interests of DIA or DIA Group companies and the personal interests of the members of the governing bodies of DIA Group companies and their representatives.

c) There are independent bodies for prevention and compliance, the Internal Control Committee and the Ethics Committee, which report on an independent basis directly to the Audit and Compliance Committee and the Board of Directors.

d) There is a Whistleblowing Hotline for reporting any irregularity, anonymously and confidentially, which is facilitated by an external third party and managed internally and guarantees compensation of the claimant within a maximum period of instruction and resolution.

DIA Group also has an Anti-fraud and Anti-corruption programme, which identifies and assesses these risks in each of the jurisdictions in which it operates, overseen by an appointed manager. The risks identified by this programme include bribery, facilitation payments, money laundering<sup>9</sup>, conflicts of interest, distortion of market competition, financing political parties, their candidates or their foundations, or influence peddling. The correct application of risk controls is part of the annual internal audit plan.

Additionally, DIA Spain has applied a Crime Prevention Model that detects and assesses the risk of a crime being committed that could result in the legal entity being held criminally liable, as well as the standards, procedures and controls needed to prevent these crimes from being committed. A Company manager has been appointed internally to lead the crime prevention function. This individual ensures that the model is maintained and operates correctly and reports to and continually assists the Head of Compliance and the Ethics Committee.

#### **Ethics Code**

The Ethics Code is the cornerstone not only of the compliance system, but the foundations for the development of the other policies and standards governing the business. This Code formalises the DIA Group's ethics and compliance model and the guidelines for mandatory conduct of Group employees, executives and directors, including the parent company and its subsidiaries. Suppliers, franchisees and contractors are informed of the Ethics Code and they may access the Whistleblowing Hotline under the same guarantees as any other employee.

DIA Group's Ethics Committee heads up the Ethics Committees in different countries and is in charge of implementing the Ethics Code. The Board of Directors receives a regular report from the Group's Ethics Committee and is in charge of assessing the Code's effectiveness and of issuing the amendments it deems appropriate in order to meet the desired objectives.

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<sup>9</sup> In terms of money laundering, DIA is not subject to application of Law 10/2010 and it has not therefore prepared a specific money laundering prevention policy within the anti-fraud programme. The Company does however have control and restriction systems within its procedures to manage issues relating to money laundering: authorisation platforms are used for payments to suppliers for goods and services and cash payments are strictly limited within the Company (generally speaking, cash payments are not allowed and if they are needed under exceptional circumstances, they are duly registered and documented under the mandatory controls). As with the other risks relating to the prevention of crimes that could lead to the legal entity being held liable, they are reviewed and reported on regularly.

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
	2020	2019	2020	2019	2020	2019	2020	2019
Number of internal complaints	51	13	44	41	18	12	7	8
Number of external complaints	11	4	0	0	4	8	1	0
Number of anonymous complaints	34	5	82	25	38	6	11	1
Total number of complaints	96	22	126	66	60	26	19	9
Total number of complaints resolved	72	19	104	37	34	12	14	7
Total number complaints ongoing	24	3	22	29	26	14	5	2
Number of Internal enquiries	0	2	13	27	0	2	0	17
Number of external enquiries	0	5	4	4	0	0	0	0
Number of anonymous enquiries	0	1	16	6	4	0	2	1
Total Number of enquiries	0	8	33	37	4	2	2	18
Number of enquiries resolved	0	8	31	35	4	2	2	17
Number of enquiries ongoing	0	0	2	2	0	0	0	1

Table 4: Whistleblowing hotline in 2019 and 2020. Spain includes notifications managed by the Group Division.

In 2020, 340 notifications were received and admitted for processing via the whistleblowing hotline. 301 of these are complaints of non-compliance (compared to 123 the previous year) and 39 are enquiries (compared to 65 the previous year). The increased number of complaints could be a result of the Company making greater investments to improve the whistleblowing hotlines. Complaints are now sent via a web platform provided by an independent third party to bolster the trust of employees and other stakeholders in the system

Following investigation of the complaints, 224 were closed in 2020, 2 of which have been confirmed as sexual harassment/breach of human rights (compared with 1 case of sexual harassment in 2019), which has led to the dismissal of two employees involved; no complaints of corruption or discrimination have been confirmed (there were no confirmed cases of this type in 2019 either). The Ethics Committee has confirmed a total of 15 complaints, which has led to the dismissal of employees as a result of breaches of the Ethics Code principles (relating to conflicts of interest, lack of respect or non-compliance with internal procedures or external regulations). The other complaints have either been rejected following investigation (181), or they have been confirmed and other corrective measures have been applied (such as training, change of functions or provisional leave).

### Building an ethical business culture

A key part of the improved ethics and compliance model has been the Company's continuing message of zero tolerance towards behaviours that are not governed by the Corporate Ethics Code. The Company's engagement with this value has been encapsulated in a corporate message delivered by the Executive Chairman himself and the Group's senior managers.

In 2020, a total 17,733 company employees received training in anti-corruption policies, the Ethics Code and others (135 of them were executives), compared to 3,388 employees who received training in these matters in 2019.

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
Training in anti-corruption policies / Ethics Code/ others	2020	2019	2020	2019	2020	2019	2020	2019
Directors	0	0	0	0	0	0	0	0
Executives	21	7	25	9	85	140	4	1
Managers	471	3	626	58	653	336	12	3
Employees	1,235	0	5,038	0	9,212	367	351	2,464
<b>TOTAL</b>	<b>1,727</b>	<b>10</b>	<b>5,689</b>	<b>67</b>	<b>9,950</b>	<b>843</b>	<b>367</b>	<b>2,468</b>

Table 5: Employees pro-actively trained in anti-corruption policies, the Ethics Code u others in 2020 by professional category. This information includes face-to-face and online learning using training platforms.

#### 4.4. Risk management at DIA Group

##### Risk management and control systems

The process used by DIA Group to manage its business risk is based on the “Enterprise Risk Management - Integrating with Strategy and Performance” methodology published by COSO.<sup>10</sup> This widely-accepted market standard has been adapted to the needs of DIA Group as a reference for its risk management system, ensuring that a systematic and detailed approach is taken to identify, assess, prioritise and respond to risks related to achieving the Group’s strategy and business objectives.

The Board of Directors, the Management Committee and the Audit and Compliance Committee are responsible for the design and proper functioning of the Risk Management Model:

- The Board of Directors is responsible for approving the Business Risk Management Policy and the risk tolerance levels proposed by the Management Committee.
- The Audit and Compliance Committee (ACC) is responsible for supervising and regularly reviewing the effectiveness of DIA’s internal control procedures, and its internal control and risk management systems, and verifying their suitability and integrity.
- DIA’s Management Committee is in charge of designing, implementing and establishing the strategy, culture, resources and process that make up the Risk Management Model.

The Group has set up a Risk Management Committee to manage the Risk Management Model, comprising the CEOs of the four countries where DIA has a presence, the CEO of Clarel and the Group’s Corporate Director.

The Risk Management Committee's key duties include analysing the company's situation (externally and internally) and the context for new projects, drawing up recommendations for developing and/or continuing specific action plans, and continuously monitoring the risks identified in the risk map (in particular, the risks that could impact the Group's strategy, customers, franchises and suppliers). The financial and non-financial risks included in the risk map are reviewed at least once a year.

The department heads are responsible for correctly preventing and managing risks and implementing the mechanisms needed to minimise their negative impact.

DIA's Internal Audit Department assesses the overall functioning of the Risk Management and Control System, the performance of management bodies and the efficiency of the control activities set out, and reports to the Audit and Compliance Committee.

<sup>10</sup> Committee of Sponsoring Organizations of the Treadway Commission.

**Materialisation of non-financial risks**

The non-financial risks specific to DIA and its key stakeholders are detailed in the corresponding chapters of this report.<sup>11</sup>

All these risks have been duly analysed and a range of action plans has been put in place to combat them.

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<sup>11</sup> Common sector-based risks or risks that are closely associated to the success of the business model, such as an increase in raw material prices or high competition risk, have not been included in the Non-Financial Information Statement.

## 5. MANAGEMENT OF CORPORATE SOCIAL RESPONSIBILITY AT DIA

### Governance of Corporate Social Responsibility (CSR)

CSR management is ultimately the responsibility of DIA Group's Board of Directors through its Audit and Compliance Committee. This Committee is responsible for guaranteeing that the Company's CSR strategy and practices address their non-financial risks and fulfil the expectations of stakeholders, as well as approving and assessing the level of compliance of the General CSR Policy. In addition, through this Committee, the Board of Directors coordinates and approves the non-financial reporting process in accordance with the latest prevailing regulations.

The CSR Department falls under the Corporate Management area, which is tasked with proactively managing the Company's reputation. The basic functions of the CSR department, such as identifying risks and trends based on the reality of the business and dialogue with stakeholders, as well as supervising the proper functioning of the non-financial reporting systems, fall under the remit of this management area. Lastly, as described in section "4.3.1 Compliance and ethical management" of this report, there is also an Ethics Committee, comprised of management staff from the different departments, which reports directly to the Audit and Compliance Committee and also helps manage the Corporate Social Responsibility Policy.

### Dialogue with stakeholders

DIA Group identifies and interacts with its traditional stakeholders (customers, investor community, employees, franchisees and suppliers) as an integral part of the Company's daily activities, in a process that involves different areas of the company's entire value chain.

Furthermore, the Department of Communication and External Relations and the CSR department identify, consult and respond to other interested parties that are relevant for the company (regulators and public administrations, sector and professional associations, media outlets, not-for-profit entities, members of the local community, etc.). The direct line of reporting from Corporate Management to the Executive Chairperson guarantees that the Company's governing bodies are aware of any relevant issues that may be identified in this interaction process with stakeholders.

### Key CSR issues

The DIA materiality matrix was developed in 2016 by Company management and was reviewed in 2017. This matrix incorporates studying the relevance of the different issues proposed (based on their representativeness for the main bodies influencing CSR, such as the *Dow Jones Sustainability Index*, the *Global Reporting Initiative* sector report, Vigeo, Sustainalytics, the *Carbon Disclosure Project*, the CNMV, or the *Behind the Brands* report), and their historical relevance in the sector at national and international level (based on a study commissioned by DIA of 15 companies in the sector). This analysis was enhanced with the inclusion of an internal relevance factor for each topic, obtained from interviews with the main individuals responsible.

The indicators and information to be reported on non-financial performance were defined taking into consideration both this materiality analysis and the enforceable legal requirements.

Key DIA Group issues	
Governance system	Gender equality
Ethics and compliance	Health and safety
Transparency and investor relations	Food quality and safety
Tax practices	Franchisee relations
Development of human capital	Digital transformation
Employment practices	Eco-efficiency
Food waste	Consumer information and protection

Table 6: Key DIA Group issues within the context of Corporate Social Responsibility.

The following issues, for which no information is provided in this report, are required by law and are not material to DIA:

- Water consumption: this resource is used exclusively for cleaning and not for production purposes and consumption is not therefore considered to be significant. The company does however promote responsible water use in its internal communications.
- The impact of the Company's activities on biodiversity: the Group's facilities are located and its activities carried out in urban areas, so the impact on biodiversity is therefore limited.
- Light and noise pollution: the impact is minor, as store lights are turned off in full when the stores are closed and the logistics centres are located outside residential areas. In any case, DIA Spain has made further improvements to its noise management process when unloading by changing the goods transportation method from metal vans to wooden pallets.
- In addition to the above, other matters required by law that are not material to DIA are reported on. The equivalence table at the end of this report provides specific details.

#### **Future CSR developments**

One of the objectives of the new business model centred on sustainable value creation is better integrated and more strategic CSR, supported by the Board of Directors and its Audit and Compliance Committee and also the Management Committee. CSR priorities and objectives are therefore being reviewed so that a 3-year Master Sustainability Plan can be approved in 2021. The aim of this plan is to identify key CSR risks for the Company, integrating their management into day-to-day operations and improving the CSR risk control and reporting system.

## 6. CUSTOMERS

DIA's aim is to be "closer every day" to its customers and this year, more than ever, each and every employee (from shop teams to senior management), as well as franchisees, suppliers and other supply chain partners, have been exceptionally involved so that DIA Group could respond to its customers' needs during this unprecedented situation.

Given the special circumstances, DIA Group has concentrated on guaranteeing supplies and also on rolling out safety measures in stores that provide a safe environment for customers, employees and franchisees.

- **Guaranteeing supplies** has been key, particularly during lockdown. To this end:

- DIA, its suppliers and the other supply chain partners have made a particular effort to ensure the supply and volume of products required in this new situation.
- Store and warehouse teams have been strengthened to guarantee operations and ensure that all sales points are open to the public.
- The on-line sales service has been substantially boosted by the opening of new order preparation points (dark-stores) and via agreements with new logistics service providers.
- For customers unable to get to a store or to manage on-line orders, the customer services team offers an over-the-phone sales service.

All of these measures enabled the company to meet the needs of over 20 million families during the lockdown caused by the state of emergency in Spain.

- **Providing a safe environment for customers and employees** has been, and continues to be, one of the key issues for DIA Group during the pandemic. For this reason, activity at the company's more than 6,000 stores is subject to customer and employee protection measures that go beyond what is required by law and include:

- Increased cleaning and disinfecting in stores, particularly of surfaces.
- Proper ventilation of premises.
- Disinfecting stores using ozone.
- Social distancing among individuals.
- Reduced capacity.
- Preferential opening hours for the over 65s.
- Screens installed at tills.
- Employees using masks, face screens, plastic gloves and hand sanitizer.
- Customers provided with plastic gloves and hand sanitizer.
- Special signs informing customers of the in-store protocols in place (use of masks, gloves, social distancing, among others).
- Safety measures announced over PA system.
- Card payments encouraged over cash payments.
- Contactless home delivery protocol (online orders).
- Procedure to follow in the event of possible COVID-19 cases in-store.

These protocols and their effectiveness have been regularly audited by the occupational risk prevention service, adapting them when necessary to guarantee everyone's safety.

### Main lines of communication with customers

DIA Group has used different channels to communicate with and listen to its customers:

- Customers who are members of ClubDIA receive an online questionnaire after each shop, asking them to quickly rate their shopping experience.

- Customers can also use the ClubDIA app to voluntarily rate their shopping experience, the application itself or to directly contact DIA Group with queries, suggestions and complaints.
- The online shopping pages and their corresponding applications (DIA online) can also be used by customers to rate products and fill in a customer services contact form.
- The Group uses social media for business and corporate communications. The Group has accounts on the most popular platforms in all the countries it operates in, including Facebook, Twitter, Instagram and YouTube. This year over 250,000 queries, complaints and suggestions about stores, products, opening times, online services, etc. have been assigned a manager, addressed, analysed and responded to.
- Customer support services: in 2020 we have dealt with over 400,000 queries, informal and formal complaints and suggestions about stores, products, opening times and online services (compared to 250,000 in 2019), which have been addressed and analysed so as to be able to respond well to the customer.

#### Key customer-related risks

DIA's raison-d'être is supplying customers with the products that meet their choice, quality and price requirements in an environment (either in-store or online) that provides an adequate level of service and shopping experience.

Failing to meet customer requirements (in terms of choice, quality, price, service or shopping experience) could result in customer losses and could even have reputation or brand value consequences. Another key risk identified is a failure to meet internal food safety requirements and standards, which could affect a customer.

#### Key policies governing customer relations and their functions

- The Corporate Food Safety and Quality Policy: aims to develop a trust-based relationship with customers via a system that guarantees adequate production, processing and management of all products offered by the Company.

In accordance with this policy, the Company:

- Sets out the requirements that suppliers and products must meet in order to be approved (prior to being placed on the market). In Spain and Portugal, all suppliers must have an IFS or BRC certificate at all factories where DIA-brand products are produced. In Brazil and Argentina, this certificate can be replaced with an equivalent audit report undertaken by DIA.
- Defines and undertakes an analytical control plan of goods received on its platforms, guaranteeing that the product meets the specifications set out in the development stage: In 2020, DIA Group performed a total of 348,485 product analyses as part of its control plan (compared with 624,718 the previous year). As part of this process, the company uses a machine learning tool that optimises its internal control and guarantees the detection of non-conforming products using a smaller number of analyses.
- Ensures product safety and quality control throughout the supply chain, supervising the storage, transport and sales processes by performing warehouse and store audits: These audits monitor and assess matters such as order and cleanliness, the cold chain, traceability, good hygiene practices and correct product rotation. 8,872 audits have been performed in 2020 (compared with over 3,474 audits last year)
- The Customer Marketing and Communication Policy: based on respect for commitments to customers, honest verbal and written communications and integrity in all professional corporate activity within this context. To this end, customer communications are based on the general principles of transparency, proximity, equality and quality.

- The Corporate Information Security Policy: aims to define the guidelines for ensuring the confidentiality, integrity and availability of information. Employees, staff and external collaborators who need to access the Company's information systems must comply with this policy. Although this policy applies to all stakeholders, it is mentioned here because of the special impact it has on the protection of clients' rights.

As well as the special efforts made to offer customers solutions to the challenges of the pandemic, in 2020 DIA Group continued working on various projects to improve customer satisfaction, including:

- Culmination of a new Store Operating Model (SOM) undergoing constant change to provide customers with the best shopping experience thanks to:
  - Fresher products.
  - Better customer care.
  - More organised stores.
  - Fewer product shortages.
  - Shorter queues.
- Execution of a new Logistics Operation Model (LOM) enabling the Group objective of being "closer every day" to customers to be met. To achieve this, all logistics processes have been analysed, from the receipt of goods to their in-store delivery. DIA Group has created a simpler and more efficient working model, whereby every task makes sense and leads to better service based on:
  - Quality service for stores: ensuring that goods are delivered on time and correctly to our stores.
  - Availability of goods: striving for zero shortages at warehouses so as to be able to guarantee that stores are supplied correctly.
  - Correct location: full traceability of all our goods, from arrival at the warehouse until they reach their destination.
  - Order and cleanliness: ensuring order and cleanliness throughout warehouses and on transport.
  - Regulations: compliance with all regulations, such as cold chain and expiry dates, is key to respecting service quality.
  - Occupational safety and risk prevention: alignment with safety and occupational risk prevention criteria.
  - Maintenance: correct maintenance, both preventive and corrective, of facilities and machinery.
  - Efficient supply chain processes: achieve excellence in all areas, based on excellence in each warehouse area.

Both model the SOM and LOM models have proved satisfactory in Spain and are expected to be rolled out in other countries over the coming months.

Under the idea of simplification, and in order to standardise the customer offering and to boost sales, a new product range has been designed, unifying the numerous existing ranges into one single product range for all stores with four variations depending on the size of the sales area.

In 2020, significant work has also taken place to renew own-brand products so as to make the Group's various brands benchmark products in terms of range, quality and market price. The new quality DIA brands, based on adapting each product to current customer likes and requirements, have also led to a change in image through renewed packaging.

At the same time, DIA Group continues working to meet the commitments voluntarily adopted in the Spanish national plan to improve food composition as part of the NAOS strategy (nutrition, physical activity and obesity prevention) by the Spanish agency for food safety and nutrition (AESAN), so as to give customers the best nutritional options.

Lastly, as already mentioned, 2020 has seen online sales expand significantly, with a focus on delivering orders to the greatest number of customers as quickly as possible. The Company has activated the online service in Brazil and Portugal and has improved the service offered in Spain and Argentina. To do this, stores have been turned into small warehouses called dark-stores and agreements have been reached with delivery services to cover the final mile. As a result of all this, online sales doubled in 2020.

## 7. EMPLOYEES

DIA Group has a diverse employment structure with 39,583 employees at 2020 year end. Of all employees working in DIA, 73% work in Europe (Spain and Portugal) and 27% in Latin America (Brazil and Argentina).

Beyond the figures, this year DIA employees have shown more than ever their engagement with society and the essential service they provide. Society's acknowledgement of their day-to-day work has compensated for the enormous effort made in stores and warehouses to meet the spikes in demand that have occurred.

This year the Company has focused on employees' health prevention, acknowledging their efforts and contribution to society, and on keeping them up-to-date with how the situation affects their daily routines. The Group estimates that the expenses associated with managing the pandemic amounted to 26 million euros in the first half of the year, including overtime costs for additional labor, the payment of bonuses to own employees and franchisee personnel, as well as protection material for employees and customers.

			Workforce by country at 31 December					
			Executives		Managers		Employees	
			2020	2019	2020	2019	2020	2019
ARGENTINA	Men	<30 years	N/A	N/A	27	31	795	997
		30-50 years	13	10	254	293	1,172	1,119
		>50 years	4	1	28	27	25	20
	Women	<30 years	N/A	N/A	27	29	449	555
		30-50 years	4	1	108	127	836	804
		>50 years	N/A	N/A	5	5	22	20
	<b>TOTAL</b>		<b>21</b>	<b>12</b>	<b>449</b>	<b>512</b>	<b>3,299</b>	<b>3,515</b>
BRAZIL	Men	<30 years	N/A	N/A	4	9	1,670	1,716
		30-50 years	18	15	98	98	1,168	1,072
		>50 years	4	N/A	10	9	67	69
	Women	<30 years	N/A	N/A	2	4	1,967	2,143
		30-50 years	4	3	52	63	1,922	1,832
		>50 years	N/A	N/A	1	3	51	52
	<b>TOTAL</b>		<b>26</b>	<b>18</b>	<b>167</b>	<b>186</b>	<b>6,845</b>	<b>6,884</b>
SPAIN	Men	<30 years	1	N/A	13	12	1,550	1,618
		30-50 years	56	52	259	260	3,759	3,732
		>50 years	12	25	94	97	1,079	979
	Women	<30 years	N/A	N/A	5	10	2,624	2,331
		30-50 years	21	19	263	246	12,233	12,342
		>50 years	20	20	78	77	3,142	2,929
	<b>TOTAL</b>		<b>110</b>	<b>116</b>	<b>712</b>	<b>702</b>	<b>24,387</b>	<b>23,931</b>
PORTUGAL	Men	<30 years	N/A	N/A	N/A	N/A	382	401
		30-50 years	3	4	17	25	659	634
		>50 years	1	1	15	17	89	94
	Women	<30 years	N/A	N/A	N/A	N/A	742	702
		30-50 years	5	6	35	40	1,460	1,443
		>50 years	N/A	N/A	3	2	156	129
	<b>TOTAL</b>		<b>9</b>	<b>11</b>	<b>70</b>	<b>84</b>	<b>3,488</b>	<b>3,403</b>

Table 7: Total number and distribution of employees by gender, age, country and professional category<sup>12</sup>. Directors, employees of franchises or other external parties have not been included in this breakdown.

<sup>12</sup> The executives group includes the five highest categories in the organisation, managers includes the next three categories in the organisational hierarchy and employees refers to the remaining categories. Directors have not been included in this breakdown.

### Main lines of communication with employees

There are several channels for communicating with employees, the majority of which encourage two-way communication. The main channels are as follows:

- Corporate website for employees: an area where communication with employees, the sharing of expertise, leisure activities and the dissemination of corporate information are encouraged.
- Bulletins: a weekly publication that shares good practice and business strategy developments with all Group employees. In addition, operational teams also receive daily and weekly bulletin updates about the projects they are taking part in.
- DIA also regularly surveys employees about different issues (from specific initiatives to general assessments of corporate culture). These communications channels, regardless of whether they are managed internally or via a third party, guarantee anonymity and total privacy regarding the responses given by employees.
- New regular communication channels between top management and employees for closer contact with leadership and to share business developments and progress made in the transformation process.

### Key employee-related risks

The most important risks identified are employee conflict, an inadequate talent structure and inadequate compliance with employment regulations.

### Key policies governing employee relations and their functions

- The Corporate Human Resources Policy: this policy includes DIA Group's commitment to create jobs and to develop professionals within the context of the Company's corporate values. This policy also aims to encourage the Company's long-term commitment to generating pride and a sense of belonging, adapting to the cultural, employment and business contexts in each of the countries where it operates.

DIA Group has not separately defined diversity, training and disconnect from work policies. The majority of human resource management issues are however included in the Group's general Human Resources Policy.

### **7.1 Employment and social dialogue**

A significant portion of DIA's workforce operates under permanent and full-time contracts, as shown in the following tables. It is important to note the Company has not carried out any workforce restructuring plans in the context of the pandemic.

Total employees by contract type and working hours at 31 December		
	2020	2019
Permanent	35,380	35,057
Temporary	4,203	4,317
<b>TOTAL</b>	<b>39,583</b>	<b>39,374</b>
Full-time	31,218	31,209
Part-time	8,365	8,165
<b>TOTAL</b>	<b>39,583</b>	<b>39,374</b>

Table 8: Total number and distribution of employees by contract type and working hours. Directors, employees of franchises or other external parties have not been included in this breakdown.

		Average annual contracts by gender (number)			
		2020		2019	
		Men	Women	Men	Women
Permanent		12,290	23,419	12,869	24,106
Temporary		1,791	3,682	1,837	3,371
Full-time		13,071	19,495	13,715	19,667
Part-time		1,010	7,606	991	7,811

Average annual contracts by age (number)						
2020			2019			
	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years
Permanent	9,150	22,714	4,576	9,150	23,641	4,183
Temporary	2,795	2,342	271	2,795	2,108	305
Full-time	10,005	5,512	1,047	10,005	19,934	3,442
Part-time	1,941	19,544	3,800	1,941	5,815	1,046

Average annual contracts by professional category (number)						
2020			2019			
	Executives	Managers	Employees	Executives	Managers	Employees
Permanent	164	1,446	34,099	171	1,601	35,203
Temporary	2	8	5,463	1	9	5,198
Full-time	165	1,421	30,981	172	1,569	31,640
Part-time	0	34	8,582	0	41	8,760

Tables 9, 10, 11: Average annual number of employees by contract type, gender, age and professional category. Directors, employees of franchises or other external parties have not been included in this breakdown.

In 2020, just as in 2019, 100% of employees in Brazil, Spain and Portugal are covered by a collective agreement, either at company or industry level (in Argentina this figure is 71% of employees compared to 69% last year), and the Company has 1,057 trade union representatives worldwide (compared to 1,176 last year). Given the countries DIA Group operates in and the significant number of trade union representatives, there is no perceived risk of basic human and employment rights being violated (such as child labour, forced labour, freedom of association or the right to collective bargaining) in internal processes. DIA's Ethics Code and the Group's Whistleblowing hotline were created to help safeguard DIA Group's commitment to respecting these values, among others.

Although a monitoring committee is always formed to oversee any agreement reached, trade union dialogue in Spain has been reinforced in 2020 through the following milestones:

- The Company and trade unions reached an agreement to sign the 2019-2021 Collective Agreement for employees and to introduce a new results-based culture.
- As part of the Company's transformation process, dialogue began with trade unions to negotiate the substantial changes to the terms linked to the new organisational model.
- Activities to manage the Covid-19 crisis have been overseen in partnership with trade unions through reporting sub-committees so as to better monitor the impact of the pandemic on employees.

In terms of the remuneration policy, DIA salaries are in line with market conditions and employment agreements. Merit is the key driver of salary growth and DIA Group has various performance assessment mechanisms. Store and warehouse employees are assessed based on their performance and productivity,

both on an individual basis and in their place of work. In the offices, individual objectives are focused on individual performance and they are aligned with the Company's results.

Against the backdrop of the pandemic, it is important to mention the salaries paid in full to all employees who have had to self-isolate, and the extraordinary bonus paid to all Group employees and franchisees, in recognition of their commitment and dedication.

		Average remuneration paid (Euros)					
		<30 years		30-50 years		>50 years	
		2020	2019	2020	2019	2020	2019
Executives	Men	N/A	N/A	184,329.05	151,437.85	147,088.21	182,916.23
	Women	N/A	N/A	114,139.54	115,417.88	129,976.54	80,305.65
Managers	Men	24,742.01	22,846.76	33,574.23	32,952.60	43,158.97	40,630.57
	Women	19,828.97	19,728.12	34,450.65	33,293.24	49,877.84	44,966.90
Employees	Men	10,116.23	10,298.22	15,445.31	16,237.81	22,261.16	18,909.54
	Women	9,748.33	9,363.57	15,285.44	15,678.35	18,446.75	15,520.54

Table 12: Average remuneration paid<sup>13</sup> by category, gender and age range (Euros).

The number of dismissals has dropped compared with 2019 (see table 13), coinciding with a more mature organisational model accompanying the transformation process that the company is still going through.

		Number of dismissals							
		2020				2019			
		<30 years	30-50 years	>50 years	TOTAL	<30 years	30-50 years	>50 years	TOTAL
Executives	Men	N/A	19	16	35	N/A	24	30	54
	Women	N/A	3	3	6	N/A	6	11	17
Managers	Men	3	39	14	56	8	151	29	188
	Women	N/A	20	7	28	6	63	3	72
Employees	Men	631	535	45	1,211	1,012	1,040	94	2,146
	Women	732	808	126	1,666	1,094	1,851	94	3,039
<b>TOTAL</b>		<b>1,366</b>	<b>1,424</b>	<b>212</b>	<b>3,002</b>	<b>2,120</b>	<b>3,135</b>	<b>261</b>	<b>5,516</b>

Table 13: Number of dismissals by category, gender and age.

## 7.2 Health and safety in the workplace

Many of the Company's health and safety efforts have centred around ensuring the safety of staff during the pandemic. In this respect, two types of action have been put in place as part of the COVID-19 context: the approval of protocols (explained below) and measures to improve flexible working and work-life balance practices (explained in section 7.3).

- **Covid management procedure:** this applies to everyone and sets out how to respond to confirmed, likely and suspected cases as well as close or other contacts for each work area (stores, warehouses and offices).

This procedure includes the application of specific protocols for particularly vulnerable groups, such as pregnant women, people with cancer or immunodeficiency disorders, the over 60s, people with diabetes, high blood pressure or morbid obesity, among other risk factors. Taking a precautionary approach, all these people were put on paid leave from the start of the pandemic,

<sup>13</sup> All elements received by employees in 2020 are included, except payments in kind. This includes the fixed pay actually processed and paid, additional payments based on working hours, productivity and performance bonuses and distribution of profits. The salary for the only executive under 30 years of age is not reported in line with current data protection legislation.

with DIA responding in this regard ahead of protocols being put in place by the public health authorities.

- **Protection measures for all staff and franchisees:**

- Hand sanitiser gels: it is advised these be used at tills if checkout staff cannot leave them to wash their hands, following health authority recommendations.
- Vinyl gloves: even though training and information reminds staff of the importance of continuing with hand hygiene.
- Disposable face masks made available to employees.
- Protective screens: perspex screens have been installed at tills in stores to separate checkout staff from customers.
- Face visors: as priority protective equipment to continue enhancing staff safety.
- Extra cleaning products: for disinfecting and cleaning work areas.

Furthermore, the proportion of work carried out when stores are closed has also been increased to minimise mixing of staff and customers as far as possible.

- **Covid-19 training and information:**

- Obligatory training: remote working (risks and preventive measures), a course on how to protect mental health and ensure adequate social interaction when working from home, office Covid training, warehouse Covid training and store Covid training.
- Continuous stream of updated information through the Employee Portal and Daily Newsletter.
- Videos: produced with medical teams to answer enquiries about Covid and how to protect oneself.

- **Medical assistance:** free medical helpline for employees and franchisees to resolve medical queries regarding their own health or that of their family members. In the case of Argentina, there has also been a mobile medical teams service across the store network.

### 7.3 Work organisation and work-life balance measures

In addition to new protection measures, in light of school closures and with the aim of minimising potential virus spread, a series of plans were approved in 2020 to facilitate flexible working and a balance between personal, family and professional life:

- Full-time remote working for the staff at the central offices from March (continuing at present) and extending to the rest of the regional offices<sup>14</sup>. Although this measure was implemented across the board, the offices have remained available and disinfected for employees who were unable to work from home.
- Stores and warehouses: employees have been given the opportunity to request three consecutive days holiday outside the normal scheduled calendar. Moreover, they have also been offered the option of taking a leave of absence of seven days or more to care for a minor. Store times have been reduced allowing for a greater work-life balance. This approach has enabled gaps in cover to be filled by staff working flexible hours (employees in Spain and Portugal did not have to drop any hours at any time).

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<sup>14</sup> In response to the move from working remotely in bulk, it was strengthened by computer and information security systems through the updating of the Security Policy (including a cybersecurity section), increasing training and awareness-raising tasks in this area, hiring extra mitigation cases for the digital surveillance service or creating additional mail rules to block suspicious emails, among other measures.

- Specific paid leave for especially vulnerable employees (pregnant women, people being treated for cancer, radio and chemotherapy, people undergoing treatment for immunodeficiency disorders or other disorders such as psoriasis, Crohn's Disease, rheumatoid arthritis and multiple sclerosis) available since March. This option will continue to be offered while the pandemic lasts or until the affected employee is placed on sick leave.
- Spain: MECUIDA Plan: in accordance with Royal Decree-Law 8/2020, of 17 March, strengthening measures to ensure a decent work-life balance by enabling staff to cut their hours by up to 100%, in addition to the existing option of changing their working day. A total of 153 requests have been submitted to reduce or alter working hours due to Covid-19. Eight-seven percent (133) of these were accepted, 9% (14) were refused because evidence of the worker needing to shield was not provided, and the other 4% gave up their original request.
- Argentina: paid leave to care for offspring (pursuant to legislation).

	Absenteeism and main health and safety indicators			
	Men		Women	
	2020	2019	2020	2019
Hours of absenteeism	1,845,492.0	1,494,227.6	4,504,923.3	3,971,606.8
Workplace accidents	841.0	1,127.0	1,221.0	1,442.0
Injury frequency rate	31.7	38.8	28.0	30.6
Serious accidents	25.0	36.0	6.0	22.0
Occupational illnesses	16.0	2.0	27.0	22.0
Fatalities	0	0	0	0

Table 14: Absenteeism and main health and safety indicators. Absenteeism reflects hours absent due to illness, accident or an unjustified absence (including Covid); 2019 data have been restated using these criteria, since it previously included all possible causes. The injury frequency rate represents the number of injuries per 1,000,000 employee hours worked.

Despite all the measures put in place to protect the health of employees, it is inevitable that a pandemic such as COVID will have an impact on overall absenteeism in a global workforce of 39,500. This is precisely what can be seen for 2020. Once again it is worth highlighting the work of the OH&S team in raising awareness, carefully and meticulously enforcing preventive quarantine measures, without which this figure would have been much higher. Furthermore, the additional absenteeism reported includes leave granted in relation to COVID-19 and not just sickness-related leave.

#### 7.4 Equal opportunities

DIA is committed to respecting the principle of equality and condemns any type of discrimination, in any form, directly or indirectly, and for any reason: sex, marital status, age, race, social status, religion, political affiliation, etc. The general Human Resources Policy and the Ethics Code are the instruments that ensure compliance with this principle.

During 2019, one sexual harassment complaint has been received through the Ethics Channel, which led to the dismissal of two employees. No discrimination complaints have been proved this year. In relation to this topic, in 2018, a study by a third party was completed in Spain with the aim of confirming that there was no discrimination bias in the procedures used by the Company.

In Spain, the Group has had an Equality Program in place since 2012. This plan includes measures aimed at each of the following areas: access to the Company and selection; hiring; promotion; training; pay; reconciliation of personal, family, work and working time; occupational health; sexual harassment; gender violence; company culture, communication and awareness.

The plan is preventive, in other words, it intends to eliminate any possibility of future discrimination based on sex. The existence of an Equality Agent, the implementation of different anti-harassment and gender-based violence protocols, discrimination prevention systems (access, promotion, compensation, language) and specific awareness campaigns are some of the best practices linked with this program.

With respect to the promotion of equal treatment and opportunities between women and men, DIA carries out a policy of equal pay in all its professional categories. The following table shows the gross pay gap by country for the different categories. It should be noted that the gross pay gap is the difference between the average total compensation for women and the average total compensation for men in an organization. This calculation does not take into account these key factors that allow comparability as a professional category, functional area, performance, knowledge or professional experience and that can significantly influence the final data.

		Gender pay gap	
		2020	2019
Executives		66.45	61.81
Managers		103.26	100.81
Employees		101.11	99.00

Table 15: Gross wage gap by gender (ratio calculated as the average remuneration of women among men for each category). All items, except for compensation in kind, are taken into account for the calculation.

DIA Group also works to integrate groups with disabilities in all countries in which it operates. In total, among DIA's workforce at the end of 2020, there were 464 people with some type of physical or intellectual disability. Despite the efforts made by different countries of the Group, this global figure has decreased in comparison to the previous year along with the contraction of the global workforce figure.

		Employees with a disability at 31 December					
		<30 years		30-50 years		>50 years	
		2020	2019	2020	2019	2020	2019
Executives	Men	0	0	1	1	0	0
	Women	0	0	0	0	0	0
Managers	Men	1	1	0	0	1	1
	Women	0	0	3	2	0	0
Employees	Men	64	76	155	164	30	26
	Women	34	41	128	138	47	47
<b>TOTAL</b>		<b>99</b>	<b>118</b>	<b>287</b>	<b>305</b>	<b>78</b>	<b>74</b>

Table 16: Employees with a disability by professional category, gender and age at 31 December

## 7.5 Employee training

DIA Group has a proactive attitude towards retaining and training talent. In addition to external training, DIA Group has more than 30 in-house training centres for employees and franchisees. These centres provide training to employees at all levels to carry out functions such as payment services, new services, and more specific tasks such as running the meat and fish counters. The Company also runs specific training programmes at its logistics centres.

In 2020, the need to respond immediately to a completely new and changing environment led to a decrease in total team training hours (204,773 in 2020 compared to 246,058 in 2019).

Despite this, two training priorities have remained on the schedule:

- Employee health and safety in light of the pandemic.
- Training and provision of information on internal regulatory framework setting out the obligatory processes and rules in all areas of the business and countries in which the Company operates.

		Training					
		Executives		Managers		Employees	
		2020	2019	2020	2019	2020	2019
Men	Training hours	549.9	1,102.0	5,817.7	7,947.0	57,698.6	87,476.5
	Average training hours	4.9	9.4	6.8	8.3	4.3	6.4
Women	Training hours	351.9	436.0	3,233.9	5,469.0	137,121.3	143,628.0
	Average training hours	6.7	8.0	5.4	8.5	5.1	5.4
<b>TOTAL training hours</b>		<b>901.8</b>	<b>1,538.0</b>	<b>9,051.6</b>	<b>13,416.0</b>	<b>194,819.6</b>	<b>231,104.5</b>

Table 17: Annual training hours and average training hours per professional category and gender.

## 8. FRANCHISEES

Almost 30 years of experience in developing the franchise model has seen DIA Group become the number one ranked franchiser in Spain and the sixth-largest franchiser in Europe, according to the international ranking by consulting firm Franchise Direct, which is based on parameters that take into account financial issues, innovation capacity, environmental action and franchisee support, among other aspects.

DIA Group saw out 2020 with 2,682 franchise stores, which is 43% of its total stores.

The Company provides its historical knowledge of the sector and the strength of its brand and logistical developments to franchisees, while the franchisee contributes their commitment to sell and local market knowledge, which is key to developing the model of customer proximity and approachability.

This relationship of trust between DIA Group and its franchisees also creates value and wealth in the communities in which the franchises are set up. During 2020, DIA's franchise business generated approximately 17,700 direct jobs.

	Franchised stores		Number of franchise employees	
	2020	2019	2020	2019
ARGENTINA	621	611	4,123	4,147
BRAZIL	317	347	4,907	5,611
SPAIN	1,477	1,665	6,768	6,793
PORTUGAL	267	278	1,920	1,969
<b>TOTAL</b>	<b>2,682</b>	<b>2,901</b>	<b>17,718</b>	<b>18,520</b>

Table 18: Franchised stores and estimated number of employees for the franchise network. Data for 2019 has been restated to include Clarel franchised stores and estimated employees.

### Main lines of communication with franchisees

- The Group closely monitors its franchisee relationship by conducting annual surveys prepared by Nielsen, an independent consultant. This anonymous and confidential survey garners information from franchisees about where they think improvements can be made and what their levels of satisfaction are.
- The Franchise Portal, an *online* platform franchisees can use to access databases of proprietary and comparative information and contact the Group directly.
- The first National Franchisees Meeting in Spain, Portugal and Argentina attended by around 1,000 strategic partners, chaired by the Company's top management including the Group's Executive Chairman, Stephan DuCharme.
- Regular discussion forums within the "Franchise Week" series and existing local assistance programs, such as "Atención al Socio Estratégico" in Spain, "El Defensor del Franquiciado" in Argentina and "DIA te escucha" in Brazil.
- Franchise newsletter in all the countries the Group operates in, with important information about the Group.

### Key franchisee-related risks

Conflict and potential loss of partners could affect the associated with the DIA brand and the success of the Group's business model, as it largely depends on its ability to maintain contractual relationships with profitable franchisees.

Main policies governing relations with franchisees and performance

- Corporate Franchise Policy: establishes the guidelines relating to franchisees, ensuring that each country's legislation is respected, the information provided is accurate, and that agreements with entrepreneurs who decide to manage a DIA store through the franchise model are fulfilled.
- The recruitment of and relationship with franchisees (Internal Compulsory Regulation): aims to guarantee the effective recruitment of, relationship with and management of DIA Group franchisees.

One of the strategic objectives of the new management is to create a sustainable franchise model in the long term. To this end, several measures have been analysed and tested in 2020 that provide the franchise network with more liquidity and profitability and simplify operations. The objectives of this new model are to incentivise sales and attract highly professional franchisees, thus boosting the strategic value of the franchise network for the DIA business model to make it the most competitive model in the food distribution sector. To do this, the following changes have been made:

- **A new formula for franchisees to pay for goods** that ensures their stores are properly supplied. Until now, DIA Group delivered orders to its franchisees once the goods had been paid for. With Franquicia DIA 2020, franchisees will pay for the goods when they have been sold and not before, helping them to manage their store's cash flow.
- **Simplification of costs for the franchisee:** with Franquicia DIA 2020, franchisees pay a percentage of their monthly turnover to cover most store overheads. This fee means that franchisees know what their monthly costs will be in advance, thereby enhancing control of their cash.
- **Sales incentive scheme:** the Company pays bonuses to franchisees who boost their turnover as a form of acknowledgement and to motivate them.
- **Help with payments:** DIA supplies 100% of the store's stock and the franchisee guarantees payment of, at least, 50% over 60 months.
- **Support:** the Company has established a strong franchise team comprising a new regional department and area franchise managers tasked with supporting franchisees with everything they need.
- **Franchisee Training School:** the Company has made its training programme available to its franchisees' staff to ensure the best professionals are working in its store network and customers receive the best service possible.

The Group has created the DIA Franchisee School in Spain, inspired by the Academy that already existed in Argentina. It offers a development and training plan from the very start of the franchise for internal franchisees, multi-franchisees and new partners joining the Company, with classroom-based and online training to meet the needs of the current business. It runs induction programmes for partners: a full initial training plan tailored to the profile of our franchisees (external, multi-franchisees, company staff wanting to open a DIA franchise) and continuous training for them to remain completely up to date.

The initial training plan is much more practical and comprehensive, running for 12 weeks; six entailing work experience before their DIA store opens. The other weeks involve a combination of classroom activities and training audits and supervision enabling franchisees to enhance all their operating procedures. Our franchisee trainers are key to achieving this.

From an operational point of view, Spain's regional centers have incorporated a franchise analyst into their team, responsible for providing franchisees with financial and economic advice to help you get the most profitability from your business. In addition, a person in the logistics team is responsible for requests for orders from franchisees and for any other logistical problems that affect them. Although the Group does not have a formal commitment to financially assist franchisees, there is a financing committee that discusses cases where franchisees are experiencing financial difficulties in determining how to help them.

To further strengthen the link with franchisees and incorporate their vision into the day-to-day decisions of the Company, DIA Portugal has created a commercial committee and one of operations in which, together with the main managers, 12 franchisees and master-franchisees participate. In 2020, four of these meetings were held, with a very satisfactory outcome for all parties.

It should be noted that all changes made at the operational and commercial level to improve the Company's business model benefit both own stores and franchises. Treating franchised stores with the same management criteria as their own stores is a basic principle and an important commitment of DIA Group.

All of these action plans have led to a 30% improvement in franchisees' satisfaction with DIA Group in 2020, according to the last survey carried out.

## 9. SUPPLIERS

DIA Group has numerous procurement and supply agreements for all its products, which it acquires from private label suppliers and suppliers of national brands from all over the world. Supplier size varies, from large multinational groups to national suppliers and small local or regional suppliers. Most purchases are made directly from the Group's suppliers, without intermediaries.

### Main lines of communication with suppliers

- Suppliers portal: an *online* platform where suppliers can access historical databases, the invoicing system and, in some cases, stock status reports.
- Suppliers convention in Spain, Portugal and Argentina presenting the main strategies guiding DIA's work today and in the future.
- Sales and support team.
- Online channel for new potential suppliers.

### Key supplier-related risks

Non-compliance with applicable regulations and/or unethical conduct by suppliers is the main risk for this stakeholder group.

### Main policies governing relations with suppliers and performance

- Corporate Food Quality and Safety Policy: The Company's Corporate Food Quality and Safety Policy aims to create a trust-based relationship with its consumers through a system that rigorously guarantees all the products the Company offers are produced, processed and handled appropriately. Accordingly, the Company controls product quality and safety throughout the supply chain, monitoring storage, transport and sales processes.

	Number of local suppliers		Proportion of spending on local suppliers (%)	
	2020	2019	2020	2019
ARGENTINA	472	456	97.17	96.68
BRAZIL	631	397	80.38	99.83
SPAIN	1,187	1,415	95.63	95.35
PORTUGAL	438	431	83.96	83.25
<b>TOTAL</b>	<b>2,728</b>	<b>2,699</b>		

Table 19: Local suppliers and proportion of spending on local suppliers.

Together with the shared objective of guaranteeing product safety and quality (already explained in the Customer chapter), the Company will also foster a new and collaborative relationship with suppliers in the coming years. The objective of this new supplier relationship model will be to create symbiotic, fair and enduring partnerships with a shared focus on achieving long-term growth rather than short-term margin targets. This will not only enable the Company to achieve a new business model, but also better management of supplier compliance with DIA's values.

One of the most important milestones of this new approach to supplier relations has been to review and update the contractual terms and conditions to make them more transparent and further nurture a long-term, trust-based relationship.

Investments were also made in 2020 to enhance communications with suppliers as described below:

- Three conventions with suppliers were held in Spain, Portugal and Argentina providing a progress report on the transformation plans and new franchise management model.

- Supplier communications have been made more systematic to provide more effective and equal access to information.
- More resources have been earmarked by the support team to handle enquiries and complaints so that none are left unresolved.
- Communications have been improved regarding the design and running of promotional campaigns.
- A new *packaging* tool has been created that is shared with suppliers to streamline this entire process.
- An online channel has been created for new suppliers interested in working with DIA.

This new philosophy of work is also embodied in the Company's project in Portugal to develop a joint three-year plan with private label, national brand and small suppliers. The aim of the plan is to identify and create specific strategies to boost the sales, promotions, profitability and sustainability of products. A task force has also been set up to help smaller suppliers sell their product in the DIA range.

Regarding supplier selection and the compliance systems associated with these stakeholders, DIA Group selects its suppliers based on criteria related to competence, process efficiency and the highest quality of products. All suppliers have been proactively informed of the launch of the new DIA Group whistleblowing hotline as well as the new gift and gratuities policy, and have been encouraged to use this channel if they detect any non-compliance. Moreover, in February 2020, an International Sanctions Policy was approved. This policy ensures that the Company does not enter into commercial relations with third parties (companies or people that provide any good or service) that have some kind of direct or indirect link with countries, organisations, groups and/or individuals that are sanctioned for reasons of terrorism, drug trafficking, breach of human rights, among others, by international entities such as the UN or the European Union. Complying with this policy is an essential pre-requisite to establishing any commercial relations with DIA.

In 2020 no human or labour rights breaches were detected in the supply chain through the company's commercial channels or whistleblowing hotlines.

## 10. INVESTOR COMMUNITY

Investors are stakeholders who are essentially involved in the Company's development and progress.

In 2020, following the acquisition of two acquisition offers on the company's bonds by DEA Finance S.A.R.L., the Company announced that, following the negotiations between its main shareholder L1R Invest1 Holdings S.à.r.l. ("L1R"), DEA Finance S.à.r.l. ("DEA Finance") and its syndicated creditors ("Syndicated Creditors"), it has reached an agreement with all Syndicated Creditors that provides a path for a global capitalization and refinancing operation that will allow a structure to be implemented long-term stable capital and financial for DIA Group.

### Main lines of communication with shareholders

Shareholders and investors have a number of lines of communication available to them, providing detailed information on the stock market and the Company's business, thus maintaining effective and transparent communication. Beyond the information provided regularly by corporate reports and the investor relations team, the department organised various information activities through different platforms, including roadshows, one-to-one meetings, webcasts and conference calls. The aim of them all is to provide the market and shareholders with the most up-to-date and accurate information, beyond the legal information that listed companies are obliged to provide.

### Key shareholder-related risks

Any fault or weakness in the Group's internal controls pertaining to financial information could have a significant adverse impact on the Group's outlook; the Group's capacity to pay dividends to its shareholders is uncertain and could be restricted.

### Key policies governing shareholder relations and their functions

- Corporate Investor Relations Policy: establishes the guidelines for running the department tasked with stock markets, based on transparency, accuracy, response capacity and continuous communication, in accordance with applicable legislation, the Ethics Code and the Company's other internal regulations. The staff tasked with investor relations base their actions on these principles, ensuring that shareholders, institutional investors and advisors are clear on who to contact and have regular, straight-forward access to the Company's information.
- Internal Control over Financial Reporting (ICFR) Corporate Policy: establishes the principles and guidelines that define the bases and responsibilities for maintaining an effective internal control system, which is applicable in all DIA Group companies. This policy stipulates that the Board of Directors is responsible for the existence of the ICFR; that senior management is required to design, implement and run the ICFR; and that the Audit and Compliance Committee, through its Internal Audit department, must oversee.

DIA Group develops practices for designing and maintaining an internal control system that provides reasonable security in terms of the reliability of regulated financial information, including the process for identifying risks of error or fraud in financial reporting in accordance with the COSO framework.

Another key instrument for controlling financial reporting is the ICFR Manual, the aim of which is to specify and develop the functions attributed to the different staff identified in the aforementioned Policy, defining the activities that comprise the ICFR cycle and ensuring their adequate compliance by the persons involved therein. An Internal Control Committee has also been set up with the aim of promoting a space for shared knowledge and analysis of the issues pertaining to the functioning of the DIA internal control system, to channel solutions and potential contingencies.

DIA's ICFR elements operate in conjunction with each other with the responsibility of preventing, detecting, offsetting, mitigating and correcting errors with a material impact, or fraud in financial information. Further detail on this matter can be found in section F of the Annual Corporate Governance Report.

## 11. ENVIRONMENT

The environment is a priority area for DIA Group insofar as it may affect and also be affected by the Company's operations. In addition to this, it can easily be incorporated into stakeholder management processes, bringing a holistic approach to stakeholder management.

### Main lines of communication with environment-related stakeholders

One-to-one personal meetings with not-for-profit environmental organisations and active listening channels for legislative changes are the main lines of communication with this stakeholder group. This activity is also reinforced by the institutional agenda kept, mainly, through the industry organisations the Company belongs to.

### Key environment-related risks

The most important risks identified are inadequate compliance with environmental legislation and the risk of natural disasters (climate change risks are explained in section 11.4).

### Main policies governing relations with this stakeholder group and performance

DIA Group's commitment to the environment is defined in its Environmental Policy, endorsed by the Board of Directors in 2016. This policy sets forth the objectives both in terms of operations and the organisational culture guiding the Company's activities. Performance for each of the objectives in the aforesaid policy is set forth below:

#### **11.1 Complying with existing laws and regulations**

Abiding by the law is the first mainstay upon which DIA Group's environmental work is based. No significant fines were received for breaching environmental laws and regulations during the year<sup>15</sup>. The Company considers that no significant contingencies exist concerning the protection and improvement of the environment and, accordingly, no provision has been made in this regard.

In addition to this and despite the fact that, due to their nature, DIA Group's activities do not pose a significant environmental risk, any incidents that could arise in this regard are identified and potentially monitored using the Company's Risk Map.

#### **11.2 Promoting the responsible use of resources**

In line with the most recent legislative and regulatory developments, DIA Spain has reduced the environmental impact of using plastic bags. It now provides reusable bags made from up to 70% recycled plastic as standard and is testing use of FSC certified bags at checkouts and in the various sections around the store. In fact, during 2020 the traditional thin plastic bags (used in each section of the store) have been replaced by compostable plastic bags. Consequently, at 1 January 2021 no traditional plastic bags are used in any stores in Spain.

Furthermore, as a continuation of the project commenced in 2019, during 2020, DIA has continued to offer sales of loose fruit and vegetables, contributing to the goal of reducing the impact of packaging (especially plastic) on the environment.

The table below summarises DIA's use of materials (data excludes packaging). In 2020 there has been a slight increase in materials used (mainly paper and cardboard), which is due to the inclusion of data for leaflets and magazines for the Clarel brand in Spain, which were not reported in prior years. There are no significant changes in the percentage of recycled paper/cardboard used.

<sup>15</sup> The significance thresholds for reporting fines are: Zero euros for issues relating to competition; 30,000 euros for issues relating to the environment and 50,000 euros for all other issues.

Materials consumed, by major groups (Kg)		
	2020	2019
Paper and cardboard	12,581,315.9	9,481,420.3
Of which of recycled origin	7,149,748.0	5,764,690.8
Cling film	1,726,880.8	1,530,919.2
Of which of recycled origin	0.0	0.0
Other	11,353.2	0.0
Of which of recycled origin	9,741.2	0.0
<b>TOTAL</b>	<b>14,319,549.4</b>	<b>11,012,339.5</b>

Table 20: Materials consumed, by major groups (Kg). In 2020, the Other group includes: Bags for private use in Brazil and Plastic sealing material for lorries in Portugal. The reported figures include the contribution from the franchise network.

### 11.3 Responsible waste management

The objective of the policy in this regard is to manage waste by following the waste hierarchy model, prioritising waste prevention and avoiding waste disposal where possible.

Specifically, in Spain, in 2020, measures to improve the management of fresh goods and the useful life of products have been adopted and this has led to a decrease in the amount of waste generated (prevention). A project has also been executed to better separate waste in store, which has led to a significant increase in waste reuse or recycling or recovering value from it, thus avoiding it going to landfill. At the end of 2020, a zero waste pilot project was launched at one of the logistics platforms, with a view to subsequently rolling it out at more platforms.

The following table shows waste generated by DIA Group, which in the case of non-hazardous waste has decreased by approximately 5,000 tonnes with respect to the prior year.

Non-hazardous waste generated (Kg)		
	2020	2019
Toner	1,701.0	1,847.7
Organic material <sup>16</sup>	10,621,705.0	8,411,637.0
Scrap metal	838,270.0	2,942,471.8
Plastics	4,874,174.0	4,732,532.0
Wood	885,320.0	2,066,833.0
Paper/Cardboard	59,562,824.0	59,473,253.0
WEEE	22,400.0	23,473.0
Other	40,941,569.0	44,929,791.0
<b>TOTAL</b>	<b>117,747,963.0</b>	<b>122,581,838.5</b>

<sup>16</sup> In Argentina this relates to sewage, but has been converted to kg with a density factor = 1kg/L.

Non-hazardous waste (%)					
% recycled		% reused		% sent to landfill/incinerated	
2020	2019	2020	2019	2020	2019
<b>58.77</b>	<b>59.67</b>	<b>0.56</b>	<b>1.55</b>	<b>40.67</b>	<b>38.78</b>

Tables 21 and 22: Non-hazardous waste and its processing destination. Some waste data in 2019 have been re-extracted to resemble the 2020 reporting criteria.

Hazardous waste generated (kg)		
	2020	2019
Batteries <sup>17</sup>	227,073.2	665,333.9
Fluorescent bulbs	0.0	237.0
<b>TOTAL</b>	<b>227,073.2</b>	<b>665,570.9</b>

Hazardous waste (%)					
% recycled <sup>18</sup>		% reused		% sent to landfill/incinerated	
2020	2019	2020	2019	2020	2019
<b>31.6</b>	<b>10.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Tables 23 and 24: Hazardous waste (kg) and its processing destination. The 2019 data on batteries generated and recycled in Spain and Portugal have been restated in accordance with European legislative criteria.

Furthermore, in 2020, DIA Group continued working to reduce food waste<sup>19</sup>. The Company has focused its efforts in the following areas to achieve this:

- Ordering more effectively and managing stock properly: the frequency of distributing fresh produce has been increased and the product range has been pared back, thereby reducing the possibility of wasted food. In addition, each section manager has been given specific responsibility over fresh stock management. This improvement reduced food waste in Spain by almost 2,000 tonnes in 2020 (in addition to the 7,000 tonnes reduced in 2019).
- Rethinking how the shelf life of products is managed, optimising the selling period and selling products with short use-by dates: significant drop in price on products that need to be consumed quickly.
- Raising public awareness: taking part in publicity campaigns, in collaboration with AECOC, aimed at different stakeholders, with a particular focus on customers.
- Donating food suitable for human consumption to different social groups and organisations: this campaign was expanded in 2020 and is normally run out of warehouses, dark stores and stores, all through approved partners. This year, the volume of donated food that helped to combat food waste was 543,192 Kg in Spain alone (compared to 475,097 Kg in 2019).

<sup>17</sup> Batteries generated are those put out on the market by DIA.

<sup>18</sup> Recycled batteries are those collected by DIA in the containers provided for customers and staff in stores and at the warehouses and offices. These are then collected by an authorised waste management company in line with applicable regulations.

<sup>19</sup> The food waste figure referred to in this section refers only to Spain. Food waste is defined as total food products received that are not marketed and end up in landfill.

- Waste recycling: if there is any leftover organic waste on the Company's premises even after these measures, the first option (when operationally and financially viable) is to send it for animal feed: then follows composting, and lastly, biogas production.

#### 11.4 Adopting measures to reduce the emission of greenhouse gases

While food sales and distribution are not deemed to be a priority sector for mitigating climate change, greenhouse gases are emitted throughout its value chain (see table 25).

Climate change may also interrupt normal operations and the achievement of objectives both in the short and long term; the process of monitoring these risks is therefore being incorporated into the Company's global risk management system.

As with the other business risks, DIA prioritises climate risks based on probability of occurrence, potential impact on the Company's operations and objectives, and the extent to which DIA Group can control and manage them. Following these criteria, it prepares a Risk Map and defines a scorecard and controls to monitor risks and devise the necessary steps to mitigate them.

Climate change-related risk categories evaluated and most significant risks					
Category	Significance	Explanation	Time horizon	Probability of occurrence	Impact
Emerging regulation	Relevant	DIA's procedure for the definition of risk drivers includes the approval of new regulations that will likely lead to more legal pressure to achieve its attainment. In this regard, the enactment of refrigerant gas legislation in Argentina and Brazil to bring it into line with European legislation. Adhering to the new legislation in these countries would require a significant outlay for the Company.	Short term	High	High
Reputation	Not relevant	Corporate climate strategy could influence the decisions taken by investors and customers, with a potential impact on the share value, sales turnover and company reputation. Not relevant since DIA Group activity is not perceived by stakeholders as an activity with high influence in carbon emissions and climate change.	Short term	High	Medium-high
Acute physical	Not relevant	How suppliers production could be affected quantitatively and qualitatively by extreme weather phenomenon (floods, large scale droughts etc.). This risk is not considered as relevant by DIA Group taken into account the diversification of its suppliers, especially with regards to the Private Label.	Medium-long term	Low	Low

Climate change-related risk categories evaluated and most significant risks					
Category	Significance	Explanation	Time horizon	Probability of occurrence	Impact
<b>Chronic physical</b>	Relevant	Rising average temperatures in the areas where DIA operates entail a risk of an increase in the direct costs of running refrigeration, air conditioning and heating systems on its premises to ensure product safety and the thermal comfort of customers and staff. DIA Group has estimated that every one degree rise in air temperature requires 7% more energy to run air conditioning and chillers and maintain the right temperature in DIA stores and warehouses.	Long term	Low	Medium

Summary table 2: risk categories evaluated in relation to climate change and the most relevant risks.

As in recent years, table 25 provides details of the Company's energy and emissions footprint. Indeed, DIA Group's transparency and end-to-end management approach to climate change has been acknowledged with an A rating from the Carbon Disclosure Project (the international organisation that keeps the largest databases of corporate information on climate change). DIA Group was the only food distribution company in Spain to achieve this score in 2020.

		Energy (GJ) and refrigerant gas (Kg) consumption		CO <sub>2</sub> emissions (Tn CO <sub>2</sub> eq)	
		2020	2019	2020	2019
Scope 1	Stationary sources	5,988.0	8,196.6	372.3	513.2
	Logistics	1,876,806.0	2,033,779.8	140,159.2	151,882.0
	Company cars	33,703.8	44,519.4	2,441.7	3,284.7
	Refrigerant gases	112,452.6	81,786.2	206,525.4	171,426.0
Scope 2	Electricity consumption	3,550,616.8	3,801,029.6	270,861.2	291,903.7
Scope 3	Business travel	N/A	N/A	6,604.3	9,453.4
<b>Group TOTAL</b>				<b>626,964.1</b>	<b>628,463.0</b>

Table 25: Energy consumption (GJ), refrigerant gas consumption (Kg) and CO<sub>2</sub> emission at DIA Group<sup>20</sup>. In the case of logistics, the figures reported include the contribution from the franchise network; in the case of electricity and refrigerant gases, the figures only include part of the franchise network.

- The Group's carbon footprint in 2020, resulted in 626,924.1 tons of CO<sub>2</sub> equivalent, has suffered a slight decrease compared to a similar figure to the previous year
- While the logistics footprint has increased in some countries in 2020 because of the significant rise in distribution frequency to supply the population (which also seeks to improve range management and offer fresher products for the customer), at a Group level it is positive with a global decrease of nearly 8%.

<sup>20</sup> The company car data does not include Brazil, where the type of fuel used depends on the market prices of the different options available. Detail of refrigerant gases reported: R134A, R404A, R407A, R407C, R407F, R410A, R417A, R141B, R422D, R427A, R448A, R449A, R450A, R452A, R453A, R513A, R290, R452A, R401A, R507 and R22, which corresponds to a total of 1.08 tons of CFC-11 equivalent only to R22 gas. Scope 3 emissions have only been reported for Spain and Brazil, as business travel in the remaining countries represents less than 5% of the overall total for this indicator.

- In contrast, the footprint of refrigeration systems has increased in 2020 by 20% compared to the previous year, mainly in Spain.
- On the other hand, the decreased used of renewable energies in 2020 (from over 35 million kWh in 2019 to 33.7 million kWh in 2020) has been offset by decreased electricity consumption due to the adoption of energy efficiency measures. As a result, scope 2 emissions from electricity consumption have decreased by over 7% compared to 2019.

#### **11.5 Actively working on identifying improvement opportunities**

DIA Group has set up an Environmental Management System designed to generate continuous improvement and minimise the environmental impact of the Group's activity. The environmental auditing of facilities and activities carried out regularly by the Environmental area enables DIA to assess the level of legal compliance (with legislation and in-house regulations), as well as to identify improvement opportunities.

#### **11.6. Encouraging staff through training and awareness-raising initiatives**

The most important awareness-raising and training initiatives up in 2020 concerned the following issues:

- Reducing consumption of resources: posters in workspaces to raise awareness of the importance of reducing the use of water, energy and materials (including paper and cling film).
- Adequate waste management: training sessions geared towards warehouse and store staff to encourage the separation of reusable, recyclable and recoverable waste components at source.

## 12. SOCIETY

DIA Group is fully aware of the importance and impact of the food distribution sector on society, whether it be supplying products to meet a person's essential needs, such as food, and making them available to everyone, or creating quality entrepreneurship opportunities and wealth through commerce. This is why the foregoing sections describe DIA Group's relations with its main stakeholders and how the Company creates value through these relationships.

DIA also acknowledges its accountability to other stakeholders that could be classified in the "society" stakeholder group (general public, public administrations, the media...). The Company's responsibility to these groups is fundamentally based on two pillars: a) ensuring strict compliance with the law and the transparency and reliability of reporting;<sup>21</sup> and b) tax responsibility, understood as strong tax governance procedures and tax discipline. In terms of tax responsibility, a specific section is included herein (12.1) to describe the Company's policy and performance in this regard.

The social and financial crisis caused by the pandemic means that supporting the community and the most vulnerable groups in society has become even more important this year. A separate section within this report (12.2) therefore describes this issue.

### Main lines of communication with society

The lines of communication with society are very diverse: from a dedicated team for external relations to the issuing of various corporate reports, official email channels and indirect participation in industry platforms.

### Key society-related risks

Inadequate compliance with laws and regulations, which could also damage the Group's reputation if it results in adverse publicity.

The application of tax laws, rules and regulations to the Group's business is subject to interpretation by the competent tax authorities. The Group relies on generally available interpretations of tax laws and regulations in the jurisdictions in which it operates to comply with them. However, there can be no assurance that tax authorities may not take the view that the Group's interpretations are not accurate.

### Main policies governing relations with this stakeholder group and performance

- Corporate Tax Policy: establishes the necessary scope of action to responsibly comply with tax regulations while ensuring that the Company's interests are covered, always supporting the Company's business strategy. Accordingly, DIA Group seeks to create a climate of compliance, good faith, transparency, collaboration and reciprocity in its relationships with the tax authorities, in accordance with the law, while defending its legitimate interests.
- Corporate External Relations Policy: The aim of the Corporate External Relations Policy is to promote transparent and accessible relations based on mutual respect with the media, regulatory bodies and associations. This policy focuses on achieving the Company's objectives outlined in its strategic plan and better positioning the Company in the market.

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<sup>21</sup> During 2020, only one penalty proceeding above the significant threshold has been brought due to non-compliance with the labelling of a specific product whereby the name is specified by including subjective criteria. Although the ruling arising from these proceedings has not had a damaging financial impact on DIA, the Company has drawn up an action plan to improve suitable labelling procedures.

The significance thresholds for reporting fines are: Zero euros for issues relating to competition; 30,000 euros for issues relating to the environment and 50,000 euros for all other issues.

## 12.1. Tax governance, control and risk management

DIA Corporate Tax Strategy was approved by the Board of Directors in 2015 and its main aim is to ensure compliance with tax regulations while safeguarding the Company's interests. The tax principles and good practices comprising the DIA Tax Strategy should guide decision making at all levels.

As part of the good tax practices guiding DIA's activity, the Tax Strategy establishes that DIA does not use opaque corporate structures of any kind or companies located in official tax havens (European Union's blacklist) for tax purposes. DIA Group is also committed to complying with the "OECD Guidelines for Multinational Enterprises" and the OECD's BEPS reports on tax avoidance. The Company is also part of the "Código de Buenas Prácticas Tributarias"<sup>22</sup>. In this regard, it should be noted that the transfer of assets from Spanish to Luxembourg subsidiaries is only for the purposes of the financial agreement reached with the syndicated lenders, as already explained, and not for tax purposes.

As a result of DIA Group's Tax Strategy, DIA has designed a System for the Control and Management of Tax Risks, which in addition to meeting the legal requirements, provides guidelines for the Company in this area. Thanks to this policy and its associated management system, the following progress has been made:

- Including the tax area manager as a permanent member of the Country and Group Risk Committee.
- Developing and drawing up the Tax Risk Control and Management Manual in line with DIA Group's Risk Management Policy. Therein, in addition to establishing the procedure and methodology for tax risk management, the roles and responsibilities for proper administration of these risks are also defined.
- Designing a Tax Risk Control and Management System, even where the legal standards do not strictly require it. The aim of this system is to identify the main tax risks in order to evaluate and prevent them: For these purposes:
  - Controls are defined within the different tax processes that are documented through risk matrices and controls (more than 90% of the controls defined are key controls).
  - The controls established are assessed annually, using SAP GRC.
  - In addition to the obligatory mention of control and tax risk management in the Annual Corporate Governance Report, the results of the annual review of the Tax Risk Management and Control System are reported to the Board of Directors' Audit and Compliance Committee.

	Profit before tax (thousand euros)		Tax paid (thousand euros)	
	2020	2019	2020	2019
ARGENTINA	-9,310	-34,513	353	-479
BRAZIL	-176,667	-263,488	-1,183	-505
SPAIN	-157,633	-357,174	-6,052	328
PORTUGAL	-8,331	-21,782	-444	1,358
<b>TOTAL</b>	<b>-351,941</b>	<b>-676,957</b>	<b>-7,326</b>	<b>702</b>

Table 26: Profit before tax and tax paid in 2020 in thousands of euros. Profit/(loss) before tax for Paraguay (76), included under Argentina; profit/(loss) before tax for Switzerland and Luxembourg (256 and -383, respectively), included under Spain.

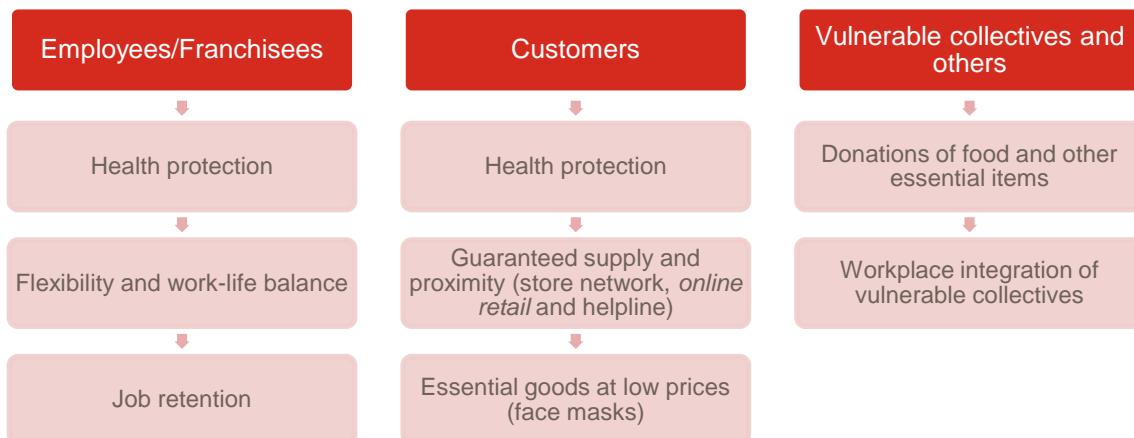
<sup>22</sup>[https://www.agenciatributaria.es/AEAT.internet/Inicio/\\_Segmentos/\\_Empresas\\_y\\_profesionales/Foro\\_Grandes\\_Empresas/Codigo\\_de\\_Buenas\\_Practicas\\_Tributarias/Adhesiones\\_al\\_Codigo\\_de\\_Buenas\\_Practicas\\_Tributarias.shtml](https://www.agenciatributaria.es/AEAT.internet/Inicio/_Segmentos/_Empresas_y_profesionales/Foro_Grandes_Empresas/Codigo_de_Buenas_Practicas_Tributarias/Adhesiones_al_Codigo_de_Buenas_Practicas_Tributarias.shtml)

Further information about tax management, including lawsuits and periods open to inspection can be found in note 16 to the 2020 Consolidated Annual Accounts.

Regarding other transactions with government bodies, in 2020 DIA Group has received no government grants in any of the countries it operates in<sup>23</sup>.

## 12.2 Social projects

On 17 April 2020, DIA Group unveiled the global **DIAContribuye2020** project through which it aims to contribute to tackling the negative effects on society of Covid-19. In addition to managing the impact of the pandemic on employees, franchisees and customers (explained in previous sections), the **DIAContribuye2020** project has enabled the implementation of social actions and initiatives in the four countries in which DIA operates with the aim of minimising the effects of the pandemic on the most vulnerable.



Summary table 3: summary of DIA Group response to the pandemic

In this context of supporting the more disadvantaged communities, the following actions stand out:

a) Donations in kind:

The following table shows a summary of donations of food and essential health and hygiene products made by DIA Group to both charity associations and hospitals and public administrations. In total, in 2020, over 1,000,000 kilos of these products were donated by the four countries in the Group.

ARGENTINA	BRAZIL	SPAIN	PORTUGAL
<ul style="list-style-type: none"> <li>Over 89,000 kg donated to food banks, administrations and hospitals.</li> </ul>	<ul style="list-style-type: none"> <li>Over 162,000 kg donated to food banks.</li> <li>Over 98,000 products and over 14,000 solidarity hampers donated to charities and hospitals.</li> </ul>	<ul style="list-style-type: none"> <li>Over 640,000 kg donated to food banks, administrations and hospitals.</li> </ul>	<ul style="list-style-type: none"> <li>148,000 kg donated to food banks.</li> <li>Over €100,000 of food donated to administrations and charities.</li> </ul>

Summary table 4: main donations in kind in the Group in 2020

<sup>23</sup> Government grants are defined as any financial contribution paid by a government body to the company for the undertaking of a specific activity during the current year. Social security credits received for training and other items are not included here.

b) Other key actions:

Although already mentioned in section 7.1, in a context of social and economic crisis such as the present, it is worth stressing the efforts made by NGOs to offer job opportunities to vulnerable collectives at risk of exclusion. Although impulse has been given to the scheme in the last quarter of the year, in 2020 over 60 people have been hired from these collectives in Spain.

Finally, with face masks becoming essential-use items, DIA Spain was the first food distributor to offer this product to its customers at cost price.

### **12.3. Partnerships and sponsorship actions**

DIA is aware that many of the global challenges facing the sector and society as a whole require different players to come together and act in partnership. In this spirit, during the weeks prior to the publication of this report, the Company has signed a series of collaboration agreements with partners it considers to be strategic to implementing its sustainability strategy: Fundación Lealtad, World Vision, Cáritas and the Red Cross. Furthermore, DIA has joined the Alliance against Child Poverty promoted by the High Commission for the Fight against Childhood Poverty and has signed a partnership agreement with Zaragoza University.

For the sake of transparency, below are the main sector associations with which DIA Group is involved worldwide:

- Eurocommerce: DIA is present in this European distribution union through its participation in ASEADAS.
- ASEADAS (Asociación Española de Distribuidores de Autoservicio y Supermercados - Spanish Association of Distributors, Self-service Chains, and Supermarkets).
- Ecoembes.
- AECOC: (Asociación Española de Fabricantes y Distribuidores - Spanish Association of Manufacturers and Distributors).
- CEL (Centro Español de Logística - Spanish Logistics Centre).
- PACKNET (Plataforma Tecnológica Española de Envase y Embalaje - Spanish Technological Platform of Containers and Packaging).
- AEA (Agencia Española de Anunciantes - Spanish Advertisers' Agency).
- AGERS (Asociación Española de Gerencia de Riesgos y Seguros - Spanish Association of Risk Management and Insurance).
- IGREA (Iniciativa de Gerentes de Riesgos Españoles Asociados - Initiative of Associated Spanish Risk Managers).
- Asociación Española de Franquiciadores (Spanish Franchisers' Association).
- ISMS FORUM (La Asociación Española para el Fomento de la Seguridad de la Información - Spanish Association for the Advancement of Information Security).
- ISACA (Information Systems Audit and Control Association).
- APED (Associação Portuguesa de Empresas de Distribuição - Portuguese Association of Distribution Companies).
- APF (Associação Portuguesa de Franchising - Portuguese Franchising Association).
- ASU (Asociación de Supermercados Unidos - Association of United Supermarkets).

No sponsorship actions have taken place in 2020 (some actions took place in 2019, such as the UNICEF Race for Education in Argentina and the FEDER race for the fight against rare diseases in Spain).

## 13. TRACEABILITY MATRIX - ACT 11/2018 AND GRI INDICATORS

Requirements of Act 11/2018	GRI	Material for DIA	Scope	NFIS Chapter/Section
<b>GENERAL INFORMATION</b>				
<b>Business model</b>				
Description of the business model, business environment, organization and structure.	102-2; 102-5	Yes	Global	4.1. Company presentation; 3. Business model;
Markets in which the company operates	102-6	Yes	Global	4.1. Company presentation
Objectives and strategies	102-15	Yes	Global	3. Business model;
Key factors and trends that may affect the company's future development	102-15	Yes	Global	3. Business model;
Description of policies, including due diligence procedures and verification and control procedures, including what measures have been taken	GRI 103: Economic, environmental and social performance factor	Yes	Global	4.3. Internal control system; 6. Customers; 7. Employees; 8. Franchises; 9. Suppliers; 10. Investors; 11. Environment; 12. Society
The results of these policies and associated KPIs (these KPs should enable the assessment of progress and comparability between companies and sectors, in accordance with national, European or international benchmark frameworks used for each area)	GRI 103: Economic, environmental and social performance factor	Yes	Global	6. Customers; 7. Employees; 8. Franchises; 9. Suppliers; 10. Investors; 11. Environment; 12. Society
Main risks identified, risk management model and materialization of risks.	102-15	Yes	Global	4.4. Risk Management at DIA Group; 6. Customers; 7. Employees; 8. Franchises; 9. Suppliers; 10. Investors; 11. Environment; 12. Society
<b>ENVIRONMENTAL ISSUES</b>				
<b>General information about environmental performance</b>				
Current and foreseeable effects of the Company's activities on the environment and, where appropriate, on health and safety	GRI 103: Environmental focus; 102-15	Yes (Eco-efficiency)	Global	11. Environment

Requirements of Act 11/2018	GRI	Material for DIA	Scope	NFIS Chapter/Section
Environmental assessment or certification procedures	GRI 103: Environmental focus	Yes (Eco-efficiency)	Global	11.5 Identifying improvement opportunities
Resources dedicated to environmental risk prevention	GRI 103: Environmental focus	Yes (Eco-efficiency)	Global	11. Environment
Application of the principle of precaution	102-11	Yes (Eco-efficiency)	Global	11.1 Complying with existing laws and regulations
The amount of provisions and guarantees for environmental risks	307-1	Yes (Eco-efficiency)	Global	11.1 Complying with existing laws and regulations
<b>Pollution</b>				
Measures for preventing, reducing or offsetting carbon emissions that seriously affect the environment; Taking into account any kind of atmospheric pollution specific to an activity, including sound and light contamination.	GRI 103: Emissions management approach; 305-1; 305-2; 305-3; 305-5; 305-6	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases; 5.Management of Corporate Social Responsibility at DIA Group
<b>Circular economy and waste prevention</b>				
Waste: Measures for prevention, recycling, reusing, other forms of recovery and waste elimination;	GRI 103: Effluents and waste management approach; 306-2	Yes (Eco-efficiency)	Global	11.3 Waste management according to waste hierarchy model
Actions to combat food waste	GRI 103: Effluents and waste management approach	Yes (food waste)	Spain	11.3 Waste management according to waste hierarchy model
<b>Sustainable use of resources</b>				
Water consumption and water supply according to local limitations;	not reported	Not material	N/A	Water consumption is not reported as it is not material. Supporting information is however provided in the following chapter: 5.Management of Corporate Social Responsibility at DIA Group
Consumption of raw materials and measures adopted to improve efficiency of use;	301-1	Yes (Eco-efficiency)	Global	11.2 Promoting the responsible use of resources

Requirements of Act 11/2018	GRI	Material for DIA	Scope	NFIS Chapter/Section
Direct and indirect consumption of energy, measures adopted to improve energy efficiency and use of renewable energies.	GRI 103: energy management approach; 302-1; 302-2; 302-4	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
<b>Climate change</b>				
Significant elements of greenhouse gas emissions generated as a result of Company activity, including the use of goods and services it produces;	305-1; 305-2; 305-3; 305-5;	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
The measures adopted to adapt to the consequences of climate change	GRI 103: Emissions and energy management approach	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
Medium and long-term voluntary reduction targets for greenhouse gas emissions and the measures implemented for this purpose.	GRI 103: Emissions and energy management approach	Yes (Eco-efficiency)	Global	11.4 Adopting measures to reduce the emission of greenhouse gases
<b>Biodiversity protection</b>				
Measures adopted to preserve or restore biodiversity;	not reported	Not material	N/A	The measures adopted are not reported, as it is not deemed to be a material issue. Supporting information is however provided in the following chapter: 5. Management of Corporate Social Responsibility at DIA Group
Impacts caused by activities or operations in protected areas.	not reported	Not material	N/A	These impacts are not reported, as they are not deemed to be material. Supporting information is however provided in the following chapter: 5. Management of Corporate Social Responsibility at DIA Group
<b>SOCIAL AND EMPLOYEE ISSUES</b>				
<b>Employment</b>				
Total number of employees by gender, age, country and professional category;	102-8; 405-1	Yes (labour practices)	Global	7.1. Employment and social dialogue
Total number of employees by contract type;	102-8	Yes (labour practices)	Global	7.1. Employment and social dialogue

Requirements of Act 11/2018	GRI	Material for DiA	Scope	NFIS Chapter/Section
Average annual number of permanent contracts, temporary, full and part-time contracts by gender, age and professional category;	102-8	Yes (labour practices)	Global	7.1. Employment and social dialogue
Number of terminations by gender, age and professional category;	401-1	Yes (labour practices)	Global	7.1. Employment and social dialogue
Average remuneration and evolution by gender, age and professional category or equivalent value;	405-2	Yes (labour practices)	Global	7.1. Employment and social dialogue
Wage gap, remuneration of equal jobs;	405-2	Yes (Gender equality)	Global	7.4. Equal opportunities
Average remuneration of board members and executives, including variable remuneration, allowances, indemnities, payment of long-term savings plans and any other benefit, broken down by gender;	GRI 103: Diversity and equality management approach	Yes (Gender equality)	Global	7.1. Employment and social dialogue
Implementation of policies safeguarding employees' right to disconnect;	GRI 103: Employment management approach	Yes (labour practices)	Global	7.1. Employment and social dialogue
Employees with disabilities.	405-1	Yes (labour practices)	Global	7.4. Equal opportunities
<b>Work organisation</b>				
Organisation of work time	GRI 103: Employment management approach	Yes (labour practices)	Global	7.2. Health and safety conditions in the workplace
Hours of absenteeism	403-2	Yes (labour practices)	Global	7.2. Health and safety conditions in the workplace
Measures adopted to facilitate work - life balance and promote shared responsibility by both parents	GRI 103: Employment management approach	Yes (Gender equality)	Global	7.2. Health and safety conditions in the workplace
<b>Health and safety</b>				

Requirements of Act 11/2018	GRI	Material for DiA	Scope	NFIS Chapter/Section
Health and safety conditions in the workplace;	GRI 103: Health and safety management approach	Yes (Health and safety)	Global	7.3. Work organisation and work-life balance
Workplace accidents, specifying accident rates and seriousness, reported by gender.	403-2	Yes (Health and safety)	Global	7.2. Health and safety conditions in the workplace
Professional illnesses; by gender..	403-3	Yes (Health and safety)	Global	Work organisation and work-life balance
<b>Social relations</b>				
Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff;	GRI 103: Employment management approach	Yes (labour practices)	Global	7.1. Employment and social dialogue
Percentage of employees covered by a collective agreement, by country;	102-41	Yes (labour practices)	Global	7.1. Employment and social dialogue
Balance of collective agreements, particularly in the area of health and safety in the workplace.	403-1	Yes (labour practices)	Global	7.1. Employment and social dialogue
<b>Training</b>				
Policies implemented in the area of training;	GRI 103: Training management approach	Yes (Development of human capital)	Global	7. Employees
Total hours of training by professional category.	404-1	Yes (Development of human capital)	Global	7.5. Employee training
Universal accessibility for persons with disabilities	GRI 103: Diversity and equal opportunities approach	Yes (labour practices)	Global	7.4. Equal opportunities
<b>Equality</b>				
Measures adopted to promote equal opportunities for and treatment of men and women;	GRI 103: Diversity and equal opportunities approach	Yes (Gender equality)	Global	7.4. Equal opportunities

Requirements of Act 11/2018	GRI	Material for DIA	Scope	NFIS Chapter/Section
Equality plans, measures taken to promote employment, protocols against sexual and gender-based harassment	GRI 103: Diversity and equal opportunities approach	Yes (Gender equality)	Global	7.4. Equal opportunities
Measures taken to promote the integration and universal accessibility of persons with disabilities.	405-1	Yes (labour practices)	Global	7.4. Equal opportunities
Policy against all types of discrimination and, if applicable, diversity management	GRI 103: Diversity and equal opportunities approach	Yes (Ethics and compliance)	Global	7.4. Equal opportunities
<b>HUMAN RIGHTS</b>				
Application of due diligence procedures with regard to human rights;	102-16	Yes for internal operations (Ethics and compliance; Labour practices); Not material for the supply chain.	Global	4.3.1. Compliance and ethical management; 7.1. Employment and social dialogue; 9 Suppliers;
Prevention of risks of violation of human rights and, if applicable, measures to mitigate, manage and address possible abuses committed;	102-16	Yes for internal operations (Ethics and compliance; Labour practices); Not material for the supply chain.	Global	4.3.1. Compliance and ethical management; 7.1. Employment and social dialogue; 9 Suppliers;
Cases of human rights violations reported;	102-15; 102-17	Yes for internal operations (Ethics and compliance; Labour practices); Not material for the supply chain.	Global	4.3.1. Compliance and ethical management; 7.1. Employment and social dialogue; 9 Suppliers;
Promotion and compliance with the provisions of the core agreements of the International Labour Organisation relating to respect for freedom of association and the right to collective negotiation;	102-16; 102-41	Yes for internal operations (Ethics and compliance; Labour practices); Not material for the supply chain.	Global	4.3.1. Compliance and ethical management; 7.1. Employment and social dialogue; 9 Suppliers;
Elimination of workplace job discrimination;	406-1	Yes for internal operations (Ethics and compliance; Labour practices); Not material for the supply chain.	Global	4.3.1. Compliance and ethical management; 7.1. Employment and social dialogue; 9 Suppliers;
Elimination of forced labour;	102-16 ; 102-17; 409-1	Yes for internal operations (Ethics and compliance; Labour practices); Not material for the supply chain.	Global	4.3.1. Compliance and ethical management; 7.1. Employment and social dialogue; 9 Suppliers;

Requirements of Act 11/2018	GRI	Material for DIA	Scope	NFIS Chapter/Section
Abolishment of child labour	102-16; 102-17; 408-1	Yes for internal operations (Ethics and compliance; Labour practices); Not material for the supply chain.	Global	4.3.1. Compliance and ethical management; 7.1. Employment and social dialogue; 9 Suppliers;
<b>CORRUPTION AND BRIBERY</b>				
Measures adopted to prevent corruption and bribery;	GRI 103: Anti-corruption management approach; 102-16; 205-2; 205-3 (incidents of corruption)	Yes (Ethics and compliance)	Global	4.3.1. Compliance and ethical management
Anti-money laundering measures.	102-16; 205-2	Not material	Global	4.3.1. Compliance and ethical management
Contributions to foundations and non-profits.	102-12	Not material	Global	12.2. Social projects
<b>SOCIETY</b>				
<b>Commitments to sustainable development</b>				
Impact of the company's activity on local jobs and development;	GRI 103: Socioeconomic compliance approach, Procurement practices; 102-8; 204-1;	Yes (labour practices)	Global	9. Suppliers; 12. Society
Impact of the company's activity on local towns and the region;	GRI 103: Employment management approach; Socioeconomic compliance approach;	Yes (Ethics and compliance; Labour practices)	Global	9. Suppliers; 12. Society
Relations with local community players and types of dialogue with these;	102-43	Yes (listening to stakeholders prior to defining material issues)	Global	5. Management of Corporate Social Responsibility at DIA Group
Association activities and sponsorship	102-12; 102-13;	Not material	Global	12.3. Partnerships and sponsorship actions
<b>Outsourcing and suppliers</b>				

Requirements of Act 11/2018	GRI	Material for DIA	Scope	NFIS Chapter/Section
Social issues, gender equality and environmental issues in the procurement policy; consideration in the relationships with suppliers and subcontractors of their social and environmental responsibility	GRI 103: Management approach Environmental and social assessment of suppliers; 102-9	Not material	Global	9. Suppliers
Supervision and auditing systems and the results thereof	308-1; 414-1	Not material	Global	9. Suppliers
<b>Customers</b>				
Measures for health and safety of consumers;	GRI 103: Customer health and safety management approach	Yes (Food quality and safety)	Global	6. Customers
Claims and complaints systems and resolution.	416-1; 416-2	Yes (Consumer information and protection)	Global	6. Customers
<b>Tax information</b>				
Profits earned by country	GRI 103: Economic performance management approach	Yes (Tax practices)	Global	12.1. Tax governance, control and risk management
Taxes paid on profits	GRI 103: Economic performance management approach	Yes (Tax practices)	Global	12.1. Tax governance, control and risk management
Public grants received	201-4	Not material	Global	12.1. Tax governance, control and risk management. Supporting information is however provided in the following section: 12.1 Tax governance, control and risk management
<b>ADDITIONAL INFORMATION</b>				
Other information about the organisational profile	102-1 to 102-10	Not material	Global	4.1. Company presentation; 7. Employees; 9. Suppliers;
Corporate governance	102-18	Yes (Governance system)	Global	4.2. Corporate governance
Stakeholder participation	102-40 to 102-44	Yes (Transparency and investor relations; Franchisee relations)	Global	5. Management of Corporate Social Responsibility at DIA Group

Requirements of Act 11/2018	GRI	Material for DIA	Scope	NFIS Chapter/Section
Other information about the report profile	102-45 to 102-53; 102-56	Not material	Global	1. Basis of preparation for the consolidated non-financial information statement; 5. Management of Corporate Social Responsibility at DIA Group