

Report on Limited Review

DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A.  
Condensed Interim Consolidated Financial Statements and  
Management Report  
for the six months ended  
June 30, 2020



## REPORT ON LIMITED REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

### Report on the condensed interim consolidated financial statements

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#### Introduction

We have carried out a limited review of the accompanying condensed interim consolidated financial statements (hereinafter the interim financial statements) of Distribuidora Internacional de Alimentación, S.A. (hereinafter the parent) and subsidiaries (hereinafter the Group), which comprise the statement of financial position at June 30, 2020, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, and the explanatory notes thereto, all of which have been condensed and consolidated, for the six-month period then ended. The parent's directors are responsible for the preparation of said interim financial statements in accordance with the requirements established by International Accounting Standard (IAS) 34, "Interim Financial Reporting," as adopted by the European Union for the preparation of interim condensed financial reporting as per article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

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#### Scope

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

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#### Conclusion

During the course of our limited review, which under no circumstances can be considered an audit of accounts, no matter came to our attention which would cause us to believe that the accompanying interim financial statements for the six-month period ended June 30, 2020 have not been prepared, in all material respects, in accordance with the requirements established in International Accounting Standard (IAS) 34, "Interim Financial Reporting," as adopted by the European Union in conformity with article 12 of Royal Decree 1362/2007 for the preparation of interim financial statements.

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## Emphasis of matter paragraphs

### Going concern principle

We draw your attention to the matter described in Notes 2.4 and 13.1 of the accompanying explanatory notes, which describe the existence of the Group's outstanding bonds as at June 30, 2020, issued by the Group's parent company, amounting to 300 million euros and maturing on April 28, 2021. The Parent's directors indicate in the aforementioned notes that they are currently analyzing alternatives for extending the maturity of these bonds beyond that date.

In addition, in note 2.4 the Parent's directors describe the Group's financial and equity position as at June 30, 2020 and state that, based on the available liquidity, cash flow forecasts and the most up-to-date information available to them at the current date regarding the next 12 months, the Group will continue to operate under the going concern principle. This matter does not modify our conclusion.

### Information on the interim financial statements

We draw attention to the matter described in accompany explanatory Note 2, which indicates that the abovementioned accompanying interim financial statements do not include all the information that would be required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. Therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2019. This matter does not modify our conclusion.

### Report on other legal and regulatory requirements

The accompanying consolidated interim management report for the six-month period ended June 30, 2020 contains such explanations as the parent's directors consider necessary regarding significant events which occurred during this period and their effect on these interim financial statements, of which it is not an integral part, as well as on the information required in conformity with article 15 of Royal Decree 1362/2007. We have checked that the accounting information included in the abovementioned report agrees with the interim financial statements for the six-month period ended on June 30, 2020. Our work is limited to verifying the consolidated interim management report in accordance with the scope described in this paragraph, and does not include the review of information other than that obtained from the accounting records of Distribuidora Internacional de Alimentación, S.A. and its subsidiaries.

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Paragraph on other issues

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

ERNST & YOUNG, S.L.

(Signed on the original version in Spanish)

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José Luis Ruiz

August 5, 2020

**Distribuidora Internacional de  
Alimentación, S.A. and  
Subsidiaries**

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

**for the six-month period**

**ended 30 June 2020**

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

**DÍA**

**Distribuidora Internacional de Alimentación, S.A. and Subsidiaries****CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****For the six-month period ended 30 June 2020**

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## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (I)

At 30 June 2020 and 31 December 2019

(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
		30 June	31 December
Property, plant and equipment	4	931,737	1,055,580
Goodwill	5.1	488,596	489,051
Use of right	5.2	615,382	700,037
Other intangible assets	5.3	31,261	40,593
Investments accounted for using the equity method	7	674	551
Trade and other receivables	6.1	35,316	46,010
Other non-current financial assets	6.2	57,222	64,043
Non-current tax assets	15	43,917	52,297
<b>Non-current assets</b>		<b>2,204,105</b>	<b>2,448,162</b>
Inventories	9	476,980	496,517
Trade and other receivables	6.1	104,248	110,971
Consumer loans from financial activities		945	1,409
Current tax assets	15	71,662	76,768
Current income tax assets	15	4,115	6,932
Other current financial assets	6.2	6,869	8,706
Other assets	8	8,079	6,418
Cash and cash equivalents	10	419,980	163,550
<b>Current assets</b>		<b>1,092,878</b>	<b>871,271</b>
<b>TOTAL ASSETS</b>		<b>3,296,983</b>	<b>3,319,433</b>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (I)

At 30 June 2020 and 31 December 2019

(Expressed in thousands of Euros)

EQUITY AND LIABILITIES	Notes	2020	2019
		30 June	31 December
Capital	12.1	66,780	66,780
Share premium	12.2	544,997	544,997
Reserves	12.3	(815,387)	(93,655)
Own shares	12.4	(5,763)	(7,252)
Other own equity instruments	12.5 and 16	150	89
Net losses for the period	12.3	(187,686)	(790,468)
Translation differences	12.6	(112,467)	(70,993)
<b>Equity attributable to equity holders of the Parent</b>		<b>(509,376)</b>	<b>(350,502)</b>
<b>Total Equity</b>		<b>(509,376)</b>	<b>(350,502)</b>
Non-current borrowings	13.1	1,682,298	1,865,716
Provisions	14	75,749	61,306
Other non-current financial liabilities	13.2	3,806	3,806
Deferred tax liabilities	15	15,287	11,440
<b>Non-current liabilities</b>		<b>1,777,140</b>	<b>1,942,268</b>
Current borrowings	13.1	620,660	325,536
Trade and other payables	13.3	1,226,188	1,215,446
Current tax liabilities	15	54,859	64,679
Current income tax liabilities	15	713	9,151
Other current financial liabilities	13.4	126,799	111,583
		<b>2,029,219</b>	<b>1,726,395</b>
Liabilities directly associated with non-current assets held for sale	11	-	1,272
<b>Current liabilities</b>		<b>2,029,219</b>	<b>1,727,667</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,296,983</b>	<b>3,319,433</b>



## CONSOLIDATED INCOME STATEMENTS (II)

For the six-month periods ended 30 June 2020 and 30 June 2019  
(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	Restated (*)	
		2020 30 June	2019 30 June
Sales	3 and 17	3,515,218	3,444,514
Other income	18.1	30,559	39,778
<b>TOTAL INCOME</b>		<b>3,545,777</b>	<b>3,484,292</b>
Goods and other consumables used	18.2	(2,586,223)	(2,623,623)
Personnel expenses	18.3	(465,691)	(488,908)
Operating expenses	18.4	(313,673)	(335,701)
Depreciation and amortization	18.5	(223,530)	(265,274)
Impairment of non-current assets	18.5	(1,060)	(11,594)
Impairment of trade debtors	6.1	(3,255)	(22,593)
Losses on disposal of fixed assets	18.6	(4,374)	(58,310)
<b>RESULT FROM OPERATING ACTIVITIES</b>		<b>(52,029)</b>	<b>(321,711)</b>
Finance income	18.7	3,600	5,096
Finance expenses	18.7	(153,074)	(122,695)
Gain from net monetary positions	18.9	17,696	36,113
Profit/(losses) of companies accounts for using the equity method	18.10	123	(203)
<b>LOSSES BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>(183,684)</b>	<b>(403,400)</b>
Income tax	15	(4,002)	5,448
<b>LOSSES AFTER TAX FROM CONTINUING OPERATIONS</b>		<b>(187,686)</b>	<b>(397,952)</b>
Losses net of taxes of discontinued operations	11	-	(20,723)
<b>NET LOSSES</b>		<b>(187,686)</b>	<b>(418,675)</b>
<b>Attributed to:</b>			
Equity holders of the Parent		(187,686)	(418,675)
<b>Basic and diluted earnings per share, in euros</b>			
Losses on continuing operations		(0.03)	(0.65)
Losses on discontinued operations		-	(0.03)
Losses for the period		(0.03)	(0.68)

(\*) Restated data (see note 2)

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (III)

For the six-month periods ended 30 June 2020 and 30 June 2019

(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>	<b>2019</b>
	<b>30 June</b>	<b>30 June</b>
<b>Net losses for the period</b>	<b>(187,686)</b>	<b>(418,675)</b>
<b>Other comprehensive income:</b>		
<b>Items not subject reclassifications to income statement</b>	-	-
<b>Items subject to reclassification to income statement</b>		
Translation differences of financial statements of foreign operations	28,712	4,631
	28,712	4,631
Value adjustments due to cash flow hedges	-	(20)
Tax effect	-	5
	-	(15)
<b>Other comprehensive income, net of income tax</b>	<b>28,712</b>	<b>4,616</b>
<b>Total comprehensive income, net of income tax</b>	<b>(158,974)</b>	<b>(414,059)</b>
<b>Attributed to:</b>		
Equityholders of the Parent	(158,974)	(414,059)
	(158,974)	(414,059)

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (IV)

For the six-month periods ended 30 June 2020 and 30 June 2019

(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	Translations differences	Equity attributable to the Parent	Total equity
<b>At 1 January 2019</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>
Argentina hyperinflation adjustments	-	-	8,112	-	-	-	-	-	8,112	8,112
Transfer of the losses of the previous year	-	-	(352,587)	352,587	-	-	-	-	-	-
Net losses for the period	-	-	-	(418,675)	-	-	-	-	(418,675)	(418,675)
Other comprehensive income, net of income tax	-	-	-	-	-	-	(15)	4,631	4,616	4,616
Translation differences of financial statements of foreign operations	-	-	-	-	-	-	-	4,631	4,631	4,631
Value adjustments due to cash flow hedges	-	-	-	-	-	-	(15)	-	(15)	(15)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(418,675)</b>	<b>-</b>	<b>-</b>	<b>(15)</b>	<b>4,631</b>	<b>(414,059)</b>	<b>(414,059)</b>
Transactions with equityholders or owners	-	-	(40,259)	-	48,609	(2,550)	-	-	5,800	5,800
Issuance net share-based payments	-	-	-	-	-	609	-	-	609	609
Value adjustments share-based payment	-	-	2,476	-	306	(2,782)	-	-	-	-
Issuance of share-based payments	-	-	(2,073)	-	2,386	(377)	-	-	(64)	(64)
Transactions with own shares or equity holdings	-	-	(40,662)	-	45,917	-	-	-	5,255	5,255
<b>At 30 June 2019</b>	<b>62,246</b>	-	<b>(138,033)</b>	<b>(418,675)</b>	<b>(7,252)</b>	<b>4,270</b>	<b>(2)</b>	<b>(68,763)</b>	<b>(566,209)</b>	<b>(566,209)</b>
<b>At 31 December 2019</b>	<b>66,780</b>	<b>544,997</b>	<b>(93,655)</b>	<b>(790,468)</b>	<b>(7,252)</b>	<b>89</b>	-	<b>(70,993)</b>	<b>(350,502)</b>	<b>(350,502)</b>
Reserves to translations differences reclassification	-	-	70,186	-	-	-	-	(70,186)	-	-
<b>At 1 January 2020</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	-	-	-	(187,686)	-	-	-	-	(187,686)	(187,686)
Other comprehensive income, net of income tax	-	-	-	-	-	-	-	28,712	28,712	28,712
Translation differences of financial statements of foreign operations	-	-	-	-	-	-	-	28,712	28,712	28,712
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(187,686)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,712</b>	<b>(158,974)</b>	<b>(158,974)</b>
Transactions with equityholders or owners	-	-	(1,450)	-	1,489	61	-	-	100	100
Issuance net share-based payments	-	-	-	-	-	100	-	-	100	100
Delivery of own shares	-	-	(1,450)	-	1,489	(39)	-	-	-	-
<b>At 30 June 2020</b>	<b>66,780</b>	<b>544,997</b>	<b>(815,387)</b>	<b>(187,686)</b>	<b>(5,763)</b>	<b>150</b>	-	<b>(112,467)</b>	<b>(509,376)</b>	<b>(509,376)</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS (V)

For the six-month periods ended 30 June 2020 and 2019

(Expressed in thousands of Euros)

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

	Notes	2020 30 June	Restated (*) 2019 30 June
<b>Operating activities</b>			
LOSS/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		(183,684)	(403,400)
Loss before tax from discontinued operations		-	(20,723)
<b>Loss before income tax</b>		<b>(183,684)</b>	<b>(424,123)</b>
<b>Adjustments to Profit and Loss:</b>		<b>390,666</b>	<b>488,814</b>
Depreciation and amortization	18.5	223,530	265,274
Impairment of non current assets	18.5	1,060	11,594
Impairment of trade debtors	6.1	3,255	22,593
Losses on disposal of non current assets	18.6	4,374	58,310
Finance income	18.7	(3,600)	(5,096)
Finance expenses	18.7	153,074	122,695
Changes of provisions and grants		12,519	8,267
Other adjustments to Profit and Loss		(3,423)	4,974
Share of (Profit)/loss of companies accounted for using the equity method net of dividends	7	(123)	203
<b>Adjustments to working capital:</b>		<b>47,230</b>	<b>(86,166)</b>
Changes in trade and other receivables		13,167	65,126
Change in inventories		19,537	106,384
Changes in trade and other payables		7,470	(277,549)
Changes in consumer loan and refinancing commitments		464	20
Change in other assets		6,592	(5,754)
Change in other liabilities		3,801	15,489
Changes in working capital of discontinued operations	11	-	12,686
Current income tax payables		(3,801)	(2,568)
<b>Net cash flow form/(used in) operating activities</b>		<b>254,212</b>	<b>(21,475)</b>
<b>Investing activities</b>			
Purchases of intangible assets	5.3	(1,133)	(1,636)
Development cost	5.3	(2,241)	(4,129)
Payments of property, plant and equipment	4	(40,498)	(112,255)
Payment of financial instruments		9,016	12,027
Disposals of intangible assets		43	1,000
Disposals of property, plant and equipment		5,857	3,625
(Payments)/Collections for other financial assets		669	3,306
Interest received		2,395	4,220
<b>Net cash flow used in investing activities</b>		<b>(25,892)</b>	<b>(93,842)</b>
<b>Financing activities</b>			
Charge for sale of own shares	12.4 a)	-	5,255
Financial lease payments	13.1 c)	(145,184)	(162,627)
Borrowings repaid	13.5	(22,991)	-
Borrowings made	13.5	220,463	239,190
Payments from other financial liabilities		12,098	961
Interest paid		(24,017)	(73,300)
<b>Net cash flow form/(used in) financing activities</b>		<b>40,369</b>	<b>9,479</b>
<b>Net changes in cash and cash equivalents</b>		<b>268,689</b>	<b>(105,838)</b>
Net foreign exchanges differences		(12,259)	(11,312)
<b>Cash and cash equivalents at 1st January</b>		<b>163,550</b>	<b>239,843</b>
<b>Cash and cash equivalents at 30th June</b>		<b>419,980</b>	<b>122,693</b>

# Explanatory notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2020 (VI)

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

## 1. CORPORATE INFORMATION

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

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

The DIA Group currently trades under the names of DIA Market, DIA Maxi, Minipreço, La Plaza de DIA, Clarel, Minipreço and DIA&go.

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

### Relevant events occurring during the six-month period

#### 1.1. Changes in the Board of Directors

Following the successful completion of the first phase of DIA's transformation, on 14 April 2020 it was announced that Karl-Heinz Holland was stepping down as CEO and member of the Board of Directors with effect from 20 May 2020. Stephan DuCharme, Non-Executive Chairman of the Board of Directors, was appointed Executive Chairman of the Company with effect from 21 May 2020.

The DIA Group thus successfully concluded the first phase of the company's transformation process.

In May 2019, DIA Group's new management team, led by Karl-Heinz Holland, began a comprehensive change plan to respond to the company's situation. The first phase focused on three key points:

- 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. Twelve months later and this initial phase of DIA's transformation programme has been completed and the new organisational model stands out for the appointments of outstanding CEOs in Spain and Brazil:
  - Spain: appointment of Ricardo Álvarez as CEO and a Finance Director exclusively for the country. This function previously fell within the Group structure.
  - Brazil: appointment of Marcelo Maia as Executive Chairman and the creation of a Consultative Committee in February, which is made up of renowned independent members.

Significant progress has also been made to restore practices that are key to the core business of food distribution at Group level, as reflected in the Group's net sales for the first half of the year. Stephan DuCharme, formerly non-executive chairman of the Board of Directors of the DIA Group became executive chairman, providing strategic guidance to the team under the new organisational model.

An efficient 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.

As a result of Stephan DuCharme's move to the role of executive director following his appointment as Executive Chairman of DIA, the Company's Board of Directors approved his replacement by the independent director Jaime García-Legaz Ponce as member of the Appointments and Remuneration Committee. As a result of the foregoing, the Appointments and Remuneration Committee is now made up as follows:

*Chairperson:* Christian Couvreur (independent director).

*Directors:* Jaime García-Legaz Ponce (independent director).

Basola Vallés Cerezuela (independent director).

## **1.2. Impact of Coronavirus COVID-19**

On 11 March 2020, the World Health Organization (WHO) declared the situation caused by the COVID-19 health emergency an international pandemic.

In order to immediately and effectively deal with this situation with extraordinary measures, the Spanish Government approved Royal Decree 463/2020 of 14 March, declaring a state of emergency so as to manage the health crisis caused by COVID-19, as well as various royal decrees to implement a number of urgent extraordinary measures to address the economic and social impact of COVID-19, including restrictions on the movement of citizens, with the common aim of protecting citizens' health, containing the spread of the disease and strengthening 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 state of emergency ended in Spain on 21 June, with all stages of the easing plan having been completed. This means that the measures introduced during the state of emergency are no longer in effect in provinces, islands and territorial units.

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 DIA Group, 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 DIA Group 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.

The DIA Group's response has centred on the following:

### Protect our professionals:

- Adopting comprehensive protective measures for employees at all DIA stores and facilities, including masks, hand sanitizer, gloves, visors and protective screens at the checkout.
- Paying all employees who have had to be confined their full salary, and paying an extraordinary bonus to all Group employees and our franchisees, in recognition of their commitment and dedication.
- Supporting franchisees with advanced technical cleaning services, protective equipment and staff support at no charge.

### Service commitment for our customers:

- Keeping over 95% of DIA stores open during the COVID-19 lockdown and only incurring time-limited closures related to extensive cleaning processes.
- Increasing capacity for managing online orders and strengthening the home delivery service, improving our ability to respond to our customers' needs.

### Supporting our communities:

- Launching the DIAContribuye2020 social programme to mitigate the negative impact of the crisis on the communities where DIA operates.

It is not possible to reliably and objectively quantify the economic impact of this exceptional situation on the Group's sales. 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.

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 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 the use of the going concern principle.

### **1.3. Profit evolution during the six-month period**

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

The results reflect the progress made over the last year, with an increase in net sales despite a smaller store network, as well as positive like-for-like sales in all countries for the first time since the last quarter of 2016 and despite the currency effects in Brazil and Argentina.

The key elements in these results arise from the transformation initiatives carried out, such as improved operations in the supply chain and stores that have helped strengthen the fresh produce supply and expanded online sales.

These results were based on strong cost-cutting measures and a strengthened financial structure, with positive cash flows, a decrease in net debt accompanied by an improved maturity profile obtained in 2019 and the optimisation of working capital.

### **1.4. Implementation of the Hive Down imposed by the syndicated lenders**

On 30 August 2019, an Extraordinary Shareholders' Meeting approved the amendment of the Syndicated Facilities and of the granting of new facilities, as well as the granting, ratification and extension of guarantees and the approval of the hive down transaction (the "Hive Down"). This transaction 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 actions during 2020 in order to transfer to certain directly or indirectly fully-owned subsidiaries of the Company the main business units of the Company, which include all the assets, liabilities and contracts that make up the Spanish retail and wholesale business, the foreign business and DIA's central services.

However, as set forth in the Syndicated Facilities, 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 materially and adversely affect the Company's or the Company's group's business; d) any assets, liabilities and contracts whose transfer would result in the Company's group incurring costs (including tax charges or losses of tax assets) exceeding Euros 5,000,000; and, e) any lease agreements on real estate whose transfer would entitle the landlord to increase the relevant rent increase or to terminate that lease agreement. Due to the above-mentioned exceptions applying, as agreed with the syndicated lenders, the transfer of DIA's shares in the Brazilian and Argentinian 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 Syndicated Facilities debt to certain indirectly fully-owned Spanish subsidiaries (through Luxembourg holding companies). Similarly, it was agreed with the syndicated lenders to pledge the shares or quotas, bank accounts and receivables of the directly and indirectly fully-owned subsidiaries of DIA, which are part of the Syndicated Facilities.

The key milestones which have been executed until 30 June 2020 in relation to the Hive Down process are as follows:

- (i) The following elements have been transferred to DIA Retail (formerly know as Twins Alimentación), a subsidiary which as of 30 June 2020 was directly fully-owned by DIA, subject to the above-mentioned exceptions: 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 shares in the Spanish subsidiaries Grupo El Árbol, Beauty by DIA, and the shares 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 subsidiary which, as of 30 June 2020, was directly fully-owned by DIA.
- (iii) All Clarel franchises, which were owned by DIA, have been transferred to the Spanish subsidiary, Beauty by DIA. The sublease agreements linked to these franchises entered into between DIA and Beauty by DIA have been terminated, and the customer and creditor accounts linked to such franchises have been assigned to Beauty by DIA.
- (iv) Guarantees have been granted over the shares or quotas, bank accounts and receivables of the directly and indirectly fully-owned subsidiaries of DIA which are part of the Syndicated Facilities, as collateral of such Syndicated Facilities.
- (v) Certain subsidiaries directly or indirectly fully-owned by DIA, which are part of the Hive Down, have become additional borrowers under the Syndicated Facilities.

After 30 June 2020 and before issuing this report, the Company has carried out the following transactions, thereby concluding the implementation of the Hive Down actions to be carried out as of such date, in compliance with the obligations assumed with the syndicated lenders:

- (i) 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 reverse factoring and other debt linked to the Company's commercial operations.
- (ii) 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 has also included the transfer of the portion of syndicated debt linked to the Spanish business.
- (iii) The shares in the operating subsidiaries involved in the transaction have been transferred to the relevant Luxembourg holding companies, which are directly or indirectly fully-owned by DIA, thus implementing the corporate structure agreed with the syndicated lenders.
- (iv) In the context of implementing the final Hive Down structure, the remaining portion of the syndicated debt drawn down by DIA (excluding a small 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 Facilities and its implementation is expected to help give the Company and its Group access to possible future financing or refinancing.

### **1.5. Other corporate transactions**

On 12 June 2019 the Board of Directors of the Parent company decided to liquidate the subsidiary DIA Eshopping, S.L., the activity of which consisted of creating, maintaining and operating websites and portals for the sale of products and services. Its activity ended on 30 June 2019. On 16 June 2020, the liquidation and winding-up of DIA Eshopping, S.L. was granted in a public deed and its registration with the Commercial Registry remains outstanding.

With respect to the structure of the consolidated Group, as of 30 June 2020, the following changes have taken place:

1. On 1 January 2020, Distribuidora Internacional de Alimentación, S.A. transferred 100% of its shares in BBD's and GEA's to DIA Retail España, S.A.U. within the context of the Hive Down, and this company is now the sole shareholder of BBD and GEA.
2. On 5 February 2020, the liquidation and winding-up of Compañía Gallega de Supermercados, S.A. was registered with the Commercial Registry, so the company has been eliminated from the DIA Group structure.
3. With effect from 31 March 2020, Distribuidora Internacional de Alimentación, S.A. transferred 100% of its shares in DWT's to DIA Retail España, S.A.U. within the context of the Hive Down, and this company is now the sole shareholder of DWT.
4. In the context of the Hive Down, as approved on 27 February 2020, DIA Portugal has undergone several corporate changes:
  - The company has changed its 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).
  - An Euros 144.18 capital increase was executed, taking its share capital from Euros 51,802,855.12 to Euros 51,803,000 (made up of 5,180,300 shares with a nominal value of Euros 10);
  - With effect from 31.03.2020, DIA transferred to Luxembourg Investment Company 322, S.à.r.l. 3,833,422 shares in DIA Portugal Supermercados, S.A.. The ownership percentages are now as follows:
    - ✓ "Distribuidora Internacional de Alimentación S.A." – 26% of share capital;
    - ✓ "Luxembourg Investment Company 322 S.à r.l." – 74% of share capital.



## 2. BASIS OF PRESENTATION

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

The Parent's directors have prepared these condensed consolidated interim financial statements for the six-month period ended 30 June 2020 on the basis of the accounting records of Distribuidora Internacional de Alimentación, S.A. and subsidiaries. These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required of a complete set of annual accounts prepared under International Financial Reporting Standards endorsed by the European Union ("IFRS-EU"). However, selected explanatory notes are included to explain events and transactions that are significant to enable an understanding of the changes in the DIA Group's financial position and performance since the last consolidated annual accounts as at and for the year ended 31 December 2019.

The DIA Group has adopted the latest versions of all applicable standards issued by the IASB and endorsed by the European Union Regulatory Committee that are for mandatory application at 30 June 2020.

The condensed consolidated interim financial statements have been prepared using figures for the six-month periods ended 30 June 2020 and 30 June 2019, except for the consolidated statement of financial position, which is presented at 30 June 2020 and 31 December 2019.

The income statement and the statement of cash flows for the six-month period ended 30 June 2019 have been restated to present the costs of the logistics platforms by nature, as they were presented as an increase in merchandise and other consumables used, and to correct errors in the elimination of CDSI, and to reclassify the results recorded for the purchase of the 50% stake held by Caixabank Consumer Finance E.F.C, S.A.U. in Finandia, by virtue of the put option held by the latter in the event of a change of control in the Parent. Details of this income statement restatement are as follows:

<b>INCOME STATEMENT</b>	<b>Restated (*)</b>
<b>Commercial Margin</b>	<b>(163,881)</b>
Goods and other consumables used	(163,881)
Personnel expenses	60,741
Operating expenses	116,303
Impairment of trade debtors	(13,163)
Profit on disposal of fixes assets	6,708
<b>RESULTS FROM OPERATING ACTIVITIES</b>	<b>6,708</b>
Finance expenses	5,806
Losses of companies accounts for using the equity method	(12,514)
<b>LOSSES BEFORE TAX FROM COTINUING OPERATIONS</b>	<b>-</b>

(\*) Amounts in thousands of Euros

In 2018, as a result of applying IAS 29 for Argentina, the Company adopted the accounting policy of recording changes in equity relating to currency effects in full under "Reserves". In 2020, as a result of the interpretation issued by the committee of experts on international accounting standards, 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 not been restated. As a result, the Group has reclassified Euros 70,186 thousand from the "Reserves and retained earnings" heading to "Translation differences".

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

On a half-yearly basis, the seasonal nature of the Group's performance is in line with historical trends in consolidated results. Historically, sales for the first half of each year represent approximately 50% of the Group's annual sales. However, the figures for the first half of 2020 have been affected by the issues described in Note 1.3., although, as mentioned, it is not possible to reliably and objectively quantify the impact these events have had on the Group's sales.

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

## 2.2. Accounting principles

The accounting policies used to prepare these interim condensed consolidated financial statements are the same as those used to prepare the consolidated annual accounts for the year ended 31 December 2019, as no standards, interpretations or amendments applicable for the first time this year have had any effect on the Group's accounting policies.

The Group intends to adopt the standards, interpretations and amendments to the standards issued by the IASB that are 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 or on the interim condensed consolidated financial statements.

## 2.3. Classification of Argentina as a hyperinflationary country

In 2018 a series of factors emerged in the Argentine 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 Argentine Peso in recent months.

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

- Hyperinflation accounting has been applied to all the assets and liabilities of the DIA Argentina subsidiary before translation.
- The historical cost of non-monetary assets and liabilities and the equity items of this Company from their date of acquisition or inclusion in the consolidated statement of financial position to each period-end has been adjusted to reflect changes in the purchasing power of the currency arising from inflation.
- The initial equity recorded in the uniform currency is subject to the accumulated effect of the restatement due to inflation of non-monetary items from the date they were first recognised and the effect of translating these balances to the closing rate at the start of the year. The Group opted to recognise the difference between equity at the closing of the prior year and equity at the start of the current year in reserves, together with the accumulated exchange differences up to that date, 1 January 2018. In 2020, as a result of the interpretation issued by the committee of experts on international accounting standards, 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 not been restated. As a result, the Group has reclassified Euros 70,186 thousand from the "Reserves and retained earnings" heading to "Translation differences".
- The Group has adjusted the consolidated income statement at 30 June 2020 and 30 June 2019 to reflect the financial profit corresponding to the impact of the inflation on the net monetary assets.
- The different items in the consolidated income statement and the consolidated cash flow statement at 30 June 2020 and 30 June 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 30 June 2020 was 13.66% (22.4% at 30 June 2019). This rate was obtained from the information issued by INDEC (National Statistics and Census Institute), a public body, through the publication of the Consumer Price Index which measures variations in the price of goods and services comprised in domestic consumer spending.

The monthly evolution of the price index was as follows:

Month	Index	Month	Index	Month	Index	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		
Aug-17	1.153819	Aug-18	1.55103	Aug-19	2.39729		
Sep-17	1.175719	Sep-18	1.65238	Sep-19	2.53838		
Oct-17	1.193528	Oct-18	1.74147	Oct-19	2.62198		
Nov-17	1.209940	Nov-18	1.79639	Nov-19	2.73354		
Dec-17	1.247956	Dec-18	1.84255	Dec-19	2.83587		

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

Furthermore, the impact of the change in net monetary position at 30 June 2020 and 30 June 2019 has been recognised as financial profit (see note 18.9).

#### 2.4. Going concern

The Parent's directors have prepared these condensed consolidated interim financial statements for the six-month period ended 30 June 2020 on a going concern basis.

At 30 June 2020, consolidated equity amounted to a negative amount of Euros 509 million (a negative amount of Euros 351 million at 31 December 2019) and working capital, calculated as current assets less current liabilities, excluding assets and liabilities held for sale, was also negative, amounting to Euros 936 million (Euros 855 million at 31 December 2019). Losses in the first half of 2019 amount to Euros 188 million (loss of Euros 419 million in 2019) and the net variation in cash and cash equivalents was a positive amount of Euros 269 million (negative amount of Euros 106 million in 2019).

At the start of 2020, the Parent company updated the Business Plan, which has been formulated on the basis of fundamental assumptions consisting of improving the customer value proposal by strongly developing the Group's own brand and fresh produce, which will increase customer loyalty and the frequency of customer visits to stores, and supporting the franchised network and improved service levels in stores.

The Parent company's Directors believe that based on the effectiveness of modifying and refinancing the Syndicated Financing, the new lines of funding obtained and the capital increase carried out in November 2019, the clearing of the grounds for dissolution due to losses has been consolidated, and a viable long-term capital structure for the Parent company secured.

With regard the Euros 300 million bonds maturing on 28 April 2021 (see note 13.1a), in view of current market conditions and the challenge that the Group now faces in accessing debt markets, priority is being given to other alternatives to meet this maturity, including a debt-for-debt exchange and consent solicitation, a process that the Company expects to complete satisfactorily, thereby extending the maturity of the bonds beyond April 2021.

At 30 June 2020, having managed to generate organic cash by implementing its Business Plan and having reduced Net Financial Debt, the Company has available liquidity of Euros 435 million. Therefore, in accordance with the cash forecasts and the most up-to-date information available for the next twelve months, the Directors consider that the Group will continue to operate on a going concern basis.

### 3. INFORMATION ON OPERATING SEGMENTS

Information is provided on the following operating segments:

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

The Executive Chairman 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 Executive Chairman to analyse the segment results, eliminating the lines of the income statement that do not directly depend on the segment's operations, but are based on Group decisions geared towards improving the operating results of the segment or certain corporate expenses.

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

A breakdown of key segment data is as follows:

Thousands of Euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	CONSOLIDATED
<b>At 30th June 2020</b>					
Sales (1)	2,264,153	309,191	458,301	483,573	3,515,218
Adjusted EBITDA	52,517	6,040	8,795	(7,662)	59,690
% of sales	2.3%	2.0%	1.9%	(1.6)%	1.7%
<b>At 30th June 2019</b>					
Sales (1)	2,078,604	290,687	489,501	585,722	3,444,514
Adjusted EBITDA	18,064	3,233	5,797	(82,733)	(55,639)
% of sales	0.9%	1.1%	1.2%	(14.1)%	(1.6)%

Thousands of Euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	CONSOLIDATED
<b>At 30th June 2020</b>					
Non-current assets	1,520,939	248,813	154,118	280,235	2,204,105
Liabilities	3,010,536	235,524	208,959	351,340	3,806,359
Acquisition of non-current assets (2)	22,636	1,458	3,465	3,802	31,361
Number of outlets	4,041	568	878	913	6,400
<b>At 31st December 2019</b>					
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
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 no included

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

Thousands of euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL JUNE 2020
<b>Net profit/(losses)</b>	<b>(51,095)</b>	<b>(6,629)</b>	<b>(11,224)</b>	<b>(118,738)</b>	<b>(187,686)</b>
Net financial expense	32,831	3,706	14,346	98,591	149,474
Income tax	(359)	124	4,206	31	4,002
Depreciation and amortization	152,049	20,391	15,512	35,578	223,530
Gain from net monetary positions	-	-	(17,696)	-	(17,696)
Losses of companies accounts for using the equity method	(123)	-	-	-	(123)
Impairment of non-current assets	1,021	38	-	1	1,060
Losses on disposal of fixed assets	1,534	575	2,424	(159)	4,374
<b>Restructuring Cost</b>	<b>10,942</b>	<b>669</b>	<b>888</b>	<b>1,441</b>	<b>13,940</b>
Expenses to efficiency projects	7,176	96	368	375	8,015
Expenses relating with the long-term incentive plans	3,766	573	520	1,066	5,925
IFRS 16 leases	(94,283)	(12,834)	(9,048)	(24,407)	(140,572)
NIC 29 hiperinflacionaty standard effect	-	-	9,387	-	9,387
<b>EBITDA ajusted</b>	<b>52,517</b>	<b>6,040</b>	<b>8,795</b>	<b>(7,662)</b>	<b>59,690</b>

Thousands of euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL JUNE 2019
<b>Net profit/(losses)</b>	<b>(226,715)</b>	<b>(8,516)</b>	<b>(19,248)</b>	<b>(164,196)</b>	<b>(418,675)</b>
Net financial expense	69,553	4,175	21,981	21,890	117,599
Income tax	(657)	(2,177)	(2,646)	32	(5,448)
Depreciation and amortization	174,546	21,878	20,716	48,134	265,274
Losses net of taxes of discontinued operations	20,723	-	-	-	20,723
Gain from net monetary positions	-	-	(36,113)	-	(36,113)
Losses of companies accounts for using the equity method	130	-	73	-	203
Impairment of non-current assets	11,571	23	-	-	11,594
Losses on disposal of fixed assets	15,571	224	11,715	30,800	58,310
<b>Restructuring Cost</b>	<b>59,757</b>	<b>881</b>	<b>1,222</b>	<b>13,971</b>	<b>75,831</b>
Expenses relating to store and warehouses closings	9,300	48	26	10,265	19,639
Expenses to efficiency projects	37,900	784	1,196	3,706	43,586
Other special expenses	-	-	-	-	-
of which consultancy	12,557	49	-	-	12,606
IFRS 16 leases	(106,415)	(13,255)	(10,004)	(33,364)	(163,038)
NIC 29 hiperinflacionaty standard effect	-	-	18,101	-	18,101
<b>EBITDA ajusted</b>	<b>18,064</b>	<b>3,233</b>	<b>5,797</b>	<b>(82,733)</b>	<b>(55,639)</b>

#### 4. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment for the first half of 2020 and 2019 are as follows:

Net carrying amount	30 June 2020	30 June 2019
<b>At 1 January</b>	<b>1,055,580</b>	<b>1,328,007</b>
Additions	27,987	35,057
Amortisation and depreciation (note 18.5)	(91,925)	(107,662)
Impairment (note 18.5)	(613)	(5,651)
Disposals	(8,616)	(49,081)
Hyperinflation	15,898	24,140
Transfers to assets held for sale	-	(167)
Transfers IFRS 16	-	(29,637)
Translation differences	(71,907)	(12,732)
Other movements	5,333	4,900
<b>At 30 June</b>	<b>931,737</b>	<b>1,187,174</b>

Disposals in the first six months of 2019 mainly include disposals associated with the remodelling and closure of shops in Brazil during this period.

The strong impact on translation differences is due to the significant devaluation of the Brazilian Real in the first six months of 2020.

## 5. INTANGIBLE ASSETS

### 5.1. Goodwill

At 30 June 2020 and 31 December 2019, goodwill has been allocated as follows:

Thousands of Euros	30 June 2020	31 December 2019
Spain	448,842	449,297
Portugal	39,754	39,754
<b>Total</b>	<b>488,596</b>	<b>489,051</b>

### 5.2. Rights-of-use

In the first half of 2019, IFRS 16 Leases was applied for the first time.

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

Details of right of use items for the first half of 2020 and 2019 are as follows:

Net carrying amount	30 June 2020	30 June 2019
<b>At 1 January</b>	<b>700,037</b>	<b>738,080</b>
Additions	64,632	77,177
Amortisation and depreciation (note 18.5)	(123,247)	(148,529)
Disposals	(7,608)	(21,496)
Hyperinflation	219	1,064
Value update	13,440	27,270
Transfers IFRS16	-	29,637
Translation differences	(32,096)	(478)
Other movements	5	51
<b>At 30 June</b>	<b>615,382</b>	<b>702,776</b>

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

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

### 5.3. Other intangible assets

Details of other intangible assets in the first half of 2020 and 2019 are as follows:

Net carrying amount	30 June 2020	30 June 2019
<b>At 1 January</b>	<b>40,593</b>	<b>48,927</b>
Additions	3,374	5,765
Amortisation and depreciation (note 18.5)	(8,358)	(9,083)
Impairment (note 18.5)	11	(109)
Disposals	(3,741)	(784)
Hyperinflation	121	246
Translation differences	(941)	(150)
Other movements	202	255
<b>At 30 June</b>	<b>31,261</b>	<b>45,067</b>

Additions recorded in the first six months of 2020 and 2019 mainly include development expenses corresponding to in-house IT projects produced in Spain for an amount of Euros 2,241 thousand (Euros 3,579 thousand in 2019) and acquisitions of software also in Spain for a total of Euros 1,056 thousand (Euros 1,210 thousand in 2019).

## 6. FINANCIAL ASSETS

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

Thousands of Euros	30 June 2020	31 December 2019
<b>Non-current assets</b>		
Trade and other receivables	35,316	46,010
Other Non-current financial assets	57,222	64,043
<b>Current assets</b>		
Trade and other receivables	104,248	110,971
Consumer loans from financing activities	945	1,409
Other current financial assets	6,869	8,706
<b>TOTAL</b>	<b>204,600</b>	<b>231,139</b>

### 6.1. Trade and other receivables

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

Thousands of Euros	30 June 2020	31 December 2019
Trade and other receivables	35,316	46,010
<b>Total non-current</b>	<b>35,316</b>	<b>46,010</b>
Trade and other receivables (net of impairment)	76,618	63,458
Other receivables (net of impairment)	9,242	8,102
Receivables from suppliers (net of impairment)	14,401	33,040
Advances to suppliers	46	510
Receivables from associates companies	3,941	5,861
<b>Total current</b>	<b>104,248</b>	<b>110,971</b>

#### a) Trade receivables

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

Thousands of Euros	30 June 2020	31 December 2019
Trade and other receivables non current	35,316	46,010
Trade and other receivables current	132,257	119,773
<b>Total Trade and other receivables</b>	<b>167,573</b>	<b>165,783</b>
Impairment loss	(55,639)	(56,315)
<b>Total</b>	<b>111,934</b>	<b>109,468</b>

#### b) Receivables from suppliers

This heading includes balances with suppliers that have become receivables and are pending collection.

In the first half of 2020 and 2019, the Group entered into agreements to transfer supplier trade receivables without recourse. Costs of Euros 63 thousand were accrued on the transfer of these receivables during this period (Euros 783 thousand in the same period of the prior year) (see note 18.7).

The transferred receivables that had not yet fallen due at 30 June 2020 totalled Euros 22,435 thousand (Euros 14,128 thousand at 31 December 2019) and all were considered to be without recourse. The Group believes that it has retained neither the default risk nor the credit risk on these transfers without recourse, therefore writing off these amounts from receivables from suppliers.

### c) Trade debts with other related parties

In the first half of 2020, transactions have been carried out with the companies ICDC, Horizon and Red Libra (see note 20), mainly corresponding to trade operations. Balances at 30 June 2020 and 31 December 2019 are shown below:

Thousands of Euros	30 June 2020	31 December 2019
ICDC	1,069	4,760
Horizon	2,863	1,092
Red Libra	9	9
<b>Commercial debts with other related parties</b>	<b>3,941</b>	<b>5,861</b>

### d) Impairment

Movements in the provision for impairment of receivables in the first six months of 2020 and 2019 were as follows:

2020				
Thousands of Euros	Customer for sales (note 6.1 a)	Other debtors	Credits receivable from suppliers	Total
<b>At 1st January</b>	<b>(56,315)</b>	<b>(7,242)</b>	<b>(5,260)</b>	<b>(68,817)</b>
Charge	(6,391)	(107)	(1,825)	(8,323)
Applications	100	-	(60)	40
Reversals	3,871	123	1,074	5,068
Transfers	(5,878)	1,225	-	(4,653)
Translation differences	8,974	241	136	9,351
<b>A 30th June de 2020</b>	<b>(55,639)</b>	<b>(5,760)</b>	<b>(5,935)</b>	<b>(67,334)</b>

2019				
Thousands of Euros	Customer for sales (note 6.1 a)	Other debtors	Credits receivable from suppliers	Total
<b>At 1st January</b>	<b>(36,556)</b>	<b>(8,077)</b>	<b>(9,063)</b>	<b>(53,696)</b>
Charge	(29,790)	(1,830)	(4,136)	(35,756)
Applications	98	6	107	211
Reversals	6,462	789	5,912	13,163
Transfers	1,717	-	-	1,717
Translation differences	684	4	(116)	572
<b>A 30th June de 2019</b>	<b>(57,385)</b>	<b>(9,108)</b>	<b>(7,296)</b>	<b>(73,789)</b>

## 6.2. Other financial assets

Details of financial assets are as follows:

Thousands of Euros	30 June 2020	31 December 2019
Equity instruments	962	1,270
Guarantees	56,089	62,548
Other loans	171	225
<b>Total non-current</b>	<b>57,222</b>	<b>64,043</b>
Franchise deposits	1,726	2,280
Credits to personnel	2,289	3,014
Other loans	29	76
Loans on the sale of fixed assets	413	347
Other financial assets	2,412	2,989
<b>Total current</b>	<b>6,869</b>	<b>8,706</b>



## 7. OTHER EQUITY-ACCOUNTED INVESTEEES

Details of equity-accounted investees at 30 June 2020 and 31 December 2019 are as follows:

	At 30th June 2020	At 31st December 2019
ICDC Services Sàrl	50%	50%
Horizon International Services Sàrl	25%	25%
RED LIBRA	50%	50%

The key financial indicators of these companies in the first half of 2020 and in 2019 are as follows:

Thousands of euro	ICDC Services Sàrl		Horizon		RED LIBRA	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
<b>Current assets</b>						
Cash and cash equivalents	292	638	5,563	867	95	189
Other current assets	2,721	20,526	49,661	16,369	143	123
<b>Total current assets</b>	<b>3,013</b>	<b>21,164</b>	<b>55,224</b>	<b>17,236</b>	<b>238</b>	<b>312</b>
<b>Non current assets</b>	<b>-</b>	<b>2</b>	<b>12</b>	<b>22</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>						
Other current liabilities	2,614	20,872	53,725	16,081	44	92
<b>Total current liabilities</b>	<b>2,614</b>	<b>20,872</b>	<b>53,725</b>	<b>16,081</b>	<b>44</b>	<b>92</b>
<b>Net assets</b>	<b>399</b>	<b>294</b>	<b>1,511</b>	<b>1,177</b>	<b>194</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)	105	42	334	132	(26)	284
Dividends paid	-	(141)	-	-	-	-
Shareholder contributions	-	-	-	-	-	300
<b>Net assets at year end</b>	<b>399</b>	<b>294</b>	<b>1,511</b>	<b>1,177</b>	<b>194</b>	<b>220</b>
Part of group %	50%	50%	25%	25%	50%	50%
Part of the group in thousands of euro	199	147	378	294	97	110
<b>Net carrying amount</b>	<b>199</b>	<b>147</b>	<b>378</b>	<b>294</b>	<b>97</b>	<b>110</b>

## 8. OTHER ASSETS

Details of other assets are as follows:

Thousands of Euros	30 June 2020	31 December 2019
	Current	Current
Prepayments for operating leases	3,089	3,071
Prepayments for guarantees	129	353
Prepayments for insurance contracts	1,428	969
Other prepayments	3,433	2,025
<b>Total other assets</b>	<b>8,079</b>	<b>6,418</b>

## 9. INVENTORIES

Details of inventories are as follows:

Thousands of Euros	30 June 2020	31 December 2019
Goods for resale	471,395	490,892
Other supplies	5,585	5,625
<b>Total inventories</b>	<b>476,980</b>	<b>496,517</b>

At 30 June 2020 there are no restrictions of any kind on the availability of inventories.

## 10. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents are as follows:

Thousands of Euros	30 June 2020	31 December 2019
Cash and current account balances	307,781	129,968
Cash equivalents	112,199	33,582
<b>Total</b>	<b>419,980</b>	<b>163,550</b>

The balance of cash equivalents reflects the deposits maturing in under three months, primarily in Spain at 30 June 2020 (mainly in Brazil at 31 December 2019).

## 11. DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

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 of the Spain segment during the second half of 2019.

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

Thousands of Euros	30 June 2019
Income	36,122
Amortisation and depreciation	(5)
Impairment	(4,222)
(Losses)/Gains on disposal of fixed assets	(6)
Expenses	(52,612)
<b>Gross Margin</b>	<b>(20,723)</b>
<b>Loss before taxes of discontinued operations</b>	<b>(20,723)</b>
<b>Profit of discontinued operations</b>	<b>(20,723)</b>

The effect on the cash flow of the Group's discontinued operations during this period is as follows:

Thousands of Euros	30 June 2019
<b>Loss before tax from discontinued operations</b>	<b>(20,723)</b>
Changes in working capital	12,686
<b>Total cash flows</b>	<b>(8,037)</b>

Details of the assets and liabilities of discontinued operations classified as held for sale at 31 December 2019 relate exclusively to the Cash & Carry business and are as follows:

Thousands of Euros	31 December 2019
<b>Liabilities</b>	
Trade and other payables	1,272
<b>Liabilities directly associated with non-current assets held for sale</b>	<b>1,272</b>

## 12. EQUITY

### 12.1. Capital

At 30 June 2020, 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 Parent's shares are listed on the Spanish stock markets. According to public information filed with the Spanish National Securities Market Commission (CNMV), the members of the board of directors control approximately 0.001% of the Parent's share capital.

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

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

## 12.2. Share premium

The share capital increase made in 2019 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 resulted in a total share premium amount of Euros 544,997,021.94.

## 12.3. Reserves and retained earnings

Details of reserves and retained earnings are as follows:

Thousands of Euros	30 June 2020	31 December 2019
Other reserves non available	15,170	15,170
Other reserves	(830,557)	(108,825)
Profit attributable to equity holders of the parent	(187,686)	(790,468)
<b>Total</b>	<b>(1,003,073)</b>	<b>(884,123)</b>

The application of the Parent company's 2019 losses, approved by shareholders at their 2020 Ordinary General Meeting held on 31 July 2020, was to take the full amount of Euros 281,543,229.11 to prior years' losses.

## 12.4. Own shares and other own equity instruments

### a) Own shares

Changes in own shares in the first six months of 2020 and in 2019 are as follows:

	Number of shares	Average price	Total
<b>At 31st 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 Directors	(94,247)		(551,724.23)
Delivery of shares as part of the incentive plan 2016-2018	(365,590)		(2,140,172.74)
<b>At 31st 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 Directors	(254,310)		(1,488,736.91)
<b>A 30th June 2020</b>	<b>984,480</b>	<b>5.8540</b>	<b>5,763,169.84</b>

During the first half of 2020 the directors received 254,310 shares, amounting to Euros 1,489 thousand as remuneration.

During 2019, 365,590 shares were received, amounting to Euros 2,140 thousand, as remuneration through the 2016-2018 Incentive Plan. Furthermore, directors 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 30 June 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 30 June 2020, Other equity instruments includes the reserve for deferred remuneration in shares for non-proprietary directors (see note 16).

## 12.5. Earnings per share

Basic earnings per share are calculated by dividing net profit/(loss) attributable to the Group for the six-month periods ended 30 June 2020 and 30 June 2019 by the weighted average number of ordinary shares outstanding during the two periods.

Basic and diluted earnings per share		
	30 June 2020	30 June 2019
Average number of shares	6,676,972,756	614,864,064
Profit for the period in thousands of Euros	(187,686)	(418,675)
Profit per share in Euros	(0.03)	(0.68)

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

	Weighted average ordinary shares in circulation at 30 June 2020	Ordinary shares at 30 June 2020	Weighted average ordinary shares in circulation at 30 June 2019	Ordinary shares at 30 June 2019
Total shares issued	6,677,978,979	6,677,978,979	622,456,513	622,456,513
Own shares	(1,006,223)	(984,480)	(7,592,449)	(1,238,790)
<b>Total shares available and diluted</b>	<b>6,676,972,756</b>	<b>6,676,994,499</b>	<b>614,864,064</b>	<b>621,217,723</b>

There are no equity instruments that could have a dilutive effect on earnings per share. Diluted earnings per share are therefore equal to basic earnings per share.

## 12.6. Translation differences

Details of translation differences at 30 June 2020 and 31 December 2019 are as follows:

Thousands of euro	30 June 2020	31 December 2019
Argentina	(72,293)	-
Brazil	(40,174)	(70,993)
<b>Total</b>	<b>(112,467)</b>	<b>(70,993)</b>

As mentioned in note 2.5 to the consolidated annual accounts for the year ended 31 December 2019, 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 70,186 thousand (note 2.1) from the "Reserves and retained earnings" heading to "Translation differences".

The change in the accumulated translation difference balance at 30 June 2020 compared with 31 December 2019 reflects an amount of Euros 72,293 thousand, as a result of the depreciation of the Argentine peso.

## 13. FINANCIAL LIABILITIES

Details of financial liabilities in the consolidated statements of financial position at 30 June 2020 and 31 December 2019 are as follows:

Thousands of Euros	30 June 2020	31 December 2019
<b>Non-current liabilities</b>		
Non-current borrowings	1,682,298	1,865,716
Other non-current financial liabilities	3,806	3,806
<b>Current liabilities</b>		
Current borrowings	620,660	325,536
Trade and other payables	1,226,188	1,215,446
Other financial liabilities	126,799	111,583
<b>Total financial liabilities</b>	<b>3,659,751</b>	<b>3,522,087</b>

### 13.1. Borrowings

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

At 30th June 2020	Total	Current 1 year	2 years	3 years	4 years	5 years	> 5 years	Non Current Total
Debentures and bonds	595,323	300,695	-	294,628	-	-	-	294,628
Syndicated credits (Revolving credit facilities) (*)	145,381	-	3,153	142,228	-	-	-	145,381
Syndicated credits (Term loan)	377,269	-	-	377,269	-	-	-	377,269
Other bank loans	311,109	106,872	204,237	-	-	-	-	204,237
Mortgage loans	179	179	-	-	-	-	-	-
Credit facilities drawn down and others	202,930	3,272	-	199,658	-	-	-	199,658
Finance lease payables (**)	652,698	202,229	162,210	146,626	74,097	26,574	40,962	450,469
Guarantees and deposits received	11,246	1,134	-	-	-	-	10,112	10,112
Other current borrowings	6,823	6,279	544	-	-	-	-	544
<b>Total borrowings</b>	<b>2,302,958</b>	<b>620,660</b>	<b>370,144</b>	<b>1,160,409</b>	<b>74,097</b>	<b>26,574</b>	<b>51,074</b>	<b>1,682,298</b>

At 31st December 2019	Total	Current 1 year	2 years	3 years	4 years	5 years	> 5 years	Non Current Total
Debentures and bonds	596,892	3,980	299,255	-	293,657	-	-	592,912
Syndicated credits (Revolving credit facilities) (*)	144,560	3,153	-	-	141,407	-	-	141,407
Syndicated credits (Term loan)	377,268	-	-	-	377,268	-	-	377,268
Other bank loans	122,913	56,188	66,725	-	-	-	-	66,725
Mortgage loans	393	393	-	-	-	-	-	-
Credit facilities drawn down and others	196,001	26,049	-	-	169,952	-	-	169,952
Finance lease payables (**)	732,268	225,973	183,877	147,016	81,804	24,193	69,405	506,295
Guarantees and deposits received	13,397	2,688	-	-	-	-	10,709	10,709
Other current borrowings	7,560	7,112	448	-	-	-	-	448
<b>Total 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 30 June 2020 amounting to Euros 4,533 thousand, and at 31 December 2019 amounting to Euros 5,354 thousand, are deducted from the balance of the Revolving credit facilities heading.

(\*\*) The finance lease liability amount resulting from the application of IFRS 16 stands at Euros 629,699 thousand at 30 June 2020 (current: Euros 194,596 thousand and non-current: Euros 435,103 thousand) and Euros 705,401 thousand at 31 December 2019 (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 30 June 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 30 June 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 30 June 2020 there have been no movements in bond issues.

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

## **b) Loans and borrowings**

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

On 31 December 2018, the Parent company signed a Financing Agreement with several national and overseas entities. AgenSynd, S.L. acted as Financing Agent. This financing, which was initially granted for an amount of Euros 894,681 thousand, was divided into several tranches, based on the financial instrument, the amount and the entities providing the financing. These agreements were intended to provide access to short-term financing, enabling the DIA Group to meet the working capital needs of the Company and part of the Group's subsidiaries. In addition, the agreement involved the cancellation of some credit facilities that were not drawn down. The maturity date was set as 31 May 2019, with the exception of some of the Revolving Credit Facility tranches for which the maturity date was set in 2020 and 2022.

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

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

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

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

In relation to the debt restructuring carried out during 2019, and based on the provisions of IFRS 9, the Group has analysed the derecognition of financial liabilities with the result being that the terms of the new debt are substantially different from the terms of the original debt. As a result, the Company has accounted for it as a cancellation of the original financial liability and has recognised a new financial liability at its fair value, recording the difference between the two amounts in the income statement, as well as the restructuring expenses.

This new Financing Agreement matures on 31 March 2023, except for the Super Senior Supplier tranche, which matures on 17 July 2020 with the option of two renewal periods of one extra year each, to be chosen by the Company and subject to certain terms.

In July 2020 the first extension of the Super Senior Supplier tranche was carried out for an amount of Euros 67,640 thousand to a Reverse Factoring facility and an amount of Euros 3,153 thousand to a Revolving tranche, maturing in July 2021.

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

- Personal obligations (to do and not to do certain things) and the provision of information customary in this type of financing transaction in accordance with the company's current rating.
- Not to distribute Company dividends to shareholders without the agreement of the financing institutions until the debt held with them has been repaid in full.
- To provide a new Covenant plan for the Company no later than 31 December 2019.
- Financial covenants:
  - Financial Leverage Ratio: 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 Covenant Plan 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 below).

As part of the Hive Down process described in Note 1.4, prior to the date of issue of this report, the following guarantees have been granted in relation to the financing :

- Personal guarantee granted by the Company, DIA Retail España, S.A.U., Beauty By DIA, S.A.U., Pe-Tra Servicios a la Distribución, S.L., Grupo El Árbol Distribución y Supermercados, S.A.U., DIA Finance, S.L.U., DIA World Trade S.A., Luxembourg Investment Company 317 S.à r.l., Luxembourg Investment Company 318 S.à r.l., Luxembourg Investment Company 319 S.à r.l., 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 over the shares owned by the Company in Luxembourg Investment Company 317 S.à r.l.
- Pledge over the shares owned by the Company and Luxembourg Investment Company 322 S.à r.l. in DIA Portugal Supermercados, S.A.
- Pledge over the shares owned by the Company and Pe-Tra Servicios a la Distribución S.L. in DIA Argentina, S.A.
- Pledge over the shares owned by the Company and DIA Argentina, S.A. in DIA Brasil Sociedade Ltda.
- Pledge over the shares owned by Luxembourg Investment Company 317 S.à r.l. in Luxembourg Investment Company 318 S.à r.l.
- Pledge over the shares owned by Luxembourg Investment Company 318 S.à r.l. in DIA Finance, S.L.U.
- Pledge over the shares owned by DIA Finance, S.L.U. in Luxembourg Investment Company 319 S.à r.l.
- Pledge over the shares owned by Luxembourg Investment Company 319 S.à r.l. in DIA 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 over the shares owned by Luxembourg Investment Company 320 S.à r.l. in DIA Retail España, S.A.U.
- Pledge over the shares owned by DIA Retail España, S.A.U. in Beauty By DIA, S.A.U., Pe-Tra Servicios a la Distribución, S.L., Grupo El Árbol Distribución y Supermercados, S.A.U., DIA World Trade S.A.

- Pledge over the receivables arising from financing contracts between Group companies granted by the Company.
- Pledge over certain current accounts held by the Company, DIA Retail España, S.A.U., Beauty By DIA, S.A.U., Pe-Tra Servicios a la Distribución, S.L., DIA Finance, S.L.U., Luxembourg Investment Company 317 S.à r.l., Luxembourg Investment Company 318 S.à r.l., Luxembourg Investment Company 319 S.à r.l., 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.
- Mortgages over certain real estate assets located in Spain (owned by DIA Retail España, S.A.U.) and Portugal (owned by DIA Portugal Supermercados, S.A.) and guarantees over certain intellectual property rights registered in Spain (owned by DIA Retail España, S.A.) and Portugal (owned by DIA Portugal Supermercados, S.A.).

Furthermore, as mentioned in note 1.4 of this report, after 30 June 2020, and before the issue of this report, the Company formalized the transfer to DIA Retail España, S.A.U. of the portion of syndicated debt linked to the Spanish business, as well as of the portion of syndicated debt relating to reverse factoring and other debt linked to the Company's commercial operations. As a result of these transfers, DIA Retail España, S.A.U. now holds a total syndicated debt amount of Euros 653,552 thousand.

In addition, as mentioned in Note 1.4 of this report, after 30 June 2020, and before the issue of this report, in the context of the implementation of the final Hive Down structure, the remaining portion of the syndicated debt drawn down by the Company was transferred to DIA Finance, S.L.U. (except for a small amount of Euros 2,000 for operational reasons). As a result of this transfer, DIA Finance, S.L.U. now holds a total syndicated debt amount of Euros 317,667 thousand (including the Super Senior Financing granted by DEA Finance S.à r.l., which has been drawn down in full).

Lastly, the bonds maturing in 2021 and 2023 will remain at the same current level of the Parent company.

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



The Group has additional credit facilities that are not part of the financing agreements. Below are details of the syndicated financing and other credit facilities drawn down at 30 June 2020 and at 31 December 2019:

<b>At 30th June 2020</b>	<b>Limit</b>	<b>Amount used</b>	<b>Reverse Factoring / Factoring</b>	<b>Amount available</b>
<b>Revolving Credit Facility (RCF) - Syndicated Financing</b>	<b>149,914</b>	<b>149,914</b>	-	-
<i>Super Senior Suppliers Tranche</i>	3,153	3,153		-
<i>Tranche A</i>	56,156	56,156		-
<i>Tranche B</i>	27,494	27,494		-
<i>Tranche D</i>	38,111	38,111		-
<i>Tranche F</i>	25,000	25,000		-
<b>Loan Facility (Term loan) - Syndicated Financing</b>	<b>377,269</b>	<b>377,269</b>	-	-
<i>Tranche A</i>	31,204	31,204		-
<i>Tranche B</i>	101,389	101,389		-
<i>Tranche D</i>	244,676	244,676		-
<b>Credit Facility - Syndicated Financing</b>	<b>233,362</b>	<b>199,659</b>	<b>20,283</b>	<b>13,420</b>
<b>Credit Lines</b>	<b>13,500</b>	<b>8,963</b>	-	<b>4,537</b>
<i>Tranche B</i>	13,500	8,963		4,537
<b>Credit Lines which may be utilised as reverse factoring</b>	<b>165,761</b>	<b>157,080</b>	-	<b>8,681</b>
<i>Tranche B</i>	64,761	56,718		8,043
<i>Tranche C</i>	101,000	100,362		638
<b>Credit Lines which may be utilised as factoring</b>	<b>54,101</b>	<b>33,616</b>	<b>20,283</b>	<b>202</b>
<i>Tranche D</i>	54,101	33,616	20,283	202
<b>Reverse Factoring - Syndicated Financing</b>	<b>212,674</b>	-	<b>212,568</b>	<b>106</b>
<i>Super Senior Supplier Tranche</i>	67,640	-	67,617	23
<i>Tramo C</i>	141,687	-	141,606	81
<i>Tramo F</i>	3,347	-	3,345	2
<b>Total Multiproduct Syndicated Financing</b>	<b>973,219</b>	<b>726,842</b>	<b>232,851</b>	<b>13,526</b>
<b>Other Credit lines (not included in syndicated credits)</b>	<b>3,272</b>	<b>3,272</b>	-	-

<b>At 31st december 2019</b>	<b>Limit</b>	<b>Amount used</b>	<b>Reverse Factoring / Factoring</b>	<b>Amount available</b>
<b>Revolving Credit Facility (RCF) - Syndicated Financing</b>	<b>149,914</b>	<b>149,914</b>	-	-
<i>Tranche Super Senior Suppliers</i>	3,153	3,153		
<i>Tranche A</i>	56,156	56,155		
<i>Tranche B</i>	27,494	27,494		
<i>Tranche D</i>	38,111	38,111		
<i>Tranche F</i>	25,000	25,000		
<b>Loan Facility (Term loan) - Syndicated Financing</b>	<b>377,268</b>	<b>377,268</b>	-	-
<i>Tranche A</i>	31,204	31,204		
<i>Tranche B</i>	101,388	101,388		
<i>Tranche D</i>	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>
<b>Credit Lines</b>	<b>13,500</b>	<b>1,915</b>	-	<b>11,585</b>
<i>Tranche B</i>	13,500	1,915	-	11,585
<b>Credit Lines which may be utilised as reverse factoring</b>	<b>165,761</b>	<b>124,332</b>	-	<b>41,429</b>
<i>Tranche B</i>	64,761	23,977	-	40,784
<i>Tranche C</i>	101,000	100,355	-	645
<b>Credit Lines which may be utilised as factoring</b>	<b>54,102</b>	<b>43,705</b>	<b>10,059</b>	<b>338</b>
<i>Tranche D</i>	54,102	43,705	10,059	338
<b>Reverse Factoring - Syndicated Financing</b>	<b>212,674</b>	-	<b>212,249</b>	<b>425</b>
<i>Super Senior Supplier Tranche</i>	67,640	-	67,281	359
<i>Tranche C</i>	141,687	-	141,628	59
<i>Tranche F</i>	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 3,272 thousand at 30 June 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 2020.

### **Financial covenants:**

- **Liquidity ratio:**

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

This will be measured quarterly throughout the established period.

At 30 June 2020, the Company has met the established liquidity criteria.

- **Financial Leverage Ratio:**

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

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

The covenant level sets out a deviation margin at up to 35% of the Adjusted Net Group Debt / Adjusted 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 of euros	2020	2021	2022	2023
Covenant nivel	1.025,9x	14,2x	5,6x	4,2x

▪ **Investment ratio (capex) and restructuring costs:**

The Company 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 30 June 2020, the Company has met the established criteria.

**Debt baskets**

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

- Additional Super Senior debt ("Additional Super Senior Financing"), provided the total amount of the Super Senior debt does not exceed Euros 380,000 thousand (reducing the amount as the Super Senior borrowing is cancelled or permanently paid off and/or to the extent that the Super Senior commitments outstanding at 17 July 2022 are less than Euros 380,000 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 million 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 transferred to DIA Retail España, S.A. (formerly Twins Alimentacion S.A.).

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

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

- The Financing Agreement also allows the Group to 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 maturity 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.A.
- To clarify, this is not a comprehensive description of the Financing Agreement and certain other generally-accepted financial debt baskets are also included.

## Bank loans

Details of the maturity of the Group's mortgages and other bank loans, grouped by type of operation and company, at 30 June 2020 and 31 December 2019 are as follows:

At 30th June 2020						
Type	Owner	Currency	Total	Current 1 year	2 years	Non-Current Total
Loan	DIA	EUR	7,458	7,458	-	-
Loan	DIA Finance	EUR	197,439	-	197,439	197,439
Loan	DIA Portugal	EUR	8,300	8,300	-	-
Loan	DIA Brasil	EUR	97,912	91,114	6,798	6,798
	<b>Other Loans</b>		<b>311,109</b>	<b>106,872</b>	<b>204,237</b>	<b>204,237</b>
Mortgage	Beauty by DIA	EUR	179	179	-	-
	<b>Mortgage Loans</b>		<b>179</b>	<b>179</b>	-	-

At 31st December 2019						
Tipo	Titular	Divisa	Total	Current 1 year	2 years	Non-Current Total
Loan	DIA	EUR	15,036	15,036	-	-
Loan	DIA Portugal	EUR	8,300	-	8,300	8,300
Loan	DIA Brasil	EUR	99,577	41,152	58,425	58,425
	<b>Other Loans</b>		<b>122,913</b>	<b>56,188</b>	<b>66,725</b>	<b>66,725</b>
Mortgage	Beauty by DIA	EUR	393	393	-	-
	<b>Mortgage Loans</b>		<b>393</b>	<b>393</b>	-	-

During 2020 the following transactions were carried out:

- On 15 June 2020 the Parent company, DIA, S.A., repaid the third partial maturity on the Liberbank loan amounting to Euros 7,500 thousand.

DIA Brazil has been renewing its bilateral loans, with a total balance of Euros 97,912 thousand at 30 June 2020 and the following maturities:

- Three bilateral loans for Euros 53,110 thousand, maturing in the first quarter of 2021.
- Two bilateral loans for Euros 44,802 thousand. The loan amounting to Euros 26,352 thousand that matures on 7 July 2020 and which had been repaid at the date on which the accounts were prepared. The other loan for Euros 18,450 will be repaid on a monthly basis in regular instalments until January 2022.

In addition to the Financing Agreement signed on 17 July 2019, the Parent company signed a binding commitment that guarantees the availability of additional financing granted either by the Company's majority shareholder, L1R Invest1 Holding, S.à.r.l., or by another entity appointed by this company, by way of a Super Senior Loan for Euros 200,000 thousand. On 31 January 2020, the Parent company's subsidiary, DIA Finance, S.A., arranged the financing agreement with the lender DEA Finance S.à. R.l., for the abovementioned amount, thus fulfilling the obligation of the Company's majority shareholder, L1R Invest1 Holdings S.à r.l., as per their letter of intent. At 30 June 2020 the loan was fully drawn down. The applicable interest rate is 7% plus Euribor.

### c) Finance lease payables

In the first half of 2019, IFRS 16 Leases was applied for the first time.

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

Details of finance lease payables and movement during the first half of 2020 and 2019 are as follows:

	Short-term debt	Long-term debt	Total
<b>A 1st January 2020</b>	<b>225,973</b>	<b>506,295</b>	<b>732,268</b>
Additions	-	64,606	<b>64,606</b>
Disposals	-	(7,690)	<b>(7,690)</b>
Interest expenses	31,153	-	<b>31,153</b>
Transfers	101,804	(101,804)	-
Value update	-	13,440	<b>13,440</b>
Payments	(145,184)	-	<b>(145,184)</b>
Translation differences	(11,517)	(24,378)	<b>(35,895)</b>
<b>At 30th June 2020</b>	<b>202,229</b>	<b>450,469</b>	<b>652,698</b>

	Short-term debt	Long-term debt	Total
<b>A 1st January 2019</b>	<b>230,761</b>	<b>507,319</b>	<b>738,080</b>
Additions	-	77,839	<b>77,839</b>
Disposals	-	(21,572)	<b>(21,572)</b>
Interest expenses	35,825	-	<b>35,825</b>
Transfers	121,001	(121,001)	-
Transfers IFRS16	9,611	20,678	<b>30,289</b>
Value update	-	22,585	<b>22,585</b>
Payments	(162,491)	(136)	<b>(162,627)</b>
Translation differences	(150)	(364)	<b>(514)</b>
<b>At 30 de June 2019</b>	<b>234,557</b>	<b>485,348</b>	<b>719,905</b>

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

In the first half of 2019 the transfers on account of IFRS 16 amounting to Euros 9,611 and Euros 20,678 thousand as current and non-current debt, respectively, correspond to the debt on goods under financial leases already existing at 31 December 2018, which comprise certain commercial premises, technical installations, machinery and other property, plant and equipment (vehicles) (see note 5.2).

### 13.2. Other non-current financial liabilities

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

Thousands of Euros	30 June 2020	31 December 2019
Other non-current financial liabilities	3,806	3,806
<b>Total grants and other non-current financial lia</b>	<b>3,806</b>	<b>3,806</b>

At 30 June 2020 and 31 December 2019 Other non-current financial liabilities 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.

### 13.3. Trade and other payables

Details are as follows:

Thousands of Euros	30 June 2020	31 December 2019
Suppliers	1,060,485	1,039,460
Suppliers, other related parties	2,563	1,433
Advances received from receivables	2,146	2,016
Trade payables	140,846	152,035
Onerous contracts provisions	20,148	20,502
<b>Total Trade and other payables</b>	<b>1,226,188</b>	<b>1,215,446</b>

Suppliers and Trade payables essentially include current payables to suppliers of goods and services, including those represented by accepted giro bills and promissory notes.

Trade and other payables do not bear interest.

At 30 June 2020 the Group has reverse factoring facilities with a limit of Euros 248,308 thousand (31 December 2019: Euros 254,237 thousand) of which Euros 247,958 thousand has been used (31 December 2019: Euros 250,304 thousand).

### 13.4. Other financial liabilities

Details of other financial liabilities are as follows:

Thousands of Euros	30 June 2020	31 December 2019
Personnel	77,798	65,909
Suppliers of fixed assets	32,658	41,456
Other current liabilities	16,343	4,218
<b>Total other liabilities</b>	<b>126,799</b>	<b>111,583</b>

At 30 June 2020, as at 31 December 2019, Other current liabilities include Euros 1,500 thousand relating to the debt with Caixa Bank for the purchase of 50% of the Finandia subsidiary on 19 July 2019. In addition, at 30 June 2020 this caption includes security deposits received from franchises amounting to Euros 13,888 thousand (Euros 1,704 thousand at 31 December 2019).

### 13.5. Fair value estimates

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

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

- Level 1: firstly, the Group applies the quoted prices of the most advantageous active market to which it has immediate access, adjusted where 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	
	30 June 2020	31 December 2019
<b>Financial assets</b>		
Trade and other receivables	139,564	156,981
Other financial assets	64,091	72,749
Consumer loans from financial activities	945	1,409
<b>Total</b>	<b>204,600</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	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019	30/06/2020	31/12/2019
<b>Financial liabilities</b>						
Trade and other payables	1,226,188	1,215,446	-	-	-	-
Debentures and bonds	595,323	596,892	-	-	390,966	427,317
Mortgage Loans	179	393	-	-	-	-
Syndicated credits (Revolving credit facilities)	145,381	144,560	-	-	-	-
Syndicated credits (Term loan)	377,269	377,268	-	-	-	-
Credit facilities drawn down and others	202,930	196,001	-	-	-	-
Bank loans and credits	311,109	122,913	-	-	-	-
Finance lease payables	652,698	732,268	-	-	-	-
Guarantees and deposits received	11,246	13,397	-	-	-	-
Other financial liabilities	137,428	122,262	-	687	-	-
<b>Total</b>	<b>3,659,751</b>	<b>3,521,400</b>	<b>-</b>	<b>687</b>	<b>390,966</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).

## 14. PROVISIONS

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

Thousands of Euro	Provisions for long-term employee benefits under defined benefit plans	Tax provisions	Social security provisions	Legal contingencies provisions	Other provisions	Total provisions
<b>At 1 January 2020</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	6,042	6,206	7,094	11,644	10	30,996
Applications	-	(1,273)	(1,788)	(714)	-	(3,775)
Reversals	(76)	(2,630)	(2,133)	(2,370)	(64)	(7,273)
Transfers	-	-	(22)	22	-	-
Other movements	11	16	-	-	-	27
Translation differences	(140)	(1,488)	(1,934)	(1,938)	(32)	(5,532)
<b>At 30 June 2020</b>	<b>8,834</b>	<b>30,897</b>	<b>9,187</b>	<b>25,697</b>	<b>1,134</b>	<b>75,749</b>
<b>At 1 January 2019</b>	<b>3,077</b>	<b>21,418</b>	<b>9,452</b>	<b>12,493</b>	<b>1,164</b>	<b>47,604</b>
Charge	150	5,365	4,031	9,471	32	19,049
Applications	-	-	(1,985)	(1,348)	(30)	(3,363)
Reversals	(109)	(367)	(837)	(5,282)	-	(6,595)
Other movements	17	15	-	-	3	35
Translation differences	-	(18)	(35)	(59)	(17)	(129)
<b>At 30 June 2019</b>	<b>3,135</b>	<b>26,413</b>	<b>10,626</b>	<b>15,275</b>	<b>1,152</b>	<b>56,601</b>

The provisions for long-term employee benefits in the first six months of 2020 relate mainly to the 2020-2022 Long-Term Incentive Plan, as mentioned in notes 3 and 16 to these condensed consolidated interim financial statements.

Tax provisions in the first half of 2020 and 2019 mainly arose from estimated provisions for differences in criteria with the authorities in Brazil.

The application of tax provisions during the first six months of 2020 were mainly for the payment of settlements arising from the 2013, 2014 and 2015 tax assessments in Spain.

In 2020 and 2019, provisions, applications and reversals of provisions for lawsuits filed by employees (related to social security contributions) during the first six months of 2020 and 2019 include labour contingencies mainly in Brazil.

With regard legal provisions, in the first half of 2020, Euros 6,880 thousand have been allocated in Spain in relation to a dispute with the Food Information and Control Agency at the Ministry of Agriculture (AICA). In Spain, Euros 921 thousand (Euros 1,595 thousand in the same period in 2019) were allocated to other litigation with third parties, and in Brazil Euros 3,259 thousand (Euros 6,778 thousand in the first half of 2019) were allocated.

Reversals of legal provisions in both years were due to contract risks that did not materialise, mainly in Brazil for an amount of Euros 1,834 thousand in the first six months of 2020 (Euros 1,339 thousand in the first six months of 2019) and in Spain for an amount of Euros 225 thousand in the first six months of 2020 (Euros 3,291 thousand in the first six months of 2019).

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.

At 31 December 2019, the arbitration proceedings were at an initial stage in which, for technical reasons, the procedural calendar established by the Court has not yet been applied.

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. Notwithstanding the foregoing, a provision of Euros 6,880 thousand has been made in the first half of 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.

#### Court proceedings in Argentina

In December 2018, the Argentine 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 recognised.

In June 2020 AFIP determined that the alleged debt amounts to ARS 346 million (Euros 4 million).

As of the date of this report, the proceeding is in the investigation phase, with a non-consensual and unnotified debt. A provision for ARS 70 million (Euros 1 million) has been recorded for this proceeding.

In addition to the above proceeding, on 18 February 2019 DIA Argentina S.A. became formally involved in the investigation of the Argentine Association of Entrepreneurs (the "AMEA") in a criminal and economic proceeding. This proceeding is in the preliminary investigation stage. On 16 July 2019, DIA Argentina, S.A. was formally accused of participating in an allegedly unauthorised financial intermediation transaction led by AMEA and was subject to a precautionary lien in the amount of ARS 100 million. This accusation is essentially based on the fact that the Company maintained a commercial relationship with the association at the time of the alleged events. This resolution was appealed and a decision from a superior collegiate court is pending.

Should the final decision be unfavourable for DIA Argentina S.A., the court could impose a total fine of between two and eight times the total amount of the transactions effected with AMEA during the period of time in question, that is ARS 630 million (approximately Euros 8 million).

#### 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, DIA asked to be considered in the proceeding as the injured party and the Court accepted the request.

On 26 June 2020, statements from witnesses and the parties investigated, upon the orders of the relevant Court, began to be given. At the date of this report, these statements have been made, except for the auditor's, which has yet to be given.

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

#### Civil proceedings brought by minority shareholders

On 1 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. At the date of this report, the Company is awaiting the corresponding legal resolution.

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. At the date of this report, the proceeding is pending the holding of a preliminary hearing set for 4 February 2021.

Procedure relating to LetterOne's acquisition of shares in DIA

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

Other procedures.

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

## 15. TAX ASSETS AND LIABILITIES AND INCOME TAX

Details of tax assets and liabilities at 30 June 2020 and 31 December 2019 are as follows:

Thousands of Euros	30 June 2020	31 December 2019
Non current tax assets	43,917	52,297
Taxation authorities, VAT	51,214	66,972
Taxation authorities	20,448	9,796
Current income tax assets	4,115	6,932
<b>Total tax assets</b>	<b>119,694</b>	<b>135,997</b>
Deferred tax liabilities	15,287	11,440
Taxation authorities, VAT	17,579	25,768
Taxation authorities	37,280	38,911
Current income tax liabilities	713	9,151
<b>Total tax liabilities</b>	<b>70,859</b>	<b>85,270</b>

Non-current tax assets comprise ICMS, which correspond to tax on the circulation of goods and services, and tax on purchases of property, plant and equipment in Brazil, which is equivalent to VAT in other jurisdictions. Additionally, at 30 June 2020 the Tax receivable, VAT caption includes the current portion of ICMS in Brazil, which amounts to Euros 3,919 thousand (23,955 thousand Brazilian reais); Euros 9,636 thousand (43,513 thousand Brazilian reais) at 31 December 2019.

In relation to the tax on circulation of goods and services (ICMS), in March 2017 the Supreme Court sentence of October 2016 was ratified, allowing the companies to recover a portion of the ICMS tax paid. This decision was confirmed by the final court ruling of May 2019 in favour of DIA Brazil. At 31 December 2018, Dia Brazil had recorded a non-current asset on its balance sheet on account of ICMS for Euros 43,888 thousand (195,040 thousand Brazilian reais) and Euros 10,522 thousand in the other non-current financial assets caption. From January to December 2019 an increase of Euros 8,409 thousand was recorded in relation to the 2019 sale and the finance income recognised after the final ruling of May 2019. At 30 June 2020, Dia Brazil has recognised non-current tax assets of Euros 43,917 thousand (268,410 thousand Brazilian reais) on account of ICMS and VAT payable of Euros 3,919 thousand (23,955 thousand Brazilian reais). The entire amount capitalised, amounting to Euros 47,836 thousand (292,365 thousand Brazilian reais) is expected to be recovered over the coming 10 years from the Brazilian tax authorities, offset against future ICMS. The recovery over the 10-year period is based on historic tax collection amounts as well as the growth in sales.

In the first half of 2020, the Spanish companies Distribuidora Internacional de Alimentación, S.A. (Parent), 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., and DIA Finance S.L. (subsidiaries), have filed consolidated tax returns 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.

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

Thousands of Euros	30 June 2020	30 June 2019
<b>Current income taxes</b>		
Current period	169	849
Prior periods' current income taxes	(342)	31
<b>Total current income taxes</b>	<b>(173)</b>	<b>880</b>
<b>Deferred taxes</b>		
Source of taxable temporary differences	652	3,384
Source of deductible temporary differences	(7,747)	(9,456)
Reversal of taxable temporary differences	(2,095)	(4,426)
Reversal of deductible temporary differences	13,365	4,170
<b>Total deferred taxes</b>	<b>4,175</b>	<b>(6,328)</b>
<b>TOTAL (INCOME)/EXPENSE TAX</b>	<b>4,002</b>	<b>(5,448)</b>

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

In the first half of 2020, 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/Professional	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

In June 2020, the tax authorities notified Distribuidora Internacional de Alimentación SA of the start of partial verification and investigation activities with regard 2015 corporate income tax.

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 76,175 thousand (465,568 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 1,914 thousand (11,700 thousand Brazilian reals) at 30 June 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 12,165 thousand (74,351 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 62,576 thousand (382,451 thousand Brazilian reals). In relation to the first issue (regarding tax on income from supplier discounts), an unfavourable decision was passed down in the administrative proceedings and the company filed a court appeal in 2016. Based on reports from external lawyers, the company considers that there are sufficient grounds to secure a ruling in favour of DIA Brazil. In relation to the second issue (on circulation of goods), the administrative proceedings resulted in an unfavourable ruling, which was subsequently appealed. As a result, the administrative court of second instance (CARF) recognised deficiencies in the inspection process and ordered another inspection, which concluded in June 2019 with a favourable ruling for DIA Brazil. The administrative court of second instance (CARF) has yet to analyse the conclusions of the new inspection. The external legal advisors continue to deem the likelihood of losing this case as remote.

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

### Long-term Incentive Plan 2020-2022

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 (LTIP 2020-22) aimed at certain executives in the Company, both at its corporate headquarters and in other countries. The LTIP covers an initial period from 01/01/2020 to 31/12/2022. The Incentive Plan's maximum amount, according to the terms approved in the relevant Regulations and the initial list of beneficiaries, is Euros 60 million. This amount may be reviewed and modified by the Board of Directors during the Plan's term. The LTIP 2020-22 is a money incentive that rewards the generation of value within the DIA Group during the Plan's term. At 30 June 2020 the total provision amount for the LTIP 2020-2022 is Euros 5,925 thousand.

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

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

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

The payments made under the long-term incentive plan for 2016-2018 in the first six months of 2019 were 365,590 own shares net of withholdings for a net amount of Euros 2,782 thousand (see note 12.4 (a)). The April 2019 payment had an impact on reserves of Euros 2,476 thousand due to the spread in the share price considered as a reference.

Similarly, during the first six months of 2020, a net amount of Euros 100 thousand has been recognised for remuneration accrued by directors (Euros 50 thousand in the first six months of 2019).

## 17. REVENUE

### 17.1. Revenue from contracts with customers

Net turnover corresponds to sales income from the store itself, sales to franchises and online sales from the Group's activity, which is mainly focused in the markets of Spain, Portugal, Brazil and Argentina. At 30 June 2020 and 30 June 2019, revenue amounts to Euros 3,515,218 thousand and Euros 3,444,514 thousand, respectively. Distribution by geographical area is shown as follows:

	30 June 2020			30 June 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>2,352,345</b>	<b>1,129</b>	<b>2,351,216</b>	<b>2,192,734</b>	<b>1,477</b>	<b>2,191,257</b>
Spain	1,485,010	1,129	1,483,881	1,312,249	1,477	1,310,772
Portugal	172,657	-	172,657	149,297	-	149,297
Brazil	316,090	-	316,090	327,760	-	327,760
Argentina	378,588	-	378,588	403,428	-	403,428
<b>Sales to franchise stores</b>	<b>1,096,734</b>	<b>-</b>	<b>1,096,734</b>	<b>1,199,287</b>	<b>-</b>	<b>1,199,287</b>
Spain	718,803	-	718,803	721,191	-	721,191
Portugal	130,895	-	130,895	136,000	-	136,000
Brazil	167,323	-	167,323	256,025	-	256,025
Argentina	79,713	-	79,713	86,071	-	86,071
<b>On line sales</b>	<b>61,197</b>	<b>-</b>	<b>61,197</b>	<b>33,692</b>	<b>-</b>	<b>33,692</b>
Spain	61,197	-	61,197	32,682	-	32,682
Brazil	-	-	-	1,010	-	1,010
<b>Other sales</b>	<b>6,071</b>	<b>-</b>	<b>6,071</b>	<b>20,291</b>	<b>13</b>	<b>20,278</b>
Spain	272	-	272	13,959	-	13,959
Portugal	5,639	-	5,639	5,390	-	5,390
Brazil	160	-	160	927	-	927
Argentina	-	-	-	15	13	2
<b>Total</b>	<b>3,516,347</b>	<b>1,129</b>	<b>3,515,218</b>	<b>3,446,004</b>	<b>1,490</b>	<b>3,444,514</b>

## 18. OTHER INCOME AND EXPENSES

### 18.1. Other income

Details of other income are as follows:

Thousands of Euros	30 June 2020	30 June 2019
Fees and interest to finance companies	132	1
Service and quality penalties	2,945	10,175
Revenue from lease agreements	14,235	15,869
Other revenues from franchises	4,233	4,782
Revenue from information services to suppliers	3,382	4,505
Revenue from the sale of packaging	1,350	2,115
Other revenues	4,282	2,331
<b>Total other operating income</b>	<b>30,559</b>	<b>39,778</b>

### 18.2. Merchandise and other consumables used

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

Details of the main items are as follows:

Thousands of Euros	30 June 2020	30 June 2019
Goods and other consumables used	3,002,787	3,039,027
Discounts	(424,388)	(543,050)
Inventory variation	(7,237)	111,188
Other sales costs	15,061	16,458
<b>Total consumption of goods and other consumables</b>	<b>2,586,223</b>	<b>2,623,623</b>

The balances at June 2019 have been restated at Euros (163,881) thousand, as mentioned in note 2.1.

### 18.3. Personnel expenses

Details of personnel expenses are as follows:

Thousands of Euros	30 June 2020	30 June 2019
Salaries and wages	347,940	336,025
Social Security	84,191	94,952
Indemnizaciones	16,339	44,475
Defined contribution plans	6,242	3,832
Other employee benefits expenses	10,879	9,015
<b>Parcial total personnel expenses</b>	<b>465,591</b>	<b>488,299</b>
Expenses for share-based payment transactions	100	609
<b>Total personnel expenses</b>	<b>465,691</b>	<b>488,908</b>

The balances at June 2019 have been restated at Euros 60,741 thousand, as mentioned in note 2.1.

### 18.4. Operating expenses

Details of operating expenses are as follows:

Thousands of Euros	30 June 2020	30 June 2019
Repairs and maintenance	43,198	39,413
Utilities	37,956	45,858
Fees	27,838	41,753
Advertising	17,253	24,292
Taxes	10,263	13,713
Rentals, property	16,366	24,333
Rentals, equipment	4,032	2,890
Transport	83,876	77,168
Travel Expenses	7,610	11,150
Security	15,487	16,586
Other general expenses	49,794	38,545
<b>Total operating expenses</b>	<b>313,673</b>	<b>335,701</b>

The balances at June 2019 have been restated at Euros 116,303 thousand, as mentioned in note 2.1.

## 18.5. Amortisation, depreciation and impairment

Details are as follows:

Thousands of Euros	30 June 2020	30 June 2019
Amortisation of intangible assets (Note 5.3)	8,358	9,083
Depreciation of property, plant and equipment (Note 4)	91,925	107,662
Depreciation of uses rights (Note 5.2)	123,247	148,529
<b>Total amortisation and depreciation</b>	<b>223,530</b>	<b>265,274</b>
Impairment of goodwill (Note 5.1)	458	5,834
Impairment of intangible assets (Note 5.3)	(11)	109
Impairment of property, plant and equipment (Note 4)	613	5,651
<b>Total impairment</b>	<b>1,060</b>	<b>11,594</b>

The decrease in amortisation and depreciation during the first half of 2020 is the result of disposals of assets arising from store closures in 2019.

## 18.6. Losses on disposal of assets

The balances at June 2019 have been restated at Euros 6,708 thousand, as mentioned in note 2.1.

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

## 18.7. Net finance income/(cost)

Details of finance income are as follows:

Thousands of Euros	30 June 2020	30 June 2019
Interest on other loans and receivables	552	83
Exchange gains (note 18.8)	327	3,538
Change in fair value of financial instruments	660	98
Other finance income	2,061	1,377
<b>Total finance income</b>	<b>3,600</b>	<b>5,096</b>

Details of the finance cost are as follows:

Thousands of Euros	30 June 2020	30 June 2019
Interest on bank loans	19,958	30,473
Intereses on debentures and bonds	4,059	6,314
Finance expenses for finance leases	31,340	36,206
Exchange losses (note 18.8)	82,880	5,351
Change in fair value of financial instruments	798	-
Financial expenses assignment of receivables operations (note 6.1 (b))	63	783
Other finance expenses	13,976	43,568
<b>Total finance expenses</b>	<b>153,074</b>	<b>122,695</b>

The balances at June 2019 have been restated at Euros 5,806 thousand, as mentioned in note 2.1.

The increase in negative exchange rate differences arises in Brazil because of the debt it has in a currency other than the Brazilian real, as a result of the currency's sharp depreciation in the first six months of the year.

At 30 June 2020 other finance costs include the costs relating to the refinancing amounting to Euros 2,491 thousand (Euros 23,231 thousand at 30 June 2019).

## 18.8. Foreign currency transactions

Details of the exchange differences on foreign currency transactions are as follows:

Thousands of Euros	30 June 2020	30 June 2019
Currency exchange losses (note 18.7)	(82,880)	(5,351)
Currency exchange gains (note 18.7)	327	3,538
Trade exchange losses	(940)	(466)
Trade exchange gains	1,141	1,835
<b>Total</b>	<b>(82,352)</b>	<b>(444)</b>

## 18.9. Gain or loss on net monetary position

This caption includes the positive financial effect of the impact of inflation on the monetary assets, which amounted to Euros 17.7 million in the six first months of 2020 and Euros 36.1 million in the corresponding period of 2019 (see note 2.3). The majority of this amount is generated by trade payables.

In Argentina, the sales margin has risen by 13.36% in 2019 and to 15.5% in the same period in 2020. The sales margin in June 2020, before applying IAS 29, would be 17.4% (17% in June 2019). This drop in sales margin is largely due to the effect of the restatement due to the inflation of the cost of goods sold. The method of restating this item is based on the measurement of the initial inventories at the rate corresponding to the period immediately prior to the start of the year, in this case December 2019. This is considered an average inventory turnover of 30 days. This methodology means that the restatement adjustment has a greater effect on the cost of goods sold than the rest of the lines in the income statement.

## 18.10. Profit/(loss) of equity-accounted investees

This heading includes the profit/(loss) attributable to equity-accounted companies amounting to profit of Euros 123 thousand at 30 June 2020 (a loss of Euros 203 thousand at 30 June 2019).

The balances at June 2019 have been restated at Euros 12,514 thousand, as mentioned in note 2.1.

## 19. COMMITMENTS AND CONTINGENCIES

### a) Commitments

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

Off-balance-sheet cash commitments comprise:

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

Expansion operation commitments were undertaken for expansion at Group level.



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

**19.1. Pledged:**

Thousands of Euros - 30th June 2020	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	110	114	11,360	11,816	23,400
Credit facilities to customers (finance companies)	81,418	-	-	-	81,418
<b>Cash</b>	<b>81,528</b>	<b>114</b>	<b>11,360</b>	<b>11,816</b>	<b>104,818</b>
Purchase options	18,985	-	7,186	25,277	51,448
Commitments related to commercial contracts	8,882	5,311	6,880	1,225	22,298
Other commitments	-	-	-	5,844	5,844
<b>Transactions / properties / expansion</b>	<b>27,867</b>	<b>5,311</b>	<b>14,066</b>	<b>32,346</b>	<b>79,590</b>
<b>Total</b>	<b>109,395</b>	<b>5,425</b>	<b>25,426</b>	<b>44,162</b>	<b>184,408</b>

Thousands of Euros - 30th June 2019	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	3,855	97	174	21,499	25,625
Credit facilities to customers (finance companies)	80,254	-	-	-	80,254
<b>Cash</b>	<b>84,109</b>	<b>97</b>	<b>174</b>	<b>21,499</b>	<b>105,879</b>
Purchase options	18,985	-	7,986	25,827	52,798
Commitments related to commercial contracts	4,519	2,270	13,211	6,942	26,942
Other commitments	-	-	-	15,414	15,414
<b>Transactions / properties / expansion</b>	<b>23,504</b>	<b>2,270</b>	<b>21,197</b>	<b>48,183</b>	<b>95,154</b>
<b>Total</b>	<b>107,613</b>	<b>2,367</b>	<b>21,371</b>	<b>69,682</b>	<b>201,033</b>

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

Thousands of Euros	30 June 2020	31 December 2019
Less than one year	11,139	10,799
One to five years	14,470	15,287
Over five years	978	2,044
<b>Total minimum lease payments, property</b>	<b>26,587</b>	<b>28,130</b>
Less than one year	3,464	2,171
One to five years	2,292	1,818
Over five years	7	4
<b>Total minimum lease payments, furniture and equipment</b>	<b>5,763</b>	<b>3,993</b>

At 30 June 2020 and 30 June 2019, only minimum payments linked to lease agreements not included in the scope of IFRS 16 or which are not provisioned for as onerous contracts are listed.

The Parent company is the guarantor of the drawdowns on the credit facilities made by its Spanish subsidiaries, which at 30 June 2020 amount to Euros 5,124 thousand (Euros 2,013 thousand at 30 June 2019).

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

Purchase options include options over warehouses amounting to Euros 50,898 thousand in both periods.

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

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

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

## 19.2. Received:

Thousands of Euros at 30th June de 2020	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Available credit facilities	13,420	-	-	-	13,420
Available syndicated revolving credit facilities	106	-	-	-	106
Available confirming lines	242	-	-	-	242
<b>Cash</b>	<b>13,768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,768</b>
Guarantees received for commercial contracts	14,798	5,967	3,040	48,312	72,117
Other commitments	49	35	-	131	215
<b>Transactions / properties / expansion</b>	<b>14,847</b>	<b>6,002</b>	<b>3,040</b>	<b>48,443</b>	<b>72,332</b>
<b>Total</b>	<b>28,615</b>	<b>6,002</b>	<b>3,040</b>	<b>48,443</b>	<b>86,100</b>

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

### b) Contingencies

The Group is undergoing legal proceedings and tax inspections in a number of jurisdictions, some of which have been completed by the taxation authorities at 30 June 2020 and appealed by Group companies (see note 15). The Group recognises a provision if it is probable that an obligation will exist at year end which will give rise to an outflow of resources embodying economic benefits and the outflow can be reliably measured. As a result, management uses significant judgement when determining whether it is probable that the process will result in an outflow of resources and when estimating the amount.

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

## 20. RELATED PARTIES

Details of related party balances and transactions are as follows:

### Transactions and balances with associates

During the first six months of 2020 and 2019 the Group has carried out the following related party transactions: ICDC, HIS, Red Libra and Finandia, mainly relating to commercial transactions. The trade payables balance at 30 June 2020 and 30 June 2019 is shown in notes 6.1 and 13.3. The transactions carried out with related parties during both periods are as follows:

Thousands of Euros	30 June 2020	30 June 2019
ICDC	1,075	2,991
HIS	2,854	593
Red Libra	-	(157)
LetterOne	(3,931)	-
Finandia	-	(200)
<b>Total transactions</b>	<b>(2)</b>	<b>3,227</b>

### Transactions with directors and senior management personnel

The Parent's Directors accrued remuneration of Euros 301 thousand for their role as directors in the six-month period ended 30 June 2020 (Euros 759 thousand in the first half of 2019). Furthermore, when applying the

remuneration policy approved at the Extraordinary General Meeting held on 30 August 2019, a provision for Euros 100 thousand was made in relation to the deferred remuneration in shares for non-proprietary Directors.

In the six-month period ended 30 June 2020, the Group recognised salaries accrued by directors and other members of senior management amounting to Euros 13,722 thousand (Euros 2,508 thousand during the first half of 2019, of which Euros 30 thousand was in shares). The increase in these salaries compared to those accrued at 30 June 2019 is mainly due to (i) the integration of new members of senior management at the Parent company who have accrued higher fixed and variable salaries than those of senior management personnel considered in the first half of 2019 (an increase of Euros 5,820 thousand, which includes the provision amount at 30 June 2020 for the long term incentive plan 2020-2022), and (ii) the increase in amounts arising from terminating employment relationships with Executive Directors and Senior Executives, leading to an increase of Euros 5,394 thousand, of which Euros 2,000 thousand are provisioned at 30 June 2020 and have been approved by shareholders at their General Meeting held on 31 July 2020.

At 30 June 2020 and 2019 no advances or loans have been received by Senior Management personnel or Directors, nor has the Group extended any guarantees on their behalf.

With regard former members of the Parent Company's Board of Directors, in the first half of 2020 Euros 253 thousand has been recorded as compensation for a post-contractual non-compete agreement paid to Mr Borja de la Cierva.

## **21. OTHER INFORMATION**

### **Employee Information**

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

	30 June 2020	30 June 2019
Management	166	176
Middle management	1,476	1,148
Other employees	36,424	38,923
<b>Total</b>	<b>38,066</b>	<b>40,247</b>

## **22. EVENTS AFTER THE REPORTING PERIOD**

After 30 June 2020 and before issuing this report, the Company has carried out the following transactions, thereby concluding the implementation of the Hive Down actions to be carried out as of such date, in compliance with the obligations assumed with the syndicated lenders:

- (i) 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 reverse factoring and other debt linked to the Company's commercial operations.
- (ii) 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 has also included the transfer of the portion of syndicated debt linked to the Spanish business.
- (iii) The shares in the operating subsidiaries involved in the transaction have been transferred to the relevant Luxembourg holding companies, which are directly or indirectly fully-owned by DIA, thus implementing the corporate structure agreed with the syndicated lenders.
- (iv) In the context of implementing the final Hive Down structure, the remaining portion of the syndicated debt drawn down by DIA (excluding a small 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 Facilities and its implementation is expected to help give the Company and its Group access to possible future financing or refinancing.

On 16 July 2020, the Company announced the creation of a new Group Corporate Management team and the appointment of Santiago Martinez-Lage as Group Corporate Director, reporting directly to Stephan DuCharme. This new management team will be 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 and also position the Company'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.

The Shareholders' Annual General Meeting was held on July 31st 2020 where the following resolutions were approved, among others: (i) approval of FY2019 Financial Statements, Management Reports, allocation of profit/loss and statement of non-financial information; (ii) management by the Board of Directors during the period from May 21 to December 31, 2019; (iii) ratification and reappointment of Ms. Basola Vallés as Independent Director; (iv) establishment of the number of members of the Board of Directors at eight and maintenance of vacancy; (v) severance for the removal of CEO and (vi) consultative vote on the annual report on Directors' remuneration for FY 2019. The management by the Board of Directors during the period from January 1 to May 20, 2019 has not been approved by the Shareholders.

In light of the unprecedented current market conditions and the Group's current challenges in accessing debt funding markets, alternatives to address the maturity of its medium term notes due in April 2021 are being analysed including a debt-for-debt exchange offer and consent solicitation.

**CONDENSED CONSOLIDATED INTERIM DIRECTOR'S REPORT**

**H1 2020 HIGHLIGHTS**

In line with the roadmap presented at the 1Q20 financial results in May, Phase Two of DIA's business transformation is fully underway and defined actions are being implemented by country leadership, with strategic guidance, performance oversight and capital allocation provided by the corporate center.

During 1H20, business transformation priorities included the continued development of DIA's commercial value proposition, private label and online offer, as well as improvements to DIA's franchise model and continued operational efficiencies. Key highlights are listed below.

The Group has clear operational priorities to drive post lock-down re-entry including enhanced loyalty card communication, targeted promotions for card users based on data analysis and further digital transformation to support e-commerce and customer experience.

**ASSORTMENT & STORE LAYOUT:**

- Spain: Optimized assortment and store layout rolled out to approximately 500 stores in Spain during 1H20 with a priority focus on DIA's fresh, fruit and vegetables offer.
- Portugal: Refurbishment of 125 stores completed in 1H20 to support roll out of optimized assortment.
- Brazil: Introduction of new commercial strategy in 1H20, with store clustering model based on demographics, purchasing power and competitor presence to be rolled out in 2H20.
- Argentina: Fresh offer layout improvements now activated in over 20 per cent of stores.

**PRIVATE LABEL**

- Spain: Initial development and roll out of new products launched in Q2, with accelerated roll out in Q3 and Q4.
- Brazil: Over 200 new products launched in 1H20.

**ONLINE / E-COMMERCE**

- Spain: Over Euros 1.15 million orders delivered in 1H20 following coordinated offer expansion, with six times the monthly online orders for June than March.
- Portugal: Successful online trial completed in 1H20 with full Lisbon coverage now available.
- Brazil: Pilot project now underway for 30 locations, with partnered delivery App available since April.
- Argentina: Last mile delivery offer from store rolled out to 140 stores in 1H20.

**FRANCHISE**

- Spain: New franchise model rolled out to 470 locations during 1H20, with roll out to a further 350 locations targeted in 2H20.
- Portugal: Appointment of new franchise director in 2Q and the roll out of new model launched.
- Brazil: Reviewing existing franchise contracts to simplify agreements with 112 stores representing 1/3 of total franchisees; implementation well on track, ahead of schedule.
- Argentina: 17 stores converted to COFO in H1, preliminary testing of new model launched.

### OPERATIONS

- Group: Cost and liquidity optimization initiatives activated during 1H20 focused on operational excellence and reduction of complexity in areas such as supplier negotiations, inventory management, optimized logistics and energy/procurement savings.
- Spain: Cost efficiencies delivered through the reduction of obsolete inventory, more efficient tender process for logistics, as well as rent and energy savings.
- Portugal: 6 days per week delivery frequency now implemented in 80% of network to support expanded fresh product offer, with store and warehouse stock optimization on track.
- Brazil: New supply chain function created to deliver wider efficiencies, with 2H20 focus on effective supply to meet weekly promotional cycles and improved balancing of stock levels.
- Argentina: improved OOS levels at both and warehouses in 1H20

#### H1 2020 Results

(€m)	30/06/2020	30/06/2019	Change
<b>Gross sales under banner</b>	<b>4,293.2</b>	<b>4,622.3</b>	<b>-7.1%</b>
Like-for-like sales growth (%)	8.7%	-7.9%	-
<b>Net sales</b>	<b>3,515.2</b>	<b>3,444.5</b>	<b>2.1%</b>
Cost of goods sold & other income	(2,754.1)	(2,771.9)	-0.6%
<b>Gross profit</b>	<b>761.1</b>	<b>672.6</b>	<b>13.2%</b>
Labour costs	(381.9)	(383.8)	-0.5%
Other operating expenses & leases	(188.3)	(199.5)	-5.6%
Restructuring costs and LTIP	(13.9)	(75.8)	-81.6%
<b>EBITDA</b>	<b>176.9</b>	<b>13.5</b>	<b>1214.2%</b>
D&A	(223.5)	(265.3)	-15.7%
Impairment of non-current assets	(1.1)	(11.6)	-90.9%
Write-offs	(4.4)	(58.3)	-92.5%
<b>EBIT</b>	<b>(52.0)</b>	<b>(321.7)</b>	<b>-83.8%</b>
Net financial results	(131.7)	(81.7)	61.2%
<b>EBT</b>	<b>(183.7)</b>	<b>(403.4)</b>	<b>-54.5%</b>
Corporate taxes	(4.0)	5.4	-173.4%
<b>Consolidated profit</b>	<b>(187.7)</b>	<b>(398.0)</b>	<b>-52.8%</b>
Discontinuing operations	-	(20.7)	-100.0%
<b>Net attributable profit</b>	<b>(187.7)</b>	<b>(418.7)</b>	<b>-55.2%</b>

(\*) H1 2019 restated to present the cost of logistics platforms according to their nature

The reconciliation between the EBITDA indicated in the intermediate financial states and the one indicated in the preceding table, due to the assignment due to the nature of the logistical costs attributed to the stores and the restructuring cost for 2020 and 2019, is explained in the next table:

(€m)	Income statement	Logistics cost	Restructuring cost	Total 30/06/2020
<b>Net sales</b>	<b>3,515.2</b>	-	-	<b>3,515.2</b>
<b>Cost of goods sold &amp; other income</b>	<b>(2,558.9)</b>	<b>(195.3)</b>	-	<b>(2,754.1)</b>
Goods and other consumables used	(2,586.2)	(195.3)	-	(2,781.4)
Other income	30.6	-	-	30.6
Impairment of trade debtors	(3.3)	-	-	(3.3)
<b>Gross profit</b>	<b>956.3</b>	<b>(195.3)</b>	-	<b>761.1</b>
Labour costs	(465.7)	69.4	14.4	(381.9)
Other operating expenses & leases	(313.7)	125.9	(0.5)	(188.3)
Restructuring costs	-	-	(13.9)	(13.9)
<b>EBITDA</b>	<b>176.9</b>	-	-	<b>176.9</b>

(€m)	Income statement	Logistics cost	Restructuring cost	Total 30/06/2019 (*)
<b>Net sales</b>	<b>3,444.5</b>	-	-	<b>3,444.5</b>
<b>Cost of goods sold &amp; other income</b>	<b>(2,606.4)</b>	<b>(177.1)</b>	<b>11.5</b>	<b>(2,771.9)</b>
Goods and other consumables used	(2,623.6)	(177.1)	0.3	(2,800.4)
Other income	39.8	-	-	39.8
Impairment of trade debtors	(22.6)	-	11.2	(11.4)
<b>Gross profit</b>	<b>838.1</b>	<b>(177.1)</b>	<b>11.5</b>	<b>672.6</b>
Labour costs	(488.9)	64.8	40.3	(383.8)
Other operating expenses & leases	(335.7)	112.3	24.0	(199.5)
Restructuring costs	-	-	(75.8)	(75.8)
<b>EBITDA</b>	<b>13.5</b>	-	-	<b>13.5</b>

(\*) H1 2019 restated to present the cost of logistics platforms according to their nature

During 2020, the DIA Group's Net Sales increased by 2.1% during 1H20 on the positive impact of both transformation measures and increased food consumption at home due to lockdown, and despite 6.0% fewer stores and the depreciation of the Argentinean Peso (34.1%) and Brazilian Real (19.1%).

Group Comparable Sales (Like-for-Like) up 8.7% driven by 25.7% increase in average basket which more than offset a 13.5% decrease in number of tickets, with underlying pre-COVID growth in Spain and Portugal, as well as sustained positive figures in June (+10%).

Gross Profit (as a percentage of Net Sales) increased to 21.7% (1H19: 19.5%) despite one-off COVID-19 costs such as bonus payments to logistics employees and Franchisee personnel, as well as logistics costs to support enhanced fresh offer.<sup>1</sup>

Labor costs remained stable as workforce rationalization measures made in 2019 were offset by higher staffing requirements, as well as COVID-19 related bonus payments.

Other operating expenses (as a percentage of Net Sales) decreased to 5.4% (1H19: 5.8%) driven by continued cost discipline, lower investment in advertising during lockdown and despite COVID-19 related costs including protective materials.

EBITDA increased, also thanks to lower Restructuring Costs which were down significantly on the completion of key initiatives during 2019 and despite 26.0m COVID-19 one-off costs.

<sup>1</sup> H1 2019 comparison affected by one-off stock liquidations and accounts receivable write-offs



Adjusted EBITDA improved to 1.7% as a percentage of Net Sales on the back of operational excellence initiatives implemented in 2019 with significant margin improvements in all countries.

Depreciation and Amortization decreased 15.7% on closures of stores and warehouses executed during 2019.

Net Profit negatively affected by 82.5m currency effect mainly related to Brazilian Real.

Capex: down 23% to 31.4m representing 0.9% on Net Sales (1H19: 40.7m) with 75% of Capex relating to ongoing maintenance and IT investment.

Trade Working Capital: inflow of 37.0m since December 2019 thanks to Net Sales increase and improvement in inventories.

Net Financial Debt: improved by 68.9m compared to December 2019 on the back of positive Cash Flow from Operations and improved Trade Working Capital.

Available Liquidity: stable at 434.9m (December 2019: 420.8m), with enhanced debt maturity profile following long-term refinancing agreement and bond repayment in July 2019.

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

### EBITDA to Adjusted EBITDA reconciliation

(€m)	30/06/2020	30/06/2019	Change
<b>Gross operating profit (EBITDA)</b>	<b>176.9</b>	<b>13.5</b>	<b>163.5</b>
Restructuring costs	13.9	75.8	(61.9)
Store closings	-	19.6	(19.6)
Efficiency projects & severance packages	8.0	43.6	(35.6)
Advisory fees	-	12.6	(12.6)
Long-term incentive program	5.9	-	5.9
IFRS 16 lease effect	(140.6)	(163.0)	22.4
IAS 29 hyperinflation effect	9.4	18.1	(8.7)
<b>Adjusted EBITDA</b>	<b>59.7</b>	<b>(55.6)</b>	<b>115.3</b>

The following table further explains the financial results performance during the period:

### Financial Results

(€m)	30/06/2020	30/06/2019	Change
Finance income	3.3	1.6	1.7
Interest expense	(24.0)	(36.8)	12.8
Other financial expenses	(14.9)	(44.4)	29.5
FX differences	(82.5)	(1.8)	(80.7)
IFRS 16 related financial costs	(31.3)	(36.2)	4.9
Gains from net monetary position (IAS 29)	17.7	36.1	(18.4)
P&L from companies accounted under equity method	0.1	(0.2)	0.3
<b>Net financial results</b>	<b>(131.7)</b>	<b>(81.7)</b>	<b>(50.0)</b>

Interest expense decreased by 12.8m as a result of the improved financing conditions achieved following the refinancing completion in July 2019.

Other financial expenses decreased to 14.9m on lower refinancing costs.

Foreign Exchange differences include Euros 78.7 million of negative currency effect resulting from the devaluation of the Brazilian Real in the period, of which Euros 60.9 million (77.4%) 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 (22.6%) from USD and Euro denominated bank loans held by the Brazilian affiliate.

The drop in the number of stores and lower inflation in Argentina drive the reduction in the effects associated with IFRS16 and IAS29, respectively.

### INFORMATION BY COUNTRY

SPAIN (€m)	30/06/2020	%	30/06/2019	%	Change (%)
<b>Gross sales under banner</b>	<b>2,707.1</b>		<b>2,534.9</b>		<b>6.8%</b>
Like-for-like sales growth	13.9%		-6.8%		
<b>Net sales</b>	<b>2,264.2</b>		<b>2,078.7</b>		<b>8.9%</b>
<b>Adjusted EBITDA</b>	<b>52.5</b>	<b>2.3%</b>	<b>18.1</b>	<b>0.9%</b>	<b>193.2%</b>
PORTUGAL (€m)	30/06/2020	%	30/06/2019	%	Change (%)
<b>Gross sales under banner</b>	<b>430.6</b>		<b>407.6</b>		<b>5.7%</b>
Like-for-like sales growth	9.3%		-3.9%		
<b>Net sales</b>	<b>309.2</b>		<b>290.7</b>		<b>6.4%</b>
<b>Adjusted EBITDA</b>	<b>6.0</b>	<b>2.0%</b>	<b>3.2</b>	<b>1.1%</b>	<b>86.7%</b>
ARGENTINA (€m)	30/06/2020	%	30/06/2019	%	Change (%)
<b>Gross sales under banner</b>	<b>610.3</b>		<b>979.7</b>		<b>-37.7%</b>
Like-for-like sales growth	-0.9%		-9.6%		
<b>Net sales<sup>(3)</sup></b>	<b>458.3</b>		<b>489.5</b>		<b>-6.4%</b>
<b>Adjusted EBITDA</b>	<b>8.8</b>	<b>1.8%</b>	<b>5.8</b>	<b>1.2%</b>	<b>50.9%</b>
BRAZIL (€m)	30/06/2020	%	30/06/2019	%	Change (%)
<b>Gross sales under banner</b>	<b>545.1</b>		<b>700.2</b>		<b>-22.1%</b>
Like-for-like sales growth	2.7%		-9.7%		
<b>Net sales<sup>(3)</sup></b>	<b>483.6</b>		<b>585.7</b>		<b>-17.4%</b>
<b>Adjusted EBITDA</b>	<b>(7.7)</b>	<b>-1.6%</b>	<b>(82.7)</b>	<b>-14.1%</b>	

Net Sales in Spain up 8.9% continuing positive trend seen in 1Q2020, also following easing of lockdown.

Adjusted EBITDA in the country increased 140bps despite COVID-19 costs and Euros 6.8 million legal contingency recognition related to penalty procedure initiated by the Agency for Food Information and Control for alleged infringements under the Law on the functioning of the food chain as further explained in the Interim Consolidated Financial Statements.

With regards to Portugal, Net Sales increased 6.4% mainly driven by local transformation measures including increased stock delivery frequency to support expanded fresh product offer and continued in-store refurbishment efforts.

Adjusted EBITDA increased 90bps on the back of operational excellence measures implemented.

In Argentina, Net Sales decreased 6.4% highly impacted by 34% devaluation of the Argentinian Peso in the period as well as the country's highest inflation rate for almost 30 years in 2019.

Adjusted EBITDA improved 60bps despite negative volume effect on sales and currency effect.

In Brazil, Net Sales up 20% in local currency despite 14 per cent fewer stores following strategic closure of underperforming locations, outweighed by the 28% devaluation of the Brazilian Real during the period.

Adjusted EBITDA recovered significantly but remains negative due to negative volume and currency effect, leading to a 12.5% improvement in margin.

### BALANCE SHEET

<b>Balance Sheet</b>		
<b>(€m)</b>	<b>30/06/2020</b>	<b>31/12/2019</b>
Non-current assets	2,204.1	2,448.2
Inventories	477.0	496.5
Trade & Other receivables	104.2	111.0
Other current assets	91.7	100.2
Cash & Cash equivalents	420.0	163.6
<b>Total assets</b>	<b>3,297.0</b>	<b>3,319.4</b>
Total equity	(509.4)	(350.5)
Long-term debt	1,682.3	1,865.7
Short-term debt	620.7	325.5
Trade & Other payables	1,226.2	1,215.4
Provisions & Other current liabilities	277.2	262.0
Liabilities associated with assets held for sale	-	1.3
<b>Total equity &amp; liabilities</b>	<b>3,297.0</b>	<b>3,319.4</b>

At 30 June 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) amount to Euros 194.2million (222.7m as of December 2019).

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

### NET DEBT

<b>(€m)</b>	<b>30/06/2020</b>	<b>31/12/2019</b>
Net financial debt	1,253.3	1,322.2
Other net debt (IFRS 16)	629.7	705.4
<b>Total net debt</b>	<b>1,883.0</b>	<b>2,027.6</b>

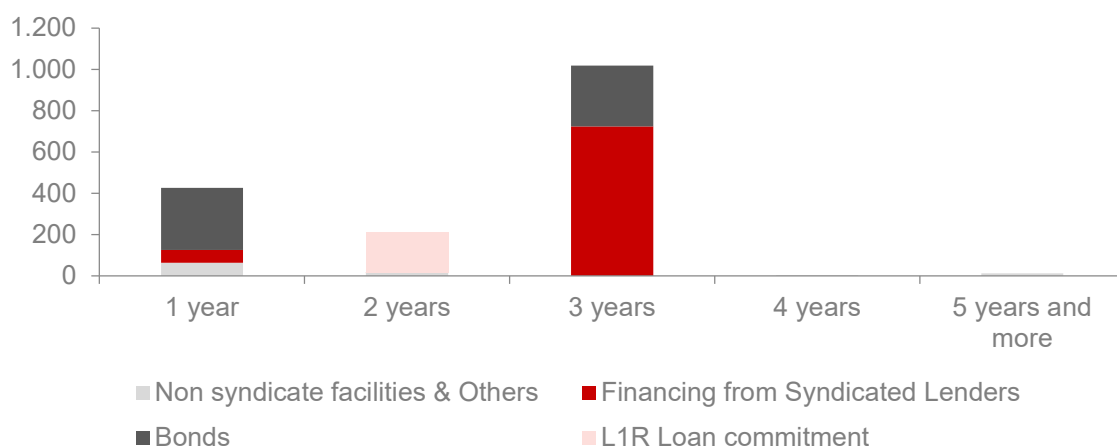
Actual Gross Debt Maturity Profile as of 30 June 2020: Euros 1,673.3million increased as L1R Super Senior facility drawn in full, which remains unused and recognized through an equivalent increase in Cash & Cash Equivalents.

Non-Syndicated Facilities & Others are Euros 64.0 million (June 2020-June 2021), Euros 13.4 million (June 2021-June 2022) and Euros 14.9 million (June 2022 onwards).

L1R Super Senior Loan facility are Euros 197.4 million (July 2022).

The amounting of Bonds are Euros 300.7 million (April 2021) reclassified into short-term and Euros 294.6 million (April 2023).

Financing from Syndicated Lenders are Euros 61.4million (June 2020-June 2021) and Euros 726.8 million (June 2023/March 2024).



In light of the unprecedented current market conditions and the Group's current challenges in accessing debt funding markets, alternatives to address the maturity of its medium term notes due in April 2021 are being analysed including a debt-for-debt exchange offer and consent solicitation.

### TRADE WORKING CAPITAL

(€m)	30/06/2020	31/12/2019	Change
<i>Non recourse factoring</i>	22.4	14.1	8.3
Inventories (A)	477.0	496.5	(19.5)
Trade & other receivables (B)	104.2	111.0	(6.8)
Trade & other payables (C)	1,226.2	1,215.4	10.8
<b>Total working capital (1)</b>	<b>(645.0)</b>	<b>(608.0)</b>	<b>(37.0)</b>

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

Trade Working Capital improved to Euros 645.0 million (FY19: Euros 608.0 million) due to a Euros 19.5 million decrease in Inventories once initial stocking to meet supply requirements during the COVID-19 pandemic had been absorbed, a Euros 10.7 million increase in Trade Payables linked to sales increase together with a Euros 6.7 million reduction in Trade Receivables.

### CAPEX

(€m)	30/06/2020	30/06/2019	Change (%)
Spain	22.6	22.3	1.4%
Portugal	1.5	1.6	-8.7%
Argentina	3.5	2.7	29.5%
Brazil	3.8	14.1	-73.1%
<b>Total Capex</b>	<b>31.4</b>	<b>40.7</b>	<b>-23.0%</b>

Capital Expenditure was down 23% as a result of tight investment control following completion of the first phase of DIA's business transformation.

## STORE NETWORK

<b>STORE NETWORK</b>			
<b>SUMMARY OF GROUP STORES</b>	<b>Owned</b>	<b>Franchised</b>	<b>Total</b>
Total stores 31 December 2019	3,725	2,901	6,626
New openings	1	2	3
Owned to franchised net transfers	103	(103)	-
Closings	(103)	(126)	(229)
<b>Total DIA GROUP stores at 30 June 2020</b>	<b>3,726</b>	<b>2,674</b>	<b>6,400</b>
Spain	2,564	1,477	4,041
Portugal	317	251	568
Brazil	537	341	878
Argentina	308	605	913

H1 2020, DIA operated a total of 6,400 stores, 226 less than at the end of last year, accumulating 3 new openings and 229 closures in the period.

Regarding the closing, 40 DIA stores closed in Spain (25 franchised and 15 owned), 9 franchised stores in Portugal, 22 in Argentina (12 franchised and 10 owned) and 3 in Brazil (two franchised and one owned). In addition, as part of the exit strategy announced for this specific type of franchisees, a total of 78 Cada Dia stores were closed during 1H. Additionally, 76 Clarel stores and 1 La Plaza store were closed in Spain.

The openings correspond to one franchised location opened in Portugal, one owned store in Brazil and one franchised store in Argentina.

Net changes in format 85 stores were transferred from franchised to owned in Spain including 18 Clarel stores. Portugal transferred 19 and Brazil transferred 4 locations from franchised to owned stores, respectively. Net change of format in Argentina resulted in 5 additional franchised stores, including 17 transfers of own stores to franchised stores during Q2.

## EVENTS FOLLOWING THE CLOSE OF THE PERIOD

After 30 June 2020 and before issuing this report, the Company has carried out the following transactions, thereby concluding the implementation of the Hive Down actions to be carried out as of such date, in compliance with the obligations assumed with the syndicated lenders:

- (i) 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 reverse factoring and other debt linked to the Company's commercial operations.
- (ii) 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 has also included the transfer of the portion of syndicated debt linked to the Spanish business.
- (iii) The shares in the operating subsidiaries involved in the transaction have been transferred to the relevant Luxembourg holding companies, which are directly or indirectly fully-owned by DIA, thus implementing the corporate structure agreed with the syndicated lenders.
- (iv) In the context of implementing the final Hive Down structure, the remaining portion of the syndicated debt drawn down by DIA (excluding a small 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 Facilities and its implementation is expected to help give the Company and its Group access to possible future financing or refinancing.

On 16 July 2020, the Company announced the creation of a new Group Corporate Management team and the appointment of Santiago Martinez-Lage as Group Corporate Director, reporting directly to Stephan DuCharme. This new management team will be 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 and also position the Company'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.

The Shareholders' Annual General Meeting was held on July 31st 2020 where the following resolutions were approved, among others: (i) approval of FY2019 Financial Statements, Management Reports, allocation of profit/loss and statement of non-financial information; (ii) management by the Board of Directors during the period from May 21 to December 31, 2019; (iii) ratification and reappointment of Ms. Basola Vallés as Independent Director; (iv) establishment of the number of members of the Board of Directors at eight and maintenance of vacancy; (v) severance for the removal of CEO and (vi) consultative vote on the annual report on Directors' remuneration for FY 2019. The management by the Board of Directors during the period from January 1 to May 20, 2019 has not been approved by the Shareholders.

In light of the unprecedented current market conditions and the Group's current challenges in accessing debt funding markets, alternatives to address the maturity of its medium term notes due in April 2021 are being analysed including a debt-for-debt exchange offer and consent solicitation.

## **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)	30/06/2020	30/06/2019	Change (%)
Net sales	3,515.2	3,444.5	2.1%
VAT and other	778.0	1,177.8	-33.9%
<b>Total Gross sales under banner</b>	<b>4,293.2</b>	<b>4,622.3</b>	<b>-7.1%</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.

### EBIT TO ADJUSTED EBITDA RECONCILIATION

(€m)	30/06/2020	30/06/2019	Change
Operating profit (EBIT)	(52.0)	(321.7)	269.7
Depreciation & Amortization	223.5	265.3	(41.7)
Losses on write-down of fixed assets	4.4	58.3	(53.9)
Impairment of fixed assets	1.1	11.6	(10.5)
<b>Gross Operating Profit (EBITDA)</b>	<b>176.9</b>	<b>13.5</b>	<b>163.5</b>
Restructuring costs	8.0	75.8	(67.8)
Long-term incentive program	5.9	-	5.9
IFRS 16 lease effect	(140.6)	(163.0)	22.4
IAS 29 hyperinflation effect	9.4	18.1	(8.7)
<b>Adjusted EBITDA</b>	<b>59.7</b>	<b>(55.6)</b>	<b>115.3</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)	30/06/2020	31/12/2019	Change
Long-term debt	1,247.2	1,377.5	(130.3)
Short-term debt	426.1	108.3	317.8
Cash & Cash equivalents	420.0	163.6	256.4
<b>Net Financial Debt</b>	<b>1,253.3</b>	<b>1,322.2</b>	<b>(68.9)</b>
IFRS 16 related debt effect	629.7	705.4	(75.7)
<b>Total Net Debt</b>	<b>1,883.0</b>	<b>2,027.6</b>	<b>(144.6)</b>