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

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

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

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

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Distribuidora Internacional de Alimentación, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2021, the income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and the consolidated financial position of the Group at December 31, 2021, and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework for financial reporting applicable in Spain.

Basis of the opinion

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

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

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

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

Key audit matters

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

Application of the going concern principle

Description

Notes 1.b) and c), 2.4), 12.1 and 3 and 13.1.a) and b) to the consolidated financial statements for 2021 describe the measures adopted by the parent's Board of Directors and management to ensure that the going concern principle is correctly applied.

In this regard, note 1.c) to the consolidated financial statements explains that on March 24, 2021, as a result of negotiations between the parent, its majority shareholder (see note 12.1 to the accompanying consolidated financial statements), DEA Finance S.à.r.l. and its syndicated lenders, the parent reached an agreement with the latter, providing a path for a more comprehensive capitalization and refinancing transaction for the Group (the "Comprehensive Transaction"). The implementation of this agreement ensures, in the opinion of the parent's Directors, a stable long-term capital and financial structure for both the parent and its Group (hereinafter, the Group). Note 1.c) to the accompanying consolidated financial statements also describes the main terms and conditions, all of which are contingent upon one another, that are included in the "Comprehensive Transaction."

In note 2.4) to the consolidated financial statements, the parent's Directors state that during the 2021 financial year, the main terms and conditions of the Comprehensive Transaction were met and thus it became effective on September 2, 2021. In note 2.4), the parent's Directors state that the Comprehensive Transaction has made it possible to recover and significantly strengthen the parent's equity, substantially reduce the Group's financial indebtedness, eliminate refinancing risk in the medium term, considerably lower the Group's interest rate burden, provide additional liquidity to ensure that operational financing needs are met, improve and accelerate the Group's ability to access financial debt markets under normal conditions, as well as a stable term capital structure for the Group in the long term, enabling management to fully focus on executing its business plan. In view of the above, the parent's Directors consider that the Group will continue to operate on a going concern basis.

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

Our Response

Our audit procedures related to this matter included:

- Identifying and understanding the matters that could raise significant doubts as to the Group's capacity to continue as a going concern.

- Gaining an understanding, based on conversations with the parent's executives, of the significant events that occurred in 2021, described in Notes 1.b) and c), 2.4), 12.1 and 3 and 13.1.a) and b) to the accompanying consolidated financial statements, aimed at restoring the parent's and its Group's equity and financial position and reaching agreements designed to ensure the continuity of its business.
- Obtaining and analyzing the significant events communicated by the parent to the Spanish National Securities Market Commission (CNMV) and the minutes related to the agreements approved by the parent's General Shareholders' Meeting, its board of directors, and the remaining management bodies and committees in 2021 and 2022 up to the date of this report.
- Verifying the parent management's assessment of the Group's capacity to continue as a going concern, after considering the measures adopted to restore the Group's equity and financial position. This verification included reviewing the Group's five-year business plan and expected financial performance over the next twelve years.
- Obtaining and analyzing the documentation supporting the agreement with syndicated lenders entered into on March 24, 2021 ("Lock-Up Agreement" of the "Comprehensive Transaction") disclosed in notes 1.c) and 2.4) to the accompanying consolidated financial statements.
- Obtaining and analyzing the documentation relating to the loans acquired by the parent's majority shareholder from DEA Finance S.à.r.l. which, where applicable, have been converted to new debt instruments prior to their conversion to capital, disclosed in notes 1.c), 12.3 and 13.1.a) and c) to the accompanying consolidated financial statements.
- Obtaining and analyzing the documentation relating to the transfer to the parent from DIA Finance, S.L of the super senior term loan facility that this subsidiary owed to DEA Finance S.à.r.l, prior to its conversion to capital, as described in notes 1.c), 12.3, and 13.1.a) and b) to the accompanying financial statements.
- Obtaining and analyzing the documentation relating to the loan granted to the parent by its majority shareholder to finance the payment at maturity of the principal of the 2021 bonds not acquired and which has been capitalized as explained in notes 1.c), 12.3 and 13.1.a), and b) to the accompanying consolidated financial statements.
- Obtaining and analyzing the documentation pertaining to the fulfillment of the suspensive conditions affecting the validity of the "Comprehensive Transaction" described in notes 1.c), 13.1.a) and b) to the accompanying consolidated.
- Obtaining and analyzing the documentation relating to the resolutions adopted at the parent's General Shareholders' Meeting, which approved the capital increase provided for in the "Comprehensive Transaction," as described in note 1.b) and 12.1 to the accompanying consolidated financial statements.
- Reviewing the disclosures made in the notes to the consolidated financial statements, assessing whether they are in conformity with the applicable regulatory financial reporting framework.

Recoverable amount of non-current assets subject to depreciation/amortization

Description

As explained in notes 5, 6.2 and 6.1 to the accompanying consolidated financial statements, at December 31, 2021, the Group recognized property, plant and equipment amounting to 898,398 thousand euros, right-of-use assets amounting to 505,318 thousand euros, and goodwill amounting to 451,102 thousand euros.

For purposes of calculating impairment loss on property, plant, and equipment and right-of-use assets, the carrying amount of these non-current assets is assigned to each of the corresponding cash-generating units, which in the case of the Group is determined at store level. Goodwill may also be allocated to stores and in the cases where it is not, the future cash flows of each subsidiary are considered as a cash generating unit.

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

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

Information on the applicable measurement standards and non-current assets subject to amortization/depreciation are provided in note 3.k) to the accompanying consolidated financial statements.

Our Response

Our audit procedures related to this matter included:

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

- Reviewing the disclosures made in the notes to the consolidated financial statements and assessing whether they are in conformity with the applicable regulatory financial reporting framework.

Other information: Consolidated Management Report

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

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

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

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

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

Responsibilities of the parent's directors and the audit committee for the consolidated financial statements

The directors of the Parent are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee of the parent is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We are solely responsible for our audit opinion.

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

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

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

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

Report on other legally stipulated disclosure requirements

European Single Electronic Format

We have examined the digital files of the European single electronic format (ESEF) of Distribuidora Internacional de Alimentación, S.A. and subsidiaries for the 2021 financial year, consisting of XHTML files containing the financial statements for the year and the XBRL files marked up by the entity, which will form part of the annual financial report.

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

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

In our opinion, the digital files examined correspond in their entirety to the audited consolidated financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

Additional report for the parent's audit committee

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

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Term of engagement

The ordinary general meeting of shareholders held on March 20, 2019 appointed us as auditors of the Group for a period of three years, commencing the year ended December 31, 2019.

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

(Signed on the original Spanish version)

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

April 8, 2022

Distribuidora Internacional de Alimentación, S.A. and Subsidiaries

Consolidated Annual Accounts and Consolidated Directors' Report

31 December 2021

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

DIA

Distribuidora Internacional de Alimentación, S.A. and Subsidiaries

DIA GROUP CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2021

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(I) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in thousands of Euros)

ASSETS	Notes	2021 31 December	2020 31 December
Property, plant and equipment	5	898,398	837,312
Goodwill	6.1	451,102	482,872
Use of right	6.2	505,318	569,369
Other intangible assets	6.3	24,434	27,529
Investments accounted for using the equity method	8	484	473
Trade and other receivables	7.1	15,386	24,039
Other non-current financial assets	7.2	61,772	56,956
Non-current tax assets	15	61,329	46,070
Non-current assets		2,018,223	2,044,620
Inventories	10	452,003	445,763
Trade and other receivables	7.1	178,031	128,369
Consumer loans from financial activities		1,010	1,407
Current tax assets	15	46,548	56,065
Current income tax assets	15	1,681	1,205
Other current financial assets	7.2	4,879	3,945
Other assets	9	7,382	6,681
Cash and cash equivalents	11	361,065	346,985
		1,052,599	990,420
Non-current assets held for sale		-	359
Current assets		1,052,599	990,779
TOTAL ASSETS		3,070,822	3,035,399

The accompanying notes form an integral part of the consolidated annual accounts for 2021.

DIA

(I) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in thousands of Euros)

EQUITY AND LIABILITIES	Notes	2021 31 December	2020 31 December
Capital	12.1	580,655	66,780
Share premium	12.2	1,058,873	544,997
Reserves	12.4	(1,185,937)	(815,387)
Own shares	12.5a)	(3,842)	(5,763)
Other own equity instruments	12.5b) and 16	416	250
Net losses for the period	12.4	(257,331)	(363,788)
Translation differences	12.8	(99,264)	(124,284)
Equity attributable to equity holders of the Parent		**93,570**	**(697,195)**
Total Equity		**93,570**	**(697,195)**
Non-current borrowings	13.1	1,023,183	1,625,790
Provisions	14	94,412	84,328
Other non-current financial liabilities	13.2	-	2,306
Deferred tax liabilities	15	36,453	20,157
Non-current liabilities		**1,154,048**	**1,732,581**
Current borrowings	13.1	272,454	589,032
Trade and other payables	13.3	1,274,612	1,183,353
Current tax liabilities	15	46,909	55,453
Current income tax liabilities	15	8,062	531
Other current financial liabilities	13.4	221,167	171,644
Current liabilities		**1,823,204**	**2,000,013**
TOTAL EQUITY AND LIABILITIES		**3,070,822**	**3,035,399**

The accompanying notes form an integral part of the consolidated annual accounts for 2021.

(II) CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2021

(Expressed in thousands of Euros)

INCOME STATEMENT	Notes	2021 31 December	2020 31 December
Sales	4 and 17.1	6,647,660	6,882,373
Other income	18.1	30,918	45,833
TOTAL INCOME		**6,678,578**	**6,928,206**
Goods and other consumables used	18.2	(4,839,001)	(5,053,084)
Personnel expenses	18.3	(854,872)	(922,400)
Operating expenses	18.4	(686,870)	(637,836)
Depreciation and amortization	18.5	(392,983)	(426,531)
Impairment of non-current assets	18.5	(59,052)	(26,448)
Impairment of trade debtors	7.1	1,168	(12,931)
Losses on disposal of fixed assets	18.6	(22,946)	(31,079)
RESULT FROM OPERATING ACTIVITIES		**(175,978)**	**(182,103)**
Finance income	18.7	35,100	11,527
Finance expenses	18.7	(144,961)	(217,380)
Gain from net monetary positions	18.9	42,262	36,074
Result from financial instruments		110	-
Profit/(losses) of companies accounts for using the equity method	18.10	11	(59)
LOSSES BEFORE TAX FROM CONTINUING OPERATIONS		**(243,456)**	**(351,941)**
Income tax	15	(13,875)	(11,847)
LOSSES AFTER TAX FROM CONTINUING OPERATIONS		**(257,331)**	**(363,788)**
NET LOSSES		**(257,331)**	**(363,788)**
Atributted to:			
Equity holders of the Parent		(257,331)	(363,788)
Basic and diluted earnings per share, in euros			
Losses on continuing operations		(0.004)	(0.054)
Losses for the period		(0.004)	(0.054)

The accompanying notes form an integral part of the consolidated annual accounts for 2021.

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(III) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

(Expressed in thousands of Euros)

	2021 31 December	2020 31 December
Net losses for the period	**(257,331)**	**(363,788)**
Other comprehensive income:		
Items not subject reclassifications to income statement	-	-
Items subject to reclassification to income statement		
Translation differences of financial statements of foreign operations	**25,020**	**16,895**
	25,020	16,895
Value adjustments due to cash flow hedges	-	-
Tax effect	-	-
	-	-
Other comprehensive income, net of income tax	**25,020**	**16,895**
Total comprehensive income, net of income tax	**(232,311)**	**(346,893)**
Attibuted to:		
Equityholders of the Parent	**(232,311)**	**(346,893)**
	(232,311)	(346,893)

The accompanying notes form an integral part of the consolidated annual accounts for 2021.

DIA

(IV) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

(Expressed in thousands of Euros)

	Equity attributable to equityholders of the Parent								
	Registered capital	Share premium	Reserves and accumulated earnings	Net losses	Own shares	Other own equity instruments	Translations differences	Equity attributable to the Parent	Total equity
At 1 January 2020	**66,780**	**544,997**	**(23,469)**	**(790,468)**	**(7,252)**	**89**	**(141,179)**	**(350,502)**	**(350,502)**
Transfer of the losses of the previous year	-	-	(790,468)	790,468	-	-	-	-	-
Net losses for the period	-	-	-	(363,788)	-	-	-	(363,788)	(363,788)
Other comprenshive income, net of income tax	-	-	-	-	-	-	16,895	16,895	16,895
Translation differences of financial statements of foreign operations	-	-	-	-	-	-	16,895	16,895	16,895
Total comprehensive income for the period	**-**	**-**	**-**	**(363,788)**	**-**	**-**	**16,895**	**(346,893)**	**(346,893)**
Transacitions with equityholders or owners	-	-	(1,450)	-	1,489	161	-	200	200
Issuance net share-based payments	-	-	-	-	-	200	-	200	200
Delivery of own shares	-	-	(1,450)	-	1,489	(39)	-	-	-
At 31 December 2020	**66,780**	**544,997**	**(815,387)**	**(363,788)**	**(5,763)**	**250**	**(124,284)**	**(697,195)**	**(697,195)**
Transfer of the losses of the previous year	-	-	(363,788)	363,788	-	-	-	-	-
Net losses for the period	-	-	-	(257,331)	-	-	-	(257,331)	(257,331)
Other comprenshive income, net of income tax	-	-	-	-	-	-	25,020	25,020	25,020
Translation differences of financial statements of foreign operations	-	-	-	-	-	-	25,020	25,020	25,020
Total comprehensive income for the period	**-**	**-**	**-**	**(257,331)**	**-**	**-**	**25,020**	**(232,311)**	**(232,311)**
Transacitions with equityholders or owners	513,875	513,876	(6,762)	-	1,921	166	-	1,023,076	1,023,076
Capital increase	513,875	513,876	(1,217)	-	-	-	-	1,026,534	1,026,534
Issuance net share-based payments	-	-	-	-	-	227	-	227	227
Delivery of own shares	-	-	(2,346)	-	2,395	(61)	-	(12)	(12)
Share purchase	-	-	-	-	(474)	-	-	(474)	(474)
Other variations in shareholders´equity	-	-	(3,199)	-	-	-	-	(3,199)	(3,199)
At 31 December 2021	**580,655**	**1,058,873**	**(1,185,937)**	**(257,331)**	**(3,842)**	**416**	**(99,264)**	**93,570**	**93,570**

The accompanying notes form an integral part of the consolidated annual accounts for 2021.

DIA

(V) CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	2021 31 December	2020 31 December
Operating activities			
LOSS/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		(243,456)	(351,941)
Loss before income tax		*(243,456)*	*(351,941)*
Adjusmtents to Profit and Loss:		*590,180*	*723,852*
Depreciation and amortization	18.5	392,983	426,531
Impairment of non current assets	18.5	59,052	26,448
Impairment of trade debtors	7.1	(1,168)	12,931
Losses on disposal of non current assets	18.6	22,946	31,079
Result from financial instruments		(110)	-
Finance income	18.7	(35,100)	(11,527)
Finance expenses	18.7	144,961	217,380
Changes of provisions and grants		9,514	22,427
Other adjustments to Profit and Loss		(2,887)	(1,476)
Share of (Profit)/loss of companies accounted for using the equity method net of dividends	8 and 18.10	(11)	59
Adjusments to working capital:		*7,658*	*18,592*
Changes in trade and other receivables		(46,796)	(24,208)
Change in inventories		(6,240)	50,754
Changes in trade and other payables		86,848	(35,785)
Changes in consumer loan and refinancing commitments		397	2
Change in other assets		10,010	26,972
Change in other liabilities		(35,810)	9,512
Changes in working capital of discontinued operations		359	(1,329)
Current income tax payables		(1,110)	(7,326)
Net cash flow form/(used in) operating activities		*354,382*	*390,503*
Investing activities			
Purcharses of intangible assets	6.3	(10,036)	(3,285)
Development cost	6.3	(2,904)	(4,952)
Payments of property, plant and equipment	5	(169,162)	(68,448)
Payment of financial instruments		(10,452)	22,634
Disposals of intangible assets		6	44
Disposals of property, plant and equipment		9,728	9,677
(Payments)/Collections for other financial assets		(577)	11,738
Interest recevied		11,875	8,886
Net cash flow used in investing activities		*(171,522)*	*(23,706)*
Financing activities			
Capital increase, net of cost	12.1	257,334	-
Charge for sale of own shares	12.5 a)	(474)	-
Financial lease payments	13.1 c)	(272,581)	(284,565)
Borrowings repaid	13.5	(97,056)	(23,284)
Borrowings made	13.5	6,257	163,762
Payments from other financial liabilities		14,380	28,679
Interest paid		(65,287)	(48,347)
Net cash flow form/(used in) financing activities		*(157,427)*	*(163,755)*
Net changes in cash and cash equivalents		*25,433*	*203,042*
Net foreign exchanges differences		(11,353)	(19,607)
Cash and cash equivalents at 1st January		*346,985*	*163,550*
Cash and cash equivalents at 31st December		*361,065*	*346,985*

The accompanying notes form an integral part of the consolidated annual accounts for 2021.

(VI) Notes to the Consolidated Annual Accounts for 2021

1. NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

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

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

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

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

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

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

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

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

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

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

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

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

Its main activity is retail trade in food products through owned or franchised self-service stores. The Parent opened its first establishment in Madrid in 1979.

Distribuidora Internacional de Alimentación, S.A. and subsidiaries (hereinafter, the Group, the DIA Group) currently trades under the names of DIA, DIA Market, DIA Maxi, La Plaza de DIA, Clarel, Minipreço and DIA&go.

The Group comprises the Parent Company together with its subsidiaries, consolidated under the full consolidation method, except for ICDC Services, Sàrl en liquidation (50% owned by DIA World Trade, S.A.U.) and Horizon International Services Sàrl (25% owned by DIA World Trade, S.A.), accounted for by the equity method, and the company CD Supply Innovation, S.L. in liquidation (50% stake held by DIA, S.A.) accounted for as a joint operation.

As of 5 July 2011, DIA shares are listed on the Spanish stock exchanges.

1.1. Relevant events occurring during 2021

a) Changes to the Board of Directors and its committees

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

On 10 December 2020, the Board of Directors approved the appointment by co-optation of Mr Marcelo Maia Tavares de Araújo as other external director of the Parent company, effective from 1 January 2021.

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

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

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

On September 29, 2021, the Board of Directors co-opted Mr. Vicente Trius to be an independent director of the Parent Company.

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

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

Board of Directors:

Chairperson: Mr. Stephan DuCharme (executive chairman).

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

Mr Marcelo Maia Tavares de Araújo (another external director).

Mr. Jaime García-Legaz Ponce (independent director).

Mr. Basola Vallés Cerezuela (independent director).

Mr. Vicente Trius (independent director).

Mr. José Wahnon Levy (independent director).

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

Audit and Compliance Committee:

Chairperson: Mr. José Wahnon Levy (independent director).

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

Mr. Jaime García-Legaz Ponce (independent director).

Appointments and Remuneration Committee:

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

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

Mr. Marcelo Maia Tavares de Araújo (another external director).

b) General Meeting of Shareholders of the Parent company

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

c) Global Capitalisation and Refinancing Operation

On 30 November 2020, the Parent Company published a Communication of Inside Information (Registration No. 613), informing the market that, following negotiations between L1R Invest1 Holdings S.à r.l. ("L1R"), DEA Finance S.à r.l. ("DEA Finance"), DIA and its syndicated financial creditors (the "Syndicated Lenders"), DIA had reached an agreement with all Syndicated Lenders regarding a capitalisation and refinancing operation (the "Original Operation") in order to implement a stable long-term capital and financial structure for the DIA Group.

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

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

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

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

   - 200 million euros that DIA Finance, S.L.U. ("DIA Finance") owed to DEA Finance as principal under the *super senior term loan facility* (the "SS Facility") (this debt was transferred from DIA Finance, S.L.U. to DIA in April 2021);
   - 292.6 million euros that DIA owed to DEA Finance as principal under the bonds issued by DIA for an aggregate principal amount of 300 million euros, with a coupon of 1.000% and maturing on April 28, 2021 (the "2021 Bonds") and that prior to their maturity were transferred from DEA Finance to L1R for subsequent capitalisation. The remaining amount of 2021 Bonds not owned by DEA Finance was repaid by DIA on the due date.

- 7.4 million euros of debt under a loan granted by L1R in April 2021 to DIA to finance (or refinance) DIA's payment of the principal of the 2021 Bonds to those holders of 2021 Bonds other than DEA Finance (or L1R) on 28 April 2021 (referred to in the paragraph above); and
- 269.2 million euros owed by DIA to DEA Finance as principal under the bonds issued by DIA for an aggregate principal amount of 300 million euros, with a coupon of 0.875% and maturing on 6 April 2023 (the "2023 Bonds") and which were transferred by DEA Finance to L1R in the month of April 2021; and

2. a cash tranche of up to 258.6 million euros, first reserved for all shareholders other than L1R, so that they could exercise their preferential subscription right and subscribe new shares to maintain their percentage stake in the share capital prior to the capital increase at the same issue price as the new shares to be issued in the credit capitalisation tranche. The funds obtained in the cash tranche would be available to DIA for general corporate purposes, including the acceleration of its business transformation plan. The cash tranche would be subject to the subscription rounds, and proration rules in the event of oversubscription, which are typical for this type of operation, and would not be underwritten in the event of incomplete subscription;

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

iii. amendment of the terms and conditions of the 2023 Bonds in the amount of 30.8 million euros to (a) extend their maturity date from 6 April 2023 to 30 June 2026 and (b) increase the coupon from the date of amendment to 3.5% per annum (3% cash and 0.50% PIK), plus an interest increase of 1% PIK in certain circumstances where applicable under the SFA (the "2023 Bond Amendment"). On 20 April 2021, the parent Company announced that the meeting of bondholders of the 2023 Bonds held that same day had approved the Amendment of the 2023 Bonds and that it would take effect upon fulfilment or waiver of the remaining conditions to which the effectiveness of the Global Transaction was subject, and other conditions customary in this type of amendment; and

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

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

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

d) Credit Rating

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

e) Impact of Coronavirus - Covid-19

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

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

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

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

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

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

f) Implementation of the Hive Down imposed by the Syndicated Lenders

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

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

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

The main milestones carried out during financial year 2020 are described in the report on the financial statements for the 2020 financial year.

Proceeding with the Hive Down is an obligation required by the Syndicated Lenders in the Syndicated Financing contract, and its implementation is expected to help facilitate access of the Parent company and its Group to possible future financing or refinancing.

g) Profit/(loss) evolution during the year

The evolution of the Group's operating results during the 2021 financial year is marked by a reduction in turnover compared with the same period of the 2020 financial year, of around 3.4%, a period in which the Group experienced extraordinary activity as a result of Covid-19 supply purchases by consumers in the months of March to June 2020, making it difficult to compare year on year. The operating result of the Group was also affected by the reduction of the store network, as well as the impact of higher electricity, diesel and raw material prices on the operating result is also noteworthy.

The results were based on strong cost discipline, a strengthened financial structure and effective currency risk management which contributed to improved financial performance. As a result, the net loss for the financial year was reduced by 29% compared with the same period of the previous year.

The main priorities during FY21 remain the continued development of the DIA commercial value proposition with the enhancement of the range of fresh produce and the development of a new proprietary brand combining quality, value for money and attractive packaging. The Group also completed the comprehensive rollout of the updated franchise model in Spain and Portugal, which began during the second half of 2020, and launched store refurbishments in both markets, remodelling 800 stores in Spain, 112 in Portugal and 168 in Argentina. The expansion of the online sales and express delivery service continues in all countries, while maintaining a strict focus on cost efficiency and reducing complexity in all business areas, focusing on digitalisation and technological transformation.

1.2 Changes to Group structure

The following changes to the Group occurred in 2021 and 2020:

– **2021**

- During the 2021 financial year, the sum contributed in Brazil amounted to 113,464 thousand euros, and occurred through the cancellation of debt at DIA Brasil amounting to 16,103 thousand euros, and a cash contribution of 97,361 thousand euros. The capital of DIA Brasil increased from 2,427,353,318.50 reals as of 31 December 2020 to 3,061,993,256.10 reals as of 31 December 2021, represented by 2,144,009,027 shares of an approximate value of 1.43 Reals of nominal value.
- During the 2021 financial year there were debt waivers at DIA Argentina amounting to 17,521 thousand euros, of which the Parent Company contributed 16,645 thousand euros, equivalent to 95% of its direct stake in the subsidiary and the remaining 5% has been contributed by the company Pe-Tra Servicios a la Distribución, S.L.U.
- On December 2021, there was a cancellation of intra-group debt balances from DIA Retail España, S.A.U., to its subsidiaries Grupo El Árbol Distribución y Supermercados, S.A.U. and Beauty by DIA, S.A.U. for the amount of 80,000 thousand euros and 5,000 thousand euros respectively.

– **2020**

- The dissolution and liquidation of the company Compañía Gallega de Supermercados, S.A., effective at 26 August 2019, was registered on 5 February 2020, and it is therefore no longer included in the Group’s scope of consolidation.
- Change of sole shareholder of Beauty by DIA. S.A.U. (BBD) and Grupo El Árbol Distribución y Supermercados, S.A.U. (GEA). On 1 January 2020, Distribuidora Internacional de Alimentación, S.A. transferred 100% of the

shares held in BBD and GEA to DIA Retail España, S.A.U. in the context of the Hive Down, thereby rendering the latter sole shareholder of BBD and GEA.

- Change of sole shareholder of DIA Word Trade, S.A.U. (DWT). With effect from 31 March 2020, Distribuidora Internacional de Alimentación, S.A. transferred 100% of the shares held in DWT to DIA Retail España, S.A.U. in the context of the Hive Down, thereby rendering the latter sole shareholder of DWT.
- Change of name, capital increase and change in shareholding structure of DIA Portugal. In the context of the Hive Down, DIA Portugal underwent different corporate changes, with the following status at 31 March 2020:

  -Change of registered name from “Dia Portugal Supermercados, Sociedade Unipessoal, Lda.” to “DIA PORTUGAL SUPERMERCADOS S.A.”, as a result of the company's change from a private limited liability company (sociedad de responsabilidad limitada) to a public limited company (sociedad anónima).

  -Increase in share capital from Euros 51,802,855.12 to Euros 51,803,000 (comprised of 5,180,300 shares of Euros 10 par value each);

  -Shareholders: with effect from 31 March 2020, DIA transferred to Luxembourg Investment Company 322, S.à.r.l. 3,833,422 shares, rendering the shareholding structure as follows: 26% ”Distribuidora Internacional de Alimentación S.A.” and 74% ”Luxembourg Investment Company 322 S.à r.l.”
- On 3 July 2020, the deed of 19 June 2020 corresponding to the share capital increase and dissolution and liquidation of the company DIA Paraguay, was filed in the public registers. With regard to the legal entity, it is now duly liquidated and no longer forms part of the Group’s consolidation scope.
- In the context of the Hive Down, on 14 July 2020 the following share transfers were carried out:

  - DIA transferred 100% of its shares in DIA Retail España, S.A.U. to its solely-owned subsidiary Luxembourg Investment Company 320 S.à r.l.

  - DIA transferred to its solely-owned subsidiary Luxembourg Investment Company 319 S.à r.l., 100% of the shares in (i) Luxembourg Investment Company 320 S.à.r.l., (ii) Luxembourg Investment Company 321 S.à.r.l., (iii) Luxembourg Investment Company 322 S.à.r.l., and (iv) Luxembourg Investment Company 323 S.à.r.l.

  - DIA transferred 100% of the shares of Luxembourg Investment Company 319 S.à.r.l. to its solely-owned subsidiary DIA Finance, S.L.U.

  - DIA transferred 100% of its shares in DIA Finance, S.L.U. to its solely-owned subsidiary Luxembourg Investment Company 318 S.à.r.l.

  - DIA transferred 100% of its shares in Luxembourg Investment Company 318 S.à.r.l. to its solely-owned subsidiary Luxembourg Investment Company 317 S.à.r.l.
- On 16 July 2020, the shareholders of the company “ICDC Services S.à.r.l.” decided to put the company into liquidation, changing its registered name to “ICDC Services S.à.r.l., en liquidation”.
- DIA ESHOPPING S.L. in liquidation was dissolved, liquidated and wound up by the agreements of its Sole Shareholder on 14 July 2020, and registered as such in the Companies Register on 26 October 2020, and therefore no longer forms part of the Group’s consolidation scope.
- Red Libra Trading Services, S.L. was dissolved and put into liquidation by agreement of the General Shareholders’ Meeting of 6 July 2020, its registered name from that date being Red Libra Trading Services, SL. en liquidación. This company was dissolved, liquidated and wound up with effect from 15 October 2020, and registered as such with the companies register on 18 November 2020.
- CD Supply Innovation, S.L. was dissolved and put into liquidation by agreement of the General Shareholders’ Meeting of 4 August 2020, its registered name from that date being CD Supply Innovation, S.L. en liquidación.

- On 6 October 2020 the Brazilian company DIA AMÉRICA LATINA ESTUDOS, PESQUISAS E TREINAMENTOS LTDA (DIA LATAM) was incorporated into its shareholder DBZ ADMINISTRAÇÃO, GESTÃO DE ATIVOS E SERVIÇOS IMOBILIÁRIOS LTDA.
- During 2020 several capital increases of DIA Brasil Sociedade Limitada were carried out through the conversion into capital of loans and intra-group debt balances as well as cash contributions that amounted in total to 257,817 thousand euros. The capital of DIA Brasil increased from 845,300,037 reals as of 31 December 2019 to 2,427,353,318.50 reals as of 31 December 2020, represented by 2,144,009,027 shares of an approximate value of 1.13 Reals of nominal value. On December 7, 2020, DIA Brasil became a sole proprietorship when its partner DIA Argentina ceded its quota to Distribuidora Internacional de Alimentación, S.A.
- Finally, on 28 December 2020, there was a cancellation of intra-group debt balances to DIA Argentina for the amount of 16,531 thousand euros through a contribution from partners.

Details of the DIA Group's subsidiaries, as well as their activities, registered offices and percentages of ownership at 31 December 2021 and 2020 are shown below. The country of incorporation is also its main centre of business activities.

Name	Location	Activty	% Ownership 2021	% Ownership 2020
DIA Portugal Supermercados, S.A. (*)	Lisbon	Wholesale and retail distribution of food products.	100.00	100.00
DIA Portugal II, S.A. (*)	Lisbon	Wholesale and retail distribution of food products.	100.00	100.00
DIA Argentina, S.A. (*)	Buenos Aires	Wholesale and retail distribution of food products.	100.00	100.00
Distribuidora Internacional, S.A. (*)	Buenos Aires	Consulting services	100.00	100.00
DIA Brasil Sociedade Limitada (*)	Sao Paulo	Wholesale and retail distribution of food products.	100.00	100.00
DBZ Administraçao, Gestao de Ativos e Serviços Imobiliarios LTDA (*)	Sao Paulo	Wholesale and retail distribution of food products.	100.00	100.00
DIA Retail España, S.A.U. (*)	Madrid	Distribution of food and toiletries through supermarkets.	100.00	100.00
Pe-Tra Servicios a la distribución, S.L.U. (*)	Madrid	Leasing of business premises.	100.00	100.00
DIA World Trade, S.A.U. (*)	Geneva	Provision of services to suppliers of DIA Group companies.	100.00	100.00
Beauty by DIA, S.A. U. (*)	Madrid	Distribution of cleaning and toiletry products	100.00	100.00
Grupo El Árbol, Distribución y Supermercados, S.A.U. (*)	Madrid	Wholesale and retail distribution of food products and others	100.00	100.00
Finandia, S.A.U.	Madrid	Loan and credit transactions, including consumer loans, mortgage loans and finance for commercial transactions, and credit and debit card issuing and management.	100.00	100.00
DIA FINANCE, S.L.U. (*)	Madrid	Import, export, acquisition, distribution and wholesale and retail sale of food, beverages, household goods and in general other products for domestic use and consumption.	100.00	100.00
Luxembourg Investment Company 317. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 318. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 319. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 320. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 321. S.a.r.l.	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 322. S.a.r.l. (*)	Luxembourg	Company holding shares	100.00	100.00
Luxembourg Investment Company 323. S.a.r.l.	Luxembourg	Company holding shares	100.00	100.00

(*) Audited companies by Ernst & Young, S.L., and other affiliated entities to EY International with closing date 31st december.

Details of the DIA Group's associates and joint ventures at 31 December 2021 are as follows:

Name	Location	Activty	% Ownership 2021	% Ownership 2020
CD Supply Innovation S.L. en liquidación	Madrid	Finantial and supplies services management for own brand.	50.00	50.00
ICDC Services Sàrl in liquidation	Geneva	Finantial and supplies services management for own brand.	50.00	50.00
Horizon International Services, S.a.r.l.	Geneva	Negociation with suppliers of distribution brands	25.00	25.00

The basis of consolidation applicable to the subsidiaries, associates and joint arrangements are set forth in Note 2.9.

2. BASIS OF PRESENTATION

2.1. Basis of preparation of the consolidated annual accounts

The directors of the Parent have prepared these consolidated annual accounts on the basis of the accounting records of Distribuidora Internacional de Alimentación S.A. and consolidated companies and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, to give a true and fair view of the consolidated equity and consolidated financial position of Distribuidora Internacional de Alimentación S.A. and subsidiaries at 31 December 2021 and of consolidated results of operations, consolidated cash flows and changes in consolidated equity for the year then ended.

These consolidated annual accounts have been prepared using the historical cost principle. It should be noted that the balances from the Group's Argentine companies have been expressed at current cost before being included in the DIA Group's consolidated annual accounts, based on IAS 29 "Financial Reporting in Hyperinflationary Economies", since Argentina is considered a hyperinflationary economy (see Note 2.5).

Note 3 includes a summary of all mandatory and significant accounting principles, measurement criteria and alternative options permitted in this regard.

The Group has opted to present a consolidated income statement separately from the consolidated statement of comprehensive income. The consolidated income statement is reported using the nature of expense method and the consolidated statement of cash flows has been prepared using the indirect method.

The DIA Group's consolidated annual accounts for 2021 were authorised for issue by the board of directors of the Parent on 30 March 2022 and are expected to be approved by the shareholders of the Parent Company at their Ordinary General Meeting without any changes.

2.2. Functional and presentation currency

The figures contained in the documents comprising these consolidated annual accounts are expressed in thousands of Euros, unless stated otherwise. The Parent´s functional and presentation currency is the Euro. The items included in the consolidated accounts of each of the Group entities are measured using the currencies of the main economic environments in which the entities operate.

2.3. Comparative information

The consolidated annual accounts for the 2021 financial year present for comparative purposes, with each of the items of the consolidated statements of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity, the consolidated statement of cash flows and the explanatory notes to the consolidated financial statements, in addition to the figures for the 2021 financial year, those corresponding to the previous financial year.

2.4. Going concern

The Directors of the Parent Company have prepared these consolidated annual accounts for the year ended 31 December 2021 on a going concern basis.

At 31 December 2021, consolidated equity amounted to a positive amount of 94 million euros (a negative amount of 697 million euros at 31 December 2020) and consolidated working capital, calculated as current assets less current liabilities, excluding assets and liabilities held for sale, was negative, amounting to 771 million euros (1,010 million euros at 31 December 2020). The consolidated loss for 2021 amounts to 257 million euros (consolidated loss of 364 million euros in 2020) and the net consolidated variation in cash and cash equivalents was a positive amount of 14 million euros (positive amount of 183 million euros in 2020).

As for the Parent Company, at 31 December 2021, net equity amounted to a positive amount of 838 million euros (42 million euros negative at 31 December 2020). In accordance with the Spanish Companies Act, when losses bring a company's equity to less than half of share capital, unless capital is increased or reduced to a sufficient extent, the company has grounds for dissolution and the Directors must call a general meeting within two months to adopt the dissolution agreement or reach the agreement or agreements deemed necessary to clear the grounds for dissolution.

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

In the context of the Global Operation announced by the Parent Company on 24 March 2021, under which the Parent Company had reached a new agreement with all its financial creditors and its principal shareholder to provide a path for a global capitalisation and refinancing transaction of the Parent Company as explained in Note 1, the General Shareholders' Meeting approved on 31 May 2021 the Capital Increase for an amount of 1,028 million euros composed of a credit capitalisation tranche for an amount of 769 million euros to be subscribed by L1R by offsetting credits whose creditor at the date of its capitalisation was L1R, and a cash tranche for an amount of up to 259 million euros reserved in the first instance for all shareholders other than L1R. The Capital Increase was completed on 6 August 2021, resulting in a Share Capital increase of 513.9 million euros and a Share Premium increase of 513.9 million euros (see Notes 12 and 13).

In addition, on 2 September 2021 the remaining Conditions Precedent to the Global Operation were deemed to have been fulfilled, and it therefore took effect as described in Note 13.

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

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

2.5. Classification of Argentina as a hyperinflationary country

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

Consequently, in accordance with IFRS-EU, Argentina is considered a hyperinflationary economy for accounting purposes for the years ending after 1 July 2018. The application of IAS 29 to the Group's 2021 and 2020 consolidated annual accounts was conducted in accordance with the following criteria:

- Hyperinflation accounting has been applied to all the assets and liabilities of the DIA Argentina and Distribuidora Internacional, S.A. subsidiaries 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 net 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 different between equity at the closing of the prior year and at the start of the year in reserves, together with the accumulated exchange differences up to that date, 1 January 2018. In 2020, as a result of the interpretation issued by the International Financial Reporting Standards Interpretations Committee, the Company adopted the accounting policy of recording changes in equity relating to currency effects and the effect of inflation in full under Translation differences. Comparative figures were restated in 2019, although the net equity figure remained unchanged with this change in presentation. Therefore, the Group has adopted the accounting policy of recognition of changes in equity related to the currency effect and hyperinflation effect under “Translation differences” in their entirety.
- The Group has adjusted the consolidated income statement at 31 December 2021 and 31 December 2020 to reflect the financial profit relating to the impact of inflation on net monetary assets.
- The different items in the consolidated income statement and the consolidated cash flow statement at 31 December 2021 and 31 December 2020 have been adjusted by the inflation rate since their generation, with a balancing entry in financial results and net exchange differences, respectively.

The inflation rate considered for this calculation at 31 December 2021 was 50.94% (36.14% at 31 December 2020). This rate was obtained from the information issued by INDEC (National Statistics and Census Institute), a Public Organization, through the publication of the Consumer Price Index which measures variations in the price of goods and services comprised in domestic consumer spending.

The monthly evolution of the price index was as follows:

Month	Index	Month	Index	Month	Index	Month	Index	Month	Index
Jan-17	1.015859	Jan-18	1.26989	Jan-19	1.89706	Jan-20	2.89976	Jan-21	4.01507
Feb-17	1.036859	Feb-18	1.30061	Feb-19	1.96849	Feb-20	2.95815	Feb-21	4.15859
Mar-17	1.061476	Mar-18	1.33105	Mar-19	2.06061	Mar-20	3.05706	Mar-21	4.35865
Apr-17	1.089667	Apr-18	1.36751	Apr-19	2.13159	Apr-20	3.10281	Apr-21	4.53650
May-17	1.105301	May-18	1.39589	May-19	2.19680	May-20	3.15067	May-21	4.68725
Jun-17	1.118477	Jun-18	1.44805	Jun-19	2.25651	Jun-20	3.22314	Jun-21	4.83605
Jul-17	1.137852	Jul-18	1.49297	Jul-19	2.30601	Jul-20	3.28201	Jul-21	4.98099
Aug-17	1.153819	Aug-18	1.55103	Aug-19	2.39729	Aug-20	3.37063	Aug-21	5.10394
Sep-17	1.175719	Sep-18	1.65238	Sep-19	2.53838	Sep-20	3.46621	Sep-21	5.28497
Oct-17	1.193528	Oct-18	1.74147	Oct-19	2.62198	Oct-20	3.59657	Oct-21	5.47080
Nov-17	1.209940	Nov-18	1.79639	Nov-19	2.73354	Nov-20	3.71021	Nov-21	5.60918
Dec-17	1.247956	Dec-18	1.84255	Dec-19	2.84834	Dec-20	3.85883	Dec-21	5.82458

The most significant impacts on the consolidated financial statement deriving from inflation in Argentina relate to the revaluation of property, plant and equipment (see Note 5) and the corresponding effect on deferred taxes (see Note 15). The impact of inflation on non-monetary items has been included as translation differences.

Furthermore, the impact of the change in the net monetary position at 31 December 2021 and 31 December 2020 has been recognised as a financial profit (see Note 18.9).

2.6. Relevant accounting estimates, assumptions and judgements used when applying accounting principles

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting principles to prepare the consolidated annual accounts in conformity with IFRS-EU. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, is as follows:

- Evaluation of the potential impairment of non-financial assets subject to amortisation or depreciation: see Note 3k(i) and Note 5.
- Evaluation of the potential goodwill impairment: see Note 3k(ii) and Note 6.1.
- Evaluation of the recoverability of deferred tax assets (see Note 15).
- Analysis of possible contingencies or liabilities linked to processes in progress: (see Note 3v), 14 and 19).

Estimates and opinions are constantly assessed. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and are considered reasonable under the circumstances.

2.7. First-time application of accounting standards and interpretations

The accounting policies used in the preparation of these consolidated annual accounts are the same as those applied in the consolidated annual accounts for the financial year ended 31 December 2020, since none of the standards, interpretations or modifications applicable for the first time in this financial year had an impact on the Group's accounting policies.

2.8. Standards, amendments to and interpretations of existing standards that cannot be adopted early or which have not been adopted by the European Union

The Group intends to adopt the standards, interpretations and amendments to the standards issued by the IASB that are not mandatory in the European Union when they come into effect, if applicable.

2.9. Basis of consolidation

a) Subsidiaries

IFRS 10 requires an entity (the parent) that controls one or more entities (subsidiaries) to present consolidated annual accounts and establishes control as the basis for consolidation. An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if and only if the investor has all the following:

a) power over the investee;

b) exposure, or rights, to variable returns from its involvement with the investee;

c) the ability to use its power over the investee to affect the amount of the investor's returns; and

Subsidiaries are entities over which the Parent exercises control, either directly or indirectly, through subsidiaries. The Parent controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Parent has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Parent is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date on which the Group effectively takes control. Subsidiaries are excluded from the consolidated Group from the date on which this control is lost. All balances, income and expenses, gains, losses and dividends arising from transactions between Group companies are eliminated in full.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of financial position, respectively.

b) Associates

Associates are entities over which the Parent, either directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or other entities, are considered when assessing the existence of significant influence.

Investments in associates are initially accounted at cost, and afterwards, using the equity method until the date that significant influence ceases.

c) Joint agreements

Joint agreements are considered to be those in which there exists a contractual agreement to share control of an economic activity, such that decisions regarding significant activities require the unanimous consent of the Group and the rest of the participants or operators. The existence of joint control is evaluated considering the subsidiaries' definition of control.

Joint agreements can be classified as joint ventures or joint operations. The classification depends on each investor's contractual rights and obligations rather than on the legal structure of the joint agreement. The Group's investments in joint ventures are carried using the equity method (see Note (2.9(d) below), following initial recognition at cost in the consolidated statement of financial position.

In joint transactions, the Group recognises its assets in the consolidated annual accounts, including its interest in the jointly-controlled assets; its liabilities, including its stake in the liabilities incurred jointly with the other operators; income obtained on the sale of its part of production deriving from the joint agreement, and its expenses, including its portion of joint expenses. The Group only recognises the results from joint agreement purchase transactions when the acquired assets are sold to third parties, unless those acquired assets reflect losses or impairment, in which case the Group recognises its proportional part of the losses in full.

Based on the financial reality of the transactions carried out by CDSI, such as the separation of CDSI from the management of the transactions carried out by each partner, in 2018 the Group classified the agreement as a joint arrangement and included the relevant assets and liabilities in the consolidated statement of financial position. The company ceased operations in February 2020 and is currently in liquidation (see note 1.2).

d) Equity method

Under the equity method, investments are adjusted to recognise in the income statement the Group's share of the investee's post-acquisition results, as well as the Group's shares of movements in other comprehensive income. Dividends received or receivable from associates and joint ventures are carried as a reduction in the investment's carrying amount.

When the Group's share of losses on an investment carried under the equity method is equal to or exceeds its shareholding in the entity, including any other unsecured long-term receivable, the Group does not recognise additional losses, unless obligations have been incurred or payments have been made on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Unrealised losses are also eliminated, unless the transaction provides evidence of the impairment of the asset transferred. The accounting policies of equity-consolidated investees are changed when necessary to ensure consistency with the policies adopted by the Group.

e) Changes in ownership interests

The Group reflects transactions with non-controlling interests that do not result in a loss of control as transactions with the Group's equity holders. A change in an ownership interest gives rise to an adjustment to the carrying amounts of controlling and non-controlling interests to reflect their relative shareholdings in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the Group's owners.

When the Group discontinues consolidation or equity consolidation of an investment due to the loss of control, joint control or significant influence, any interest retained in the entity is remeasured to fair value, recognising the change in the carrying amount in the income statement. This fair value then becomes the initial carrying amount for the purposes of the subsequent recognition of the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amount previously recognised in other comprehensive income in relation to the entity concerned is recorded as if the Group had directly disposed of the related assets or liabilities. This could mean that the amounts previously recognised in other comprehensive income are reclassified to the income statement.

If its ownership interest in a joint venture or associate is reduced but joint control or significant influence is retained, only the proportionate part of the amounts previously recognised in other comprehensive income is reclassified to the income statement, if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations and goodwill

As permitted by IFRS 1, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition of the Carrefour Group to IFRS-EU, using the acquisition method (see note 2.1) (The Group DIA spin off from Carrefour in 2011). Entities acquired prior to that date were recognised in accordance with the generally accepted accounting principles applied by the Carrefour Group at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group applies IFRS 3 Business Combinations, to all such transactions detailed in these consolidated annual accounts.

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

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

The consideration paid excludes any payments that do not form part of the consideration given in exchange for the acquiree. Acquisition costs are recognised as an expense when incurred.

At the acquisition date the Group recognises the assets acquired, the liabilities assumed and any non-controlling interest at fair value. Non-controlling interests in the acquiree are recognised at the proportional part of the fair value of the net assets acquired. These criteria are only applicable for non-controlling interests which grant entry into economic benefits and entitlement to the proportional part of net assets of the acquiree in the event of liquidation. Otherwise, non-controlling interests are measured at fair value or value based on market conditions.

The excess between: a) the consideration given, (b) the amount of any non-controlling interest in the acquiree and (c) the fair value at the acquisition date of any previous equity interest in the acquiree over the fair value of the assets acquired and liabilities assumed is recognised as goodwill. Any shortfall, after evaluating the consideration given and the identification and measurement of net assets acquired, is recognised in profit and loss.

Note 3k) (ii) details the criteria relating to goodwill impairment.

When settlement of any part of the cash consideration is deferred, amounts payable in the future are discounted to present value at the exchange date. The discount rate used is the incremental interest rate on the entity's borrowings,

which is the rate at which a similar loan could be obtained from an independent financial institution under comparable terms and conditions.

The contingent consideration is classified as equity or a financial liability. Amounts carried as a financial liability are subsequently remeasured at fair value and fair value changes are recognised in profit and loss.

If the business combination is achieved in stages, the carrying amount on the acquisition date of the equity interest previously held in the entity acquired is remeasured at fair value on the acquisition date, recognising any gain or loss in the income statement.

Moreover, for business combinations without consideration, the excess of the value assigned to non-controlling interests, plus the fair value of the previously held interest in the acquiree, over the net value of the assets acquired and liabilities assumed is recognised as goodwill. Any shortfall is recognised in profit or loss, after assessing the amount of non-controlling interests, the previous interest and the identification and measurement of net assets acquired. If the Group has no previously held interest in the acquiree, the amount allocated to net assets acquired is attributed in full to non-controlling interests and no goodwill or negative goodwill is recognised.

b) Non-controlling interests

Non-controlling interests in subsidiaries are recognised at the amount of the share of the net assets.

Profit and loss and each component of other comprehensive income are allocated to equity attributable to shareholders of the Parent and to non-controlling interests in proportion to their investment, even if this results in the non-controlling interests having a deficit balance. Agreements entered into between the Group and non-controlling interests are recognised as a separate transaction.

Changes in the Group's percentage of ownership of a subsidiary that imply no loss of control are accounted for as equity transactions. When control over a subsidiary is lost, the Group adjusts any residual investment in the entity to fair value at the date on which control is lost.

Group investments and, where applicable, non-controlling interests in subsidiaries or associates are calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of subsidiaries and associates.

c) Translation of foreign operations

The Group has applied the exemption permitted by IFRS 1, First-time Adoption of International Financial Reporting Standards, relating to accumulated translation differences. Consequently, translation differences recognised in the consolidated annual accounts generated prior to 1 January 2004 are recognised in retained earnings. As of that date, foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated into Euros as follows:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.
- Capital and reserves are translated using historical exchange rates.
- Income and expenses, including comparative amounts, are translated at the exchange rates prevailing at each transaction date.
- All resulting exchange differences are recognised as translation differences in other comprehensive income.

For presentation of the consolidated statement of cash flows, cash flows of foreign subsidiaries and joint ventures, including comparative balances, are translated into Euros applying the exchange rates prevailing at the transaction date.

On consolidation, the exchange differences arising from the translation of any net investment in foreign operations, and of financial debt and other financial instruments designated as hedges of these investments, are recognised in other comprehensive income. When a foreign operation is sold or any financial debt that forms part of the net investment is

paid, the associated exchange differences are reclassified to profit or loss for the year as part of the gain or loss on the sale.

The conversion to euros of the business abroad whose functional currency is that of a hyperinflationary country has been carried out by applying the following criteria:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, income and expenses and cash flows, are translated at the closing rate at the most recent balance sheet date;
- The comparative balances are those presented in the previous year's consolidated annual accounts and are not adjusted for subsequent changes in price levels or exchange rates. The effect on the prior year's balances is recognised as a revaluation reserve in other comprehensive income/equity translation differences.

d) Foreign currency transactions, balances and cash flows

Transactions in foreign currency are translated into the functional currency at the spot exchange rate prevailing at the date of the transaction. Exchange gains and losses resulting from the settlement of these transactions are generally recognised in the income statement for the year. Exchange gains and losses on borrowings are presented in financial expenses in the income statement. Other exchange gains and losses are presented net in the income statement in other gains/(losses).

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Lastly, non-monetary items measured at fair value are translated into Euros using the exchange rate prevailing on the date on which this measurement is made.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates prevailing at the dates the cash flows occurred. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognised separately in the statement of cash flows as net exchange differences.

Exchange differences arising on the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. However, exchange gains or losses arising on monetary items forming part of the net investment in foreign operations are recognised as translation differences in other comprehensive income.

e) Financial information in hyperinflationary economies

Under IFRS-EU, an assessment must be made as to whether any Group company operates in a hyperinflationary economy. IAS 29 defines this situation as that in which the monetary unit loses purchasing power at such a rate that any comparison between the figures derived from transactions and other events occurring at different moments in time is misleading. Note 2.5 addresses the assessment of Argentina's classification as a hyperinflationary economy and the accounting treatment in the consolidated accounts of the items reflected in the financial statements of the companies in question.

f) Recognition of income and expenses

Income and expenses are recognised in the consolidated income statement on an accruals basis when the actual flow of goods and services they represent takes place, regardless of when the monetary or financial flows derived therefrom arise.

Income is recognised in the amount of the consideration to which the Group expects to be entitled for transferring goods or services to customers, excluding amounts collected on behalf of third parties (e.g. certain sales taxes). The consideration may include fixed or variable amounts, or both. The amount of the consideration may vary due to discounts, refunds, reimbursements, credits, price reductions, incentives, performance bonuses, penalties or other similar items.

Income obtained from contracts with customers is called revenue in these annual accounts.

The Group has customer loyalty programmes which do not entail credits, as they comprise discounts which are applied when a sale is made and are recognised as a reduction in the corresponding transaction, which usually do not exceed the

month in which they are granted. If the discount is applied after the current month, revenue from sales is adjusted in the current month making an estimation based on the historical amounts of loyalty and its probability of occurrence and the relevant liability is generated. The estimated amount of these discounts is regularized in the following month with the real amount in function of the redeem coupons. When these customer discounts are granted through franchised stores, they are paid to the franchisee and are therefore also recorded as a reduction in the sale amount in the month in which they are applied.

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

g) Intangible assets

Intangible assets, except for goodwill (see Note 3 (a)), are measured at acquisition cost or cost of production, less any accumulated amortisation and accumulated impairment.

The Group assesses whether the useful life of each intangible asset is finite or indefinite. Intangible assets with finite useful lives are amortised systematically over their estimated useful lives and their recoverability is analysed when events or changes occur that indicate that the carrying amount might not be recoverable. Intangible assets with indefinite useful lives, including goodwill are not amortised, but are subject to analysis to determine their recoverability on an annual basis, or more frequently if indications exist that their carrying amount may not be fully recoverable. Management reassesses the indefinite useful life of these assets on a yearly basis.

The amortisation methods and periods applied are reviewed at year end and, where applicable, adjusted prospectively.

Internally generated intangible assets

Development expenses, which mainly relate to computer software and industrial property, are capitalised to the extent that:

- The Group has technical studies that demonstrate the feasibility of the production process.
- The Group has undertaken a commitment to complete production of the asset, to make it available for sale or internal use.
- The asset will generate sufficient future economic benefits.
- The Group has sufficient technical and financial resources to complete development of the asset and has devised budget control and cost accounting systems that enable monitoring of budgetary costs, modifications and the expenditure actually attributable to the different projects.

Expenditure on activities for which costs attributable to the research phase are not clearly distinguishable from costs associated with the development stage of intangible assets are recognised in profit and loss.

Expenditure on activities that contribute to increasing the value of the different businesses in which the Group as a whole operates is recognised as expenses when incurred.

Replacements or subsequent costs incurred on intangible assets are generally recognised as an expense, except where they increase the future economic benefits expected to be generated by the assets.

Computer software

Computer software comprises all the programs relating to terminals at points of sale, warehouses and offices, as well as micro-software. Computer software is recognised at cost of acquisition and/or production and is amortised on a straight-line basis over its estimated useful life, which is usually three years. Computer software maintenance costs are charged as expenses when incurred.

Leaseholds

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

Industrial property

Industrial property corresponds essentially to brands acquired in business combinations.

h) Rights-of-use and lease liabilities (IFRS 16)

Group as lessee

IFRS 16 introduces a single recognition and measurement model for lessees in the statement of financial position. The lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group acts as lessee of buildings where it operates, machinery, vehicles and other equipment. The Group applies a single recognition and measurement model for all leases in which it operates as a lessee and the optional exemptions for short-term leases and leases of low value assets.

- **Discount rate**

The incremental interest rate is used for the initial lease liability calculation. This represents the interest rate that a lessee would have to pay for borrowing for a similar term, and with a similar guarantee, the funds needed to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The Group has calculated the incremental rate based on the types of bond issues made by companies with similar ratings, including the DIA debt itself, applying these spreads to the risk-free curve of the countries in which each contract is negotiated. Where there were no bond issues for certain periods, the spreads observed were interpolated on a linear basis.

- **Lease term**

The Group calculates the lease term as the non-cancellable period, plus the optional extension periods, if there is reasonable certainty that this option will be exercised. Periods covered by the option to terminate the lease early are also included, if there is reasonable certainty that this option will not be exercised.

The period considered for the leases largely depends on whether the lease contract contains a mandatory period or not, as well as unilateral termination and/or renewal clauses that entitle the Group to terminate in advance or extend the contracts. In this regard, to establish the economic interests affecting the determination of the term, the Group has considered the mandatory period and the average periods of return on investments for a portfolio of stores at national level and their subsequent investment cycles as a fundamental variable. As a result of this analysis, the Group has determined cycles of duration per country so that the probable end date of each lease will be the first date after 1 January 2019 resulting from applying the established cycle on a recursive basis, from the contract start date. In the case of warehouses and offices, the probable end date is determined based on each specific reasonable vesting period. However, the probable end dates will not be less than the mandatory period of compliance according to the contract.

- **Short-term and low value leases**

The Group applies the exemption for recognising the short-term leases where the lease term is twelve months or less from the start date and where there is no purchase option. It also applies the low-value asset recognition exemption to leases that are considered low-value. Lease payments under short-term and low-value leases are recognised on a straight-line basis over the term of the lease.

- **Right-of-use**

The Group recognises the right-of-use at the start of a lease. That is, the date on which the underlying asset is available for use. Rights-of-use are measured at cost, less accumulated amortisation and impairment losses and are adjusted for any changes to the value of associated lease liabilities. The initial cost of the right-of-use includes the recognised lease

liabilities, initial direct costs and lease payments made before the start of the lease. Incentives received are deducted from the initial cost.

The right-of-use is amortised on a straight-line basis over the estimated lease term.

Right-of-use is subject to impairment analysis.

The Group's leases do not in general include decommissioning or restoration obligations.

Rights of use are presented under a separate heading in the balance sheet.

- **Lease liabilities**

At the start of the lease, the Group recognises the lease liabilities at the present value of the payments to be made during the lease term. Lease payments include fixed payments less lease incentives, variable payments depending on an index or rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option if the Group is reasonably certain of exercising this option and lease termination penalty payments if the term of the lease reflects the Group's exercising of the option to terminate the lease. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition that triggers the payment arises.

After the start date, the lease liability amount is increased to reflect the accrual of interest and reduced by the lease payments made. In addition, the lease liability shall be remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, or there is a change in the assessment made for purchasing the underlying asset. The liability also increases if there is a change in future lease payments arising from a change in the index or rate used to calculate these payments

Group as operating lessor

If the agreement does not substantially transfer all the risks and benefits inherent to ownership of the asset, the lease is classified as an operating lease. The income generated by the agreement is recognised on a straight-line basis during the term of the contract and is included as revenue in the income statement to the extent that it is of an operating nature.

The direct costs incurred on the signing of a lease agreement are included as an increase in the value of the leased asset and are amortised over the term of the lease using the same criteria as those applied to income. Contingent payments are recognised as income in the period in which they accrue.

i) Property, plant and equipment

Property, plant and equipment are measured at acquisition cost or cost of production, less any accumulated depreciation and accumulated impairment. Land is not depreciated.

The cost of acquisition includes external costs plus internal costs for materials consumed, which are recognised as income in the income statement. The cost of acquisition includes, where applicable, the initial estimate of the costs required to dismantle or remove the asset and to restore the site on which it is located, when the Group has the obligation to carry out these measures as a result of the use of the asset.

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

Non-current investments made in buildings leased by the Group under operating lease contracts are recognised following the same criteria as those used for other property, plant and equipment. These investments are depreciated on a straight-line basis over the shorter of their useful life and the lease term, taking renewals into account.

Enlargement, modernisation or improvement expenses that lead to an increase in productivity, capacity or efficiency or lengthen the useful life of the assets are capitalised as an increase in the cost of the assets when recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate. The carrying amount of any component accounted for as a separate asset is derecognised when it is replaced.

Repair and maintenance costs are recognised in the consolidated income statement in the year in which they are incurred.

The Group companies depreciate their property, plant and equipment items from the date on which these assets enter into service. Property, plant and equipment are depreciated by allocating the cost of the assets (net of their relevant residual values) over the following estimated useful lives, which are calculated in accordance with technical studies, which are reviewed on a regular basis:

	Years
Buildings	40
Installations in leased stores	10 – 20
Technical installations and machinery	3 – 7
Other installations, equipment and furniture	4 – 10
Other property, plant and equipment	3 – 5

Estimated residual values and depreciation methods and periods are reviewed at each year end and, where applicable, adjusted prospectively.

Note 3k) details the criteria relating to impairment of non-current assets subject to amortisation.

j) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) whose carrying amount will be largely recovered through a sale transaction shall be classified as held for sale, instead of recognised at the value in use. In order to classify non-current assets or disposal groups as held for sale, they must be available for disposal in their current condition, exclusively subject to the usual terms and conditions of sale transactions, and the transaction must also be deemed to be highly probable.

Non-current assets (or disposal groups) classified as held for sale are not amortised or depreciated, and are recorded at their carrying amount or fair value, whichever is lower, less costs of retirement or disposal. An impairment loss is recognised for any initial or subsequent reduction in the value of the asset (or disposal group), up to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal group), although this may not exceed the cumulative impairment loss previously recognised. The loss or gain not previously recognised at the date of sale of a non-current asset (or disposal group) is recognised on the date it is written off. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets and disposal group assets classified as held for sale are disclosed separately from the other assets in the consolidated statement of financial position. Disposal group liabilities classified as held for sale are disclosed separately from the other liabilities in the consolidated statement of financial position.

The results of discontinued activities are disclosed separately in the income statement.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held-for-sale, and:

- Represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sell.

A component of the Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group.

The Group discloses the post-tax profit and loss of discontinued operations and the post-tax gain or loss recognised on the measurement at fair value less costs to sell or distribute or on the disposal of the assets or disposal group(s) constituting the discontinued operation in profit or loss net of taxes of discontinued operations in the consolidated income statement.

Intragroup balances arising between non-current assets and liabilities held and those classified as held for sale are eliminated on consolidation. Also, the Group eliminated in the consolidated income statement the transactions between continuing operations and discontinued operations.

If the Group ceases to classify a component as a discontinued operation, the results previously disclosed as discontinued operations are reclassified to continuing operations for all years presented.

k) Impairment of non-financial assets

(i) Impairment of non-financial assets subject to amortisation

Pursuant to IAS 36, the Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation at the end of each reporting period to verify whether the carrying amount of these assets exceeds the recoverable amount.

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

The Group tests non-current operating assets for impairment by level. At the first level, potential impairment of the property, plant and equipment and intangible assets is tested for the individual CGU (store). For the year 2021, the Group has added the rights of use from lease contracts as well as the financial liabilities derived from them. This implies, for the purposes of impairment calculation, to consider and deduct from the carrying amount of the UGE the directly related lease assets and liabilities. Additionally, in the calculation of the cash flows associated with each UGE, the Group has considered the lease liability and has therefore not considered the lease payments as cash outflow during the life of the right of use, but the tax not paid for the deduction of the lease expense. At the second level, potential impairment is analysed by grouping CGUs at the legal entity level and assigning the corporate assets that serve those CGU groups (mainly corporate headquarters, logistics centres and brands), together with the goodwill assigned at the legal entity level.

Both in 2021 and 2020, when an UGE is subject to total impairment of its fixed assets for having a negative use value, the Group reassess the reasonable period of the lease of the same, becoming considered a short-term lease, proceeding to cancel the existing right of use and the financial liability associated with that right of use. On the other hand, the provision for an onerous contract is provided for the costs associated with the termination of the lease, as mentioned in paragraph q) commercial accounts and other accounts payable.

Based on past experience, the Group considers that there are indications of impairment when the performance of a mature store (one that has been in operation for more than two years) has been negative during the past two years and also those stores where impairment has been recorded in the past. Performance is measured by EBITDA adjusted adjusted at store level calculated according to the definition of Alternative Performance Measures included in the consolidated director’s report. When indications of impairment exist, the Group estimates the recoverable amount of the assets allocated to each cash-generating unit, calculated as the higher of fair value less costs to sell and value in use. Value in use is determined by discounting estimated future cash flows, applying a post-tax discount rate which reflects the value of money over time and the specific risks associated with the asset. For 2021, the Group weighted the after-tax discount rate with the incremental interest rate when considering leasing liabilities in cash flows.

The stores that have been assigned individual goodwill are tested annually regardless of whether or not there is any indication of impairment.

Determining this value in use and evaluating whether there exist signs of impairment of the CGUs requires judgement on the part of Management and the use of estimates.

To estimate the value in use, the Group uses a business plan, which covers a five-year period and is projected over an additional period determined by the most significant assets and with the longest useful life of the store. For the higher periods, from the fifth year, projections based on said business plan are used applying a constant expected growth rate and incorporating a residual value or disposition of the existing asset at the end of the projected period. Note 5.1 includes some of the main assumptions considered in determining the value in use of the cash-generating units to which the non-current assets are distributed.

The discount rates used are determined after taxes, are adjusted for country risk, and corresponding business risk. In the event that the store is assigned a right of use, the discount rate is weighted with the value of the right of use and the rate used in the determination of the liability associated with the lease.

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

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

(ii) Impairment of non-financial assets non subject to amortisation

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently in the event of events or changes in circumstances that indicate that they may be impaired. Pursuant to the criteria contained in IAS 36, the Group performs a test annually to assess potential impairment on each CGU or group of CGUs with associated goodwill, to determine whether the carrying amount of these assets exceeds their recoverable amount.

The recoverable amount of each CGU or group of CGUs is the higher of their fair value less costs to sell and their value in use. Determining this recoverable value and the grouping of cash-generating units to which goodwill has been allocated requires judgement on the part of the management and the use of estimates.

The unit or group of units to which the goodwill is assigned should represent the lowest level at which the goodwill is being monitored in accordance with internal management needs, never extending beyond the segment before aggregation determined in accordance with IFRS 8. The DIA Group reviews the goodwill assignment at two levels: a first level for stores that have goodwill assigned and a second level at the company level. This choice is based on both organisational and strategic criteria and how implementation decisions are made.

The determination of the value in use of each cash-generating unit is determined on the basis of the expected future after-tax cash flows that will be derived from each unit of cash generated, expectations about possible variations in the amount or temporal distribution of flows, the time value of money, the price to be paid for enduring asset-related uncertainty, and other factors that market participants would consider in the valuation of future cash flows related to assets. The analysis is conducted as indicated for non-financial assets subject to amortization unless after the consideration from the fifth year a perpetual income is likely to 1.70% in Spain and 1.35% in Portugal is projected based on the growth of the last period and there is no incorporation of the residual value or disposition of the asset.

Note 6.1 contains some of the main assumptions used to measure the value in use of the CGUs to which goodwill is allocated.

l) Advertising and catalogue expenses

The cost of acquiring advertising material or promotional articles and advertising production costs are recognised as expenses when incurred. However, advertising placement costs that can be identified separately from advertising production costs are accrued and expensed as the advertising is published.

m) Trade receivables

Trade receivables are initially measured at fair value. The Group applies the simplified approach under IFRS 9, which requires that losses expected over the life of the item are recognised from the initial recognition of the account receivable. The Group recognises trade receivables in order to collect contractual cash flows, so they are subsequently measured at amortised cost using the effective interest method, less impairment adjustments.

The calculation of impairment adjustments is described in Note 7.1 (d).

n) Investments and other financial assets

(i) Classification

Since 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those measured at amortised cost, y
- those measured subsequently at fair value (either with changes through profit and loss or in other comprehensive income).

The classification depends on the business model of the entity to manage the financial assets and contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in the income statement or in other comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the Group made an irrevocable choice upon initial recognition to recognise the investment in equity at fair value through changes in other comprehensive income.

The Group only reclassifies investments in debt when its business model for managing these assets changes.

ii) Recognition and derecognition

Conventional purchases and sales of financial assets are recognised at the date of trading, the date on which the Group undertakes to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or are transferred and the Group has transferred substantially all the risks and rewards of ownership.

iii) Measurement

The Group only has financial assets that are measured at amortised cost. Upon initial recognition, the Group measures a financial asset at fair value plus the transaction costs directly attributable to the acquisition of the financial asset.

Debt instruments

The Group's debt instruments comprise contractual cash flows representing only principal and interest payments. These debt instruments are subsequently measured at amortised cost. Income on these financial assets is included in financial income according to the effective interest rate method. Any gain or loss arising when derecognised is taken directly to profit or loss for the year in other gain/(losses) together with exchange gains and losses. Impairment losses are presented as a separate line item in the income statement.

o) Inventories

Inventories are initially measured at cost of purchase based on the weighted average cost method.

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

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

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

Write-downs to net realisable value recognised or reversed on inventories are classified under “Merchandise and other consumables used”.

p) Cash and cash equivalents

Cash and cash equivalents recognised in the consolidated statement of financial position comprise cash on hand and in bank accounts, demand deposits and other highly liquid investments with original maturities of three months or less which are readily convertible into determined amounts of cash and which are subject to an insignificant risk of changes in value. These items are recognised at historical cost, which does not differ significantly from their realisable value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents reflect the items defined in the paragraph above. Any bank overdrafts are recognised in the consolidated statement of financial position as financial liabilities from loans and borrowings.

q) Trade and other payables

These amounts relate to liabilities for goods and services provided to the Group both billed and unbilled before the end of the financial year for which payment is pending. Trade and other payables are presented as current liabilities unless payment does not fall due within 12 months as from the end of the reporting period. They are initially recognised at fair value. In the year-end and based on historical experience, the amount unbilled because of different reasons is determined, being recorded as a lower amount of the year supplies.

The Group's expense relating to raw materials and other supplies is reduced as a result of the different kinds of discounts, depending on the commercial terms and conditions agreed with suppliers. Some discounts are fixed while others are variable, subject to the accumulated volume of sales over the contract term or the volume of sales made by the Group companies' stores of the corresponding supplier items.

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

- Volume discounts: volume discounts are negotiated with suppliers as a percentage based on the volume of purchases.
- Advertising income: this results from credits negotiated with suppliers based on the inclusion of references in brochures, displays, shelving etc.
- Income from loyalty programmes and surrender of coupons: this relates to income from credits negotiated with suppliers based on the surrender of coupons by customers at stores using the CLUB DIA card or special offers.

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

In this item it has been registered the relevant provision for onerous contracts relating to the costs for terminating lease agreements with the stores/warehouses where, either expected closure or expected negative cash flows, have required an total impairment of their assets.

r) Borrowings

Financial debt is initially recognised at fair value, net of transaction costs incurred. Subsequently, financial debts are valued at their amortised cost. Any difference between the income obtained (net of transaction costs) and the repayment value is recognised in income over the life of the debt in accordance with the effective interest rate method. Fees paid for obtaining loans are recognised as loan transaction costs insofar as it is probable that part or all of the facility will be available. In this case, the fees are deferred until the drawdown takes place. When there is no evidence that all or part of the credit facility is likely to be available, the fee is capitalised as an advance payment for liquidity services and amortised over the period to which the credit facility availability relates.

The financial debt is written off the statement of financial position when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of a financial liability cancelled or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss as other financial income or expenses.

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

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

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

The Group recognises exchanges of debt instruments with a lender, provided that the instruments have substantially different conditions, as a cancellation of the original financial liability and subsequent recognition of a new financial liability. Similarly, a substantial change in the terms of an existing financial liability or a portion thereof is accounted for as a cancellation of the original financial liability and subsequent recognition of a new financial liability. The difference between the carrying amount of the financial liability that has been cancelled and the consideration paid, which includes any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss for the year.

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

s) Parent own shares

The Group's acquisition of equity instruments of the Parent is recognised separately at cost of acquisition in the consolidated statement of financial position as a reduction in equity, irrespective of the reason for the purchase. Any gains or losses on transactions with own equity instruments are not recognised in consolidated profit and loss.

Transaction costs related with own equity instruments, including issue costs connected with a combination of businesses, are registered as a reduction in the net equity, following consideration of any taxation impact.

The subsequent redemption of the Parent instruments entails a capital reduction equivalent to the par value of the shares, and the positive or negative difference between the acquisition cost and the nominal amount of the shares is charged or credited to reserves.

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

t) Distributions to shareholders

Dividends, whether in cash or in kind, are recognised as a reduction in equity when approved by the shareholders at their annual general meeting, together with the recognition of the relevant provision.

u) Employee benefits

Defined benefit plans

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

Defined benefit liabilities recognised in the consolidated statement of financial position reflect the present value of defined benefit obligations at the reporting date, minus the fair value at that date of plan assets.

In the event that the result of the operations described in the paragraph above is negative, i.e. it results in an asset, the Group recognises the resulting asset up to the limit of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Economic benefits are available to the Group when they are realisable at some point during the life of the plan or on settlement of plan liabilities, even when not immediately realisable at the reporting date.

Income or expense related to defined benefit plans is recognised as employee benefits expense and is the sum of the net current service cost and the net interest cost of the net defined benefit asset or liability. The amount of the appreciation of the net defined benefit liability or asset is recognised in other comprehensive income. The latter includes actuarial gains and losses, the net return on plan assets and any changes in the effects of the asset limit, excluding amounts included in the net interest on the liability or asset. The costs of managing the plan assets and any tax payable by the plan itself, other than tax included in the actuarial assumptions, are deducted when determining the return on plan assets. Any amounts deferred in other comprehensive income are reclassified to retained earnings during that year.

The Group recognises the past service cost as an expense for the year at the earlier of when the plan amendment or curtailment occurs and when the Group recognises related restructuring costs or termination benefits.

The present value of defined benefit obligations is calculated annually by independent actuaries using the Projected Unit Credit Method. The discount rate of the net defined benefit asset or liability is calculated based on the yield on high quality corporate bonds of a currency and term consistent with the currency and term of the post-employment benefit obligations.

The fair value of plan assets is calculated applying the principles of IFRS 13 Fair Value Measurement. In the event that plan assets include insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of the insurance policies is equal to the present value of the related obligations.

The Group only offsets an asset relating to one plan against the liability of another plan provided that it has a legally enforceable right to use a surplus in one plan to settle its obligation under the other plan, and when it intends to settle the obligation on a net basis, or to realise the surplus on one plan and settle its obligation under the other plan simultaneously.

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

Termination benefits

Termination benefits paid or payable that do not relate to restructuring processes in progress are recognised when the Group is demonstrably committed to terminating the employment of current employees prior to retirement date. The Group is demonstrably committed to terminating the employment of current employees when it has a detailed formal plan and is without realistic possibility of withdrawing or changing the decisions made. Termination benefits are measured on the basis of the number of employees expected to accept the offer. Benefits that are not to be paid within the 12 months following the reporting date are discounted to the net present value.

Restructuring-related termination benefits

Restructuring-related termination benefits are recognised when the Group has a constructive obligation, that is, when it has a detailed formal plan for the restructuring and there is valid expectation on the part of those affected that the restructuring will be carried out because the Group has already started to implement the plan or has announced its main features to those affected by it.

Short-term employee benefits

Wage and salary liabilities, including non-monetary compensation, annual leave and accrued sick leave, that are expected to be settled within the 12 months following the end of the period in which the employees render the related service are recognised in respect of the employees' services until the end of the reporting period and are measured as the amounts expected to be paid when the liabilities are settled. The liabilities are presented in the statement of financial position as current liabilities for employee benefits.

Long-term employee benefits

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

Subsequently, for the reasons set out in Note 16, on 4 August 2021, following a favourable report from the Appointments and Remunerations Committee, the Board of Directors resolved to terminate the LTIP 2020-22, taking into consideration for this purpose the circumstances of the market and the Parent Company.

As a consequence of said termination, it was agreed on the same date to approve recognition by the LTIP 2020-22 beneficiaries of the right to receive a certain amount in cash, if certain conditions are fulfilled, as a sign of the Group's trust in the executive team. The Incentive generated in favour of said beneficiaries will, where applicable, be paid in 2023.

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

v) Provisions

Provisions are recognised when the Group has a present obligation (legal or implicit) as a result of a past event, the settlement of which requires an outflow of resources which is probable and can be estimated reliably. No provisions are recognised for future operating losses. If it is virtually certain that some or all of a provisioned amount will be reimbursed by a third party, for example through an insurance contract, an asset is recognised in the consolidated statement of financial position and the related expense is recognised in the consolidated income statement, net of the foreseen reimbursement. If the time effect of money is material, the provision is discounted, recognising the increase in the provision due to the time effect of money as a finance cost.

The Group is undergoing legal proceedings and tax inspections in a number of jurisdictions. As a result, management uses significant judgement when determining whether it is probable that the process will result in an outflow of resources and when estimating the amount, so that the relevant provision can be made if necessary. The Group recognises a provision if it is probable that an obligation will exist at year end which will give rise to an outflow of resources embodying economic benefits provided that the outflow can be reliably measured.

w) Share-based payments

(i) Equity-settled share-based payment transactions to employees and members of the board

The Group recognises personnel expenses for services rendered as they are accrued over the period in which the equity instruments vest, as well as the corresponding increase in equity, under the caption “Other equity instruments” at the fair value of the equity instruments at the award date.

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

The Group determines the fair value of the instruments granted to members of the board by reference to the market quotation value at the grant date.

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

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

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

When the shares are handed over, the difference between the amount at which own shares acquired are booked and the amount recognised as Other equity instruments is taken to reserves. Shares granted to employees are net of withholdings applicable, calculated based on the fair value of the shares at the delivery date.

(ii) Tax effect

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

x) Income tax

Income tax in the consolidated income statement comprises total debits or credits deriving from income tax paid by Spanish Group companies and those of a similar nature of foreign entities.

The income tax expense for each year comprises current tax and, where applicable, deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities. The current income tax charge is calculated on the basis of the tax laws enacted or about to be enacted at the reporting date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates stances adopted in tax returns with respect to situations in which applicable tax legislation is subject to interpretation. Provisions are posted, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax liabilities reflect income tax payable in future periods in respect of taxable temporary differences. Deferred tax assets reflect income tax recoverable in future periods in respect of deductible temporary differences, tax loss carryforwards pending offset and unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

The deferred tax is determined by applying tax regulations and rates approved or about to be approved at the reporting date and which are expected to be applied when the corresponding deferred tax asset is realised or the deferred tax liability settled.

Deferred tax assets and liabilities are not discounted at present value and are classified as non-current irrespective of the reversal date.

At each close the Group analyses the carrying amount of the deferred tax assets recognised and makes the necessary adjustments where doubts exist regarding their future recovery. Following European Securities and Markets Authority (ESMA)'s recommendations, from 2019 the Group recognises a deferred tax asset up to the same amount as the deferred tax liability in each jurisdiction, insofar as the taxation unit generates tax losses in two consecutive years.

Deferred tax assets and liabilities are not recognised in respect of temporary differences between the carrying amount and tax base of investments in foreign operations when the entity is not able to control the date on which the temporary differences will reverse and they are not likely to reverse in the foreseeable future.

Current and deferred tax are recognised as income or expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, in other comprehensive income o directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets and liabilities, and when the deferred tax balances relate to the same tax authorities. The Group only offsets tax assets and liabilities if they have a legally enforceable right to offset the recognised amounts and it intends to either settle on a net basis or realise the assets and settle the liabilities simultaneously.

y) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by DIA's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see Note 4). The Group has identified the Executive Chairman as the highest decision-making authority for this purpose.

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

The Group presents the consolidated statement of financial position by classifying assets and liabilities as current and non-current. For these purposes, current assets and liabilities are those that meet the following criteria:

- Assets are classified as current if they are expected to be realised or intended to be sold or consumed over the course of the normal Group operating cycle, are held essentially for trading purposes, are expected to be realised within a period of twelve months from the date of close, take the form of cash or other equivalent liquid assets, except in those cases where they cannot be exchanged or employed to cancel out a liability, at least within the twelve months following the date of close.
- Liabilities are classified as current if they are expected to be settled within the normal Company operating cycle, are held essentially for trading purposes, must be settled within a period of 12 months from the date of close or if the Group does not enjoy the unconditional right to delay settlement of assets during the 12 months following the date of close.

aa) Environmental issues

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

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

ab) Related party transactions

Sales to and purchases from related parties are carried out under the same conditions as those existing in transactions between independent parties (see Note 20).

ac) Interest

Interest is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of a financial instrument to the net carrying amount of that financial instrument based on the contractual terms of the instrument and not considering future credit losses.

4. INFORMATION ON OPERATING SEGMENTS

Information is provided on the following operating segments:

- Spain (including Swiss and Luxembourg operations)
- Portugal
- Brazil
- Argentina

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

This underlying operating profit or loss enables the CEO to analyse the results of the segments, eliminating restructuring costs, the effect of NIIF 16 on leases and the effect of NIC 29 due to hyperinflation, which are lines of the income statement that do not directly depend on the segment's operations. This underlying operating result is the basis for the Group´s decision making process, geared towards improving the operating results of the segment or certain corporate expenses.

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

Details of the key indicators expressed by segment are as follows:

2021	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	CONSOLIDATED
Sales (1)	4,209,786	592,919	1,042,876	802,079	6,647,660
Adjusted EBITDA	92,571	11,939	30,418	(10,581)	124,347
% of sales	2.20%	2.01%	2.92%	(1.32)%	1.87%
Non-current assets	1,347,026	238,811	181,231	251,155	2,018,223
Liabilities	2,117,306	265,136	297,200	297,610	2,977,252
Acquisition of non-current assets (2)	159,695	22,098	35,481	28,393	245,667
Number of outlets	3,789	499	912	737	5,937

2020	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	CONSOLIDATED
Sales (1)	4,508,826	629,989	813,774	929,784	6,882,373
Adjusted EBITDA	99,566	17,196	19,915	(13,779)	122,898
% of sales	2.21%	2.73%	2.45%	(1.48)%	1.79%
Non-current assets	1,431,362	246,029	137,990	229,239	2,044,620
Liabilities	2,989,308	236,450	184,723	322,113	3,732,594
Acquisition of non-current assets (2)	59,988	10,376	7,569	5,397	83,330
Number of outlets	3,918	565	907	779	6,169

(1) Eliminations in the turnover derived from consolidation are included within the Spain segment.
(2) Right-of-use assets are not included.

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

Thousands of euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL DECEMBER 2021
Losses	**(186,240)**	**(19,483)**	**(11,689)**	**(39,919)**	**(257,331)**
Net financial expense	77,862	7,985	7,303	16,711	109,861
Resultado procedente de instrumentos financieros	(110)	-	-	-	(110)
Income tax	(1,250)	52	19,301	(4,228)	13,875
Depreciation and amortization	278,277	38,087	30,043	46,576	392,983
Gain from net monetary positions	-	-	(42,262)	-	(42,262)
Profit/(Losses) of companies accounts for using the equity method	(11)	-	-	-	(11)
Impairment of non-current assets	53,262	4,124	1,153	513	59,052
Losses on disposal of non current assets	4,558	(176)	17,984	580	22,946
Restructuring Cost and Long-Term Incentive Plans	**50,423**	**5,014**	**2,857**	**8,201**	**66,495**
Expenses relating to store and warehouses closings	14,668	1,146	128	6,555	22,497
Expenses to efficiency projects	24,059	3,163	877	49	28,148
Other special projects					
Other expenses	4,676	76	-	38	4,790
Expenditure related to Long-Term Incentive Plans	7,020	629	1,852	1,559	11,060
IFRS 16 leases	(184,200)	(23,664)	(20,223)	(39,015)	(267,102)
NIC 29 hyperinflationary standard effect	-	-	25,951	-	25,951
EBITDA ajustaded	**92,571**	**11,939**	**30,418**	**(10,581)**	**124,347**

Thousands of euro	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL DECEMBER 2020
Net profit/(losses)	**(159,407)**	**(9,280)**	**(17,253)**	**(177,848)**	**(363,788)**
Net financial expense	66,709	7,114	24,184	107,846	205,853
Income tax	1,774	949	7,943	1,181	11,847
Depreciation and amortization	295,731	39,842	27,640	63,318	426,531
Gain from net monetary positions	-	-	(36,074)	-	(36,074)
Losses of companies accounts for using the equity method	59	-	-	-	59
Impairment of non-current assets	17,580	(683)	516	9,035	26,448
Losses on disposal of non current assets	9,729	361	3,291	17,698	31,079
Restructuring Cost and Long-Term Incentive Plans	**52,979**	**3,320**	**4,425**	**8,929**	**69,653**
Expenses relating to store and warehouses closings	1,880	545	-	5,471	7,896
Expenses to efficiency projects	38,429	1,621	2,935	1,912	44,897
Other special expenses					
Other expenses	5,254	9	-	-	5,263
Expenditure related to Long-Term Incentive Plans	7,416	1,145	1,490	1,546	11,597
IFRS 16 leases	(185,588)	(24,427)	(16,100)	(43,938)	(270,053)
NIC 29 hyperinflationary standard effect	-	-	21,343	-	21,343
EBITDA ajusted	**99,566**	**17,196**	**19,915**	**(13,779)**	**122,898**

The detail of Restructuring Costs and 2021 Long-Term Incentive Plans is as follows:

- Expenses associated with the closure of stores and warehouses totalling 22.5 million euros, mainly in Spain and Brazil.
- Expenses for efficiency projects and indemnity payments totalling Euros 28.1 million accrued mainly on the layoff scheme carried out in Spain.
- Expenses related to Long-Term Incentive Plans totalling 11.1 million euros (see Note 16).
- Other expenses relating to financial and corporate advisory fees in Spain amounting to 4.7 million euros.

The detail of the Restructuring Costs and Long-Term Incentive Plans for the year 2020 corresponded to:

- Expenses relating to the closure of stores and warehouses totalling Euros 7.9 million, mainly comprising costs generated on the strategic sale of the operations of Rio Grande do Soul in Brazil.
- Expenses for efficiency projects and indemnity payments totalling Euros 44.9 million accrued mainly on the layoff scheme carried out in Spain.
- Expenses relating to Long-Term Incentive Plans for a total of 11.6 million euros (see Note 16).

- Other expenses relating to financial and corporate advisory fees in Spain amounting to 5.3 million euros.

The effect of applying IFRS 16 and IAS 29 is presented separately in the table and this completes the explanation of the evolution of the items excluded from Adjusted EBITDA.

5. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment for 2021 and 2020 are as follows:

Thousands of Euros	Land	Buildings	Equipment, fixtures and fittings and machinery	Other installations, utensils and furniture	Tangible assets in progress and advances given	Other fixed assets	Total
Cost							
At 1st January 2020	**98,506**	**1,269,063**	**1,688,850**	**128,784**	**11,843**	**165,571**	**3,362,617**
Additions	-	7,785	54,536	1,565	5,501	5,706	75,093
Disposals	(2,383)	(46,040)	(154,744)	(15,273)	(1,909)	(18,694)	(239,043)
Transfers	2	1,211	5,758	49	(9,751)	1,715	(1,016)
Translation differences	(1,238)	(59,283)	(66,369)	(12,269)	2,128	(11,390)	(148,421)
At 31st December 2020	**94,887**	**1,172,736**	**1,528,031**	**102,856**	**7,812**	**142,908**	**3,049,230**
Additions	-	50,016	138,006	11,144	26,154	7,407	232,727
Disposals	(2,413)	(51,538)	(82,505)	(9,136)	310	(2,656)	(147,938)
Transfers	-	729	12,366	118	(10,146)	676	3,743
Other movements	-	-	(97)	-	-	-	(97)
Translation differences	1,397	20,925	23,879	9,454	273	4,873	60,801
A 31st December 2021	**93,871**	**1,192,868**	**1,619,680**	**114,436**	**24,403**	**153,208**	**3,198,466**
Depreciation							
A 1 st January 2020	**-**	**(713,658)**	**(1,261,542)**	**(84,100)**	**-**	**(142,311)**	**(2,201,611)**
Amortisation and depreciation (note 18.5)	-	(44,750)	(105,335)	(12,192)	-	(10,531)	(172,808)
Disposals	-	18,012	133,784	13,151	-	16,501	181,448
Transfers	-	(2,364)	(4,194)	3,327	-	(67)	(3,298)
Translation differences	-	16,301	40,906	7,094	-	8,164	72,465
At 31st December 2020	**-**	**(726,459)**	**(1,196,381)**	**(72,720)**	**-**	**(128,244)**	**(2,123,804)**
Amortisation and depreciation (note 18.5)	-	(41,362)	(93,974)	(8,759)	-	(7,967)	(152,062)
Disposals	-	35,625	65,134	8,542	-	2,587	111,888
Transfers	-	1,756	(353)	(2,892)	-	122	(1,367)
Translation differences	-	(7,141)	(19,329)	(3,464)	-	(3,693)	(33,627)
At 31st December2021	**-**	**(737,581)**	**(1,244,903)**	**(79,293)**	**-**	**(137,195)**	**(2,198,972)**
Impairment							
A 1st January 2020	**(9,738)**	**(73,499)**	**(21,998)**	**(177)**	**-**	**(14)**	**(105,426)**
Allowance (note 18.5)	(511)	(16,988)	(17,956)	(900)	-	(90)	(36,445)
Distribution	-	17,724	7,225	56	-	-	25,005
Reversals (note 18.5)	118	10,654	4,412	79	-	9	15,272
Transfers	-	2,098	2,348	(9)	-	(144)	4,293
Translation differences	-	9,178	9	-	-	-	9,187
A 31st December de 2020	**(10,131)**	**(50,833)**	**(25,960)**	**(951)**	**-**	**(239)**	**(88,114)**
Allowance (note 18.5)	-	(21,120)	(17,564)	(696)	-	(40)	(39,420)
Distribution	-	13,079	3,252	53	-	5	16,389
Reversals (note 18.5)	2,287	4,869	5,170	101	-	14	12,441
Transfers	-	805	(3,161)	36	-	(86)	(2,406)
Translation differences	-	14	-	-	-	-	14
A 31st December 2021	**(7,844)**	**(53,186)**	**(38,263)**	**(1,457)**	**-**	**(346)**	**(101,096)**
Net carrying amount							
At 31st December2020	**84,756**	**395,444**	**305,690**	**29,185**	**7,812**	**14,425**	**837,312**
At 31st December 2021	**86,027**	**402,101**	**336,514**	**33,686**	**24,403**	**15,667**	**898,398**

A significant number of stores were refurbished in the 2021 financial year, as mentioned in Note 1.1 g). In 2020 additions were limited due to the Group's financial difficulties. The detail of the additions is as follows:

Thousands of Euros at 31st December	2021	2020
Spain	150,141	52,536
Portugal	21,318	10,099
Argentina	33,153	7,101
Brazil	28,116	5,357
Total	**232,727**	**75,093**

Disposals occurring in 2021 and 2020 mainly include those associated with the aforementioned remodelings as well as store closures, mainly in Brazil and Spain.

In 2021, no store sale operations were performed for subsequent leasing (in the 2020 financial year two stores were sold in Brazil, generating a profit of 1,190 thousand euros corresponding to the rights transferred to the purchaser-lessor, and which therefore do not correspond to the right of use maintained by the Group).

No interest expense was capitalised in 2021 or 2020.

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

At 31 December 2021 and 2020, there were no contractual commitments to purchase fixed assets.

The composition of payments for investments in property, plant and equipment recorded in the consolidated cash flow statement is as follows:

Thousands of Euros at 31st December	2021	2020
Adictions property, plant and equipment	232,727	75,093
Variation suppliers of fixed assets	(63,565)	(6,645)
	169,162	**68,448**

5.1 Impairment of property, plant and equipment

As described in Note 3 k) (i), based on past experience, the Group considers that there are indications of impairment when the performance of a mature store (one that has been in operation for more than two years) has been negative during the past two years and also those stores where impairment were recorded in the past. Performance is measured by EBITDA adjusted at store level calculated according to the definition of Alternative Performance Measures included in the consolidated director's report. Also, all stores assigned individual goodwill have been analysed to identify the existence of potential impairment.

The recoverable amount of each store is based on the value in use calculations using discounted future cash flows which require the use of a market participant's assumptions. These calculations are based on cash flow projections from the five-year updated business plan. Cash flows beyond this projected period are extrapolated using the estimated growth rates indicated below. The growth rate considered as of the fifth year should not exceed the average long-term growth rate for the distribution business in which the Group operates.

The business plan used has been drawn up taking past experience into account, as well as forecasts consistent with those included in the specific sector reports. This business plan takes into account significant structural changes and store refurbishments and, hence, the projections include capital expenses to undertake these refurbishments and achieve a boost in sales to recover the market position.

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

	Spain		Portugal	
	2021	2020	2021	2020
Sales growth rate (1)	4.4%	6.9%	6.7%	7.7%
Growth rate (2)	1.7%	1.7%	1.5%	1.5%
Discount rate (3)	6.2%-8.1%	6.2%	6.2%	6.2%
% Gross Profit (4)	24.8%	22.5%	20.6%	21.0%

	Argentina		Brazil	
	2021	2020	2021	2020
Sales growth rate (1)	14.2%	8.9%	10.8%	11.5%
Growth rate (2)	2.3%	2.3%	3.0%	2.3%
Discount rate (3)	14.4%	14.4%	8.3%	7.4%
% Gross Profit (4)	17.4%	18.2%	20.8%	20.2%

(1) Weighted growth rate of sales for the five-year projected period
(2) Weighted average growth rate used to extrapolate cash flows beyond the period after five years.
(3) Post-tax discount rate weighted by the right of use value and de rate used in the calculation of the liability for each lease contract.
(4) % Gross Profit, average for the 2022-2026 period.

Discount rates included in the table above reflect the return required for stores whith growth rates falling within the ranges of expected growth rates based on the expected growth in the short and medium term of private consumption and GDP in

the countries affected by the impairment analysis. Additionally, for those stores whose sale growth exceeded the upper range of the expected growth rate, an incremental discount rate has been used, as described below.

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

Sales growth rate

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

Long-term growth rate

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

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

Post-tax discount rate

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

The assumptions considered to calculate discount rates use euros in all cases.

For the impairment test carried out in 2021, the discount rate for stores with right of use has been weighted with the incremental interest rate as considering the lease liability included in the liabilities cash flows.

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

As mentioned above, for those stores whose sales growth exceeded a specific threshold, an increased discount rate has been used (8.70% for Spain and 10.20% for Brazil).

% Gross Profit

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

The impairment test has been carried out in accordance with the criteria set forth in Note 3k) i), as follows:

1) Firstly, the Cash Generating Units (CGUs) with store-level impairment indications (individual CGU) have been identified and the impairment of stores whose recoverable value is less than their carrying value has been analysed.
2) Secondly, CGUs have been aggregated at the country level and the corporate assets that serve those CGU groups (mainly corporate headquarters, logistics centres and brands), together with the goodwill at the legal entity level, have been assigned.

As a result of the impairment tests performed, net impairment of 26,979 thousand euros was recognised in 2021 in relation to property, plant and equipment. As a result of these impairment tests, 303 thousand euros in intangible assets and 31,770 thousand euros in goodwill impairment have been recognised. (See Notes 6.1, 6.3 and 18.5). This impairment is related to 493 stores for an amount of 42,023 thousand euros, the estimated closing of 169 stores for an amount of 8,434 thousand euros and the impairment of part of the consolidation goodwill derived from the acquisition of Grupo El Árbol in 2014 for an amount of 24,500 thousand euros. In addition, the impairment of stores in prior years amounting to (13,618) thousand euros and the impairment of a warehouse amounting to (2,287) thousand euros have been reversed.

As a result of the impairment tests performed, net impairment of 21,173 thousand euros was recognised in 2020 in relation to property, plant and equipment. As a result of these impairment tests, 193 thousand euros in intangible assets and 5,082 thousand euros in goodwill impairment have been recognised. (See Notes 6.1, 6.3 and 18.5). This impairment relates to 489 stores for a total of 44,319 thousand euros, the estimated closing of 157 stores for a total of 3,880 thousand

euros and the impairment/reversal of 3 warehouses for a net amount of 122 thousand euros. In addition, the impairment of stores in prior years amounting to (21,873) thousand euros has been reversed.

Total net impairment by country at 31 December 2021 and 2020 is as follows:

Thousands of Euros	SPAIN	PORTUGAL	ARGENTINA	BRAZIL	TOTAL
Impartment total 31st December 2021	(53,262)	(4,124)	(1,153)	(513)	**(59,052)**
Impartment total 31st December 2020	(17,580)	683	(516)	(9,035)	**(26,448)**

As mentioned in the preceding paragraphs, the business plan at the end of 2021 contemplates the comprehensive deployment of the updated franchise model in Spain, Portugal and Argentina that started during the second half of 2020 and has started the refurbishment of stores in both markets, remodelling 800 stores in Spain, 112 in Portugal and 168 in Argentina. In addition, it contemplates the closing of 169 stores (66 stores in Spain, 24 in Portugal and 79 in Brazil) and the impairment of part of the consolidated goodwill that arisen in the acquisition of Grupo El Árbol in 2014.In addition, for the purposes of the test, since sale values could not be estimated for the stores earmarked for closure or sale, and which are also generating negative cash flows, the full carrying value of their non-moveable assets and those not expected to be recovered through use in other stores has been impaired. Stores to be closed that have not been individually identified have been analysed using the same methodology applied to stores not expected to close.

Details of the sensitivity of the impairment of assets assigned to stores analysis to changes in key assumptions are set forth below, keeping the rest of the variables constant:

- A reduction in the average sales growth rate of 100 basis points would have led to an additional impairment of 8.356 thousand euros;
- A decrease of 20 basis points in the % gross profit would have led to an additional impairment of 1,964 thousand euros;
- An increase of 100 basis points in the discount rate would have led to an additional impairment of 1,895 thousand euros;
- Or a drop in the perpetual growth rate of 100 basis points would have led to an additional impairment of 2,586 thousand euros.

6. INTANGIBLE ASSETS

6.1. Goodwill

Details of goodwill by legal entity and country and movement during the period are as follows:

Thousands of Euros	Plus Supermercados, S.A. (1)	Grupo El Arbol, S.A. (2)	Adquisición 148 tiendas al Grupo Eroski (3)	Schlecker, S.A. (4)	Distribuciones Reus, S.A. (5)	Otras adquisiciones	ESPAÑA	Companhia Portuguesa de Lojas de Desconto,S.A. (6)	PORTUGAL	TOTAL
ADQUISITION YEAR	**2007**	**2014**	**2015**	**2013**	**1991**	**Varios**		**1998**		
Net Goodwill 31/12/2019	**160,553**	**154,444**	**76,261**	**10,820**	**26,480**	**20,739**	**449,297**	**39,754**	**39,754**	**489,051**
Disposals	-	-	-	-	-	(1,097)	(1,097)	-	-	(1,097)
Transfers	-	-	(5)	-	-	5	-	-	-	-
Impairment allowance (note 18.5)	-	-	(4,790)	-	-	(292)	(5,082)	-	-	(5,082)
Net Goodwill 31/12/2020	**160,553**	**154,444**	**71,466**	**10,820**	**26,480**	**19,355**	**443,118**	**39,754**	**39,754**	**482,872**
Transfers	-	(263)	3	-	263	(3)	-	-	-	-
Impairment allowance (note 18.5)	-	(24,500)	(6,809)	-	-	(461)	(31,770)	-	-	(31,770)
Net Goodwill 31/12/2021	**160,553**	**129,681**	**64,660**	**10,820**	**26,743**	**18,891**	**411,348**	**39,754**	**39,754**	**451,102**

(1) Goodwill arising in the business combination by which the Group acquired Plus Supermercados, S.A.U., the entity currently called DIA Retail España, S.A.U., which operates under the name of DIA Maxi.
(2) This goodwill arose from the acquisition of Grupo El Árbol, S.A.U., a business currently operated under the name La Plaza de DIA.
(3) Goodwill associated with the acquisition of 148 Eroski Group stores. The goodwill was assigned to the legal entities DIA, S.A. and Grupo El Árbol, S.A.U. and the commercial name under which these stores operate is DIA Market and La Plaza de DIA, respectively.
(4) The goodwill for Schlecker, S.A.U. relates to the entity currently called Beauty by DIA, S.A.U., which operates under the Clarel brand.

(5) The goodwill associated with Distribuciones Reus, S.A. following the Hive Down operation is assigned to the legal entity DIA Retail España, S.A.U., and corresponds to an establishment operated under the trademarks DIA Maxi and DIA Market.
(6) The goodwill for Companhia Portuguesa de Lojas de Desconto, S.A., relates to the legal entity DIA Portugal II, and refer to stores operated under the Minipreço brand.

The recoverable amount is based on the value in use calculations using discounted future cash flows, having considered the same key variables as indicated in Note 5.1.in the case of individual stores' goodwill. In the case of consolidation goodwill, the same variables mentioned in Note 5.1. are considered, with the exception of the discount rates, where the following rates calculated at a date close to the end of the financial year have been considered, as detailed below: Portugal, 8.5%, and Spain between 6.2% and 8.4% (in 2020: Porutgal 8.7% and Spain between 6.2% and 10.6%)..

As a result of the impairment tests performed, a value impairment loss was recorded in 2021 amounting to 31,770 thousand euros, corresponding to the impairment of consolidation goodwill arising in the acquisition of Grupo El Árbol in 2014, amounting to 24,500 thousand euros, and that assigned to those stores where the analysis has resulted in the need to reflect an impairment as detailed in Note 5.1. (In 2020: 5,082 thousand euros corresponding to the impairment of goodwill assigned to stores where the analysis resulted in the need to reflect an impairment as detailed in Note 5.1.). The remaining goodwill arising on consolidation, which is tested for impairment at the entity level, has not reflected a need for any impairment.

With regard to the write-offs of goodwill in 2020, this resulted from the closure of a store in the town of Esparraguera amounting to 1,097 thousand euros.

Sensitivity analysis

Sensitivity analyses are carried out in all cases in relation to the sales growth rate, the % gross profit, the discount rate used and the perpetual cash flow growth rates, in order to verify that reasonable changes in these assumptions would not have an impact on the possible recovery of the goodwill recorded.

No impacts have been identified in the goodwill impairment test for changes that the Group considers reasonably possible in the variables noted in the preceding paragraph. Finally, the recoverable amount of the CGUs for Spain and Portugal would be equal to their carrying value if the key assumptions, each considered separately, were to reach the values shown in the table below:

	Sales growth rate (1)	Growth rate (2)	Discount rate (3)	%Gross Profit (4)
Spain				
DIA and Dia Retail España	(7.0)%	(16.8)%	29.7%	20.8%
Schlecker (Beauty by DIA-Clarel)	(7.7)%	(3.3)%	14.3%	33.6%
Grupo el Arbol	1.1%	1.7%	6.2%	29.8%
Portugal	(2.8)%	(11.3)%	24.1%	18.3%

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

It is estimated that the recoverable amount of the CGUs in Spain exceeds the carrying amount of the CGUs by 746.3 million euros at 31 December 2021 (1,096.1 million euros at 31 December 2020).

It is also estimated that the recoverable value of the CGU in Portugal exceeds the carrying amount by 195.2 million euros at 31 December 2021 (256.0 million euros at 31 December 2020).

6.2. Right-of-use

The Group chose to implement IFRS 16 in FY2019, its first year of application, with the modified retroactive method, recognising right-of-use assets for an amount equal to lease liabilities (see Note 13.1 c).

The details of right-of-use assets and movements during 2021 and 2020 are as follows:

Thousands of Euros	Land and buildings	Equipment, fixtures and fittings and machinery	Other installations, utensils and furniture	Other fixed assets	Total
Cost					
At 1st January 2020	**918,118**	**41,244**	**77**	**15,430**	**974,869**
Additions	160,319	4,572	-	460	165,351
Disposals	(107,248)	(12,874)	-	(7,176)	(127,298)
Transfers	-	(55)	7	-	(48)
Value update	29,377	-	-	-	29,377
Translation differences	(57,896)	-	-	-	(57,896)
A 31st December de 2020	**942,670**	**32,887**	**84**	**8,714**	**984,355**
Additions	192,309	5,416	-	1,474	199,199
Disposals	(152,771)	(6,737)	-	(1,875)	(161,383)
Transfers	-	110	8	-	118
Value update	12,236	-	-	-	12,236
Translation differences	(1,939)	-	-	-	(1,939)
At 31st December 2021	**992,505**	**31,676**	**92**	**8,313**	**1,032,586**
Depreciation					
At 1st January 2020	**(242,754)**	**(24,507)**	**(12)**	**(7,269)**	**(274,542)**
Amortisation and depreciation (note 18.5)	(229,507)	(5,888)	(15)	(1,920)	(237,330)
Disposals	61,378	11,716	-	4,417	77,511
Transfers	-	55	2	-	57
Translation differences	19,608	-	-	-	19,608
A 31st December de 2020	**(391,275)**	**(18,624)**	**(25)**	**(4,772)**	**(414,696)**
Amortisation and depreciation (note 18.5)	(217,887)	(5,538)	(27)	(1,505)	(224,957)
Disposals	103,927	5,647	-	1,246	110,820
Transfers	-	(110)	-	-	(110)
Translation differences	1,965	-	-	-	1,965
At 31st December 2021	**(503,270)**	**(18,625)**	**(52)**	**(5,031)**	**(526,978)**
Impairment					
At 1st January 2020	**(290)**	**-**	**-**	**-**	**(290)**
A 31st December de 2020	**(290)**	**-**	**-**	**-**	**(290)**
At 31st December 2021	**(290)**	**-**	**-**	**-**	**(290)**
Net carrying amount					
A 31st December de 2020	**551,105**	**14,263**	**59**	**3,942**	**569,369**
At 31st December 2021	**488,945**	**13,051**	**40**	**3,282**	**505,318**

Details by segment of additions in 2021 and 2020 are as follows:

Thousands of Euros	2021	2020
Spain	154,274	133,514
Portugal	13,585	23,477
Argentina	8,797	3,100
Brazil	22,543	5,260
Total	**199,199**	**165,351**

The Group had approximately 6,260 and 6,430 operating lease property contracts in place at 31 December 2021 and 2020, respectively. In general terms, the operating leases on stores only establish the payment of a fixed monthly charge

which is reviewed annually in line with and index linked to the rate of inflation. Operating leases generally do not include clauses establishing variable amounts such as turnover-based fees, or contingent rent amounts.

Leases on warehouses generally have the same characteristics as for stores. The Group has purchase options on several warehouse leases, which are included under commitments off the statement of financial position (see Note 19.1).

Details of the main operating lease contracts in force at 31 December 2021 and 2020 are as follows:

2021					
Warehouse	Country	Minimum lease period	Warehouse	Country	Minimum lease period
Getafe	SPAIN	2026	Salamanca	SPAIN	2022
Mallén	SPAIN	2023	Valongo	PORTUGAL	2028
Mejorada del Campo	SPAIN	2024	Torres Novas	PORTUGAL	2028
Miranda	SPAIN	2024	Alverca	PORTUGAL	2028
Orihuela	SPAIN	2023	Anhanghera	BRAZIL	2023
Sabadell	SPAIN	2029	Americana	BRAZIL	2023
San Antonio	SPAIN	2023	Ribeirao Preto	BRAZIL	2023
Villanubla	SPAIN	2022	Belo Horizonte	BRAZIL	2023
Villanueva de Gállego	SPAIN	2030	Mauá	BRAZIL	2023
Dos Hermanas	SPAIN	2027	Cajamar	BRAZIL	2022
Azuqueca	SPAIN	2023	Perus - Perecíveis	BRAZIL	2023
Granda-Siero	SPAIN	2022			

2020					
Warehouse	Country	Minimum lease period	Warehouse	Country	Minimum lease period
Getafe	SPAIN	2026			
Mallén	SPAIN	2023	Salamanca	SPAIN	2021
Mejorada del Campo	SPAIN	2024	Valongo	PORTUGAL	2028
Miranda	SPAIN	2024	Torres Novas	PORTUGAL	2028
Orihuela	SPAIN	2023	Alverca	PORTUGAL	2028
Sabadell	SPAIN	2029	Anhanghera	BRAZIL	2021
San Antonio	SPAIN	2023	Americana	BRAZIL	2021
Villanubla	SPAIN	2022	Ribeirao Preto	BRAZIL	2021
Villanueva de Gállego	SPAIN	2030	Belo Horizonte	BRAZIL	2021
Dos Hermanas	SPAIN	2027	Mauá	BRAZIL	2021
Azuqueca	SPAIN	2023	Cajamar	BRAZIL	2021
Granda-Siero	SPAIN	2022			

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

Thousands of Euros	2021	2020
Less than one year	1,081	496
Total minimum lease payments, property	**1,081**	**496**
Less than one year	1,354	3,237
One to five years	897	1,221
Over five years	1	158
Total minimum lease payments, furniture and equipment	**2,252**	**4,616**

At 31 December 2021 and 2020, only minimum payments linked to lease agreements not included in the scope of IFRS 16 or which are not provisioned for as onerous contracts are listed.

The majority of the lease contracts for stores signed by the Group contain clauses allowing them to be terminated at any time throughout their useful lives, once the mandatory tie-in period has elapsed, by informing the lessor of this decision with the agreed period of notice, which is generally less than three months.

6.3. Other intangible assets

Details of other intangible assets and movements are as follows:

Thousands of Euros	Development cost	Industrial property	Leaseholds	Computer software	Other intangible assets	Total
Cost						
At 1st January 2020	**6,867**	**2,687**	**23,069**	**84,672**	**11,536**	**128,831**
Additions/Internal development	4,952	-	-	3,285	-	8,237
Disposals	(2,133)	-	(173)	(1,926)	(224)	(4,456)
Transfers	(4,412)	97	-	4,412	-	97
Translation differences	-	-	(148)	(2,608)	(239)	(2,995)
At 31st December 2020	**5,274**	**2,784**	**22,748**	**87,835**	**11,073**	**129,714**
Additions/Internal development	2,904	-	85	9,951	-	12,940
Disposals	(1)	-	-	(8)	(172)	(181)
Transfers	(4,913)	-	-	4,945	-	32
Translation differences	-	-	228	1,316	210	1,754
At 31st December de 2021	**3,264**	**2,784**	**23,061**	**104,039**	**11,111**	**144,259**
Depreciation						
At 1st January2020	**-**	**(1,876)**	**(20,867)**	**(60,280)**	**(4,246)**	**(87,269)**
Amortisation and depreciation (note 18.5)	-	(263)	(387)	(15,314)	(429)	(16,393)
Disposals	-	-	164	500	11	675
Transfers	-	(98)	-	-	(9)	(107)
Translation differences	-	-	(44)	1,790	21	1,767
At 31st December de 2020	**-**	**(2,237)**	**(21,134)**	**(73,304)**	**(4,652)**	**(101,327)**
Amortisation and depreciation (note 18.5)	-	(262)	(299)	(15,040)	(363)	(15,964)
Disposals	-	-	-	8	55	63
Transfers	-	-	-	(2)	(11)	(13)
Translation differences	-	-	(262)	(1,013)	(262)	(1,537)
At 31st December de 2021	**-**	**(2,499)**	**(21,695)**	**(89,351)**	**(5,233)**	**(118,778)**
Impairment						
At 1st January 2020	**-**	**-**	**(30)**	**(60)**	**(879)**	**(969)**
Allowance (note 18.5)	-	-	(167)	-	(47)	(214)
Distribution	-	-	4	60	218	282
Reversals (note 18.5)	-	-	-	-	21	21
Transfers	-	-	-	-	22	22
At 31st December de 2020	**-**	**-**	**(193)**	**-**	**(665)**	**(858)**
Dotación (nota 18.5)	-	-	(12)	-	(305)	(317)
Distribution	-	-	-	-	111	111
Reversals (note 18.5)	-	-	-	-	14	14
Transfers	-	-	-	-	3	3
At 31st December de 2021	**-**	**-**	**(205)**	**-**	**(842)**	**(1,047)**
Net carrying amount						
At 31st December de 2020	**5,274**	**547**	**1,421**	**14,531**	**5,756**	**27,529**
At 31st December de 2021	**3,264**	**285**	**1,161**	**14,688**	**5,036**	**24,434**

Additions registered in 2021 and 2020 mainly include development expenses corresponding to IT projects produced internally in Spain for an amount of 2,904 thousand euros (4,952 thousand euros in 2020) and acquisitions of IT applications, mainly in Spain for an amount of 6,565 thousand euros, and in Argentina for an amount of 2,328 thousand euros (3,285 thousand euros in 2020, mainly in Spain). The detail is as follows:

Thousands of Euros	2021	2020
Additions of intangible assets	10,036	3,285
Development cost	2,904	4,952
	12,940	**8,237**

The details by segment is as follows:

Thousands of Euros	2021	2020
Spain	9,554	7,452
Portugal	780	277
Argentina	2,328	468
Brazil	278	40
Total	**12,940**	**8,237**

Note 18.5 includes the impairment of intangible assets recorded in 2021 and 2020 under the income statement caption “Amortisation and impairment”.

7. FINANCIAL ASSETS

Details of financial assets in the Statements of Financial Position at 31 December 2021 and 2020 are as follows:

Thousands of Euros	2021	2020
Non-current assets		
Trade and other receivables	15,386	24,039
Other Non-current financial assets	61,772	56,956
Current assets		
Trade and other receivables	178,031	128,369
Consumer loans from financing activities	1,010	1,407
Other current financial assets	4,879	3,945
TOTAL	**261,078**	**214,716**

7.1. Trade and other receivables

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

Thousands of Euros	2021	2020
Trade and other receivables	15,386	24,039
Total non-current	**15,386**	**24,039**
Trade and other receivables	163,378	111,004
Other receivables	4,171	4,402
Receivables from suppliers	9,983	10,941
Advances to suppliers	495	46
Receivables from associates companies	4	1,976
Total current	**178,031**	**128,369**

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

Due to the short-term nature of customers’ receivables, their carrying amount is considered to be the same as their fair value.

a) Trade receivables

This balance comprises, as previously mentioned, current and non-current trade receivables for merchandise sales to franchisees. The composition of these credits is as follows:

Thousands of Euros	2021	2020
Trade and other receivables non current	15,386	24,039
Trade and other receivables current	216,082	165,481
Total Trade and other receivables	**231,468**	**189,520**
Impairment loss	(52,704)	(54,477)
Total	**178,764**	**135,043**

These trade balances are measured at amortised cost less any impairment allowances and generated interest of 340 thousand euros in 2021 (1,270 thousand in 2020), recognised in the consolidated income statement.

b) Receivables from suppliers

This heading includes the balances with suppliers that have become debtors as a result of the debit notes issued as discounts of various kinds depending on the commercial conditions agreed with them, as well as stock returns.

The Group did not sign commercial credit assignment agreements for non-recourse suppliers in 2021. In 2020, the Group signed contracts of this type during the first half of the year, with a balance at 31 December 2020 of zero euros. The financial cost accruing through these assignments of credits in 2020 was 179 thousand euros (see Note 18.7).

c) Trade receivables from other related parties

In 2021 and 2020, transactions were carried out with the companies ICDC and Horizon (see Note 20), mainly relating to trade operations. Balances at 31 December 2021 and 2020 are shown below:

Thousands of Euros	2021	2020
ICDC	-	132
Horizon	4	1,844
Commercial debts with other related parties	**4**	**1,976**

d) Impairment

Each Group company posts an estimated percentage of the total balance outstanding with commercial customers, estimating the percentage based on the segmentation of the customer portfolio. The Group considers that the most relevant customer portfolio provision covers default by franchisees.

Under this approach, the provision is calculated in an amount equal to expected credit losses over the asset's life based on internal data or scoring using internal data of the Group which, in management's opinion, facilitates portfolio segmentation based on consistent behaviours. Using this segmentation and historical behaviours, the Group calculates percentages taking into consideration risk exposure to each type of franchisee, with respect to past-due amounts, and determine the provisioning need by applying the percentage to outstanding risk. Movements in the provision for impairment of receivables were as follows:

2021 Thousands of Euros	Customer for sales (note 7.1 a))	Other debtors	Credits receivable from suppliers	Total
At 1st January	**(54,477)**	**(6,896)**	**(6,835)**	**(68,208)**
Charge	(6,190)	(1,475)	-	(7,665)
Applications	1,702	4,961	-	6,663
Reversals	5,877	428	2,528	8,833
Translation differences	384	(22)	32	394
A 31st December de 2021	**(52,704)**	**(3,004)**	**(4,275)**	**(59,983)**

2020

Thousands of Euros	Customer for sales (note 7.1 a))	Other debtors	Credits receivable from suppliers	Total
At 1st January	**(56,315)**	**(7,242)**	**(5,260)**	**(68,817)**
Charge	(14,114)	(503)	(2,399)	(17,016)
Applications	5,938	7	-	5,945
Reversals	3,634	292	159	4,085
Traspasos	(4,344)	133	399	(3,812)
Translation differences	10,724	417	266	11,407
A 31st December de 2020	**(54,477)**	**(6,896)**	**(6,835)**	**(68,208)**

7.2. Other financial assets

All the Group's financial assets are measured at amortised cost. Details of finance assets at 31 December 2021 and 2020 are as follows:

Thousands of Euros	2021	2020
Equity instruments	1,088	1,080
Guarantees	60,627	55,757
Other loans	57	119
Total non-current	**61,772**	**56,956**
Franchise deposits	610	752
Credits to personnel	2,299	2,033
Other loans	-	12
Loans on the sale of fixed assets	31	31
Other finantial assets	1,939	1,117
Total current	**4,879**	**3,945**

The non-current caption “Bonds and other deposits” records the amounts handed over to lessors as security for the lease contracts contracted with them. These amounts are measured at present value and any difference with their nominal value is recognised under prepayments for current or non-current assets. The interest on these assets included in the consolidated income statement in 2021 and 2020 amounted to 234 thousand euros and 210 thousand euros, respectively.

The Group considers the security deposits provided in the lease agreements to be assets with a low credit risk, as in most lease agreements the lessor is obliged to file the security deposit with the relevant public body.

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Details of equity-accounted investees at 31 December 2021 and 2020 are as follows:

	At 31st December 2021	At 31st December 2020
ICDC Services Sárl in liquidation	50%	50%
Horizon International Services Sàrl	25%	25%

The key financial indicators of these companies in 2021 and 2020 are as follows:

	ICDC Services Sárl in liquidation		Horizon	
Thousands of euro	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Current assets				
Cash and cash equivalents	142	104	1,286	830
Other current assets	144	302	6,270	36,079
Total current assets	**286**	**406**	**7,556**	**36,909**
Non current assets	**-**	**-**	**-**	**10**
Current liabilities				
Other current liabilities	48	148	6,098	28,273
Total current liabilities	**48**	**148**	**6,098**	**28,273**
Net assets	**238**	**258**	**1,458**	**8,646**
Reconciliation with net carrying amount				
Net assets at 1 January	**258**	**294**	**1,367**	**1,177**
Annual profit (losses)	(20)	4	91	189
Dividends paid	-	(40)	-	-
Shareholder contributions	-	-	-	-
Net assets at year end	**238**	**258**	**1,458**	**1,366**
Part of group %	50%	50%	25%	25%
Part of the group in thousands of euro	119	129	365	344
Net carrying amount	**119**	**129**	**365**	**344**

The impact on the income statement of the equity-accounted investments as of December 31, 2021 amounts to an expense of 11 thousand euros (income of 59 thousand euros in 2020) (see note 18.10).

9. OTHER ASSETS

Details of other assets are as follows:

Thousands of Euros	2021 Current	2020 Current
Prepayments for operating leases	2,609	2,908
Prepayments for guarantees	25	275
Prepayments for insurance contracts	1,970	745
Other prepayments	2,778	2,753
Total other assets	**7,382**	**6,681**

10. INVENTORIES

Details of inventories are as follows:

Thousands of Euros	2021	2020
Goods for resale	449,432	442,428
Other supplies	2,571	3,336
Total inventories	**452,003**	**445,763**

Reductions in the value of inventories to their net realisable value amounted to 7,563 thousand euros at 31 December 2021 (10,123 thousand euros at 31 December 2020).

At 31 December 2021 there are no restrictions of any kind on the availability of inventories.

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

11. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents are as follows:

Thousands of Euros	2021	2020
Cash and current account balances	267,445	290,915
Cash equivalents	93,620	56,070
Total	**361,065**	**346,985**

The balance of "Cash equivalents" reflects the deposits maturing at less than three months, mainly in Argentina and Brazil.

12. EQUITY

12.1. Capital

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

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

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

As a result of this Capital Increase, the new share capital of the Parent Company has increased to 580,655,340.79 euros, divided into 58,065,534,079 shares of a par value of 0.01 euros each. The listing of the new shares takes effect on 13 August 2021.

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

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

The Parent Company 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 at the reporting date approximately 0.0947% of the Parent Company's share capital.

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

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

12.2. Share premium

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

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

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

12.3. Accounting treatment of the first tranche of the Capital Increase through offsetting credits of the majority shareholder

On 6 August 2021, when the debts subject to capitalisation became liquid, due and enforceable and the public deed of capital Increase was executed, the Parent Company registered the capital increase operation of 1,027,751,102 euros, applying the following accounting treatments to the consolidated annual accounts of the Parent Company with regard to the first tranche of offsetting credits of the majority shareholder L1R Invest1 Holdings S.à r.l. against the Parent Company for a total amount of EUR 769,200,000 euros.

International regulations governing the accounting treatment of debt capitalisation transactions (IFRIC 19) provide that issued shares are measured at fair value, unless that value cannot be reliably determined. However, its scope excludes capitalisation operations with shareholders and operations between parties under common control. As there are no specific regulations in these cases, the Parent Company has chosen to value the equity provided at the fair value of the debts cancelled and to record the result of the difference between the fair value and the carrying value of the debt cancelled as a financial result in the profit and loss account.

Prior to capitalisation, the Parent Company accrued all expenses pending incurred from the debt. On 6 August 2021, the Parent Company estimated the fair value of the credits to be capitalized, discounting the future flows of the debt at a market IRR obtained internally. A notional credit rating is assigned to the Parent Company based on the financial statements prior to the capital increase operation and an IRR of a debt with a credit rating and similar maturity is taken into account for the purposes of calculating the fair value of the credit to be capitalised. The difference between the net book value and the fair value of the credits to be capitalised is recorded as a financial result. The amounts recorded in Share Capital and Share Premium must be recorded at the nominal value of the debts, and any difference with fair value is recorded in Reserves.

Adviser expenses and fees related to the capital increase were recorded as reduced Reserves.

The summary of total impacts on the Consolidated Shareholder Equity arising from the increase are as follows:

Share Capital and Share Premium (769.2+258.6)		**1,027.8**
Impact on PL by accrual outstanding expenses		(6.1)
Impact on PL by difference between Net Book Value and Fair Value		3.2
SS Facility	(6.8)	
Bonds 2023	10.0	
Impact in reserves by difference between Net Book Value and Fair Value		(3.2)
SS Facility	6.8	
Bonds 2023	(10.0)	
Impact in reserves for advisory fees		(1.2)
Total Impact Capital Increase in Consolidated Shareholders Equity		**1,020.5**

12.4. Reserves and retained earnings

Details of reserves and retained earnings are as follows:

Thousands of Euros	2021	2020
Other reserves non available	1,867	15,170
Other reserves	(1,187,804)	(830,557)
Profit attributable to equity holders ot the parent	(257,331)	(363,788)
Total	**(1,443,268)**	**(1,179,175)**

(i) ***Legal reserve***

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

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

At 31 December 2021 and 2020, the Company had not recognised any amount related this reserve, as it had been fully offset, for an amount of 13,021 thousand euros, to compensate for losses, as agreed by the Extraordinary General Meeting of Shareholders of 22 October 2019.

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

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

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

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

(iv) ***Other reserves***

This caption includes the voluntary reserves of the Parent Company for an amount of 1,243 thousand euros and negative consolidated reserves.

12.5. Own shares and other own equity instruments

a) Own shares

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

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

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

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

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

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

b) Other own equity instruments

At 31 December 2021, Other equity instruments includes the reserve for deferred remuneration in shares for non-proprietary directors (see Note 16).

12.6. Distribution of profit/(loss)

The proposal for the application of 2021 result of the Parent Company prepared by the Board of Directors for submission to the Annual General Shareholders' Meeting is to take the losses in full for the year totalling 143,401,140.77 euros to prior-year losses.

The application of 2020 losses of the Parent Company ultimately approved by the General Shareholders' Meeting on 31 May 2021 was to take 2020 losses (264,719,596.21 euros) to prior-year losses.

12.7. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding throughout both years, excluding own shares.

	2021	2020
Average number of shares	**58,041,123,969**	**6,676,983,717**
Result for the period in thousands of Euros	(257,331)	(363,788)
Result per share in Euros	(0.004)	(0.054)

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

	Weighted average ordinary shares in circulation at 31/12/2021	Ordinary shares at 31/12/2021	Weighted average ordinary shares in circulation at 31/12/2020	Ordinary shares at 31/12/2020
Total shares issued	58,065,534,079	58,065,534,079	6,677,978,979	6,677,978,979
Own shares	(24,410,110)	(28,908,084)	(995,262)	(984,480)
Total shares	**58,041,123,969**	**58,036,625,995**	**6,676,983,717**	**6,676,994,499**

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

12.8. Translation differences

Details of translation differences at 31 December 2021 and 2020 are as follows:

Thousands of euro	2021	2020
Argentina	(47,972)	(76,996)
Brazil	(51,292)	(47,288)
Total	**(99,264)**	**(124,284)**

13. FINANCIAL LIABILITIES

Details of financial liabilities in the consolidated statements of financial position at 31 December 2021 and 2020 are as follows:

Thousands of Euros	2021	2020
Non-current liabilities		
Non-current borrowings	1,023,183	1,625,790
Other non-current financial liabilities	-	2,306
Current liabilities		
Current borrowings	272,454	589,032
Trade and other payables	1,274,612	1,183,353
Other financial liabilities	221,167	171,644
Total financial liabilities	**2,791,416**	**3,572,125**

13.1. Borrowings

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

At 31st december 2021	Total	Current 1 year	2 years	3 years	4 years	5 years	> 5 years	Non Current Total
Debentures and bonds	**31,267**	**467**	-	-	-	30,800	-	**30,800**
Syndicated credits (Revolving credit facilities) (*)	**52,571**	**1,594**	-	-	50,977	-	-	**50,977**
Syndicated credits (Term loan) (**)	**392,842**	**-**	25,000	25,000	342,842	-	-	**392,842**
Other bank loans	**57,526**	**57,526**	-	-	-	-	-	**-**
Credit facilities drawn down	**187,109**	**3,170**	-	-	183,939	-	-	**183,939**
Finance lease payables (***)	**548,479**	**198,142**	154,552	91,462	43,460	17,052	43,811	**350,337**
Guarantees and deposits received	**14,667**	**916**	-	-	-	-	13,751	**13,751**
Other current borrowings	**11,176**	**10,639**	537	-	-	-	-	**537**
Total non-current borrowings	**1,295,637**	**272,454**	**180,089**	**116,462**	**621,218**	**47,852**	**57,562**	**1,023,183**

A 31 de diciembre de 2020	Total	Current 1 year	2 years	3 years	4 years	5 years	> 5 years	Non Current Total
Debentures and bonds	**599,394**	**303,795**	-	295,599	-	-	-	**295,599**
Syndicated credits (Revolving credit facilities) (*)	**136,193**	**3,153**	-	133,040	-	-	-	**133,040**
Syndicated credits (Term loan)	**387,289**	**-**	-	387,289	-	-	-	**387,289**
Other bank loans	**273,118**	**72,982**	200,136	-	-	-	-	**200,136**
Credit facilities drawn down	**186,667**	**3,158**	-	183,509	-	-	-	**183,509**
Finance lease payables (***)	**611,960**	**197,373**	163,606	123,679	51,242	18,556	57,504	**414,587**
Guarantees and deposits received	**12,081**	**1,026**	-	-	-	-	11,055	**11,055**
Other current borrowings	**8,120**	**7,545**	575	-	-	-	-	**575**
Total current borrowings	**2,214,822**	**589,032**	**364,317**	**1,123,116**	**51,242**	**18,556**	**68,559**	**1,625,790**

(*) The incremental costs linked to the new debt unaccrued at 31 December 2021, amounting to 8,238 thousand euros (3,702 thousand euros at 31 December 2020), are deducted from the balance of the "Syndicated Loan (Revolving credit facilities)" heading. Additionally, the increase in the fair value adjustment of non-current debt pursuant to IFRS9 is included for an amount of 2,516 thousand euros.

(**) At 31 December 2021 the incremental costs associated with the new "Incremental SS Facility" amounting to 230 thousand euros were deducted from the amount of the "Syndicated Term Loans" heading.

(**) The finance lease liability amount resulting from the application of IFRS 16 stands at 530,445 thousand euros at 31 December 2021 (current: 190,412 thousand euros and Non-Current: 340,033 thousand euros). In 2020, the amount was 591,492 thousand euros (current: Euros 190,306 thousand and non-current: Euros 401,186 thousand).

a) Bonds

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

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

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

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

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

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

269,200 thousand euros. The interest payable under the private debt instrument is 0.875% per annum. The amount of principal owed thereunder will be payable and enforceable for purposes of capitalisation in the Capital Increase as part of the first tranche of credit capitalisation.

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

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

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

Issuing Company	Issue date	Amount	Voucher	PIK	Maturity date
DIA, S.A.	07.04.2017	30,800	3.00%	0.50%	30.06.2026

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

b) Loans and borrowings

Multi-product Syndicated Financing and other credit facilities

On 31 December 2018, the Parent Company entered into a Syndicated Financing Agreement ("SFA") with different Financial Creditors for an amount of 895 million euros. The maturity date for this arrangement was set at 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.

In January 2019, certain Financial Creditors joined the Original Syndicated Financing Agreement, increasing the total amount by 17 million euros, i.e. up to a total amount of 912 million euros.

On 25 March 2019, the Original Finance Agreement was amended in order to redistribute certain tranches, with the total amount of the finance remaining the same.

On 17 July 2019, following settlement of the public takeover offer launched by L1R, the Parent Company renegotiated the Original Syndicated Financing Agreement with its Financial Creditors and signed the Modified Syndicated Financing Agreement, increasing the total amount by 61 million euros, in other words up to a total amount of 973.2 million euros. The Amended Syndicated Financing Agreement provided, inter alia:

- The extension of the maturity date of the Senior Tranches of the Syndicated Financing Agreement in the amount of 902.4 million euros (after allocating 9 million euros from the Original Syndicated Financing Agreement to the Super Senior Supplier Tranche), until 31 March 2023;
- The granting by the Syndicated Lenders of a Super Senior Financing of suppliers amounting to 70.8 million euros (of which, as indicated above, 9 million euros correspond to the Original Syndicated Financing Agreement), maturing on 17 July 2021, with the option of an extension for an additional year;
- The execution of a Hive Down operation, whereby the Parent Company undertook, subject to certain exceptions, to transfer its business, assets, liabilities and contracts (both in Spain and in Portugal, Brazil and Argentina) to

certain subsidiaries in Luxembourg and Spain, whose shares, bank accounts and accounts receivable were to be pledged in favour of the Syndicated Lenders;

- The assignment by the Parent Company of the debtor position under the Super Senior Financing and certain tranches of the Senior financing facilities to the Spanish subsidiary indirectly owned by the Company at this time, DIA Retail España, S.A.U., and the assignment by the Parent Company of the debtor position under the remaining tranches of the Senior Financing (which were not assigned to DIA Retail España, S.A.U.) to the Spanish subsidiary indirectly owned by the Company, DIA Finance, S.L.U. ("DIA Finance");

- A commitment by LetterOne to provide, or cause a third party to provide, DIA Finance with a Super Senior loan (the "Super Senior Loan") for a total amount of 200 million euros, with an applicable annual rate of 7% interest, which was finally provided by DEA Finance on 30 January 2020, maturing on 17 July 2022; and

- Execution of the increase in share capital performed on 25 November 2019, ultimately amounting to 605.5 million euros (of which 60.5 million euros correspond to share capital 544.9 million euros to the share premium).

On 17 June 2021, the Syndicated Lenders extended the maturity of the Super Senior Supplier Credit until July 2022. Notwithstanding the above, the Company and the Syndicated Lenders agreed, as part of the Global Operation, to prepay 35 million euros of the Super Senior Supplier Tranche from the date of effect of the Comprehensive Operation.

Global Operation

On November 30, 2020, the Parent Company, L1R, DEA Finance and their Syndicated Lenders reached an agreement regarding a comprehensive capitalisation and refinancing transaction (Global Transaction), in order to provide a stable, long-term capital structure for the Parent Company and the Group, the effectiveness of which was subject to the fulfilment of certain pre-conditions no later than (i) 18 December 2020 in some cases and (ii) 28 April 2021 in other cases.

On 18 December 2020 the Group signed an Implementation Agreement with the Syndicated Lenders, modifying the main terms and conditions of the Syndicated Financing Agreement, which will take effect at the moment when the conditions precedent are fulfilled.

New Updated Syndicated Financing Agreement

On 24 March 2021, following negotiations between L1R, DEA Finance, the Syndicated Lenders and DIA Group, reached a new agreement ("Lock-Up Agreement"), replacing the previous, providing a path for a comprehensive refinancing and capitalisation operation (the "Global Operation") with the aim of achieving a stable, long-term capital structure for the Parent Company and its Group.

The Global Transaction, once effective, involves amending and restating the Group's 973 million euro Syndicated Financing Agreement. The "Lock-Up Agreement" includes the following main elements (conditional upon each other):

- An increase in shareholder equity amounting to 769,200 thousand euros, releasing the DIA Group from an equivalent amount of financial debt, in particular:

  - The debt under the SS Facility of 200,000 thousand euros granted by DEA Finance in favour of DIA Finance was transferred in April 2021 to the Parent Company,

  - The debt under the bonds issued by DIA for a principal aggregate amount of 300,000 thousand euros with a 1.000% coupon and maturing on 28 April 2021 ("2021 Bonds"), which in April 2021 was converted into a loan of L1R;

  - The debt under the bonds issued by DIA for a principal aggregate amount of 269,200 thousand euros, owned by DEA Finance and subsequently transferred by DEA Finance to L1R, with a coupon of 0.875%, maturing on 6 April 2023.

- Extension of the maturity date of the Senior Facilities for an amount of 902,426 thousand euros from 31 March 2023 to 31 December 2025;

- Repayment of (a) up to 35,000 thousand euros of the super senior supplier facility commitments once the operation is effective, and (b) the remaining amount of the Supplier Finance Facility Commitments (i.e. at least, 35,793 thousand euros) no later than 17 July 2022, reducing the amount of repayments to which each Syndicated Creditor is entitled by an amount equal to the amount by which the Bilateral Line entered into by such Syndicated Creditor is permanently reduced or cancelled, on or before the date on which such repayment is to be made;

- Extension of the due date of the Bilateral Facilities owed by DIA or any of its subsidiaries to the Syndicated Lenders to a later date satisfactory to the Parent Company and, in any case, on terms that are substantially consistent with each Bilateral Facility agreement in question;

- Increase in the total amount of the Syndicated Facility available for use through reverse factoring facilities or bilateral credit facilities by an amount equal to (a) the amount by which the Supplier Facility Commitments are reduced and cancelled from time to time (without such increase entailing an increase in the total aggregate amount of the Syndicated Financing) and conversion of certain RCF commitments into term loan commitments; (b) a Super Senior Incremental Facility ("SS Incremental Facility") is applicable in the form of reverse factoring, bilateral facilities, revolving credit facilities or loans based on the amount received by the Parent Company in the cash tranche of the Capital Increase, based on the following table:

Cash received by DIA in the capital increase	Increase of SS Incremental Facility
Equal to or less than EUR 50 million	-
Greater than EUR 50 million but less than EUR 100 million	15 million euros
Equal to or greater than EUR 100 million but less than EUR 150 million	30 million euros
Equal to or greater than EUR 150 million but less than EUR 200 million	40 million euros
Equal to or greater than EUR 200 million	50 million euros

Said SS Incremental Facility, of up to 50,000 thousand euros, will have a super senior range (in other words, it will be senior to the Senior facilities and the commitments of the Supplier Facility) will be subject to a maximum margin of 7%, and the remaining terms and conditions will be subject to negotiation with the Syndicated Lenders.

The amount ultimately received by DIA in the cash tranche of the Capital Increase completed in August 2021 was 258.6 million euros and, as a result, the SS Incremental Facility amounted to 50 million euros.

- Elimination of the annual cash sweep from excess free cash flow, which would otherwise apply from the second quarter of 2022;

- Amortisation of 25,000 thousand euros for Senior Facilities on 31 March 2023 and 25,000 thousand euros on 31 March 2024. Reducing the amount of these Advance Repayments to which each Syndicated Creditor is entitled by an amount equal to the amount by which the Bilateral Facility entered into by such Syndicated Creditor is permanently reduced or cancelled, on or before the date on which such Advance Repayment is to be made. Said possible reduction in the amount of the Advance Repayments will not apply if the Restated EBITDA (as defined in the Syndicated Financing Agreement), corresponding to the financial year prior to the date when the Advance Repayment, is to be made is greater than 300,000 thousand euros;

- Initial reduction of the additional super senior debt basket currently in existence under the Syndicated Financing Agreement (the "Additional Super Senior Debt Basket") from 380,000 thousand euros to 75,000 thousand euros plus any amount of the Supplier Finance Facility Commitments not yet repaid by the Group. Any amount borrowed under the SS Incremental Facility would count for the purposes of the Additional Super Senior Debt Basket of 75,000 thousand euros;

- Elimination of the additional 400,000 thousand euro senior and junior debt basket (the "Additional Senior and Junior Debt Basket") which was intended, inter alia, for the refinancing of the 2021 Bonds;

- Increase of the applicable interest margin in favour of the Syndicated Lenders under the Senior Facilities from 250 basis points per year to the lower of the following: (a) margin of 325 basis points per annum; or (b) 300 basis points per annum provided that (i) the principal amount of the 2023 Bonds originally held by DEA Finance, which were subsequently transferred by DEA Finance to LetterOne (and finally replaced by a private debt replacement instrument for capitalisation purposes in the First Capital Increase Tranche) in the amount of 269 million euros in the Capital Increase, and (ii) the amount of cash proceeds received by DIA in the Second Capital Increase Tranche, is equal to or greater than 125 million euros; with the margin finally set at 300 basis points per annum.

- Ratchet increase of 125 basis points per year PIK of the margin over the interest of the Syndicated Lenders in the event that (a) the leverage ratio corresponding to the 12-month period, ending on 31 December 2022 and/or 30 June 2023, is greater than 3.25:1, and (b) the leverage ratio corresponding to each 12-month period, ending thereafter on 31 December and on 30 June, is greater than 2.50:1, such increase ceasing to apply in the event that the leverage ratio falls below the applicable threshold on any of the subsequent verification dates;

- Obligation to deliver to the Syndicated Lenders, as a condition of the closing of the Transaction, of a financial forecast for the years 2021 and 2022, and obligation to deliver an updated business plan (including the years 2023, 2024 and 2025), no later than 31 December 2022 (the " Updated Business Plan");

- Update of the financial covenants of the Parent Company DIA, S.A. on the basis of the Updated Business Plan, the leverage covenant of the Parent Company for the years 2023 to 2025 being equal to or lower than the leverage covenant included in the existing business plan of the Parent Company for the year 2022 (5.60:1);

- Extension of permitted debt baskets, equity investments, to allow certain DIA group investments in Portugal and Argentina (in addition to Brazil), and permitted divestments;

- Elimination of certain cash sweep obligations from foreign operating subsidiaries in excess of certain agreed minimum cash levels currently covered by the SFA;

- Increase in the maximum permitted disposal by the Group, which means that from the 2021 financial year to the 2025 financial year, the Group will be able to sell a maximum of 40 million euros in assets per year;

- Acknowledgement that the Group's Hive Down obligations, under the Syndicated Financing Agreement have been fully satisfied and that the Group has no further obligation to take further action with respect to the Hive Down except for:

  - the transfer of any assets of the Group (other than shares in other subsidiaries) that have not been transferred to DIA Retail España, S.A.U. under application of one or more of the restrictions agreed under the Syndicated Financing Agreement, which the Group must seek to implement to the extent that all restrictions cease to apply;

  - the transfer of the shares, held by the Parent Company in its Portuguese subsidiary, to the corresponding fully-owned Luxembourg company. The Parent Company will use its best efforts to seek to implement this as soon as possible, once the legal, regulatory or fiscal impediments preventing such transfer cease to apply; and

  - the transfer of the shares, held by the Parent Company in its Brazilian and Argentine subsidiaries, to the relevant fully-owned Luxembourg companies, which the Parent Company must seek to implement to the

extent that there is a change in the law or the applicable tax regime that allows the relevant shares to be transferred free of charge; and

- Obligation (a) to submit to the competent Spanish court the request for judicial approval of an ad hoc refinancing agreement to be entered into, among others, between the Group and the Syndicated Lenders, and (b) to make reasonable efforts to obtain the order for approval of the ad hoc refinancing agreement from the competent Spanish court, but without guaranteeing or committing to any result.

On 2 September 2021, the following points were executed:

- The amendment and restating of the Syndicated Financing Agreement ("SFA") was formalised, by virtue of which, with effect from this aforementioned date, (i) the maturity date of Facilities A-F has been extended (amounting to a total of 902,426 thousand euros) (the "Senior Facilities") from 31 March 2023 to 31 December 2025, (ii) the margin applicable to the Senior Facilities in favour of the Syndicated Lenders has been increased from 2.5% to 3.0% per year, (iii) they have been extended and ratified from the existing guarantee package, and iv) the other terms and conditions of the SFA have been amended.

- In fulfilment of the obligations imposed in the syndicated financing, the Group has made the committed partial prepayment of an amount of 30,550 thousand euros of the super senior supplier facility and 4,450 of the loan owed by DIA Portugal.

- In addition, making use of the basket of new additional Super Senior facilities permitted ("SS Incremental Facilities") agreed with the Financial Lenders within the context of the Global Operation, DIA Retail España, S.A.U. signed with some of the Syndicated Lenders certain reverse factoring agreements and term loans for a total amount of 50,000 thousand euros ("Super Senior Incremental Facility"), with a margin of 5.00% per year, providing the DIA group with additional liquidity for its business amounting to 50,000 thousand euros.

- Signature of an ad hoc refinancing framework agreement for the sole purpose of requesting (following the effectiveness of the Global Operation) judicial approval in Spain of said ad hoc refinancing agreement.

On 1 December 2021 a ruling was obtained approving the ad hoc refinancing agreement by the competent Spanish court.

Other Terms & Conditions

Financial covenants

The general terms and conditions described below have remained unchanged between the Syndicated Financing Agreement:

- Financial Leverage Ratio: this ratio will be calculated on 30 June and 31 December of every year. The first calculation will take place on 31 December 2020. The covenant level sets a deviation margin at up to 35% of the Adjusted Net Debt / Adjusted EBITDA ratio forecast in the Covenant plan, according to the definition of these concepts in the syndicated financing.

- 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 Covenants Plan delivered in December 2019.

As described in the previous point, the Parent Company has the obligation to deliver the Updated Business Plan to the Syndicated Lenders by 31 December 2022, to serve as the basis for, inter alia, defining the financial covenants of the

Parent Company for the years 2023 to 2025 equal to or lower than the leverage covenant included in the existing business plan of the Parent Company for financial year 2022 (5.60:1).

Guarantees

The security obligations of the Parent Company remain mainly significant unchanged in the updating of the Syndicated Financing Agreement (SFA), as follows:

- Personal guarantee from DIA, DIA Retail España, S.A.U., Beauty By DIA, S.A.U., Pe-Tra Servicios a la Distribución, S.L.U., Grupo El Árbol Distribución y Supermercados, S.A.U.
- Pledge on shares owned by DIA in Luxembourg Investment Company 317 S.à.r.l. and DIA Brazil Sociedade Ltda.
- Pledge on shares owned by Luxembourg Investment Company 317 S.à.r.l. in Luxembourg Investment Company 318 S.à.r.l.
- Pledge on shares owned by Luxembourg Investment Company 318 S.à.r.l. in DIA Finance, S.L.
- Pledge on shares owned by DIA Finance, S.L.U. in Luxembourg Investment Company 319 S.à.r.l.
- Pledge on shares owned by Luxembourg Investment Company 319 S.à.r.l. in Luxembourg Investment Company 320 S.à.r.l., Luxembourg Investment Company 321 S.à.r.l., Luxembourg Investment Company 322 S.à.r.l., and Luxembourg Investment Company 323 S.à.r.l.
- Pledge on shares owned by Luxembourg Investment Company 320 S.à.r.l. in DIA Retail España, S.A.U.
- Pledge on shares owned by DIA and Luxembourg Investment Company 322 S.à.r.l. in DIA Portugal Supermercados, S.A.
- Pledge on shares owned by DIA Retail España, S.A.U. in Beauty By DIA, S.A.U., Grupo El Árbol Distribución y Supermercados, S.A.U., Pe-Tra Servicios a la Distribución, S.L.U. and DIA World Trade SA.
- Personal guarantee by DIA World Trade, S.A.U.
- Pledge on shares owned by DIA and Pe-Tra Servicios a la Distribución S.L.U. in DIA Argentina, S.A.
- Pledge on receivables arising from financing contracts between Group companies granted by Parent Company.
- Pledge on current accounts held by the DIA, DIA Retail España, S.A.U., Beauty By DIA, S.A.U., and Pe-Tra Servicios a la Distribución, S.L.U. and DIA Finance, S.L.U.
- Mortgage guarantees on certain real estate assets located in Spain and guarantees on certain intellectual property rights registered in Spain.
- Pledge on credit rights over determined loans between Group companies in which DIA Finance, S.L.U. and/or Luxembourg Investment Company 317 S.à.r.l., Luxembourg Investment Company 318 S.à.r.l., Luxembourg Investment Company 319 S.à.r.l., about 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. are creditor.
- Pledge on the current bank accounts of 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.

On 2 September 2021, this guarantee package in favour of the Syndicated Lenders was ratified and extended until December 2025.

Debt baskets

The Syndicated Financing Agreement in force at 31 December 2021 allows the Group to incur some financial debt in addition to the existing debt:

- "Additional Super Senior Financing" provided that the total amount of the Super Senior Debt does not exceed 75,000 thousand euros (the limit prior to the Syndicated Financing Agreement as amended on 2 September 2021 was 380,000 thousand euros), plus any amount of the Supplier Finance Facility Commitments not yet repaid by the Group. Any amount borrowed under the SS Incremental Facility would count for the purposes of the Additional Super Senior Debt Basket of 75,000 thousand euros;

In this regard, and in addition to the Super Senior Supplier Tranche amounting to 40,242 thousand euros, on 2 September 2021 the Group formalised a Super Senior financing agreement agreed for an amount of up to 50,000 thousand euros with various Financial Creditors.

The borrower under the Super Senior Supplier Tranche and the SS Incremental Facility financing are DIA Retail España, S.A.U.; DIA Finance S.L.U. will also be the borrower of any additional Super Senior Debt.

The Financing Agreement, formalised with the Syndicated Lenders, establishes that the amounts granted under the Super Senior Supplier tranche, and any other Super Senior Additional Debt, are classified as pari passu regarding one another, and with seniority over the other tranches of the Syndicated Financing Agreement.

In addition, in the new Syndicated Financing Agreement formalised on 2 September 2021, the Parent Company reached an agreement with the Syndicated Lenders, eliminating the additional senior and junior debt basket of up to 400,000 thousand euros that was intended, among others, to refinance the 2021 Bonds.

To dispel any doubts, this is not a fully comprehensive description of the Financing Agreement, and includes some other "baskets" of typically permitted debts.

Other commitments

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

- Not to distribute Parent company dividends to shareholders without the agreement of the Syndicated Lenders until the debt held with them has been repaid in full.

- Personal obligations to act and not act and handover of information as typical in this type of financing operation in accordance with the Company's current rating, such as, example, restrictions on the Parent Company granting encumbrances or rights of guarantee over assets, selling or disposing of certain assets, performing sale/leaseback transactions, modifying the Group's line of business, mergers and consolidations with other companies, transactions with subsidiaries and restricted payments (including dividends, swaps, reimbursements and prepayments of loans to members of the Group). If the Parent Company wishes to breach any of these commitments, it would require the prior consent of Syndicated Lenders whose commitments account for more than 75% of the total commitments.

- 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 Syndicated Financing Agreement likewise includes typical commitments, which, among others, include (i) authorisations, (ii) legal compliance, (iii) sanctions and anticorruption, (iv) taxes, (v environmental compliance, and (vi) applicable registration requirements.

Applicable law

The Syndicated Financing Agreement is governed by English law and is subject to the jurisdiction of the English courts (except where local law would be appropriate for the surety documents).

The Group has additional credit facilities that are not part of the financing agreements previously mentioned. Below are details of the syndicated financing and other credit facilities drawn down at 31 December 2021 and 31 December 2020:

At 31st december 2021	Limit	Amount used	Conf/Fact	Amount avaible
DIA RETAIL	623,002	294,873	181,361	146,768
Loan Facility (Term loan) - Syndicated Financing	119,144	119,144	-	-
Tranche A	31,969	31,969	-	-
Tranche B	87,175	87,175	-	-
Revolving Credit Facility (RCF) - Syndicated Financing	26,031	1,594	-	24,437
Super Senior Supplier Tranche	1,594	1,594	-	-
Tranche A	3,784	-	-	3,784
Tranche B	20,653	-	-	20,653
Credit Facility - Syndicated Financing	294,145	174,135	-	120,010
Credit Lines	14,500	793	-	13,707
Tranche B (*)	14,500	793	-	13,707
Credit Lines which may be utilised as reverse factoring	235,423	129,289	-	106,134
Tranche A	51,607	-	-	51,607
Tranche B	82,816	29,063	-	53,753
Tranche C	101,000	100,226	-	774
Credit Lines which may be utilised as factoring	44,222	44,053	-	169
Tranche D	44,222	44,053	-	169
Reverse Factoring - Syndicated Financing	183,682	-	181,361	2,321
Super Senior Supplier Tranche	38,648	-	36,494	2,154
Tranche C	141,687	-	141,584	103
Tranche F	3,347	-	3,283	64
DIA FINANCE	317,666	317,591	-	75
Loan Facility (Term loan) - Syndicated Financing	251,088	251,088	-	-
Tranche D	251,088	251,088	-	-
Revolving Credit Facility (RCF) - Syndicated Financing	56,699	56,699	-	-
Tranche D	31,699	31,699	-	-
Tranche F	25,000	25,000	-	-
Credit Facility - Syndicated Financing	9,879	9,804	-	75
Credit Lines which may be utilised as reverse factoring	9,879	9,804	-	75
Tranche D	9,879	9,804	-	75
DIA S.A.	2,000	-	-	2,000
Credit Facility - Syndicated Financing	2,000	-	-	2,000
Credit Lines	1,000	-	-	1,000
Tranche B	1,000	-	-	1,000
Credit Lines which may be utilised as reverse factoring	1,000	-	-	1,000
Tranche B	1,000	-	-	1,000
Total Multiproduct Syndicated Financing	942,668	612,464	181,361	148,843
DIA RETAIL	50,000	22,840	24,861	2,299
Loan Facility (Term loan) - Syndicated Financing	50,000	22,840	24,861	2,299
Loan Facility (Term loan)	22,840	22,840	-	-
Credit Lines reverse factoring	27,160	-	24,861	2,299
Total Multiproduct Syndicated Financing	50,000	22,840	24,861	2,299
Other Credit lines (not included in syndicated credits)	5,389	3,170	-	2,219

(*) Limit distributed between DIA Retail, BBD and GEA

At 31st december 2020	Limit	Amount used	Conf/Fact	Amount avaible
DIA RETAIL	**653,553**	**392,789**	**212,553**	**48,211**
Revolving Credit Facility (RCF) - Syndicated Financing	***83,196***	***83,196***	**-**	**-**
Super Senior Supplier Tranche	*3,153*	*3,153*	-	-
Tranche A	*55,390*	*55,390*	-	-
Tranche B	*11,626*	*11,626*	-	-
Tranche D	*13,027*	*13,027*	-	-
Loan Facility (Term loan) - Syndicated Financing	***136,200***	***136,200***	**-**	**-**
Tranche A	*31,969*	*31,969*	-	-
Tranche B	*77,891*	*77,891*	-	-
Tranche D	*26,340*	*26,340*	-	-
Credit Facility - Syndicated Financing	***221,483***	***173,393***	**-**	***48,090***
Credit Lines	***12,500***	***2,823***	**-**	***9,677***
Tranche B (*)	*12,500*	*2,823*	-	*9,677*
Credit Lines which may be utilised as reverse factoring	***164,761***	***126,489***	**-**	***38,272***
Tranche B	*63,761*	*26,134*	-	*37,627*
Tranche C	*101,000*	*100,355*	-	*645*
Credit Lines which may be utilised as factoring	***44,222***	***44,081***	**-**	***141***
Tranche D	*44,222*	*44,081*	-	*141*
Reverse Factoring - Syndicated Financing	***212,674***	**-**	***212,553***	**121**
Super Senior Supplier Tranche	*67,640*	-	*67,607*	*33*
Tranche C	*141,687*	-	*141,625*	*62*
Tranche F	*3,347*	-	*3,321*	*26*
DIA FINANCE	**317,666**	**317,603**	**-**	**63**
Revolving Credit Facility (RCF) - Syndicated Financing	***56,699***	***56,699***	**-**	**-**
Tranche D	***31,699***	***31,699***	**-**	**-**
Tranche F	***25,000***	***25,000***	**-**	**-**
Loan Facility (Term loan) - Syndicated Financing	***251,088***	***251,088***	**-**	**-**
Tranche D	***251,088***	***251,088***	**-**	**-**
Credit Facility - Syndicated Financing	***9,879***	***9,816***	**-**	***63***
Credit Lines which may be utilised as reverse factoring	***9,879***	***9,816***	**-**	***63***
Tranche D	*9,879*	*9,816*	-	*63*
DIA S.A.	**2,000**	**301**	**-**	**1,699**
Credit Facility - Syndicated Financing	***2,000***	***301***	**-**	***1,699***
Credit Lines	***1,000***	***301***	**-**	***699***
Tranche B	*1,000*	*301*	-	*699*
Credit Lines which may be utilised as reverse factoring	***1,000***	**-**	**-**	***1,000***
Tranche B	*1,000*	-	-	*1,000*
Total Multiproduct Syndicated Financing	**973,219**	**710,693**	**212,553**	**49,973**
Other Credit lines (not included in syndicated credits)	**3,158**	**3,158**	**-**	**-**

(*) Limit distributed between DIA Retail, BBD and GEA

The credit facilities not included under syndicated credits for an amount of 5,388 thousand euros at 31 December 2021 (the amount drawn down being 3,170 thousand euros) and 3,158 thousand euros at 31 December 2020 (drawn down in full) refer to certain credit facilities maintained with financial institutions on the part of DIA Brasil Sociedade Limitada, all of which mature during the 2022 financial year.

Financial covenants

Under the financing Agreement in force as of 31 December 2021, the Group must meet the following ratios:

- **Financial Leverage Ratio:**

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

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

Deviation is set at up to 35% of the Adjusted Net Group Debt / Restated EBITDA ratio forecast in the Group's Covenant Plan for the years 2020 to 2024 (the "Covenant Plan"). This was presented to the Syndicated Lenders on 27 December 2019, establishing the following limits:

Thousands of Euros	2020	2021	2022	2023
Covenat Level	1,025.9x	14.2x	5.6x	4.2x

At 31 December 2021 the financial leverage ratio required of the DIA Group's consolidated annual accounts has been met. Details are as follows:

Total adjusted net debt / Restated EBITDA < 14.2x

Total adjusted net debt and restated Ebitda figures are calculated according to the definition included in the loan agreement. Thus, these figures do not agree with the figures included in Notes 4 and 13.1 in this document.

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

The Group undertakes, as a whole, during the period from 1 January 2020 to 31 December 2023, the following: (i) total investment costs (capex) shall not exceed the amount set out in the Covenant Plan by more than Euros 187,500 thousand, equivalent to 12.5% deviation and; (ii) restructuring costs shall not exceed the amount set out in the Covenant Plan by more than Euros 23,300 thousand, equivalent to 20.0% deviation.

At 31 December 2021, the Company has met the established ratios.

Loans with the majority shareholder and other bank borrowings

Details of the maturity of the Group's mortgages and other bank loans, grouped by type of operation and company, at 31 December 2021 and 31 December 2020 are as follows:

At 31st December 2021

Type	Owner	Currency	Current 1 year
Loan	DIA Portugal	EUR	39,290
Loan	DIA Brasil	EUR	18,236
	Other Loans		57,526

At 31st December 2020

Type	Owner	Currency	Total	Current 1 year	Non Current 2 years
Loan	DIA Finance	EUR	199,171	-	199,171
Loan	DIA Portugal	EUR	8,300	8,300	-
Loan	DIA Brasil	EUR	65,647	64,682	965
	Other Loans		273,118	72,982	200,136

Within the context of the Global Operation, the debt under the SS Facility loan of 200,000 thousand euros granted by DEA Finance in favour of DIA finance, for which L1R, became the creditor, was transferred in April 2021 to the Company DIA. The amount transferred wass 200,893 thousand to long-term, and 1,166 thousand euros to short-term. These amounts include the interest accrued and not paid, at a rate of 7.5% per annum.

As indicated in Explanatory Notes 1 and 13 or this document, this debt was converted into capital as part of the first tranche of the Capital Increase implemented on 6 August 2021 within the context of the Global Operation, the balance at 31 December 2021 being zero.

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

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

During 2021 the following transactions were carried out:

- On 29 March 2021, DIA Brasil proceeded to repay two bilateral loans or amounts of 23,626 thousand euros, and 11,813 thousand euros. Furthermore, successive monthly repayments of loans were performed during the year, totalling 11,972 thousand euros.
- On 1 April 2021, DIA Portugal arranged a bilateral loan for 18 months, maturing on 30 September 2022, for an amount of 35,439 thousand euros.
- On 2 September 2021, DIA Portugal proceeded to repay an amount of 4,449 thousand euros of the aforementioned loan, the reduced amount of the loan thus being 30,990 thousand euros.

Accounting treatment of the refinancing operation for the syndicated finance and the 2023 Bonds

On 2 September 2021 the Company deemed all conditions precedent of the Global Operation of capitalisation and refinancing, to have been completed, thus formalising the amendment and restatement of the Syndicated Financing Agreement (SFA), under the terms of which (i) the maturity date of certain facilities is extended from 31 March 2023 to 31 December 2025, (ii) the applicable margin is increased from 2.5% to 3.0% per annum, and (iii) other terms and conditions of the SFA are modified.

The same date saw the entry into force of the modification of the terms and conditions of the 30.8 million euros of 2023, approved by the bondholder meeting of 20 April 2021, comprising (a) the extension of their maturity date from 6 April 2023 to 30 June 2026, and (b) an increase in the coupon with effect from 2 September 2021, to 3.5% per annum (3% in cash and 0.50% PIK).

The Company has followed the criteria established in International Financial Reporting Standard 9 - Financial Instruments ("IFRS 9") for the purpose of determining the accounting treatment to be applied, in the annual consolidated accounts of the Group, to the modification of the syndicated finance with a limit of 710.6 million euros of principal (excluding reverse factoring), and the 2023 Bonds, not capitalised in the capital increase, for an amount of 30.8 million euros.

As a result of the application of IFRS 9, the 2023 Bonds are considered to be a debt substantially different from the above, with the former debt being withdrawn and a new debt registered at fair value, recognising a financial result for the difference. The Company has determined that the fair value of the debt is in this case similar to the net book value of the original debt, such that the impact on the income statement is confined to recognition of a loss of 0.2 million euros as a result of the expenses capitalised through the formalisation of the original bonds, recognised as an expense at the time of the restructuring.

In the event of modification of the Syndicated Financing, the Company has recognised as expenses pending accrual prior to the refinancing an amount of 6.1 million euros. As a result of the application of IFRS 9, the modification of the Syndicated Financing must be handled as a modification of the original debt, hence the adjustment applied to the book value of the debt, entailing the recognition of a financial charge of 3.6 million euros.

The costs of consultants and fees associated with the finalisation of the refinancing were recognised as professional fee expenses totalling 2.7 million euros.

Overall, the impacts derived from the refinancing of debt in the consolidated income statement amount to a loss of 12.6 million euros.

c) Finance lease payables

The details of finance lease payables and movement during 2021 and 2020 are as follows:

	Short-term debt	Long-term debt	Total
At 1st January 2020	**225,973**	**506,295**	**732,268**
Additions	-	169,177	169,177
Disposals	-	(49,079)	(49,079)
Interesest expenses	58,802	-	58,802
Transfers	211,438	(211,438)	-
Value update	-	29,377	29,377
Payments	(284,565)	-	(284,565)
Translation differences	(14,275)	(29,745)	(44,020)
A 31st December de 2020	**197,373**	**414,587**	**611,960**
Additions	-	200,088	200,088
Disposals and impairment	-	(55,328)	(55,328)
Interesest expenses	53,464	-	53,464
Transfers	220,284	(220,284)	-
Value update	-	12,236	12,236
Payments	(272,581)	-	(272,581)
Translation differences	(398)	(962)	(1,360)
At 31st December 2021	**198,142**	**350,337**	**548,479**

The debt regarding financial lease assets already in existence at 31 December 2018, and referring to certain commercial premises, technical installations, machinery and other fixed capital (transport elements), at 31 December 2021 amounts to 10,304 thousand euros in the long term (13,401 thousand euros in 2020), and 7,730 thousand euros in the short term (7,067 thousand euros in 2020).

Details of lease expenses included under the line “Property leases” in the consolidated income statement, which appears in the disclosures in Note 18.4, but is excluded from IFRS 16, are as follows:

Thousands of Euros	2021	2020
Short-term leases	36,288	23,742
Low-valuee leases	365	391
Community	2,216	1,960
Taxes	3,219	2,394
Utilities	706	486
Others	2,004	3,301
Total expenditure real estate lease	**44,798**	**32,274**

The outflows of cash for the Group’s property leases amounted to 317,379 thousand euros and 316,839 thousand euros in 2021 and 2020, respectively.

13.2. Other non-current financial liabilities

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

Thousands of Euros	2021	2020
Other non-current financial liabilities	-	2,306
Total grants and other non-current financial liabilities	**-**	**2,306**

Other non-current financial liabilities, at 31 December 2020, included 2,306 thousand euros relating to the debt with Caixa Bank for the purchase of 50% of the Finandia, S.A.U. on 19 July 2019. During the 2021 financial year this liability was transferred to short-term under Other current liabilities.

13.3. Trade and other payables

Details are as follows:

Thousands of Euros	2021	2020
Suppliers	1,028,935	1,012,854
Suppliers, other related parties	1,368	2,638
Advances received from receivables	2,771	2,355
Trade payables	213,155	146,441
Onerous contracts provisions	28,383	19,065
Total Trade and other payables	**1,274,612**	**1,183,353**

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

Trade and other payables do not bear interest.

At 31 December 2021 the Group has reverse factoring facilities with a limit of 249,621 thousand euros (31 December 2020: 248,299 thousand euros) of which 244,045 euros have been used (31 December 2020: 248,120 thousand euros).

	2021			2020		
Thousands of Euros	Limit	Amount used	Amount avaible	Limit	Amount used	Amount used
Reverse Factoring - Syndicated Financing (notes 13.1 b) and 19.2)	183,682	181,361	2,321	212,674	212,553	121
Reverse Factoring - Syndicated Financing (Term loan) (notes 13.1 b) and 19.2)	27,160	24,861	2,299	-	-	-
Reverse Factoring - not included Syndicated Financing (note 19.2)	38,779	37,823	956	35,625	35,567	58
Total	**249,621**	**244,045**	**5,576**	**248,299**	**248,120**	**179**

The Group has registered the relevant provision for onerous contracts relating to the costs for terminating lease agreements with the stores/warehouses where, either expected closure or expected negative cash flows, have required a total impairment of their assets.

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

	2021	2020
	Days	Days
Average payment period to suppliers	43	38
Paid operations ratio	43	37
Pending payment transactions ratio	41	40
	Amount (euros)	Amount (euros)
Total payments made	3,861,425,957	3,371,694,184
*Total pending payments	398,586,892	426,131,765

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

The previous average payment period consider in the calculation the reverse factoring with suppliers, being the stablished payment terms in these agreements of less than 90 days.

13.4. Other financial liabilities

Details of other financial liabilities are as follows:

Thousands of Euros	2021	2020
Personnel	56,954	84,625
Suppliers of fixed assets	116,894	54,133
Other current liabilities	47,319	32,886
Total other liabilities	**221,167**	**171,644**

The variation on personnel is due to the previsions carried out in 2020 related to the layoff scheme carried out in Spain.

Suppliers of fixed assets has suffered a high increase concerning to the prevision of invoices pending receipt related to the refurbishment carried out in stores during this financial year, as mentioned in note 1.1 g).

Other current liabilities include deposits received from franchises for an amount of 41,932 thousand euros (29,253 thousand euros in 2020). The increase under this caption occurred because of the deposits demanded of franchisees that changed from the traditional model to the 2020 franchise model, in which the franchisee pays for the sale both of the initial stock and the recurrent sales, and not for the goods received and invoiced, in other words, collection is performed in accordance with the cash generated at the franchisee's point of sale terminal. Upon termination of the contractual relationship with DIA, the amounts already paid and deposited by way of guarantee will be deducted from the franchisee's final debt. Also included as of 31 December 2021 is an amount of 2,306 thousand euros corresponding to the debt with Caixa Bank for the purchase transaction of 50% of the subsidiary Finandia S.A.U. on 19 July 2019 (1,500 thousand euros at 31 December 2020).

13.5. Estimations of fair values

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

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

- Level 1: Firstly, the Group applies the quoted prices of the most advantageous active market to which it has immediate access, adjusted where necessary to reflect any difference in credit risk between the instruments commonly traded and the instrument being measured. The current bid price is used for assets held or liabilities to be issued and the asking price for assets to be acquired or liabilities held. If the Group has assets and liabilities with offsetting market risks, it uses mid-market prices for the offsetting risk positions and applies the bid or asking price to the net position, as appropriate.

▪ Level 2: When current bid and asking prices are unavailable, the price of the most recent transaction is used, adjusted to reflect changes in economic circumstances.

▪ Level 3: Otherwise, the Group applies generally accepted valuation techniques using, insofar as is possible, market data and, to a lesser extent, specific Group data.

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

Thousands of Euros	Loans and receivables	
	31/12/2021	31/12/2020
Financial assets		
Trade and other receivables	193,417	152,408
Other financial assets	66,651	60,901
Consumer loans from financial activities	1,010	1,407
Total	**261,078**	**214,716**

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, are as follows:

Thousands of Euros	Carrying amount Debts and items payable		Fair value	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Financial liabilities				
Trade and other payables	1,274,612	1,183,353	-	-
Debentures and bonds	31,267	599,394	25,307	494,676
Syndicated credits (Revolving credit facilities) (note 13.1)	52,571	136,193	-	-
Syndicated credits (Term loan) (note 13.1)	392,842	387,289	-	-
Credit facilities drawn down (note 13.1)	187,109	186,667	-	-
Bank loans and credits (note 13.1)	57,526	273,118	-	-
Finance lease payables	548,479	611,960	-	-
Guarantees and deposits received	14,667	12,081	-	-
Other financial liabilities	232,343	182,070		-
Total	**2,791,416**	**3,572,125**	**25,307**	**494,676**

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).

The reconciliation between financial liabilities on the consolidated statement of financial position and the cash flows from financing activities is as follows:

Thounsands of Euro	Financial debt non current	Financial debt current	TOTAL
At 31 December 2020	**1,625,790**	**589,032**	**2,214,822**
Net cash flows from financing activities (payments)	(80,041)	(17,015)	(97,056)
Net cash flows from financing activities (charges)	6,213	44	6,257
Net cash flows from financing activities (lease payments)	-	(272,581)	(272,581)
Changes non-monetarys:			
Reclassification to short term	(189,484)	189,484	-
Debt capitalization	(500,000)	(269,200)	(769,200)
Exchange differences	(961)	(398)	(1,359)
Other Change non-monetarys	161,666	53,088	214,754
At 31 December 2021	**1,023,183**	**272,454**	**1,295,637**

Thounsands of Euro	Financial debt non current	Financial debt current	TOTAL
At 31 December 2019	**1,865,716**	**325,536**	**2,191,252**
Net cash flows from financing activities (payments)	-	(23,284)	(23,284)
Net cash flows from financing activities (charges)	155,267	8,495	163,762
Net cash flows from financing activities (lease payments)	-	(284,565)	(284,565)
Changes non-monetarys:			
Reclassification to short term	(519,180)	519,180	-
Exchange differences	(43,236)	(29,380)	(72,616)
Other Change non-monetarys	167,223	73,050	240,273
At 31 December 2020	**1,625,790**	**589,032**	**2,214,822**

14. PROVISIONS

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

Thousands of Euro	Provisions for long-term employee benefits under defined benefit plans	Tax provisions	Social security provisions	Legal contingencies provisions	Other provisions	Total provisions
At 1 January 2021	**14,958**	**35,690**	**8,172**	**24,378**	**1,130**	**84,328**
Charge	11,529	2,156	7,624	6,047	16	**27,372**
Applications	-	-	(3,036)	(1,764)	-	**(4,800)**
Reversals	(319)	(3,784)	(2,443)	(5,829)	(71)	**(12,446)**
Transfers	-	74	(147)	147	-	**74**
Other movements	20	271	-	-	7	**298**
Translation differences	(150)	91	(168)	(174)	(13)	**(414)**
A 31st December de 2021	**26,038**	**34,498**	**10,002**	**22,805**	**1,069**	**94,412**
At 1 January 2020	**2,997**	**30,066**	**7,970**	**19,053**	**1,220**	**61,306**
Charge	12,158	10,122	6,657	14,740	64	**43,741**
Applications	-	(1,152)	(2,698)	(1,384)	-	**(5,234)**
Reversals	(82)	(1,682)	(1,388)	(5,584)	(88)	**(8,824)**
Transfers	-	-	(22)	22	-	**-**
Other movements	20	390	-	-	6	**416**
Translation differences	(135)	(2,054)	(2,347)	(2,469)	(72)	**(7,077)**
A 31st December de 2020	**14,958**	**35,690**	**8,172**	**24,378**	**1,130**	**84,328**

The provisions for long-term employee benefits in 2021 and 2020 relate mainly to the Long-Term Incentive Plan, as mentioned in Notes 4 and 16.

Tax allocations in 2021 arise essentially from estimates of provisions based on differences of judgment with the public authorities in Argentina, Brazil and Spain (in 2020 essentially in Brazil).

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

Tax reversals in 2021 and 2020 mainly arise from matters resulting from tax inspections that are no longer considered probable.

In 2021 and 2020, charges, applications and reversals of provisions for lawsuits filed by employees (related to social security contributions) include labour contingencies mainly in Brazil and Argentina.

With regard to legal provisions, in order to cover other disputes with third parties, in 2021 1,154 thousand euros were provisioned in Spain (643 thousand euros in 2020), in Portugal 1,370 thousand euros (645 thousand euros in 2020), in Argentina 2,408 thousand euros (1,113 thousand euros in 2020) and in Brazil 1,115 thousand euros (5,572 thousand euros in 2020). In addition, in 2020 6,767 thousand euros were provisioned in Spain corresponding to a dispute with the Food Information and Control Agency of the Ministry of Agriculture (the "AICA").

The reversals of legal provisions in both financial years were the result of contract risks which did not materialise, in Brazil for an amount of 2,726 thousand euros in 2021 (3,151 thousand euros in 2020), in Portugal for an amount of 970 thousand euros in 2021 (849 thousand euros in 2020), in Spain for an amount of 818 thousand euros in 2021 (997 thousand euros in 2020) and in Argentina for an amount of 1,315 thousand euros in 2021 (587 thousand euros in 2020).

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 15.

Administrative proceedings

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

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

Court proceedings in Argentina

In December 2018, the Argentinian Social Security Authorities (Directorate for Social Security Resources), attached to the Federal Administration of Public Revenue (AFIP) brought an economic-criminal proceeding against DIA Argentina SA and certain executives for alleged tax evasion in relation to Social Security payment obligations. Specifically, the AFIP's Social Security department questioned the status of franchisees as employers, given their apparent lack of financial solvency.

Based on AFIP's hypothesis, the franchisees would be Company employees and therefore their Social Security debts could be claimed from DIA Argentina, S.A. This hypothesis is refuted 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 of Labour recognising the autonomous and independent nature of franchisor and franchisee.

At the date of preparation of its consolidated annual accounts, the total amount claimed by the AFIP is 808 million ARS (6.9 million euros). The public prosecutor has ordered 462 million ARS (3.9 million euros) to be deducted for amounts already paid by former franchisees. DIA Argentina, S.A., as joint and several debtors of the ex-franchisees, has requested to include the outstanding amount in the tax amnesty program existent in December 2020. If the benefits provided for in the amnesty are accepted and applied, DIA Argentina, S.A. estimated in December 2020 that the amount of the debt would be up to 170 million ARS (1.5 million euros), an amount recorded in the 2020 financial year which DIA Argentina, S.A. paid under the aforementioned tax amnesty programme proposed by the Government.

In December 2020, the prosecutor in this case requested the judge to proceed with the formal accusation against DIA Argentina, S.A. and certain of its current and former directors. This request remains unanswered by the court.

The judge in the criminal case has not yet summonsed the company, employees/directors or former employees/directors of the company, and has asked the AFIP to present a separate and justified opening of the settlement of the claimed debt (808 million ARS). This debt was challenged by DIA Argentina in the original administrative case in the same sphere within which inclusion in the tax amnesty was requested. Both issues are pending resolution at this date.

At 31 December 2021, an accounting provision amounting to 100 million ARS (0.9 million euros) was established.

Criminal proceedings before the Spanish National Court

On 14 January 2020, the Company became aware of the processing of Preliminary Proceedings 45/209 before the Court of Investigation 6 of the Spanish National High Court, in which the court was investigating certain events involving former executives of DIA. The aforementioned proceedings are derived from action brought by several of the Parent Company's minority shareholders, subsequently joined by investigation proceedings by the Prosecutor's Office for Anti-Corruption, initiated as a result of the claim filed by DIA on 6 February 2019 before the aforementioned Prosecutor's Office.

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

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

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

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

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

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

Notwithstanding the above, in February and March 2021, in response to the aforementioned Orders of 26 February 2021, various petitions for reconsideration and appeal were lodged by the various defence counsels and the private accusation. All petitions for reconsideration were rejected by Central Court of Investigation 6. Meanwhile, with regard to the aforementioned appeals, the appeal lodged by the Parent Company seeking restitution of its injured party status was dismissed on 5 July 2021 by the National High Court, in accordance with the procedural status at the time in question.

Meanwhile, by means of the ruling of 16 December 2021, the National High Court partially upheld one of the appeals of the defence counsels, and revoked the Abbreviated Proceedings Order on the basis that there was no evidence of any detriment to minority shareholders, returning jurisdiction to Central Court of Instruction 6 to continue the proceedings in the manner deemed appropriate.

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

Civil proceedings brought by minority shareholders

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

Other civil proceedings

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

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

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

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

Against the aforementioned judgment of the Provincial Court of Madrid, it is possible to formulate extraordinary appeal for procedural infraction and / or cassation, which DIA intends to file within the period legally provided for it (see note 23).

Other proceedings.

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

15. TAX ASSETS AND LIABILITIES AND INCOME TAX

15.1. Income tax

Details of the income tax expense/income are as follows:

Thousands of Euros	2021	2020
Current income taxes		
Current period	9,333	918
Prior periods' current income taxes	(5,527)	2,406
Total current income taxes	**3,806**	**3,324**
Deferred taxes		
Source of taxable temporary differences	9,871	6,403
Source of deductible temporary differences	(19,305)	(20,026)
Reversal of taxable temporary differences	(1,897)	(4,904)
Reversal of deductible temporary differences	21,400	27,050
Total deferred taxes	**10,069**	**8,523**
TOTAL EXPENSE TAX	**13,875**	**11,847**

Due to the different treatment of certain transactions permitted by tax legislation, the accounting profit of each Group company differs from taxable income.

During the 2021 financial year, as a result of a modification to tax legislation, the taxation rate at DIA Argentina increased from 30% to 35%, giving rise to an increased deferred tax expense amounting to 8.2 million euros, essentially as a result of the impact of this change in rate on the hyperinflation adjustment.

A reconciliation of accounting profit for the year with the total taxable income of the Group (calculated as the sum of the taxable income stated in the tax return of each Group company) is as follows:

Thousands of Euros	2021	2020
Loss for the period before taxes from continuing operations	(243,456)	(351,941)
Share in profit/(loss) for the year of equity accounted investees	(11)	59
Loss for the period before tax	(243,467)	(351,882)
Tax calculated at the tax rate of each country	(63,173)	(103,953)
Unrecognised tax credits	53,382	103,093
Non-taxable income	(17,544)	(20,798)
Non-deductible expenses	19,481	21,288
Unrecognised deferred taxes	18,309	(2,732)
Deductions and credits for the current period	389	342
Adjustments for prior periods	(6,057)	1,822
DT from prior periods	332	12,202
Hiperinflation adjustment related to tax rate	8,223	-
Other adjustments	533	583
Expense tax	13,875	11,847
TOTAL EXPENSE TAX	**13,875**	**11,847**

The tax rates of each of the different countries or jurisdictions in which the Group operates have been taken into account to perform this reconciliation. Details of these rates are as follows:

Spain	25%
Portugal	21%
Argentina	35%
Brazil	34%
Switzerland	14%

In 2021, the Spanish companies Distribuidora Internacional de Alimentación, S.A. (parent) and DIA Retail, S.A.U., Pe-Tra Servicios a la Distribución, S.L.U., Beauty by Dia, S.A.U., Grupo El Árbol Distribución y Supermercados S.A.U., DIA Finance S.L.U. and Finandia S.A.U. (subsidiaries) filed consolidated tax returns in 2020 as part of tax group 487/12, pursuant to Title VII, Chapter VI of the Spanish Corporate Income Tax Law 27/2014 of 27 November 2014.

15.2. Tax assets and tax liabilities

Details of the tax assets and liabilities for 2021 and 2020 recognised in the consolidated statement of financial position at 31 December are as follows:

Thousands of Euros	2021	2020
Non current tax assets	61,329	46,070
Taxation authorities, VAT	34,102	39,232
Taxation authorities	12,446	16,833
Current income tax assets	1,681	1,205
Total tax assets	**109,558**	**103,340**
Deferred tax liabilities	36,453	20,157
Taxation authorities, VAT	15,551	20,800
Taxation authorities	31,358	34,653
Current income tax liabilities	8,062	531
Total tax liabilities	**91,424**	**76,141**

Non-current tax assets correspond in their entirety to ICMS in Brazil for 386,995 thousand reals at 31 December 2021 for the tax on the Circulation of Goods and Services, and tax on Purchases of Property, Plant and Equipment, equivalent to VAT in other jurisdictions. The short-term amount of this tax, amounting to 42,778 thousand reals, forms part of the caption "Public Tax Office, VAT receivable" at 31 December 2021.

In relation to the tax on circulation of goods and services (ICMS-ST), in March 2017 the Supreme Court judgment of October 2016 was ratified, allowing companies to recover a portion of the tax paid. This decision was confirmed by the final court ruling of May 2019 in favour of DIA Brazil.

At 31 December 2019, DIA Brasil had an estimated total amount of ICMS assets to be recovered comprising 372,670 thousand reals and an impairment test provision as to the recoverability of the credits within 10 years, amounting to 93,000 thousand reals, the final balance on its balance sheet thus being 279,670 thousand reals.

During 2020, with the assistance of external advisors the amount of ICMS tax assets for 2018, 2019 and 2020 was re-evaluated since the amount recorded to date had been calculated on the basis of prudent estimates. As a result of the above, there has been an increase in non-current assets of 38,638 thousand reals. In addition, during 2020, interest in arrears recorded was restated by 6,318 thousand reals. Meanwhile, the offsetting of recurrent balances amounted to (8,143) thousand reals, resulting from the difference in credits generated in 2020 (52,929 thousand reals) with the amounts of offsetting (41,943 thousand reals) and the withdrawals of fixed assets performed in 2020 (19,129 thousand reals).

Likewise, the 10-year recoverability test performed at the end of financial year 2020 allowed the reversal of an amount of 13,586 thousand reals of impairment accounted for in 2019. As a result, DIA Brasil recorded on its balance sheet at 31 December 2020 a non-current ICMS tax asset amounting to 293,629 thousand reals and under the short-term assets an amount of 36,440 thousand reals, with the total balance on its balance sheet of 330,069 thousand reals.

During the 2021 financial year, with the assistance of external consultants, the amount of ICMS assets for the 2017, 2018, 2019 and 2020 financial years for the state of Rio Grande do Sul was re-evaluated, along with the periods 2009, 2010, 2011 and 2012, and from October to December 2020 for the state of São Paulo, as the amount accounted to date for these periods had been estimated on a conservative basis. As a result of the above, there has been an increase in non-current assets of 7,000 and 22,066 thousand reals, respectively. In addition, during 2021, interest in arrears recorded was restated by 23,546 thousand reals.

Meanwhile, the net compensation of recurrent balances amounted to (32,322) thousand reals resulting from the difference in credits generated in 2021 (27,066 thousand reals) with the amounts of compensation amounting to (59,328 thousand reals). In addition, the 10-year recoverability test performed at the end of the 2021 financial year allowed the remaining part of the impairment to be reversed, amounting to 79,414 thousand reals previously recorded.

As a result of all the movements described, DIA Brasil has recorded on its balance sheet at 31 December 2021 a non-current asset for ICMS amounting to 386,995 thousand reals (61,329 thousand euros) and under the short-term assets an amount of 42,778 thousand reals (6,779 thousand euros), with the total balance in its balance sheet for this tax of 429,773 thousand reals (68,109 thousand euros valued at the exchange rate of 31 December 2021).

The reconciliation between deferred tax (before consolidation offsets) and deferred tax recognised in the statement of financial position (following consolidation offsets) corresponds to the following:

	2021	2020
Capitalised tax loss carryforwards	-	2,018
+ Impuesto Diferido de Activo	29,742	30,376
Total deferred tax assets	29,742	32,394
Assets offset	(29,742)	(32,394)
Deferred tax assets	**-**	**-**
Deferred tax liabilities	66,195	52,551
Liabilities offset	(29,742)	(32,394)
Deferred tax liabilities	**36,453**	**20,157**

Details of and movements in the Group's deferred tax assets and liabilities (before consolidation adjustments) are as follows:

DEFERRED TAX ASSETS

		Adjustments	Profit/(loss)		Net Equity			Exchange	
Thousands of Euros	**01-jan-2021**	**to tax rate**	**Additions**	**Disposals**	**Additions**	**Disposals**	**Others**	**gains/losses**	**31-dec-2021**
Provisions	52,184	600	4,580	(5,498)	-	-	82	(279)	51,669
Onerous contracts	4,887	-	2,461	-	-	-	-	-	7,348
Share-based payments	398	-	313	-	-	-	-	-	711
Others remunerations	6,260	-	2,337	-	-	-	(320)	-	8,277
Loss carryforw	2,018	295	3	(2,075)	-	-	-	(241)	-
Deductions activation	10,776	-	-	-	-	-	(357)	-	10,419
Difference betw een depretarions tax-accounting	30,892	-	1,023	(1,585)	-	-	14	51	30,395
Others	15,594	14	721	(3,671)	-	-	19	(9)	12,668
Impartment (not incluided impartment of loss carryforw ards)	(90,615)	-	6,958	(8,571)	-	-	555	(72)	(91,745)
Total non-curent deferred tax asset	**32,394**	**909**	**18,396**	**(21,400)**	**-**	**-**	**(7)**	**(550)**	**29,742**

		Adjustments	Profit/(loss)		Net Equity			Exchange	
Thousands of Euros	**01-jan-2020**	**to tax rate**	**Additions**	**Disposals**	**Additions**	**Disposals**	**Others**	**gains/losses**	**31-dec-2020**
Provisions	53,984	-	12,839	(7,412)	-	-	2,814	(10,041)	52,184
Onerous contracts	5,678	-	583	(1,374)	-	-	-	-	4,887
Share-based payments	474	-	-	(67)	-	-	(9)	-	398
Others remunerations	1,701	-	3,680	(4)	-	-	883	-	6,260
Loss carryforw arfds	-	-	-	(1,454)	-	-	3,472	-	2,018
Deductions activation	11,220	-	-	-	-	-	(444)	-	10,776
Difference betw een depretarions tax-accounting	44,554	-	779	(5,082)	-	-	(6,392)	(2,967)	30,892
NIIF 16 - Leases	2,915	-	-	(19)	-	-	(2,896)	-	-
Others	12,598	(52)	992	(2,544)	25	-	7,833	(3,258)	15,594
Impartment (not incluided impartment of loss carryforw ards)	(76,310)	-	1,205	(9,094)	-	-	(18,464)	12,048	(90,615)
Total non-curent deferred tax asset	**56,814**	**(52)**	**20,078**	**(27,050)**	**25**	**-**	**(13,203)**	**(4,218)**	**32,394**

In 2019, based on the considerations published by the European Securities and Markets Authority (ESMA), the Group has eliminated all capitalised tax bases, except for those of DIA Argentina, and has only recognised deferred tax assets to the extent that there are deferred tax liabilities in the same jurisdiction. Consequently, at 31 December 2021 the Group had recognised a net deferred tax liability of Euros 36,453 thousand euros, consisting of assets in the amount of 29,742 thousand euros and liabilities totalling 66,195 thousand euros.

The breakdown of recognized deferred tax liabilities is as follows:

DEFERRED TAX LIABILITIES

		Adjustments	Profit/(loss)		Net Equity			Exchange	
Thousands of Euros	**01-jan-2021**	**to tax rate**	**Additions**	**Disposals**	**Additions**	**Disposals**	**Others**	**gains/losses**	**31-dec-2021**
Amortisation and depreciation	23,283	97	120	(409)	-	-	-	(30)	23,061
NIIF 16 - Leases	(633)	(92)	616	-	-	-	-	75	(34)
Strore sales	3,448	-	-	(114)	-	-	-	-	3,334
Hiperinflation adjustment	20,526	7,051	1,287	-	-	-	8,748	(2,473)	35,139
Others	5,927	792	-	(1,374)	-	-	-	(650)	4,695
Total ID de Pasivo No Corriente	**52,551**	**7,848**	**2,023**	**(1,897)**	**-**	**-**	**8,748**	**(3,078)**	**66,195**

		Adjustments	Profit/(loss)		Net Equity			Exchange	
Thousands of Euros	**01-jan-2020**	**to tax rate**	**Additions**	**Disposals**	**Additions**	**Disposals**	**Others**	**gains/losses**	**31-dec-2020**
Goodwill	1,256	-	-	-	-	-	(1,256)	-	-
Amortisation and depreciation	35,388	-	50	(493)	-	-	(11,516)	(146)	23,283
Portfolio provisions	3,307	-	-	(3,307)	-	-	-	-	-
NIIF 16 - Leases	698	-	-	(1,089)	-	-	-	(242)	(633)
Store Sales	3,463	-	-	(15)	-	-	-	-	3,448
Hiperinflation adjustment	23,637	-	931	-	-	-	4,164	(8,206)	20,526
Others	505	-	5,422	-	-	-	-	-	5,927
Total non-current deferred tax liabilities	**68,254**	**-**	**6,403**	**(4,904)**	**-**	**-**	**(8,608)**	**(8,594)**	**52,551**

Based on the tax returns, the Group companies have the following accumulated tax losses, to be offset in future years amounting to 2,045,099 thousand euros in 2021 and 1,851,508 thousand euros in 2020.

		Limitation period (years)								Loss
	Years in which	**Not subjetc to**								**carryforwards**
Thousands of Euros	**generated**	**limitation**	**2022**	**2023**	**2024**	**2025**	**2026**	**> 2026**	**TOTAL**	**non-activated**
Distribuidora Internacional de Alimentación, S.A.	2014-2021	382,105	-	-	-	-	-	-	382,105	382,105
Finandia, S.A.U.	2017-2021	2,634	-	-	-	-	-	-	2,634	2,634
DIA Retail España, S.A.U.	2006-2021	505,627	-	-	-	-	-	-	505,627	505,627
Pe-Tra Servicios a la distribución, S.L.U.	1997-1999	18,549	-	-	-	-	-	-	18,549	18,549
Beauty by DIA, S.A.U.	2012-2021	57,161	-	-	-	-	-	-	57,161	57,161
Grupo El Árbol, Distribución y Supermercados, S.A.U.	2000-2021	599,871	-	-	-	-	-	-	599,871	599,871
DIA FINANCE, S.L.U.	2020-2021	47,176	-	-	-	-	-	-	47,176	47,176
Dia Brasil Sociedade Limitada	2018-2021	378,188	-	-	-	-	-	-	378,188	378,188
Dia Portugal Supermercados S.A.	2014-2021	-	-	-	16,525	-	15,500	20,895	52,920	52,920
DIA Portugal II, S.A.	2017-2018	-	16	66	-	-	-	-	82	82
Luxembourg Investment Company 317, S.à.r.l.	2019-2021	-	-	-	-	-	-	113	113	113
Luxembourg Investment Company 318, S.à.r.l.	2019-2021	-	-	-	-	-	-	112	112	112
Luxembourg Investment Company 319, S.à.r.l.	2019-2021	-	-	-	-	-	-	114	114	114
Luxembourg Investment Company 320, S.à.r.l.	2019-2021	-	-	-	-	-	-	113	113	113
Luxembourg Investment Company 321, S.à.r.l.	2019-2021	-	-	-	-	-	-	104	104	104
Luxembourg Investment Company 322, S.à.r.l.	2019-2021	-	-	-	-	-	-	127	127	127
Luxembourg Investment Company 323, S.à.r.l.	2019-2021	-	-	-	-	-	-	103	103	103
Total tax loss carryforwards		**1,991,311**	**16**	**66**	**16,525**	**-**	**15,500**	**21,681**	**2,045,099**	**2,045,099**

15.3. Inspection proceedings and financial years pending examination

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 12,091 thousand (76,295 thousand reals) in relation to the discrepancy regarding the tax on income from supplier discounts, and the other for omission of income mainly from circulation of goods for an updated amount of 58,304 thousand euros (367,907 thousand reals). In relation to the first issue (regarding tax on income from supplier discounts), an unfavourable decision was passed down in the administrative proceedings and the company filed a court appeal in 2016. In 2020 a favourable ruling by the examining magistrate was received to annul the notification. This decision has been appealed by the authorities. Based on reports from external lawyers, the company considers that there are sufficient grounds to secure a ruling in this lawsuit in favour of DIA Brazil. In relation to the second issue (on circulation of goods), the administrative proceedings resulted in an unfavourable ruling, which was subsequently appealed. As a result, the administrative court of second instance (CARF) recognised deficiencies in the inspection process and ordered another inspection, which concluded in June 2019 with a favourable ruling for DIA Brazil. At the close of these accounts, DIA Brasil continues to await the trial at the administrative court of second instance - CARF. The external legal advisors continue to deem the likelihood of losing this case as remote.

As a result of the inspection proceedings closed in January 2019, DIA Brasil received a notification from the Brazilian tax authorities regarding the 2014 period, for an updated amount of 75,793 thousand euros (478,260 thousand Brazilian reals) regarding different items of the PIS and COFINS taxes. The Company presented a defence which was partially upheld in the administrative court of first instance - DRJ. On 25 November 2021, the Company submitted its Voluntary Appeal, which will be heard by the administrative court of second instance, CARF. The company has appealed this ruling through administrative proceedings and will if necessary 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 1,946 thousand euros (12,277 thousand Brazilian reals) at 31 December 2021. 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 tax inspections under way at DIA Brasil, in the first half of 2021 notification was received from the Brazilian tax authorities regarding the 2017 period, for an updated amount of 3,874 thousand euros (24,444 thousand Brazilian reals) in connection with ancillary obligations under the PIS/COFINS tax. In May 2021, the corresponding appeal was filed, which was unfavourable to DIA Brasil. As a result of the above, in October 2021 the Company filed its Voluntary Appeal, which will be heard by the administrative court of second instance, CARF. The external legal advisors continue to deem the likelihood of losing this case as remote.

In addition to these inspection proceedings regarding the PIS/COFINS tax for the 2017 financial year begun in the first half of 2021, the Brazilian administration began inspection proceedings regarding this same tax for the 2019-2020 financial years in the second half of 2021.

Likewise, in 2021 the Portuguese administration opened general inspection proceedings regarding the 2019 financial year at DIA Portugal.

Similarly, in 2021 the Argentine government opened two inspection proceedings, one regarding corporate income tax for financial year 2017 and the other for value added tax for financial year 2016.

Additionally, indicate that the litigation in relation to payment obligations to Social Security in Argentina, organization that depends on the Administración Federal de Ingresos Públicos (AFIP), is explained in note 14 Provisions.

At the date of close of these accounts, these five inspection proceedings opened by the Brazilian, Portuguese and Argentine authorities were ongoing. Finally, in February 2022, the Swiss Administration has opened and VAD inspection to DWT related to the exercises from 2017 to 2021.

In January 2021, the partial investigation and verification actions conducted by the Tax Authority regarding Corporation Tax for the 2015 financial year in Spain were concluded.

According to administrative criteria, the years open to inspection at 31 December 2021 for the main taxes to which the Companies of the various jurisdictions are subject are as follows.

Tax	SPAIN	PORTUGAL	ARGENTINA	BRAZIL
Income tax	2015 and following	2018 and following	2015 and following	2015 and following
Value Added tax	2018 and following	2018 and following	2015 and following	2016 and following
Personal Income tax	2018 and following	2018 and following	2015 and following	2016 and following

The directors do not expect that any major additional liabilities in relation to the consolidated annual accounts taken as a whole will arise as a result of the years open to inspection or the appeals submitted.

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

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

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

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

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

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

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

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

All Council decisions have been taken at the proposal the Appointments and Remunerations Committee.

At 31 December 2021 the total provision made for Long-Term Incentive Plans was 21,927 thousand euros.

In addition, in application of the remuneration policy approved at the Extraordinary General Meeting on 30 August 2019, deferred remuneration in shares established for the non-proprietary Directors accrued in the amount of 227 thousand euros in the 2021 financial year (200 thousand euros in the 2020 financial year). See Note 18.3.

17. REVENUE

17.1. Revenue from contracts with customers

Net turnover corresponds to sales income from own stores, sales and service provision to franchises and online sales from the Group's activity, focused mainly on the markets in Spain, Portugal, Brazil and Argentina. At 31 December 2021 and 2020, net turnover amounted to 6,647,660 thousand euros and 6,882,373 thousand euros, respectively. The distribution by geographical segment is shown as follows:

	2021			2020		
	Ordinary income of the segment	Ordinary income between segments	Ordinary income of external clients	Ordinary income of the segment	Ordinary income between segments	Ordinary income of external clients
Sales in own stores	**4,294,428**	**742**	**4,293,686**	**4,550,747**	**2,003**	**4,548,744**
Spain	2,530,380	742	2,529,638	2,938,061	2,003	2,936,058
Portugal	264,843	-	264,843	340,953	-	340,953
Brazil	641,999	-	641,999	606,901	-	606,901
Argentina	857,206	-	857,206	664,832	-	664,832
Sales to franchise stores	**2,186,777**	**-**	**2,186,777**	**2,179,781**	**-**	**2,179,781**
Spain	1,559,849	-	1,559,849	1,450,973	-	1,450,973
Portugal	309,742	-	309,742	275,991	-	275,991
Brazil	141,671	-	141,671	309,104	-	309,104
Argentina	175,515	-	175,515	143,713	-	143,713
On line sales	**155,158**	**-**	**155,158**	**139,216**	**-**	**139,216**
Spain	119,283	-	119,283	121,381	-	121,381
Portugal	7,315	-	7,315	1,248	-	1,248
Brazil	18,405	-	18,405	11,358	-	11,358
Argentina	10,155	-	10,155	5,229	-	5,229
Other sales	**12,049**	**10**	**12,039**	**14,632**	**-**	**14,632**
Spain	1,016	-	1,016	414	-	414
Portugal	11,029	10	11,019	11,797	-	11,797
Brazil	4	-	4	2,421	-	2,421
Argentina	-	-	-	-	-	-
Total	**6,648,412**	**752**	**6,647,660**	**6,884,376**	**2,003**	**6,882,373**

17.2. Significant accounting policies and judgments

Sales in own stores:

The Group's own stores sell food and household and personal hygiene products. Sales revenues are recognised when a store sells products to customers. The transaction price is immediately payable when customers purchase and take away products.

The Group has a policy of granting a 15-day return period for products sold. The policy applies to its own store sales and online sales. Although the customer is allowed to return any item, this is not common practice in our stores, so the implementation of IFRS 15 didn't have a relevant impact in the Group.

Sale and services to franchisees:

The Group has collaboration agreements with franchisees and recognises revenues for sales when the goods are made available to the franchisee concerned. In addition to the sale of merchandise and associated discounts and incentives, the amounts invoiced as a percentage of the franchisee's final sales figure are recorded in the net turnover for licensed rights and ancillary technical and commercial assistance services. Likewise included for the 2020 franchise model contracts is the provision for assignment of commercial use and monthly exploitation, likewise determined in accordance with the final sale of the franchisee.

The Group has agreements with franchisees of the traditional franchise model whereby the period between the transfer of the goods or services promised to the customer from the initial stock and payment by the customer exceeds one year. In these cases, DIA does not adjust transaction prices on account of the time value of money.

Online sales:

The Group sells a range of products through its website. Products are delivered to customers at the postal address they state when the purchase is made or in stores.

In the case of customers that ask for products to be sent to a specific address (not a store), the revenue is recognised when control of the products is transferred. Although customers pay for products at the time of purchase, they have no control of the product until it is received. In such cases, the customer does not have the capacity to change the destination of the delivery and does not have physical possession or accept the products until they are received. Accordingly, control is transferred and revenue is therefore recognised when the customer receives the product. The difference between both these moments in time does not exceed one day in the case of perishable products. The sale of other types of products through this channel is residual.

If customers ask to pick up the products purchased online from a store, DIA recognises the revenue when payment is made online because, although the products have not been delivered to the customer, they have been set aside, are available at the collection point and cannot be used for other customers (criteria that must be fulfilled in order for the customer to have obtained control under *bill and hold arrangements*).

Sale of goods - customer loyalty programme:

The Group has a loyalty programme whereby customers accumulate points for purchases made that entitle them to discounts on future purchases. Since, in general, the points are exchangeable in the same period the revenue accrues, the Group recognises the reduction in revenue at the transaction date.

18. OTHER INCOME AND EXPENSES

18.1. Other income

Details of other income are as follows:

Thousands of Euros	2021	2020
Fees and interest to finance companies	117	236
Service and quality penalties	3,045	4,262
Revenue from lease agreement and other revenues from franchises	8,656	27,034
Revenue from information services to suppliers	5,762	5,761
Revenue from the sale of packaging	7,362	2,827
Other revenues	5,976	5,713
Total other operating income	**30,918**	**45,833**

Service agreement penalties refer to the charges made by the Group to its suppliers following quality control processes and service level reviews on goods received.

Assignment for rights of use and other revenue derived from franchises include revenue received from franchisees, which with the change to the new 2020 franchise model from the 2020 financial year onwards has decreased, as the provision for assignment of commercial us and exploitation, now forms part of the net turnover.

Revenues from packaging sales have increased due to higher cardboard prices, mainly in Spain and Portugal.

18.2. Merchandise and other consumables used

This heading includes purchases, less volume discounts and other trade discounts and changes in inventories.

Details of the main items in this heading are as follows:

Thousands of Euros	2021	2020
Goods and other consumables used	5,435,285	5,767,327
Disccounts	(640,909)	(761,229)
Inventory variation	10,446	14,499
Other sales costs	34,179	32,487
Total consumption of goods and other consumables	**4,839,001**	**5,053,084**

18.3. Personnel expenses

Details of personnel expenses are as follows:

Thousands of Euros	2021	2020
Salaries and wages	616,836	661,874
Social Security	163,787	167,075
Indemnizaciones	38,957	58,056
Defined contribution plans	15,331	17,728
Other employee benefits expenses	19,734	17,467
Parcial total personnel expenses	**854,645**	**922,200**
Expenses for share-based payment transactions (Notes 16 and 20)	227	200
Total personnel expenses	**854,872**	**922,400**

18.4. Operating expenses

Details of operating expenses are as follows:

Thousands of Euros	2021	2020
Repairs and maintenance	107,205	94,521
Utilities	131,664	85,558
Fees	65,381	59,274
Advertising	47,722	47,840
Taxes	18,128	19,261
Rentals, property	44,798	32,274
Rentals, equipment	9,990	7,765
Transport	155,149	157,292
Travel expenses	12,416	14,231
Security	29,963	29,953
Other general expenses	64,454	89,867
Total operating expenses	**686,870**	**637,836**

The increase in this item was mainly due to higher electricity and diesel prices. Likewise, the captions of this Repairs and Maintenance and Supplies item have increased as a result of the franchisee contracts that have moved to the new franchise model, as the operational expenses incurred by DIA are included within the provision of right of use and monthly operational services invoiced to the franchisee in accordance with the sale (accounted for as indicated in Note 17.2 in the net turnover).The traditional franchise model these amounts were re-invoiced, thereby reducing these expense captions.

18.5. Amortisation, depreciation and impairment

The detail of these expenses included under this entry in the consolidated income statements is as follows:

Thousands of Euros	2021	2,020
Amortisation of intangible assets (Note 6.3)	15,964	16,393
Depreciation of property, plant and equipment (Note 5)	152,062	172,808
Depreciation of uses rights (Note 6.2)	224,957	237,330
Total amortisation and depreciation	**392,983**	**426,531**
Impairment of goodwill (Note 6.1)	31,770	5,082
Impairment of intangible assets (Note 6.3)	303	193
Impairment of property, plant and equipment (Note 5)	26,979	21,173
Total impairment	**59,052**	**26,448**

18.6. Gains/(losses) on disposal of non-current assets

Details of gains/(losses) on disposal of non-current assets are as follows:

Thousand Euros	2021	2020
Losses on disposal of non-current assets	(32,680)	(40,800)
Profit from disposal of fixed assets	9,734	9,721
Total	**(22,946)**	**(31,079)**

The losses recorded in the 2021 financial year are essentially the result of the conversions and closings of stores performed in all countries. In FY2020, these losses primarily resulted from store closures and conversions conducted in Brazil.

18.7. Finance income/cost

Details of finance income are as follows:

Thousands of Euros	2021	2020
Interest on other loans and receivables	11,875	1,551
Exchange gains (note 18.8)	400	192
Change in fair value of financial instruments	-	609
Other finance income	22,825	9,175
Total finance income	**35,100**	**11,527**

Interest on other loans and receivables is increased by interest associated with other equivalent liquid assets in Argentina.

The "Other financial revenue" caption includes an amount of 9,973 thousand euros corresponding to the updating of the fair value of bonds maturing in 2023 and which have been capitalised, as explained in Note 12.3.

Details of finance cost are as follows:

Thousands of Euros	2021	2020
Interest on bank loans	40,896	40,214
Intereses on debentures and bonds	7,457	8,133
Finance expenses for finance leases	54,905	59,853
Exchange losses (note 18.8)	4,201	84,932
Change in fair value of financial instruments	-	735
Financial expenses assigment of receivables operations (note 7.1 (b))	-	179
Other finance expenses	37,502	23,334
Total finance expenses	**144,961**	**217,380**

The most significant impact on financial expenses was the reduction in negative exchange rate differences, which have ceased after the capitalization of the intra-group debt and the repayment of loans with third parties, mainly in Brazil.

Other finance costs at 31 December 2021 and 2020 reflect the bank debit and credit interest rates in Argentina linked to its revenues. In addition, this caption includes, in 2021, an expense of 6,774 thousand euros for the fair value adjustment of the SS Facility loan of 200,000 thousand euros referred to in Notes 12.3 and 13 b), which was ultimately capitalised.

18.8. Foreign currency transactions

The transactions in foreign currency carried out by the DIA Group during 2021 and 2020 are not significant. Details of the exchange differences on foreign currency transactions are however as follows:

Thousands of Euros	2021	2020
Currency exchange losses (note 18.7)	(4,201)	(84,932)
Currency exchange gains (note 18.7)	400	192
Trade exchange losses	(4,543)	(2,363)
Trade exchange gains	5,523	2,538
Total	**(2,821)**	**(84,565)**

18.9. Gains on net monetary position

This caption includes the positive financial effect of the impact of inflation on monetary assets, which amounted to 42.3 million euros in 2021 and 36.1 million euros in 2020 (see Note 2.5). The majority of this amount is generated by trade payables.

In Argentina, the % gross profit rose to 15.3% in 2021 (15.5% in 2020). In 2021, the % gross profit, before applying IAS 29, would be 18.2% (17.9% in 2020). The % gross profit increase between the two periods is due mainly to an improved gross margin, which essentially reflects a smaller promotional effort. The method of restating for the cost of goods sold is based on the measurement of the initial inventories at the rate corresponding to the period immediately prior to the start of the year, in this case December 2020. This is considered an average inventory turnover of 30 days. This methodology means that the restatement adjustment has a greater effect on the cost of goods sold that the rest of the lines in the income statement, deteriorating the margin by the application of IAS 29.

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

This caption includes the result attributable to equity-accounted companies amounting to 11 thousand in income in 2021 (59 thousand euros of costs in 2020) (see Notes 1.2, 2.9 d) and 8).

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

Expansion operation commitments were undertaken for expansion at Group level.

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

19.1. Pledged:

Thousands of Euros - 31st December de 2021	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	17	839	2,067	10,318	13,241
Mortgage security	25,296	-	-	-	25,296
Credit facilities to customers (finance companies)	30,522	-	-	-	30,522
Cash	**55,835**	**839**	**2,067**	**10,318**	**69,059**
Purchase options	-	6,636	-	25,827	32,463
Commitments related to commercial contracts	5,602	2,933	2,647	463	11,645
Other commitments	113	-	-	5,014	5,127
Transactions / properties / expansion	**5,715**	**9,569**	**2,647**	**31,304**	**49,235**
Total	**61,550**	**10,408**	**4,714**	**41,622**	**118,294**

Thousands of Euros - 31st December de 2020	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	>5 YEARS	TOTAL
Guarantees	164	-	3,922	10,794	14,880
Mortgage security	25,296	-	-	-	25,296
Credit facilities to customers (finance companies)	29,627	-	-	-	29,627
Cash	**55,087**	**-**	**3,922**	**10,794**	**69,803**
Purchase options	18,985	-	-	25,827	44,812
Commitments related to commercial contracts	8,223	5,213	5,252	869	19,557
Other commitments	-	-	-	6,096	6,096
Transactions / properties / expansion	**27,208**	**5,213**	**5,252**	**32,792**	**70,465**
Total	**82,295**	**5,213**	**9,174**	**43,586**	**140,268**

The Parent Company is the guarantor of the Syndicated Finance Agreement.

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

Mortgage loans include the value of assets placed as collateral for bilateral loans in DIA Portugal in "commercial paper" facilities and reverse factoring (see Note 13).

The purchase options include warehouse options amounting to 31,913 thousand euros at 31 December 2021 (44,262 thousand euros at 31 December 2020).

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 granted a guarantee with regard to certain obligations with the subsidiary in Portugal, a guarantee by Société Générale for a maximum amount of 30,990 thousand euros, expiring on 30 September 2022.

19.2. Received:

Thousands of Euros at 31st December de 2021	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Available Credit Facility - Syndicated Financing	122,085	-	-	-	122,085
Available Revolving Credit Facility - Syndicated Financing	24,437	-	-	-	24,437
Available Reverse Factoring	2,321	-	-	-	2,321
Available Loan Facility (Term Loan)	2,299	-	-	-	2,299
Available Credit Facility (not included Syndicated Financing)	2,219	-	-	-	2,219
Available Reverse Factoring (not included Syndicated credits)	956	-	-	-	956
Cash	**154,317**	**-**	**-**	**-**	**154,317**
Guarantees received for commercial contracts	13,038	3,534	6,125	44,421	67,118
Other commitments	-	35	-	131	166
Transactions / properties / expansion	**13,038**	**3,569**	**6,125**	**44,552**	**67,284**
Total	**167,355**	**3,569**	**6,125**	**44,552**	**221,601**

Thousands of Euros at 31st December 2020	IN 1 YEAR	IN 2 YEARS	3-5 YEARS	> 5 YEARS	TOTAL
Available Credit Facilities	49,847	-	-	-	49,847
Avaible loans may be balanced with reverse factoring	121	-	-	-	121
Available Reverse Factoring (not included Syndicated Financing)	58	-	-	-	58
Cash	**50,026**	**-**	**-**	**-**	**50,026**
Guarantees received for commercial contracts	13,411	5,052	2,307	43,197	63,967
Other commitments	49	35	-	131	215
Transactions/ properties/ expansion	**13,460**	**5,087**	**2,307**	**43,328**	**64,182**
Total	**63,486**	**5,087**	**2,307**	**43,328**	**114,208**

At 31 December 2021, within the framework of the syndicated financing agreement, the Super Senior reverse factoring facility for suppliers of 38,648 thousand euros is established as the amount granted under the Super Senior Supplier tranche (67,640 thousand euros at 31 December 2020).

c) Contingencies

The Group is undergoing legal proceedings and tax inspections in a number of jurisdictions, some of which had been completed by the taxation authorities at 31 December 2021 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, 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 other than ordinary business or under terms differing from market conditions carried out by the directors of the Parent

In 2021 and 2020 the directors of the Parent have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Parent or any other Group company.

Balances and transactions with associates

During 2021 and 2020 the Group has carried out the following transactions with associate: ICDC, Horizon, and LetterOne Group, mainly corresponding to trade operations and financial expenses related to the Capital Increase completed in 2021. The trade payables balance at 31 December 2021 and 2020 is shown in Notes 7.1 c) 13.1 and 13.3. The transactions accruing in both periods were as follows:

Thousands of Euros	2021	2020
ICDC	(22)	1,213
Horizon	1,387	11,780
LetterOne Group	(15,192)	(5,265)
Total transactions	**(13,827)**	**7,728**

Transactions with directors and senior management personnel

Details of remuneration received by the board directors and senior management of the Group in 2021 and 2020 are as follows:

Thousands of Euros			
2021		2020	
Members of Board Director	Senior managment	Members of Board Director	Senior managment
670	11,820	4,954	15,851

In FY2021 and 2020 the Directors of the Parent Company earned remuneration of 670 thousand and 617 thousand euros, respectively (included in the above details) in their capacity as board members.

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

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

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

(*) Remuneration as senior management and as director

Additionally, as a result of the remunerations policy approved by shareholders at the Extraordinary General Meeting held on 30 August 2019, there is deferred remuneration in shares for non-proprietary directors, the accrual of which has initially been estimated at 227 thousand euros (200 thousand euros in 2020) (see Notes 16 and 18.3). As a result of the death of Mr Christian Couvreaux (see Note 1.a), shares net of withholdings amounting to 50 thousand euros were handed over in the 2021 financial year (62 thousand euros gross). The latter amount of 50 thousand euros was incorporated as remuneration in financial instruments, in the 670 thousand euros of the overall remuneration accruing to the Directors in 2021.

During 2021 and 2020 the members of the board of directors and senior management personnel of the Group have not carried out transactions other than ordinary business or applying terms that differ from market conditions with the Parent or Group companies.

The Civil Liability insurance premiums paid in respect of Directors and Senior Management personnel totalled 439 thousand euros in 2021 (2020: 562 thousand euros).

Conflicts of interest concerning the directors

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

21. FINANCIAL RISK MANAGEMENT: OBJECTIVES AND POLICIES

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

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

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

21.1. Financial risk factors

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

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

21.2. Currency risk

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

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

During the 2021 and 2020 financial years, the Group did not perform any significant commercial transactions in currencies other than the functional currency of each Company, and did not perform hedging operations in either financial year.

The Group has several investments in foreign operations, the net assets of which are exposed to currency risk. Currency risk affecting net assets of the Group's foreign operations in Argentinian Pesos and Brazilian Reals is mitigated primarily through borrowings in the corresponding foreign currencies. Only certain liabilities are arranged in euros at 31 december 2021, in particular, balances with group companies that Spanish subsidiaries keeps with the countries located in LATAM amounts to 2,044 thousand euros and there is no bank financing in euro (at 31 december 2020 current accounts and intercompany loans in euros of the Group subsidiaries located in LATAM with the Spanish subsidiary totalling 24,402 thousand euros and a bank loan in euros granted to the Brazil subsidiary for an amount of Euros 35,439 thousand).

The translation differences included in other comprehensive income are significant in 2021 and amounts to 25,020 thousand euros, 29,024 thousand euros related to the translation differences in Argentina and -4,004 thousand euros in Brazil (see note 12.8). The devaluation effects of the Argentine Peso are detailed in Note 2.5. Changes in translation differences, if the Brazilian Real had been devalued/appreciated by 10%, would have been +/- 36.50%, respectively. Likewise, changes in reserves if the Argentine peso had been devalued/appreciated by 10% would have been +/- 8.06%, respectively.

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

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

21.3. Price risk

The Group is not significantly exposed to risk derived from the price.

21.4. Credit risk

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

The Group does not have significant concentrations of credit risk. The risk of concentration is minimised through diversification, managing and combining various areas of impact. Firstly, the customer base is distributed geographically at the international level and secondly there are different types of customers such as franchisees and retailers.

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

The credit risk presented by the Group is the result of operations maintained with the majority of its franchisees, and is mitigated by the deposits associated with the new 2020 franchise model referred to in Note 13.4, and the guarantees and sureties received, as previously referred to in Note 19.2, and as indicated below:

Thousands of Euros	2021	2020
Trade operations non-current (note 7.1 a))	15,386	24,039
Trade operations current (notes 7.1 a))	216,082	165,481
Franchise deposits (note 7.2)	610	752
Deposits and guarantees received Current (note 13.4)	(41,932)	(29,253)
Guarantees received (note 19.2)	(67,118)	(63,967)
	123,028	**97,052**

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

The Group did not sign commercial credit assignment agreements for non-recourse suppliers in 2021. In 2020, the Group signed contracts of this type during the first half of the year, with a balance at 31 December 2020 of zero euros. The financial cost accruing through these assignments of credits in 2020 was 179 thousand euros (see Note 18.7).

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

Thousands of Euros	Maturity	2021
Guarantees	per contract	60,627
Equity instruments	-	1,088
Other loans	2023	57
Trade receivables	2023-2040	15,386
Non-current assets		**77,158**
Franchise deposit	2022	610
Credits to personnel	2022	2,299
Loans on the sale of ffixed assets	2022	31
Other finantial assets	2022	1,939
Trade receivables	2022	178,027
Receivables from group companies	2022	4
Consumer loans from finance companies	2022	1,010
Current assets		**183,920**

Thousands of Euros	Maturity	2020
Guarantees	per contract	55,757
Equity instruments	-	1,080
Other loans	2022	119
Trade receivables	2022-2036	24,039
Non-current assets		**80,995**
Franchise deposit	2021	752
Credits to personnel	2021	2,033
Other loans	2021	12
Loans on the sale of ffixed assets	2021	31
Other finantial assets	2021	1,117
Trade receivables	2021	126,393
Receivables from group companies	2021	1,976
Consumer loans from finance companies	2021	1,407
Current assets		**133,721**

The returns on these financial assets totalled 691 thousand euros in 2021 and 1,654 thousand euros in 2020. The variation in these yields has been caused by the decrease in non-current comercial debt that has been moved to the new 2020 franchise model.

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

Current	Total	Unmatured	Less than 1 month	2 and 3 months	4 and 6 months	7 and 12 months
31st December de 2021	**178,031**	158,178	15,936	3,567	350	-
31st December de 2020	**128,369**	120,502	2,040	4,215	1,111	501

	Thousands of Euros			
Non Current	Total	2 years	3 y 5 years	> 5 years
31st December de 2021	**15,386**	10,918	3,036	1,432
31st December de 2020	**24,039**	12,028	7,990	4,021

Details of the impairment policy can be found in Note 7.

21.5. Liquidity risk

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

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

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

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

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

Thousands of Euros	Maturity	2021
Debentures and bonds long term	2026	30,800
Syndicated credits (Revolving credit facilities)	2025	50,977
Syndicated credits (Term Loan)	2023,2024 and 2025	392,842
Finance lease payables	2023-2031	350,337
Credit facilities drawn down	2025	183,939
Guarantees and deposits received	per contract	13,751
Other non-current financial debt	2023	537
Total non-current financial liabilities		**1,023,183**
Debentures and bonds	2022	467
Other bank loans	2022	57,526
Finance lease payables	2022	198,142
Syndicated credits (Revolving credit facilities)	2022	1,594
Credit facilities drawn down	2022	3,170
Expired interest	2022	7,321
Guarantees and deposits received	2022	916
Other financial debts	2022	3,318
Trade and other payables	2022	1,274,612
Suppliers of fixed assets	2022	116,894
Personnel	2022	56,954
Other current liabilities	2022	47,319
Total current financial liabilities		**1,768,233**

Thousands of Euros	Maturity	2020
Debentures and bonds long term	2023	295,599
Syndicated credits (Revolving credit facilities)	2023	133,040
Syndicated credits (Term Loan)	2023	387,289
Other bank loans	2022	200,136
Finance lease payables	2022-2042	414,587
Credit facilities drawn down	2023	183,509
Guarantees and deposits received	per contract	11,055
Other non-current financial debt	2022	575
Other non-current financial liabilities	2022	2,306
Total non-current financial liabilities		**1,628,096**
Debentures and bonds	2021	303,795
Other bank loans	2021	72,982
Finance lease payables	2021	197,373
Syndicated credits (Revolving credit facilities)	2021	3,153
Credit facilities drawn down	2021	3,158
Expired interest	2021	5,170
Guarantees and deposits received	2021	1,026
Other financial debts	2021	2,375
Trade and other payables	2021	1,183,353
Suppliers of fixed assets	2021	54,133
Personnel	2021	84,625
Other current liabilities	2021	32,886
Total current financial liabilities		**1,944,029**

The finance costs accrued on these financial liabilities totalled 103,258 thousand euros and 108,200 thousand euros in 2021 and 2020, respectively. The reduction in these expenses is mainly due to the reduction in the financial expenses of creditors through financial leases.

21.6. Cash flow and fair value interest rate risks

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

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

During 2021 fixed-rate debt as a percentage of the volume of average gross debt totalled 31.66%, compared with 39.10% in the previous year.

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

In terms of sensitivity, a 0.5 percentage point rise in interest rates for all terms would have led to a variation in the net result after tax of 2,627 thousand euros in 2021 (1,303 thousand euros in 2020).

22. OTHER INFORMATION

Employee information

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

	2021	2020
Management	142	167
Middle management	2,346	1,456
Other employees	35,323	36,993
Total	**37,811**	**38,616**

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

	2021		2020	
	Female	Male	Female	Male
Board members (not employees)	2	6	1	5
Senior management	2	6	2	5
Other management	40	101	52	107
Middle management	1,208	1,254	579	818
Other employees	23,985	11,979	25,604	12,416
Total	**25,237**	**13,346**	**26,238**	**13,351**

The variation in the number of employees classified by professional category was mainly affected by the transition to a new organisational model dated 1 January 2021.

In 2021 the Group employed an average of no executive (one in 2020), six middle management personnel (five in 2020) and 471 other employees (474 in 2020) with a disability rating of 33% or above (or an equivalent local classification).

Audit fees

The audit firm Ernst & Young, S.L. and other audit firms working as auditors of the Group's annual accounts, and their international affiliates of the aforementioned firms have invoiced the following fees for professional services during the years ended 31 December 2021 and 2020:

	2021		
Thousands of Euros	**Ernst & Young, S.L.**	**Other companies associated with EY International**	**Total**
Audit services	766	435	1,201
Other services relating to audit	396	121	517
Other services	-	12	12
Total	**1,162**	**568**	**1,730**

	2020		
Miles de euros	**Ernst & Young, S.L.**	**Other companies associated with EY International**	**Total**
Audit services	723	418	1,141
Other services relating to audit	407	107	514
Other services	136	3	139
Total	**1,266**	**528**	**1,794**

Other audit-related services and other services invoiced by these audit firms comprise limited reviews of six-monthly financial statements, comfort letters relating to securities issues and agreed financial information procedures services rendered to DIA, S.A. and its subsidiaries during the year ended 31 December 2021 and 2020.

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

Climate change

Despite not being considered a priority industry for climate change mitigation, the distribution and sale of food products entails significant greenhouse gas emissions, especially upstream, in everything related to the production of the goods that are then distributed on the market (according to various studies, 95% of the footprint of companies such as DIA could be located outside its direct operations).

The Group conducts actions in relation to the prevention and reduction of the environmental impact derived from its activity. In this sense, in order to manage the company's impact on climate change, the first step is to get a detailed picture of the carbon footprint associated with its business activity and, as far as possible, with the business activities included in

its value chain. This measurement and transparency work has been recognised with an A- by the Carbon Disclosure Project (the only food distribution company in Spain to achieve it in 2021).

The expenditure incurred during the year for the management of environmental effects is not significant.

The Board of Directors of the parent company considers that there are no significant contingencies related to the protection and improvement of the environment, not considering it necessary to register any endowment to the provision of an environmental nature. For more information, see section 10.2 of the Consolidated Non-Financial Information Statement for the year 2021 included in the consolidated director's report.

23. EVENTS AFTER THE REPORTING PERIOD

On 28 January 2022, the Parent Company made a cash contribution of 25,700 thousand euros to DIA Brasil.

On 25 February 2022, the Court of Appeals of Madrid fully revoked the judgment referred to in Note 14 under the headline "Other civil proceedings", by which: (i) the lawsuit filed by Mr Currás against DIA was fully upheld, DIA being ordered to pay 505,500 euros as compensation for the post-contractual non-competition agreement and 61,726 euro as director remuneration, plus legal interest since the legal proceedings, with DIA being awarded the costs of the lawsuit; and (ii) the counterclaim filed by DIA was rejected in full, the latter being awarded the costs occasioned to the other party. In addition, the costs incurred by Mr Currás with the DIA appeal were imposed on DIA. At 31 December 2021, DIA had an accounting provision for these amounts.

Against the aforementioned judgment of the Provincial Court of Madrid, it is possible to formulate extraordinary appeal for procedural infraction and / or cassation, which DIA intends to file within the period legally provided for it (see note 14).

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

DIA

CONSOLIDATED DIRECTOR'S REPORT 2021

Distribuidora Internacional de Alimentación, S.A. (the Company) and its dependent companies (the Group, or the DIA Group) have prepared this consolidated directors' report, following the recommendations of the guide for the preparation of the directors' report of listed companies issued by the CNMV on 29 July 2013.

2021 GROUP OPERATIONAL UPDATE

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

- Redefining the proximity store concept we all want, with new models already implemented in Spain, Argentina, and Portugal, where it has been transformed over 1000 stores. In addition, Brazil has launched a store test, to confirm that the value proposition we are working on complies with the customers' expectations.
- Developing the ideal assortment through the renewal of private label and fresh produce, launching approximately 2,000 private label references, in the last two years, identified as "superbrands", raising even more the quality of the products and improving their value perception by the customers.
- Consolidating the partnership with the franchisees, an example of the value of local entrepreneurship, strengthening the new franchise model and creating spaces to meet with and listen to stakeholders. The new franchise model has been implemented in almost the entire network of stores in Spain and Portugal. In Argentina, the new model has been implemented in 75% of the store network and Brazil has established the new model and is ready for roll-out in 2022.
- Driving the digital evolution, designing a joint approach between the business units and the technology specialists to drive business growth in coming years. In addition, launching the Product unit has provided with a key accelerator for technological projects and solutions, such as the eCommerce platform and Express Delivery, among others.
- Reinforcing the CERCA values ("Close" in Spanish) (Customer, Entrepreneurship, Results, Confidence, and Learning) in order to guide the employees towards the construction of a new culture focused on customers and based on close, transparent and trusting relationships with collaborators, franchisees, and investors.
- Launching the 2021-2023 sustainability plan, with the aim of responding to the main current challenges, focusing on having an impact based on the strength: proximity.
- And, as a key element in consolidating the evolution, this year it has been managed to strengthen the capital and debt structure, providing the company with financial stability.

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

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

GROUP PERFORMANCE

(million of euros)	2021	2020	Change
Like-for-like sales growth (%)	-3.6%	7.6%	n/a
Net sales	6,647.7	6,882.4	-3.4%
Gross Profit	1,488.7	1,498.5	-0.7%
Adjusted EBITDA	124.3	122.9	1.1%
EBIT	(176.0)	(182.1)	3.3%
Net attributable Result	(257.3)	(363.8)	29.3%
Total Net Financial Debt	404.1	1,276.3	(872.2)

The 2020 financial year was marked by extraordinary supply purchases due to Covid-19 related mobility restrictions, which have been normalised in 2021, reducing Like-for-Like sales by 3.6%. The group's net sales reached 6.648 billion euros, with a 5% increase in like-for-like sales compared to 2019 levels, prior to the pandemic.

Gross Profit (as a percentage of Net Sales) increased during the year, from 21.8% to 22.4% on net sales, supported by the commercial, operational, and logistics improvements implemented.

Adjusted EBITDA reached 124.3 million euros, representing a margin of 1.9%, after deducting energy cost overruns and one-off operating costs associated with store refurbishments amounting to 56.0 million euros. Isolating these effects, Adjusted EBITDA would have increased to 180.3 million euros, which represents 2.7% of net sales.

At Net Attributable Result level, net loss was reduced by 29.3%, to 257.3 million euros, supported by a reduction in financial expenses of 60.2% thanks to the active management of foreign currency risk and lower financing costs.

Net Financial Debt was reduced to 404.1 million euros (1.276 billion euros as of December 2020) after the capital increase of 1.028 billion euros executed in August 2021 which, together with the debt refinancing carried out during the year 2021, has allowed us to ensure a stable capital structure.

FY 2021 RESULTS

(million of euros)	2021	2020	Change (%)
Gross sales under banner	**7,856.9**	**8,899.9**	**-11.7%**
Like-for-like sales growth (%)	-3.6%	7.6%	
Net sales	**6,647.7**	**6,882.4**	**-3.4%**
Cost of goods sold & other income	(5,159.0)	(5,383.9)	-4.2%
Gross profit	**1,488.7**	**1,498.5**	**-0.7%**
Labour costs	(692.6)	(735.6)	-5.8%
Other operating expenses & leases	(430.6)	(391.3)	10.0%
Restructuring and LTIP costs	(66.5)	(69.7)	-4.6%
EBITDA	**299.0**	**301.9**	**-1.0%**
D&A	(393.0)	(426.5)	-7.9%
Impairment	(59.1)	(26.4)	123.9%
Write-offs	(22.9)	(31.1)	-26.4%
EBIT	**(176.0)**	**(182.1)**	**-3.3%**
Net financial results	(67.5)	(169.8)	-60.2%
Losses before tax from continuing operations	**(243.5)**	**(351.9)**	**-30.8%**
Income tax	(13.9)	(11.9)	16.8%
Losses after tax from continuing operations	**(257.3)**	**(363.8)**	**-29.3%**
Discontinuing operations	-	-	n/a
Net attributable Result	**(257.3)**	**(363.8)**	**-29.3%**

The reconciliation between the EBITDA indicated in the financial states and the one indicated in the preceding table, due to the assignment due to the nature of the logistical costs attributed to the stores and the restructuring cost for 2021 and 2020, is explained in the next table:

(million of euros)	Income statement	Logistics cost	Restructuring cost	Total 2021
Net sales	**6,647.7**	**-**	**-**	**6,647.7**
Cost of goods sold & other income	**(4,806.9)**	**(352.3)**	**0.2**	**(5,159.0)**
Goods and other consumables used	(4,839.0)	(352.1)	-	(5,191.1)
Other income	30.9	(0.2)	-	30.7
Impairment of trade debtors	1.2	-	0.2	1.4
Gross profit	**1,840.8**	**(352.3)**	**0.2**	**1,488.7**
Labour costs	(854.9)	120.2	42.1	(692.6)
Other operating expenses	(642.1)	229.9	7.2	(405.0)
Leased property expenses	(44.8)	2.2	17.0	(25.6)
Restructuring and LTIP costs	-	-	(66.5)	(66.5)
EBITDA	**299.0**	**-**	**-**	**299.0**

(million of euros)	Income statement	Logistics cost	Restructuring cost	Total 2020
Net sales	**6,882.4**	**-**	**-**	**6,882.4**
Cost of goods sold & other income	**(5,020.2)**	**(365.2)**	**1.5**	**(5,383.9)**
Goods and other consumables used	(5,053.1)	(365.2)	-	(5,418.3)
Other income	45.8	-	-	45.8
Impairment of trade debtors	(12.9)	-	1.5	(11.4)
Gross profit	**1,862.2**	**(365.2)**	**1.5**	**1,498.5**
Labour costs	(922.4)	129.4	57.5	(735.6)
Other operating expenses	(605.6)	232.1	7.5	(365.9)
Leased property expenses	(32.3)	3.7	3.2	(25.4)
Restructuring and LTIP costs	-	-	(69.7)	(69.7)
EBITDA	**301.9**	**-**	**-**	**301.9**

Group's Net Sales have been affected by 3.8% reduction in the number of stores at the end of the period, as well as the devaluation of the Brazilian real and the Argentinean peso (9% depreciation in the case of Brazil when comparing the average exchange rate of 2021 and 2020; and 11% in Argentina since in this case, considering this economy as hyperinflationary under the application of IAS29, the closing exchange rate of 2021 and 2020 was the reference taken). Revenues from owned stores represented 64.6% of the Group's Net Sales, compared to 32.9% of franchise stores and 2.5% of online and other activity.

Group's Like-for-Like Sales reached -3.6%, with a comparison distorted by the extraordinary supply purchases experienced by the Group in 2020 in all markets and reaching a Like-for-Like growth of 7.6% during the 2020 financial year. The increase of Like-for-Like sales at pre-pandemic level in 2019 was 5.0%.

Gross Profit (as a percentage of Net Sales) increased to 22.4% from 21.8% year-on-year, thanks to commercial and operational improvements, including logistics optimization and reduction of food waste.

Personnel expenses decreased slightly by 0.3% to 10.4%, as a percentage of Net Sales, partly impacted by the beginning of outsourcing of own stores, but negatively affected by additional personnel requirements due to Covid-19.

Other operating expenses & leases (as a percentage of Net Sales) increased from 5.7% to 6.5%, strongly impacted by the increase in the cost of electricity. At a Group level, this has meant an additional cost of 39.9 million euros (mainly in Spain), as well as expenses related to the process of remodelling stores which have entailed 16.1 million euros cost in the Group compared to 2020.

EBITDA remained stable at 4.5% of Net Sales (4.4% in 2020) due to the increase in Other Operating Expenses and Restructuring Costs due to the rationalisation of the organisational structure and outsourcing process launched in the third quarter of 2020.

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

EBITDA to Adjusted EBITDA reconciliation (million of euros)	2021	2020	Change
EBIT	(176.0)	(182.1)	6.1
Depreciation & Amortization	393.0	426.5	(33.5)
Impairment of fixed assets	59.1	26.4	32.7
Losses on write-down of fixed assets	22.9	31.1	(8.2)
EBITDA	**299.0**	**301.9**	**(2.9)**
Restructuring costs	55.4	58.1	(2.7)
Long-term incentive program (LTIP)	11.1	11.6	(0.5)
IFRS 16 lease effect	(267.1)	(270.1)	3.0
IAS 29 hyperinflation effect	26.0	21.3	4.7
Adjusted EBITDA	**124.3**	**122.9**	**1.4**

Adjusted EBITDA reached 1.9% as a percentage of Net Sales, remaining at levels similar to those of 2020 (1.8% as a percentage of net sales). In absolute terms, Adjusted EBITDA increased by 1.4 million euros, mitigating the 234.7 million euros decrease in Net Sales, reflecting the positive results of improved ongoing operational management and cost control. If we isolate the impact of the 39.9 million euros of additional energy costs and the 16.1 million euros of costs related to store remodelling, the Adjusted EBITDA would have reached 180.3 million euros, which would represent 2.7% of the Net Sales of the year and an increase of 46.7% compared to the previous year. This clearly reflects an improvement in the Company's operations.

Amortisation decreased by 7.9% compared to 2020, due to the strategic closure of stores and warehouses. It has been reduced from 6.2% in 2020 to 5.9% in 2021 as a percentage of Net Sales.

Net Result stood at -257.3 million euros, representing a loss reduction of 29.3% compared to the end of 2020, thanks to the 60.2% reduction in financial losses, helped by active exchange rate risk management and lower financial expenses following the capitalisation and refinancing operation carried out in September 2021

INFORMATION BY COUNTRY

SPAIN (million of euros)	2021	%	2020	%	Change (%)
Gross sales under banner	**5,002.8**		**5,357.7**		**-6.6%**
Like-for-like sales growth	-5.2%		11.3%		
Net sales	**4,209.8**		**4,508.8**		**-6.6%**
Adjusted EBITDA	**92.6**	**2.2%**	**99.6**	**2.2%**	**-7.0%**

Net Sales were reduced by 6.6%, with 3.3% fewer stores. The performance in 2021 was affected by a comparative base marked by additional stocking purchases during the 2020 lockdowns. Compared 2019, Like-for-Like sales growth in Spain was 4.9%.

Adjusted EBITDA remained at 2.2% despite the increase in energy costs, as well as operating expenses derived from store remodelling (51.2 million euros), which have been higher than the non-recurring costs of protective material and personnel expenses incurred due to Covid-19 in the first half of 2020, as well as legal provisions recognised in the first half of 2020 and the reduction in rental spending. The increase of energy costs and operating costs related to remodelling have decreased the Adjusted EBITDA margin in Spain by 1.2 percentage points.

PORTUGAL (million of euros)	2021	%	2020	%	Change (%)
Gross sales under banner	**806.1**		**862.9**		**-6.6%**
Like-for-like sales growth	-4.3%		6.1%		
Net sales	**592.9**		**630.0**		**-5.9%**
Adjusted EBITDA	**11.9**	**2.0%**	**17.2**	**2.7%**	**-30.8%**

Net Sales were affected by 11.7% lower store base and restrictions on opening hours for much of the year. 2021 was also affected by an exceptional comparative base for the year 2020. Compared to the year 2019, Like-for-Like sales growth in Portugal was 2.3%

Adjusted EBITDA decreased by 70 base points affected by the drop in sales volume and higher maintenance and supply expenses.

BRAZIL (million of euros)	2021	%	2020	%	Change (%)
Gross sales under banner	886.7		1,045.6		-15.2%
Like-for-like sales growth	0.6%		7.1%		
Net sales	802.1		929.8		-13.7%
Adjusted EBITDA	(10.6)	-1.3%	(13.8)	-1.5%	-23.2%

Net Sales decreased by 13.7% in year-on-year terms due to the 5.4% decrease in the number of stores after the strategic closure of unprofitable locations and a depreciation of the Brazilian real of 9%. Compared to 2019, Like-for-Like sales growth in Brazil was 7.6%.

Adjusted EBITDA improved by 3.2 million euros and improved in terms of margin, offsetting the negative effects of resolving inherited problems with franchisees and increasing operating and labour costs.

ARGENTINA (million of euros)	2021	%	2020	%	Change (%)
Gross sales under banner	1,161.4		1,633.8		-28.9%
Like-for-like sales growth	-0.5%		-1.7%		
Net sales	1,042.9		813.8		28.2%
Adjusted EBITDA	30.4	2.9%	19.9	2.4%	52.8%

Net Sales increased by 28.2%, marked by exceptional performance driven by the success of the operational and commercial measures implemented and inflation higher than the devaluation of the currency. Compared to 2019, Like-for-Like sales growth in Argentina was -1.4%.

Adjusted EBITDA increased by 50 base points driven by the cost reduction plan. Adjusted EBITDA margin over net Sales calculated excluding inflation in Argentina would be 3.3%.

BALANCE SHEET

(million of euros)	2021	2020
Non-current assets	2,018.2	2,044.6
Inventories	452.0	445.8
Trade & Other receivables	178.0	128.4
Other current assets	61.5	69.3
Cash & Cash equivalents	361.1	347.0
Non-current assets held for sale	-	0.4
Total assets	**3,070.8**	**3,035.4**
Total equity	93.6	(697.2)
Non-current borrowings	1,023.2	1,625.8
Current borrowings	272.5	589.0
Trade & Otherpayables	1,274.6	1,183.4
Provisions & Other	406.9	334.4
Total equity & liabilities	**3,070.8**	**3,035.4**

As of 31 December 2021, the shareholder's equity balance in the individual financial statements of the Parent Company (which are those used to calculate the obligation of legal dissolution or capital increase) amounted to 837.8 million euros (negative 41.8 million euros as of December 2020), after the capital increase completed in August 2021.

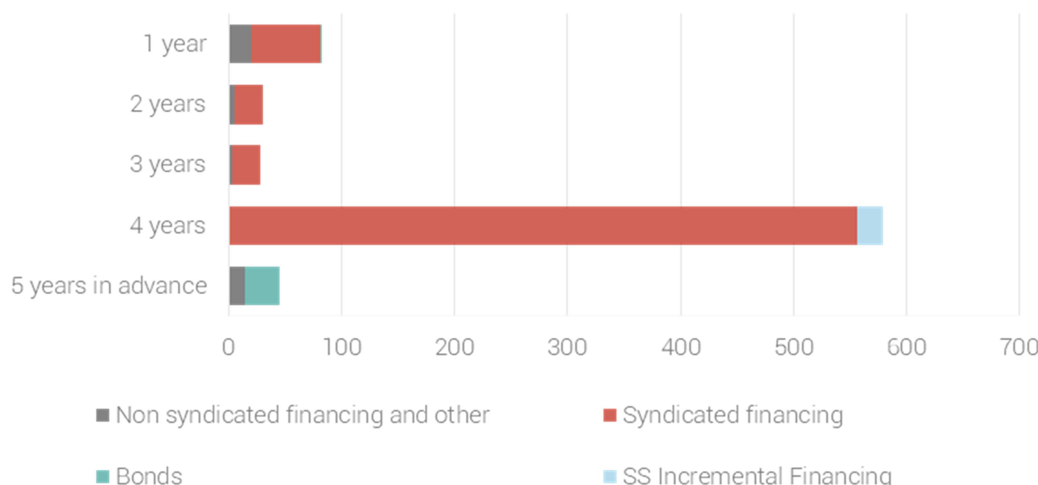
NET FINANCIAL DEBT

(million of euros)	2021	2020	Change
Non-current borrowings	1,023.2	1,625.8	(602.6)
Current borrowings	272.5	589.0	(316.5)
Cash & Cash equivalents	(361.1)	(347.0)	(14.1)
Total net debt	**934.6**	**1,867.8**	**(933.2)**
IFRS 16 related debt effect	(530.4)	(591.5)	61.1
Net financial debt	**404.1**	**1,276.3**	**(872.2)**

Total Net Financial Debt decreased drastically by 872.2 million euros in 2020 to 404.1 million euros, resulting from the capital increase operation, a positive cash flow from operations, an increasing CAPEX and, to a lesser extent, a reduction in working capital.

Maturity profile of gross debt disposed to as of 31 December 2021 (excl. IFRS16): 765.2 million euros.

(million of euros)	2022	2023	2024	2025	2026 onward	Total
Non syndicated facilities & other	20.8	6.0	2.9	1.5	14.3	45.4
Financing from Syndicated Lenders	60.8	25.0	25.0	555.1	-	665.9
Bonds	0.5	-	-	-	30.8	31.3
SS Incremental Financing	-	-	-	22.6	-	22.6
Net financial debt	**82.0**	**31.0**	**27.9**	**579.2**	**45.1**	**765.2**



(*) Lease payments not included (IFRS16).

On 24 March 2021, as a result of negotiations held between DIA, L1R, DEA Finance and their Syndicated Creditors, DIA reached an agreement with all its Syndicated Creditors (the "Lock-Up Agreement") that would provide an avenue for a global capitalization and refinancing operation (the "Global Transaction") whose implementation guarantees a stable long-term capital and financial structure for DIA Group, enabling the management team to focus entirely on the execution of the business plan.

The Global Transaction included the following main elements (mutually conditional):

(i) Capital increase in DIA amounting to 1.028 billion euros, in two tranches, and which was completed on 6 August 2021:

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

- 200 million euros that DIA Finance, S.L.U. ("DIA Finance") owed to DEA Finance as principal under the super senior term loan facility (the "SS Facility") (this debt was transferred from DIA Finance, S.L.U. to DIA in April 2021).
- 292.6 million euros owed by DIA to DEA Finance as principal under the bonds issued by DIA for an aggregate principal amount of 300 million euros, with a coupon of 1,000% and maturing on 28 April 2021 (the "2021 Bonds") and which before maturity were transferred from DEA Finance to L1R for subsequent capitalisation. The remaining amount of 2021 Bonds not owned by DEA Finance were repaid by DIA on their maturity date of 28 April 2021;
- 7.4 million euros of debt under a loan granted by L1R in April 2021 to DIA to finance (or refinance) DIA's payment of the principal of the 2021 Bonds to holders of 2021 Bonds other than DEA Finance (or L1R) on 28 April 2021 (referred to in paragraph above); and
- 269.2 million euros owed by DIA to DEA Finance as principal under the bonds issued by DIA for an aggregate principal amount of 300 million euros, with a coupon of 0.875% and maturing on 6 April 2023 (the "2023 Bonds") and which were transferred by DEA Finance to L1R in April 2021; and

(b) a cash tranche amounting to up to 258.6 million euros, reserved in the first instance for all shareholders other than L1R, so that they could exercise their pre-emptive subscription rights and subscribe for new shares until they maintained their percentage of participation in the share capital prior to the capital increase at the same issue price as the new shares to be issued in the credit capitalisation tranche. The funds raised in the cash tranche would be available to DIA for general corporate purposes, including accelerating its business transformation plan. The cash tranche would be subject to the subscription rounds, and proration rules in case of over-subscription, common in this type of operation, and would not be insured in case of incomplete subscription.

(ii) the amendment and recasting of the existing syndicated financing agreement for a total amount of 973.2 million euros (the "SFA") to (a) extend the maturity date of Facilities A-F (totalling 902.4 million euros) (the "Senior Facilities") from 31 March 2023 to 31 December 2025, and (b) modify other terms and conditions of the SFA (as detailed in note 13.1 to the Consolidated Financial Statements).

(iii) the modification of the terms and conditions of the 2023 Bonds amounting to 30.8 million euros to (a) extend their maturity date from 6 April 2023 to 30 June 2026 and (b) increase the coupon from the date of modification to 3.5% per annum (3% cash and 0.50% PIK), plus an interest increase of 1% PIK in certain circumstances where applicable under the SFA (the "2023 Bond Amendment"). On 20 April 2021, the parent company announced that the meeting of bondholders of the 2023 Bonds held that same day had approved the Modification of the 2023 Bonds and that it would enter into force upon the fulfilment or waiver of the remaining conditions to which the effectiveness of the Global Operation and other conditions customary in this type of modifications were subject; and

(iv) the extension of the maturity dates of certain bilateral lines and credit lines subscribed between several companies of the DIA Group with some of the Syndicated Creditors or entities of their respective groups (the "Bilateral Lines").

The effectiveness of the Global Transaction (and, therefore, of the main elements (i) to (iv) above) was subject to the fulfilment or waiver of certain suspensive conditions on or before the deadlines indicated therein and that were considered fulfilled as detailed in note 13.1 of the Consolidated Financial Statements, resulting in the execution of the Global Operation, on 2 September 2021.

The capitalisation of DIA Group in an amount of up to 1.028 billion euros, together with the release of a financial liability of 769.2 million euros corresponding to the cancellation of the principal amount under the SS Facility, the 2021 Bonds and the 2023 Bonds, together with the extension of the maturity dates of Senior Facilities, the remaining 2023 Bonds and bilateral lines, as well as the injection of additional liquidity of up to 258.6 million euros from the cash tranche of the capital increase, makes it possible to recover and significantly strengthen DIA's net worth (which was in a negative equity situation as of 30 June 2021), substantially reduce the financial indebtedness of DIA Group, eliminate refinancing risk in the medium term, significantly reduce the DIA Group's interest burden, provide additional liquidity to ensure operational financing needs are met, enhance and accelerate DIA's ability to access financial debt markets on normalised terms, and provide a stable long-term capital structure for DIA.

TRADE WORKING CAPITAL

(million of euros)	2021	2020	Change
Inventories (A)	452.0	445.8	6.2
Trade & other receivables (B)	178.0	128.4	49.6
Trade & other payables (C)	1,274.6	1,183.4	91.2
Total working capital (A+B-C)	**(644.6)**	**(609.2)**	**(35.3)**

Working capital improved by 35.3 million euros despite a reduction in net sales of 234.7 million euros in the period. This improvement was due to better payment terms, which clearly reflected the increase in the account of commercial debtors and other accounts receivable derived mainly from the implementation of the new franchise model that seeks a real partnership with local entrepreneurs the Group work with, contributing to the improvement of their profitability.

As of December 2021, and December 2020, the Group had no non-recourse factoring lines used. The amount of confirming used by the Group stood at 244.0 million euros on 31 December 2021 (December 2020: 248.1 million euros).

CAPEX

(million of euros)	2021	2020	Change (%)
Spain	159.7	60.0	166.2%
Portugal	22.1	10.4	112.5%
Argentina	35.5	7.6	367.1%
Brazil	28.4	5.4	425.9%
Total Capex	**245.7**	**83.3**	**195.0%**

Investment expenditure (CAPEX) in 2021 increased by 195%, mainly due to the implementation of the store remodelling plan related to the new DIA proximity concept, which at the end of year 2021 included the remodelling of 800 stores in Spain, 112 stores in Portugal and 168 in Argentina, with a Group investment of 142.9 million euros.

STORE NETWORK

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

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

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

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

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

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

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

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

At the end of the year, the Group operated a sales area of 2.298 million square meters, 3.0% lower than the sales area operated at the end of 2020.

DEFINITION OF APMs

When preparing the financial information reported internally and externally, DIA's Board of Directors has adopted a series of Alternative Performance Measures (APMs) to gain a better understanding of business performance. These APMs have been selected according to the nature of the Company's business and the APMs commonly used by listed companies in the sector internationally. Nevertheless, these APMs may or may not be totally comparable with those of other companies in the same industry. In

any event, these APMs are metrics used by the company in its day-to-day management and are not intended to replace, or be more important than, the measures presented under IFRS regulations.

The purpose of these APMs is to help better understand the underlying performance of the business through comparable information across different periods and geographies. APMs are therefore used by Directors and Senior Management for performance analysis, planning, reporting, and incentive-setting purposes.

Gross Sales Under Banner: Total value of in-store turnover, including indirect taxes (value of sales receipts) in all the Company's stores, both owned and franchised. This concept therefore includes among others:

- Franchisees' turnover from sales to end customer. Net Sales record the value of sales of goods by DIA to the franchisee. In addition to the sale of goods and associated discounts and incentives, amounts invoiced as a percentage of the franchisee's final sales figure are recorded in net sales for licensed rights and ancillary technical and commercial assistance services, and for the provision for the assignment of commercial use and monthly operation of the 2020 franchise model.
- Mobile phone top-up transactions. Net sales only include the amount of commission associated with these transactions.
- Concessions' turnover from sales to end customer (meat and fish counters among others). In general, the concession-holder makes use of the at the point of sale space for which it is invoiced for a sublease recorded as "other income". In addition, DIA charges a commission to the concession-holder for point-of-sale terminal collection management, which is registered as "net sales". As for the purchase of goods, the concession-holder may purchase goods from a third party or otherwise from DIA. Group net sales include sales of DIA goods to the concession-holder and the collection management fee. Gross sales under banner nonetheless include all sales by the concession-holder to the end customer.

In the case of Argentina, the Gross Sales under banner are adjusted using domestic price inflation to isolate the hyperinflationary effect.

Gross sales under banner is a metric used to monitor turnover at the Group's points of sale compared to its competitors in terms of market share and total sales to the end consumer.

NET SALES TO GROSS SALES UNDER BANNER RECONCILIATION

(million of euros)	2021	2020	Change (%)
Net sales	**6,647.7**	**6,882.4**	**-3.4%**
VAT	855.7	968.1	-11.6%
Others	353.6	544.1	-35.0%
Interim inflation adjustment in Argentina	-	505.4	n/a
Total Gross sales under banner	**7,856.9**	**8,899.9**	**-11.7%**

The different components of the growth of the Gross Sales under banner are disclosed below - following adjustment for domestic inflation in Argentina - and include:

a) Comparable Sales Growth (Like-for-Like or "LFL"): the calculation of the LFL sales growth is performed daily and is based on the growth of the gross sales figure under banner for that day compared with the same day of the period being compared and at constant exchange rates, for all those stores that have operated for a period of over twelve months and a day under similar business conditions.

   A store is not considered to have operated under similar business conditions, and therefore does not form part of the LFL calculation basis, in the event that it has been temporarily closed throughout the period considered to carry out refurbishment work or has been significantly affected by objective external causes (e.g. closures related to Covid-19 disinfection tasks, force majeure events such as flooding, among others).

   As an illustrative example, if a store opened on 1 October 2020, its sales are excluded from the daily basis for LFL sales until 30 September 2021. From 1 October 2021 onwards, the store's sales will be considered in the basis of the LFL sales calculation, and for the purposes of assessing growth over the same period of the previous year, the store's sales on the same day of the previous year are taken into account. As an additional illustrative example, if a store remains closed for three days during the 2021 financial year for painting and cleaning tasks, the

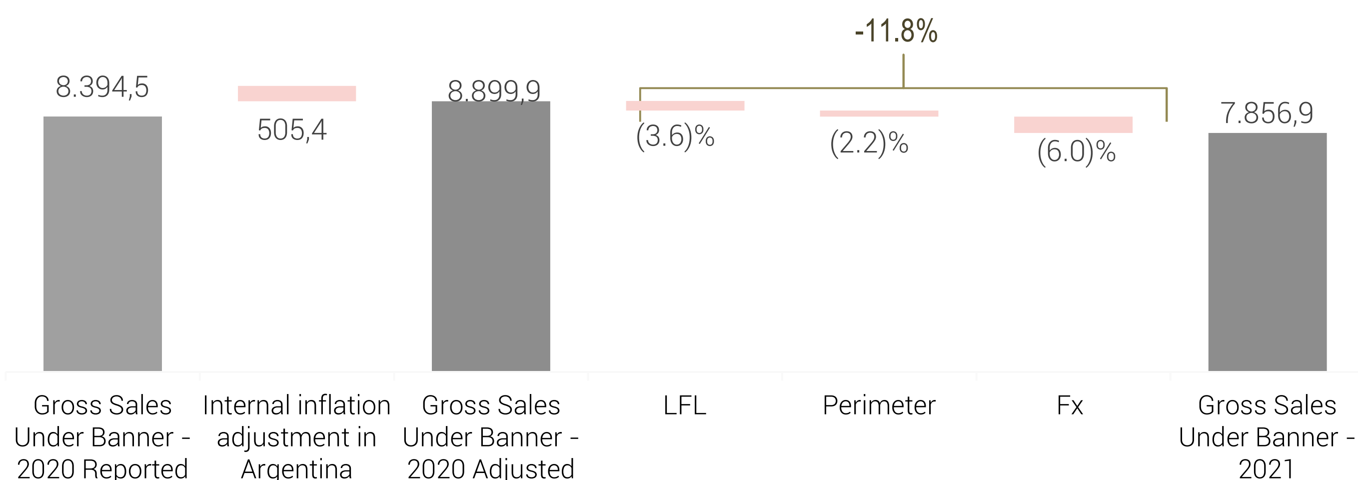
basis for calculation excludes sales by that store on the same days the previous year when it was open.

In addition, as indicated above, the gross sales figures under banner for Argentina have been adjusted previously using domestic inflation to reflect the LFL in volume terms, avoiding miscalculations due to hyperinflation.

Like-for-Like comparable sales growth is used to analyse the evolution of sales in a period compared to a previous period for a comparable sales area and isolating the effects of changes in exchange rates.

b) The growth in gross sales is due to changes in the perimeter of stores due to openings and closures during the period.

c) Currency effect growth related to the devaluation or appreciation of the currencies in which the Group operates.



Gross profit: Profit calculated mainly by deducting from Net Sales and Other Income: (i) goods sold and other consumables; (ii) impairment of trade receivables; and (iii) labour costs, other operating expenses and lease expenses related with logistics activities, as per the reconciliation presented in the 2021 Results section of the Management Report. This metric is used as an indicator of the return obtained from the sale of goods after deducting the acquisition costs of the goods sold, including the logistics costs incurred to deliver the goods to the point of sale, irrespective of the nature of the cost (labour, other operating costs, etc.).

The Company presents in its Management Report a functional profit and loss account in order first of all to show the operational performance of the activity once the logistics costs required to deliver the goods to the point of sale have been reclassified (including, among others, the cost of warehouse personnel and transport costs), which form part of the Gross Profit, and secondly to be able to isolate the restructuring costs and long-term incentive plans, which are exceptional in nature.

Adjusted EBITDA: Adjusted EBITDA is the net operating result (EBIT) plus amortisation and depreciation, impairment of non-current assets, gains/(losses) on disposal of non-current assets, restructuring costs (as described below), costs related with the long-term incentive programme (LTIP) and the effects of applying IAS 29 and IFRS 16. Note 4 to the Consolidated Financial Statements includes a complete reconciliation of Adjusted EBITDA with the captions in the consolidated income statement.

OPERATING PROFIT TO ADJUSTED EBITDA RECONCILIATION (million of euros)	2021	2020	Change
Operating profit (EBIT)	(176.0)	(182.1)	6.1
Depreciation & Amortization	393.0	426.5	(33.5)
Impairment of fixed assets	59.1	26.4	32.7
Losses on write-down of fixed assets	22.9	31.1	(8.2)
EBITDA	**299.0**	**301.9**	**(2.9)**
Restructuring costs	55.4	58.1	(2.7)
Long-term incentive program (LTIP)	11.1	11.6	(0.5)
IFRS 16 lease effect	(267.1)	(270.1)	3.0
IAS 29 hyperinflation effect	26.0	21.3	4.7
Adjusted EBITDA	**124.3**	**122.9**	**1.4**

Restructuring costs comprise costs classified as non-recurrent due to their exceptional nature, either because they arise from events that cannot be controlled by the Company (e.g. costs incurred due to strike action or natural disasters) or because they concern one-off store/warehouse/central office restructuring plans and the procurement of one-off independent advisory services that are strategic to the Group. The main restructuring costs considered by the company are as follows:

- Costs directly associated with scheduled store/warehouse/central office restructuring or closure plans and the conversion of owned stores into franchised stores and vice versa. These costs mainly comprise compensation to staff and penalties for early cancellation of lease agreements.

- Occasionally, other strategic advisory costs such as those associated with drawing up strategic plans or the refinancing of financial debt.

The IFRS 16 effect on rents of 267.1 million euros and 270.1 million euros in 2021 and 2020, respectively, corresponds to costs that would have been accounted for as lease expenses had IFRS16 not been implemented. The difference between these amounts and the payments for leases according to note 13.1 on the Consolidated Financial Statements, Financial debt, amounting to 272.6 million euros and 284.5 million euros in 2021 and 2020, respectively, is due to the fact that the payments include financial leases that were already part of the tangible fixed assets before the application of the new standard, as well as adjustments for hyperinflation and others.

RENTALS WITHOUT IFRS 16 APLICATION (million of euros)	2021	2020
Rentals without IFRS 16 aplication	**267.1**	**270.1**
Lease payments for financial leases prior to the implementation of the standard	8.7	15.9
Hiperinflation adjustment related to rentals	(3.0)	(2.3)
Others	(0.2)	0.8
Lease payments for financial leases (Note 12.1)	**272.6**	**284.5**

The IAS 29 effect represents the impact of hyperinflation in Argentina based on the application of indices and involving the use of the closing exchange rate of the period instead of the average exchange rate, for the conversion of each of the income statement lines to Euros. This effect is adjusted in the calculation of the Adjusted EBITDA as if it were not a hyperinflationary economy and one could therefore evaluate the performance of business unit activity evolution.

The Adjusted EBITDA attempts to explain the Group's operating performance by isolating those non-operational effects that are exceptional in nature or are effects derived from the application of specific accounting regulations (application of IFRS16, IAS 29), restructuring costs and incentive plans.

Capex: investment calculated as the sum of additions of property, plant and equipment and other intangible assets as described in notes 5 and 6 to the Consolidated Financial Statements. Capex is a measure of the Company's investment in fixed assets to contribute to the future growth of its business.

CAPEX RECONCILIATION (million of euros)	2021	2020	Change (%)
Additions - Property, plant and equipment	232.7	75.1	209.8%
Additions - Other intangible asset	13.0	8.2	58.5%
Total Capex	**245.7**	**83.3**	**195.0%**

Net Financial Debt: The Company's financial position calculated by deducting the total value of cash and cash equivalents and the effect of applying IFRS 16 from the total value of outstanding current and non-current financial debt, as explained in note 13.1 to the Consolidated Financial Statements.

(million of euros)	2021	2020	Change
Non-current borrowings	1,023.2	1,625.8	(602.6)
Current borrowings	272.5	589.0	(316.5)
Cash & Cash equivalents	(361.1)	(347.0)	(14.1)
Total net debt	**934.6**	**1,867.8**	**(933.2)**
IFRS 16 related debt effect	(530.4)	(591.5)	61.1
Net financial debt	**404.1**	**1,276.3**	**(872.2)**

Net financial debt is an indicator of the Group's financial leverage excluding liabilities related with finance leases that result from applying IFRS 16.

Available liquidity: this is the result of adding together the Cash and cash equivalents as described in note 11 to the Consolidated Financial Statements, and the undrawn balance of available lines of finance and reverse factoring described in note 19 to the Consolidated Financial Statements. Available liquidity is a metric used to measure the Group's capacity to honour its payment commitments using available liquid assets and finance.

AVAILABLE LIQUIDITY (million of euros)	2021	2020	Change
Cash & Cash equivalents	361.1	347.0	14.1
Available credit facilities	154.3	50.2	104.1
Total liquidity	**515.4**	**397.2**	**118.2**

Working capital: This is the sum of inventories and trade and other receivables less trade and other payables. Working capital is a metric used to measure the amount of callable assets available to settle the Group's short-term payables in everyday operations.

WORKING CAPITAL (million of euros)	2021	2020	Change
Inventories (A)	452.0	445.8	6.2
Trade & other receivables (B)	178.0	128.4	49.6
Trade & other payables (C)	1,274.6	1,183.4	91.2
Total working capital (A+B-C)	**(644.6)**	**(609.2)**	**(35.3)**

In the retail sector, this figure tends to be negative given the fast rotation of produce in stores and the fact that customer collection periods are very short compared to supplier payment terms.

INFORMATION ABOUT THE FORESEEABLE EVOLUTION OF THE GROUP

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

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

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

Some relevant issues that could be highlighted in 2021 are:

- Redefining the proximity store concept we all want in each of our four geographies. Based on the customer value proposition defined to each of the four countries, in 2021 an important large-scale transformation process has been carried out in our stores, mainly in Spain, but also expanding to Portugal and Argentina. During 2021 DIA transformed over a thousand neighborhood stores located in Spain, Portugal, and Argentina.
- Continue developing the ideal assortment, at national, regional, and even local level, in accordance with the customer's value proposition. This task of covering customer necessities and satisfying needs is under continuous evolution. DIA is maintaining and even reinforcing the commercial focus on fresh products, which drive the neighborhood refill mission. All of this accompanied by the highest quality level of our private label, known as "Superbrand", where DIA have launched 2,000 references in 2021. These references combine quality and fun while offering and attractive packaging.
- DIA implemented the new franchise model, already announced in 2020, and based in a real partnership with local entrepreneurs, providing system processes and services, stablishing long term win-win relationships, and offering the best shopping experience to the customer.
  During 2021 the new franchise model was rolled-out in Spain, Portugal, and Argentina and, almost the full franchise network in all three countries operates in accordance with the new model (which does differ from country to country).
  2021 has been an important turning point in stopping the outflow of franchisees from the DIA system and currently is expanding the presence of franchises within the system (both existing franchisees that are increasing the number of franchised stores as well as new franchisees attracted to the new model).
  All of the above based on a constant monitoring of the franchisees' satisfaction metrics and continuous collaboration to ensure the lasting partnership nature of DIA's relationship with the franchisee partners.
- In terms of digital and technological transformation, DIA can highlight the reinforced presence in both ecommerce and express delivery. E-commerce and express delivery complement the proximity of the neighborhood stores, adding up a long-term and increasingly personalized omnichannel customer relationship. The efforts in 2021 were focused in strengthening our technology and product leadership to accelerate the digital offer roll-out.

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

RESEARCH, DEVELOPMENT AND INNOVATION ACTIVITIES

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

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

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

2.90 million euros was activated during 2021, corresponding to the capitalization of IT developments (4.95 million euros in 2020).

OWN SHARES

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

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

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

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

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

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

EARNINGS/LOSSES PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding throughout both years, excluding own shares.

	2021	2020
Average number of shares	**58,041,123,969**	**6,676,983,717**
Result for the period in thousands of Euros	(257,331)	(363,788)
Result per share in Euros	(0.004)	(0.054)

The weighted average numbers of ordinary shares are as follow:

	Weighted average ordinary shares in circulation at 31/12/2021	Ordinary shares at 31/12/2021	Weighted average ordinary shares in circulation at 31/12/2020	Ordinary shares at 31/12/2020
Total shares issued	58,065,534,079	58,065,534,079	6,677,978,979	6,677,978,979
Own shares	(24,410,110)	(28,908,084)	(995,262)	(984,480)
Total shares	**58,041,123,969**	**58,036,625,995**	**6,676,983,717**	**6,676,994,499**

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

AVERAGE PAYMENT PERIOD TO SUPPLIERS

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

	2021	2020
	Days	Days
Average payment period to suppliers	43	38
Paid operations ratio	43	37
Pending payment transactions ratio	41	40
	Amount (euros)	Amount (euros)
Total payments made	3,861,425,957	3,371,694,184
*Total payment pending	398,586,892	426,131,765

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

The previous average payment period consider in the calculation the reverse factoring with suppliers, being the stablished payment terms in these agreements of less than 90 days.

LIQUIDITY

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

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

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

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

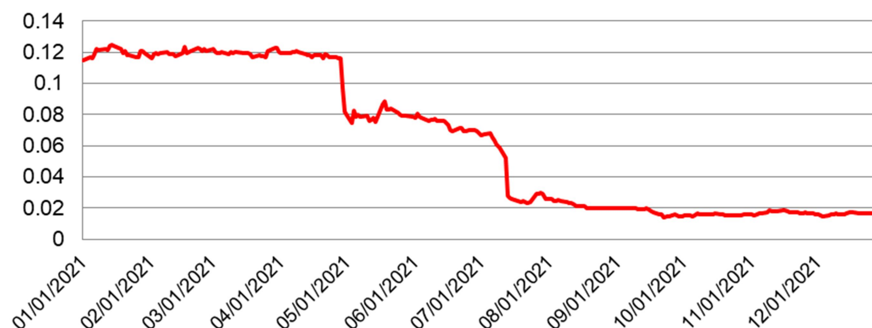
The Group's exposure to liquidity risk at 31 December 2021 and 2020 is shown below. The tables below reflect the analysis of financial liabilities by contracted maturity.

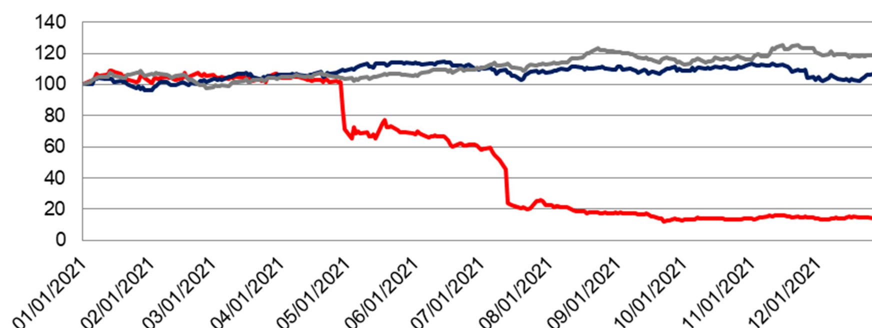
Thousands of Euros	Maturity	2021
Debentures and bonds	2026	30,800
Syndicated credits (Revolving credit facilities)	2025	50,977
Syndicated credits (Term Loan)	2023,2024 and 2025	392,842
Finance lease payables	2023-2031	350,337
Credit facilities drawn down	2025	183,939
Guarantees and deposits received	per contract	13,751
Other non-current financial debt	2023	537
Total non-current financial liabilities		**1,023,183**
Debentures and bonds	2022	467
Other bank loans	2022	57,526
Finance lease payables	2022	198,142
Syndicated credits (Revolving credit facilities)	2022	1,594
Credit facilities drawn down	2022	3,170
Expired interest	2022	7,321
Guarantees and deposits received	2022	916
Other financial debts	2022	3,318
Trade and other payables	2022	1,274,612
Suppliers of fixed assets	2022	116,894
Personnel	2022	56,954
Other current liabilities	2022	47,319
Total current financial liabilities		**1,768,233**

Thousands of Euros	Maturity	2020
Debentures and bonds	2023	295,599
Syndicated credits (Revolving credit facilities)	2023	133,040
Syndicated credits (Term Loan)	2023	387,289
Other bank loans	2022	200,136
Finance lease payables	2022-2042	414,587
Credit facilities drawn down	2023	183,509
Guarantees and deposits received	per contract	11,055
Other non-current financial debt	2022	575
Other non-current financial liabilities	2022	2,306
Total non-current financial liabilities		**1,628,096**
Debentures and bonds	2021	303,795
Other bank loans	2021	72,982
Finance lease payables	2021	197,373
Syndicated credits (Revolving credit facilities)	2021	3,153
Credit facilities drawn down	2021	3,158
Expired interest	2021	5,170
Guarantees and deposits received	2021	1,026
Other financial debts	2021	2,375
Trade and other payables	2021	1,183,353
Suppliers of fixed assets	2021	54,133
Personnel	2021	84,625
Other current liabilities	2021	32,886
Total current financial liabilities		**1,944,029**

The finance costs accrued on these financial liabilities totalled 103,258 thousand euros and 108,200 thousand euros in 2021 and 2020, respectively. The reduction in these expenses is mainly due to the reduction in the financial expenses of creditors through financial leases.

STOCK EXCHANGE INFORMATION





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

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

CREDIT RATING

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

DIVIDEND POLICY

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

EXCHANGE RATE CHANGE

Exchange rate change	2021	2020	Variation
Argentinean Peso/Euro (annual closing rate)	0.009	0.010	-11.3%
Brazilian Real/Euro (average rate of the period)	0.157	0.172	-8.8%

Bloomberg exchange rates (a negative change in rates implies a depreciation against the Euro)

EVENTS FOLLOWING THE CLOSE OF THE PERIOD

On 28 January 2022, the Parent Company made a cash contribution of 25,700 thousand euros to DIA Brasil.

On 25 February 2022, the Court of Appeals of Madrid fully revoked the judgment referred to in Note 14 under the headline "Other civil proceedings", by which: (i) the lawsuit filed by Mr Currás against DIA was fully upheld, DIA being ordered to pay 505,500 euros as compensation for the post-contractual non-competition agreement and 61,726 euro as director remuneration, plus legal interest since the legal proceedings, with DIA being awarded the costs of the lawsuit; and (ii) the counterclaim filed by DIA was rejected in full, the latter being awarded the costs occasioned to the other party. In addition, the costs incurred by Mr Currás with the DIA appeal were imposed on DIA. At 31 December 2021, DIA had an accounting provision for these amounts.

Against the aforementioned judgment of the Provincial Court of Madrid, it is possible to formulate extraordinary appeal for procedural infraction and / or cassation, which DIA intends to file within the period legally provided for it (see note 14 of the Consolidated Annual Accounts).

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

OTHER INFORMATION

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

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

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent verification report

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

Pursuant to article 49 of the Code of Commerce, we have verified , with the scope of a limited assurance engagement, the Consolidated Statement of Non-Financial Information ("SNFI") for the year ended 31 December 2021 of Distribuidora Internacional de Alimentación, S.A. (Parent company) and subsidiaries (hereinafter "DIA" or the Group) which forms part of the accompanying DIA's consolidated management report.

The content of the consolidated management report includes information additional to that required by current mercantile legislation in relation to non-financial information, which has not been covered by our verification work. In this respect, our work was limited solely to verifying the information identified in "Appendix I: Table of contents of Act 11/2018 vs. GRI Indicators / Reporting Criteria" included in the accompanying consolidated management report.

Responsibility of the directors of the Parent company

The preparation of the SNFI included in DIA's consolidated management report and the content thereof, are the responsibility of the directors of Distribuidora Internacional de Alimentación, S.A. The SNFI has been drawn up in accordance with the provisions of current mercantile legislation and following the criteria of the *Sustainability Reporting Standards* of the *Global Reporting Initiative* ("GRI Standards") selected as per the details provided for each matter in the "Appendix I: Table of contents of Act 11/2018 vs. GRI Indicators / Reporting Criteria" of the consolidated management report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the SNFI to be free of material misstatement due to fraud or error.

The directors of Distribuidora Internacional de Alimentación, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the SNFI is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code") which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team consisted of professionals specialising in Non-financial Information reviews, specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in a limited assurance independent report based on the work we have performed. We carried out our work in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and in the Guidelines for verification engagements of the Statement of Non-Financial Information issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in nature and timing of execution, and are less extensive, than those carried out in a reasonable assurance engagement and accordingly, the assurance provided is also lower.

Our work consisted of posing questions to management as well as to the various units of DIA that were involved in the preparation of the SNFI, of the review of the processes for compiling and validating the information presented in the SNFI, and in the application of certain analytical procedures and review procedures on a sample basis, as described below:

- Meetings with the Distribuidora Internacional de Alimentación, S.A. personnel to understand the business model, policies and management approaches applied, principal risks relating to these matters and to obtain the information required for the external review.

- Analysis of the scope, relevance and integrity of the content of the SNFI for the year 2021, based on the materiality analysis carried out by DIA and described in section "5.3 Materiality", taking into account the content required by current mercantile legislation.

- Analysis of the procedures used to compile and validate the information presented in the SNFI for the year 2021.

- Review of information relating to risks, policies and management approaches applied in relation to material matters presented in the SNFI for the year 2021.

- Verification, by means of sample testing, of the information relating to the content of the SNFI for the year 2021 and that it was adequately compiled using data provided by the sources of the information.

- Obtaining a management representation letter from the directors and management of the Parent company.

Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that the SNFI of Distribuidora Internacional de Alimentación, S.A. and its subsidiaries, for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the provisions of current mercantile legislation and following the criteria of the GRI Standards selected as per the details provided for each matter in the "Appendix I: Table of contents of Act 11/2018 vs. GRI Indicators / Reporting Criteria" of the consolidated management report.

Emphasis of matter

The Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 relating to the establishment of a framework to facilitate sustainable investments, establishes the obligation to disclose information on the manner and extent to which the company's activities are associated with economic activities that are considered to be environmentally sustainable in relation to the objectives of climate change mitigation and adaptation to climate change for the first time for the year 2021, provided that the SNFI is published as of 1 January 2022. Consequently, comparative information on this matter has not been included. In addition, information has been included in respect of the criteria that the directors of DIA have chosen to apply that, in their opinion, best allow compliance with the new obligation and that are defined in note "Appendix II: Taxonomy" of the SNFI. Our conclusion has not been modified in relation to this matter.

Use and distribution

This report has been drawn up in response to the requirement established in current Spanish mercantile legislation and therefore may not be suitable for other purposes and jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Pablo Bascones Ilundáin

8 April 2022

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

2021 CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

Distribuidora Internacional de Alimentación, S.A. and its subsidiaries have prepared the consolidated non-financial information statement in accordance with the requirements of Act 11/2018 of 28 December, amending the Code of Commerce, the consolidated Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Act 22/2015 of 20 July on the Auditing of Annual Accounts, with regard non-financial reporting and diversity. This report is part of DIA Group's 2020 Consolidated Directors' Report.

EVEN CLOSER

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1. BASIS OF PREPARATION OF THE NON-FINANCIAL INFORMATION STATEMENT

The DIA Group Directors' Report includes both its financial and non-financial information, based on the recommendations contained in the *"Guide for the preparation of management reports of listed companies"* published by the Spanish National Market Commission (hereinafter, CNMV) and the requirements of Act 11/2018 of 28 December, amending the Code of Commerce, the consolidated Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Act 22/2015 of 20 July on the auditing of annual accounts, with regard non-financial reporting and diversity. This "integrated" approach combines information on the environmental, social and employee-related issues needed to understand the impact of the DIA Group's activity with information on the Group's financial position.

The Consolidated Non-Financial Information Statement (hereinafter, "NFIS") of Distribuidora Internacional de Alimentación S.A. and Group subsidiaries (hereinafter, either "DIA", "Group", "DIA Group" or the "Company") (102-1) is issued on a yearly basis and includes consolidated data about the Company[1] for 2021(102- 45; 102-50; 102-52). The information has been prepared in accordance with current legislation on the issues relevant to the Group. A large part of the information contained in the report is structured around the company's main stakeholders, detailing current communication channels, key risks, associated policies, indicators and the main actions taken. The indicators used follow the *Global Reporting Initiative* standards (GRI, selected GRI indicators) and show the Company's performance in 2021 compared to the previous year. In accordance with article 49 of the Spanish Code of Commerce, the NFIS is externally verified with a limited security scope. This verification is carried out in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) and the guidelines on the verification of non-financial information issued by the Spanish institute of certified accountants (*Instituto de Censores Jurados de Cuentas de España*) (102-56).

For any general enquiries about this report, stakeholders should contact the Sustainability and Communications and External Relations departments at calle Jacinto Benavente 2A, CP 28232, Las Rozas de Madrid, or by sending an email to sostenibilidad@diagroup.com or comunicacion@diagroup.com (102-53).

[1] As in the previous year, all companies comprising the DIA Group are included in this report (see table 1. The treatment of companies accounted for using the equity method is the same as that adopted in the financial part of the directors' report, following the accounting criteria). It is however important to note that in terms of size and activity, the most significant companies from an ESG (environmental, social and governance) perspective are: Distribuidora Internacional de Alimentación, S.A. as the parent company; DIA Portugal Supermercados, S.A. and DIA Portugal II S.A. in Portugal; DIA Argentina, S.A. in Argentina; DIA Brasil Sociedade Limitada in Brazil; DIA Retail España, S.A.U., Beauty by DIA, S.A.U. and Grupo El Árbol, Distribución y Supermercados, S.A.U. in Spain. Where indicators refer to the franchise network, this is mentioned accordingly.

2. DIA GROUP PRESENTATION

Distribuidora Internacional de Alimentación S.A. is a leading company in the food and household products distribution sector, aiming to offer the best range of quality products at the best price to its 16 million active[2] customers globally. Its headquarters are in Las Rozas de Madrid (102-3) and it is listed in Spain on the Madrid, Barcelona, Bilbao and Valencia stock markets. The DIA Group is the food retailer with the largest store network, and, at the end of 2021, the fourth largest market share in Spain[3].

At 31 December 2021, the DIA Group operates 5,937 stores in Spain, Portugal, Brazil and Argentina, including franchises and the Clarel brand (2020 closed with 6,169 stores in operation), and employs 38,575 people around the world (compared to 39,583 in 2020) (102- 7).

With global sales of 6,647,660 miles euros at year-end (102-7), the Group has four business units: Spain, Portugal, Brazil and Argentina (102-4). At the end of 2021, Spain represented 63.3% of Group sales (in 2020 it was 65.5%), Portugal 8.9% (in 2020 it was 9.2%), Brazil 12.1% (in 2020 it was 13.5%) and Argentina 15.7% (in 2020 it was 13.4%) (102-6).

Its franchise network, which represents 45.6% of the total store network (2020: 43%), makes the DIA Group the leading franchisor in Spain in terms of turnover and number of stores, and the seventh largest franchisor in Europe.[4]

DIA suppliers, who are essentially local, are chosen using demanding food safety and quality criteria. Together with them, and thanks to a logistics distribution system with 31 warehouses around the world (31 warehouses in 2020 also) (102-4), the DIA Group supplies its network of stores daily so that they can offer the best selection of products at all times.

a. Corporate structure:

Name	Registered address	Activity	Percentage of shareholding 2021	Percentage of shareholding 2020
DIA Portugal Supermercados, S.A.	Lisbon	Wholesale and retail distribution of food and consumer products.	100.00	100.00
DIA Portugal II, S.A.	Lisbon	Retail distribution of food and consumer products.	100.00	100.00
DIA Argentina, S.A.	Buenos Aires	Wholesale and retail distribution of food and consumer products.	100.00	100.00
Distribuidora Internacional, S.A.	Buenos Aires	Service consultancy	100.00	100.00
DIA Brasil Sociedade Limitada	Sao Paulo	Wholesale and retail distribution of food and consumer products.	100.00	100.00
DBZ Administração, Gestão de Ativos e Serviços Imobiliários, L.T.D.A.	Sao Paulo	Administration of properties owned by DIA Brazil.	100.00	100.00
DIA Retail España, S.A.U.	Las Rozas de Madrid	Wholesale and retail distribution of food and consumer products.	100.00	100.00
Pe-Tra Servicios a la distribución, S.L.U.	Las Rozas de Madrid	Leasing of business premises.	100.00	100.00
DIA World Trade, S.A.	Geneva	Provision of services to suppliers of DIA Group companies.	100.00	100.00
Beauty by DIA, S.A.U.	Las Rozas de Madrid	Marketing of drugstore and perfumery products	100.00	100.00
Grupo El Árbol, Distribución y Supermercados, S.A.U.	Las Rozas de Madrid	Wholesale and retail distribution of food and consumer products.	100.00	100.00

[2] "Active customers" refers to customers who have used their fidelity card in 2021.
[3] Kantar Worldpanel, September 2021.
[4] Franchise Direct Ranking 2020.

Finandia, S.A.U.	Las Rozas de Madrid	Loans and credit transactions, including consumer credit and the financing of sales transactions.	100.00	100.00
DIA FINANCE, S.L.U.	Las Rozas de Madrid	Realization for the companies of the group of activities of loan and credit, management of treasury surpluses and in general other products acquisition financing of goods and services..	100.00	100.00
Luxembourg Investment Company 317, S.A.R.L.[5]	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 318, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 319, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 320, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 321, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 322, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
Luxembourg Investment Company 323, S.A.R.L.	Luxembourg	Holding company.	100.00	100.00
CD Supply Innovation, S.L. in liquidation	Madrid	Purchase of private-label products from its partners.	50.00	50.00
ICDC Services, S.A.R.L., in liquidation	Geneva	Negotiation with private-label brands.	50.00	50.00
Horizon International Services, S.A.R.L.	Geneva	Negotiation with private-label brands.	25.00	25.00

Table 1: List of subsidiaries that, together with DIA, S.A., comprise the DIA Group at 31 December 2021, including company name, registered address, main business activity and the company's direct or indirect shareholding (percentage).

b. Shareholder structure at year-end (102-5):

	Percentage of shares 2021	Percentage of shares 2020
Own shares	0.050	0.015
Free Float	22.246	21.157
LETTERONE INVESTMENT HOLDINGS, S.A.	77.704	74.819

Table 2: Significant shareholdings and own shares at 31 December, as reflected in the Annual Corporate Governance Report (ACGR) available on www.diacorporate.com.

[5] Against the backdrop of the agreement to amend and consolidate DIA Group's bank debt, on the 30 August 2019 the General Shareholders' Meeting agreed to a Hive Down at the request of the syndicated lenders. To execute this agreement, and following approval of this transaction by DIA Group's Board of Directors on 26 December 2019, several transactions and legal formalities were initiated during the first few months of 2020 to transfer the Company's main business units to certain subsidiaries, either directly or indirectly, owned by several Luxembourg companies, which in turn are direct or indirect subsidiaries of DIA, S.A.

3. REVIEW OF THE YEAR

2021 has been a year of great progress. Two years ago, the DIA Group embarked on a major transformation process in order to re-establish trust and long-term relationships with all its stakeholders. The Company believes that it has made significant progress on this strategic roadmap within the context of creating a different kind of proximity offering and a digital value proposition that sets DIA apart from its main competitors in the four markets in which it operates.

Key aspects of the progress achieved in 2021 are as follows:

- **Definition of the local store**. Based on the customer value proposition we have defined for each of the four geographical areas in which DIA is present, a major large-scale transformation process of the store network has taken place in 2021. In total, upwards of one thousand local stores have been transformed in Spain, Argentina and Portugal during the year.

- **Continuous development of the perfect range** on a national, regional and even local basis, so as to respond to evolving customer needs. The company's focus on offering top quality fresh produce in neighbourhood stores has been strengthened and the quality of private-label goods, known as "Superbrand", continues to be developed with 2,000 new products launched in the last two years..

- The roll-out of a new franchise model, already announced in 2020, based on a genuine alliance with local entrepreneurs. This model, which is based on the maxim of establishing long-term win-win relationships, has already been rolled out across almost the entire franchise network in Argentina, Spain and Portugal. This milestone, together with other initiatives that have been launched to **improve franchisee satisfaction, has resulted in a rise in** the number of franchises in 2021, thanks both to franchisees who are increasing their number of franchises and to new franchisees attracted by the new model.

- In terms of **digital and technological transformation**, our strengthened presence in online and express delivery channels stands out. E-commerce and express delivery complement the proximity format with the digital component, bringing omnichannel customization to customer relationships. Efforts in 2021 have focused on strengthening the technology and product teams so as to speed up the roll-out of the digital offering.

- Achieving a **stable, long-term capital structure** via a capital increase of Euros 1,028 million, which provides the company with additional liquidity to continue its expansive transformation process.

- Initiating a **cultural roll-out plan** to further develop the teams and skills needed to achieve the ambitious performance target the Company has set for itself. As part of this new culture, which is based on trust, transparency and achieving satisfactory results for all, another notable milestone is the approval of the **DIA Group's first Sustainability Plan**, where the primary objective is precisely to contribute to the creation of value for all stakeholders.

2021 was also a year in which DIA had to continue managing the effects of the **Covid-19** pandemic, which continued to have an impact on the healthcare of customers, employees and franchisees and on the flexibility the company had to develop to cover the inevitable absences. That said, the very swift response to the pandemic implemented in 2020 and the spectacular adaptation of teams, who have very effectively integrated all the measures adopted, has allowed the organisation to return to its desired strategic and operational focus in 2021.

Before the closing of these Annual Accounts, another event in the geopolitical field had an important impact on the Company's current situation. This is the conflict in Ukraine derived from Russia's foreign policy, which translates into the following risks for DIA Group:

- Operational risk of raw materials crisis produced by the shortage of them. This risk affects, on the one hand, the materialization of the dependence on suppliers' risk caused by the impossibility of having the necessary raw materials to produce their products, and on the other hand, the risk of supply chain management caused by the increase in fuel price and potential shortage of products in stores and points of sale.

In relation to the risk of international sanctions from the EU in response to the Ukraine crisis and, in particular, with the sanctions packages against Russia, the Company has informed the CNMV, through publications of Other Relevant Information, dated February 28, 2022, March 15, 2022 and March 22, 2022 that, in the context of the EU's restrictive measures in response to the Ukraine crisis and, in particular, in relation to international sanctions imposed against Russia, the Company is controlled by Letterone Investment Holdings S.A. ("LIHS"), which holds a stake of 77.704% of its share capital and, in addition, according to the information currently available and from LIHS, no individual shareholder of LIHS holds, either individually or by agreement with other shareholders, control of LIHS. Consequently, the Company is not affected by the international sanctions adopted in response to the Ukraine crisis.

4. BUSINESS MODEL AND STRATEGIC PILLARS

(102-2)

The DIA Group creates value[6] by meeting the daily food and hygiene needs of all families. Over 2 million tickets sold every day and 16 million active Club DIA members worldwide as of 31 December 2021 bear witness to this value[7].

The DIA Group's business model looks specifically to create this value. By analysing the competitive context in which the Company operates and identifying its strengths, the company outlines a set of systems and activities to transform this capital into value created for customers, shareholders and other stakeholders.

[6] Value creation can be measured or demonstrated in terms of "usefulness" for the meeting of human needs, as mentioned by C. Bowman and V. Ambrosini in "What does value mean and how is it created, maintained and destroyed?" –Cranfield School of Management, 2003.

4.1. Business context: trends and risks that impact on the food distribution industry

Changes in consumer behaviour around new lifestyles, their preferences for certain shopping channels or their perception of value can create attractive business opportunities for companies such as the DIA Group. Some of the key trends are described below (102- 15):

- Proximity: 63% of respondents to a 2017 survey stated that proximity, convenience and ease were the most important factors when choosing a supermarket, an increase of 18% compared to 2010[8]. This increase can be explained by the time constraints facing consumers. According to the same survey, 38% of respondents stated that they spend less time shopping than they did five years ago, 38% that they work more than ever, and 53% that they do not have enough time.

- Online shopping: worldwide, consumers are changing their habits by increasing their online shopping instead of going to the supermarket bringing the market share of online food shopping to around 4% (some studies forecast this market share to be around 10% by 2025). The impact of the Covid-19 pandemic on this figure is indisputable: 80% of online users state that they started using this channel because of the restrictions on movement caused by Covid-19[9]. The bulk of online customers also shop in physical stores, meaning that "digital proximity", based on the combination of physical stores and the online channel, is a relevant factor to take into account when trying to understand this phenomenon. Customers also make their product choices largely on the basis of what they have previously seen in the store, thus reinforcing the relationship between these two channels.

- Private-label growth: the Spanish food market has seen solid growth in private-label penetration (measured as the share of private-label products in total food sales), increasing from 19.7% in 2002 to 36.9% in 2018[10], demonstrating growing consumer demand for value for money.

- Fresh produce and health: several underlying socio-demographic and consumer trends are increasing the demand for fresh produce and healthy products. In the Spanish market, three of the top four and six of the top eight product categories, in order of importance for consumers when choosing a retailer, are related to fresh produce[11].

The risks inherent in the food industry also define the competitive context facing DIA. Below are the main risks:

- Inflation on the price of raw materials and supplies: many of the DIA Group's private-label and national brand products include highly volatile ingredients, such as wheat, corn, oils, milk, sugar, proteins, cocoa and other commodities. Any increase in commodity or supply prices, such as electricity or gas, may cause suppliers to seek price increases, which can affect the company's gross margins or reduce revenue as a result of a decrease in the average number and size of customer transactions.

- A proliferation of new regulatory requirements in the fields of health, the environment and trade and a lack of coordination between different regions. Regulatory changes may require certain products to be reformulated so as to comply with new standards, the discontinuation of certain products that cannot be reformulated, the creation and maintenance of additional records, or different labelling; in relation to store operations, particularly in Spain and Portugal, the Group must adhere to European and local regulations governing opening hours and days; in environmental matters, several regulations relating to climate change and the circular economy have flourished at European, national and regional levels, to which the company must adapt.

[8] Cetelem Observatory, Consumo Europa 2017; MAPAMA; Kantar Worldpanel.
[9] V E-commerce observatory on food by ASEDAS. María Puelles and Gonzalo Moreno.
[10] Kantar Worldpanel.
[11] In-house research (survey of over 1500 consumers on shopping behaviour and attitudes).

- Difficulty in responding to changing customer attitudes and purchasing preferences. The fast moving consumer goods (FMCG) industry has always closely followed and responded to new customer demands. However, in addition to new demands on value, price and product range, there are now also new preferences on shopping channels, which adds an additional layer of operational complexity to the need for companies to adapt to meet their customers' tastes.

- International market volatility: the Group's exposure to international market volatility is focused on its businesses in Brazil and Argentina. In Brazil, economic growth has slowed and Argentina's economy has suffered from economic, social and/or political instability and hyperinflation.

4.2. DIA Group's business strengths

In the highly competitive context of food distribution, identifying the organisation's unique strengths and competencies is key to defining a business model that effectively and sustainably achieves the desired creation of value.

- Proximity to customers and capillarity: the Group has a distribution network of more than 5,900 stores targeted mainly at the proximity format, which enables favourable consumer trends such as those mentioned above to be exploited. Not for nothing does DIA have the largest distribution network in Spain[12] with 63.5% of the Spanish population being within a 15-minute walk of a store (including Clarel)[13]. It is also the most common supermarket in towns with less than 10,000 inhabitants[14]. As a result of this proximity, the Group has a greater and better understanding of customer preferences and needs, which allows the product offering in a specific region to be swiftly and flexibly adapted to ensure customer satisfaction. It is worth mentioning that DIA's proximity value has multiplied in the unprecedented context of the global Covid-19 pandemic, when the importance of proximity for ensuring that everyone's right to food is met has been more evident than ever.

ARGENTINA	Own	Franchises	TOTAL
Total stores at 31 December 2020	286	621	907
Total stores at 31 December 2021	264	648	912
BRAZIL	Own	franchises	**TOTAL**
Total stores at 31 December 2020	462	317	779
Total stores at 31 December 2021	570	167	737
SPAIN	Own	franchises	**TOTAL**
Total stores at 31 December 2020	2,441	1,477	3,918
Total stores at 31 December 2021	2,191	1,598	3,789
PORTUGAL	Own	franchises	**TOTAL**
Total stores at 31 December 2020	298	267	565
Total stores at 31 December 2021	202	297	499
SUMMARY OF GROUP STORES	Own	Franchises	**TOTAL**
Total stores at 31 December 2020	3,487	2,682	6,169
Total stores at 31 December 2021	3,227	2,710	5,937

Table 3: Number of own stores and franchises in DIA Group.

- Business model with over 45% of franchised stores: this model has enabled the DIA Group to scale its operations and improve its capillarity and brand recognition in a profitable way. Moreover, this model, in which DIA has 30 years of experience, allows for great flexibility in terms of both store management and operations. The Group is the largest Spanish franchisor in terms of turnover and number of stores, among the top six in Europe and among the top twenty-five franchisors in the world[15].

[12] Among Spain's leading retailers in terms of market share, DIA had the largest store network in the market with 3,476 outlets as at 30 June 2020, followed by Mercadona with 1,628 and Eroski with 1,321.
[13] In-house DIA Group analysis.
[14] "Despoblamiento rural: la brecha de la desigualdad" (*Rural depopulation: the inequality divide*), Luis Camarero and Jesús Oliva.
[15] Franchise Direct 2020; Kantar Worldpanel.

- Private-label experience and value for money: DIA was the first company to introduce private-label products in Spain more than 40 years ago. The Group is able to develop high quality private-label products and offer them at competitive prices due to its sales volumes, extensive experience, strong supplier relationships and potential savings in marketing and advertising costs.

- Large base of loyal customers: the ClubDIA loyalty programme, which was launched over 20 years ago, had 16 million active members at 2021 year-end. More than 70% of sales are made using the ClubDIA loyalty card, which gives the company in-depth knowledge of the needs and tastes of its customers.

4.3. Pillars of transformation for value creation

Given this business context, DIA's strategy for the coming years to achieve its business objectives is built around three basic pillars:

- Ongoing development of an attractive commercial value proposition. In all the markets it operates in, the Company is working on an improved product range, with significant investment in fresh produce and the development of a new private-label offering. These new products include ready-to-eat products and combine quality, value for money and more attractive packaging. In the last two years, over 2,000 *superbrand* products have been launched with these characteristics. The remodelling of stores to achieve an improved appearance and support the fresh produce offering, and the commitment to online deliveries in the four countries the Group operates in, complete this pillar in the search for an attractive commercial proposal for the customer.

- Development of an improved franchise model. The company has opted for a new model based on a simpler and more transparent relationship, better payment terms and greater help and support for the franchisee. The ultimate objective of this model is to boost sales and attract highly professional franchisees, making the DIA franchise the most competitive model in the food distribution industry. At year-end, it had already been implemented in almost all of the franchises in Spain and Portugal and in 75% of the franchises in Argentina. Brazil has defined its new model, which is ready for implementation in 2022.

- Operational excellence. The Company is also fully committed to achieving operational excellence by reducing complexity through the ongoing redesign of the operating model across the supply chain and its logistics business. This will translate into a better service for franchise partners and customers and also savings.

4.4. Business purpose

(102-16)

The DIA Group works under the maxim that in order to maintain this creation of value for its customers and shareholders in the medium and long term, the company must also create value for the rest of its stakeholders. "Closer every day" is the Company's new purpose, encouraging all its employees to be aware of what makes them unique as an organisation; proximity, being closer to all its stakeholders and better able to meet their needs. The company's conviction and determination to target its management at this purpose is reflected in the fact that improvements in stakeholder satisfaction (customers, employees, franchisees, suppliers and shareholders) are monitored directly by the Group's Management Board.

In addition, in 2021, as will be explained in detail below, the Company approved a new Sustainability Policy, the ultimate aim of which is to promote the creation of shared value and to ensure that short-term value creation does not compromise the Company's long-term value creation capacity. This Policy goes together with the setting out of the Group's first Strategic Sustainability Plan, thus ensuring its implementation.

5. MORE SUSTAINABLE EVERY DAY

5.1. A sustainable business model

Ensuring value creation for all stakeholders and guaranteeing that short-term decisions do not compromise the company's ability to continue creating value in the future. This is the definition of what DIA understands by "sustainability" and what guides the company's day to day work to become one of the most competitive companies in the industry.

This is set out in the DIA Group's 2021 Sustainability Policy, which updates and summarises the previous Corporate Social Responsibility and Environmental policies, and whose precise purpose is to lay out the principles and mechanisms for action that enable the company to exercise its desire to be "closer every day" to its stakeholders.

One of the main instruments for making this vision a reality was the Board of Directors' approval of the DIA Group's first Strategic Sustainability Plan 2021-2023, in February 2021. This Plan outlines commitments, actions and performance indicators for the most significant issues for the Group, ensuring proactive management of both sustainability risks and opportunities.

In addition to the approval of this Plan, a governance model has been defined to ensure the implementation of this sustainable vision, the allocation of accountability for sustainability and the achievement of objectives. Improved stakeholder satisfaction (customers, employees, franchisees and suppliers) and monitoring the performance of the Strategic Sustainability Plan in relation to internal targets is the responsibility of both the Group Management Committee and the Management Committees in each of the countries. The Board of Directors is ultimately responsible for implementing both the Sustainability Policy and the Sustainability Plan (102-20).

To summarise, the Sustainability function, reporting directly to the chairmanship, has been given a clear mandate in 2021 and, possibly for the first time, has gained strategic value to help ensure the Company's value creation in both the short and long term.

5.2. Strategic Sustainability Plan 2021-2023: even closer

The Strategic Sustainability Plan 2021-2023 is a roadmap that sets out the sustainability priorities for the coming years. This Plan is aligned with and, in some cases, complements the strategic priorities identified by the different business units to improve stakeholder satisfaction, ensuring proactive management of the challenges society faces. The DIA Group therefore considers this Plan as a tool to be "even closer".

5.3. Materiality

(102-15)

The process of identifying these priorities for action has been carried out taking into account the concept of dual materiality, i.e. identifying both the risks and opportunities that the DIA Group's activity may entail for society and the challenges that the social context imposes on DIA's business model. Different inputs have therefore been analysed and taken into account:

External inputs:

- Benchmarking of main competitors.
- Stakeholder expectations: this materiality analysis has been done by indirectly identifying the short- to medium-term expectations of key stakeholders, i.e. through business representatives who have direct contact with customers, employees, franchisees and suppliers. Although this first Sustainability Plan has prioritised the attention given to these stakeholders, the visions of other groups have also been included not only by analysing the main sustainability indices and standards, but also through the opinion and diagnosis of a group of eight independent experts with extensive experience in the sustainability field. The direct demands of the main stakeholders

in the short to medium-term have been combined with the longer-term time scale (102-40; 102-42; 102-43).

Internal inputs:

- Interviews with the heads of the main corporate departments, as well as with the CEOs in each country.

- Key internal documents: such as the risk map, the business plans of the different countries and the recently defined Company purpose.

- Materiality study of the different sustainability indices and standards for the food distribution industry, especially the Dow Jones Sustainability Index and the Sustainability Accountability Standard Board.

As a result of this analysis, out of the 25 potential issues originally assessed, fifteen priorities or material issues have been selected for work in the coming years. These issues relate to sustainability risks (operational, compliance or reputational risks) and opportunities for value creation, and they span the company's entire value chain, from food production to feeding families.

As explained above, the DIA Group believes that value is created whenever and wherever a need is met. When this value creation is based on exclusive competences, the company is able to create differential value by providing a good or service that no other player can provide in an equally effective way. Based on what is therefore unique to DIA, proximity, the Company has identified distinctive opportunities to create value by providing quality food for all families, wherever they live and whatever their budget, by offering job and self-employment opportunities that help revitalise neighbourhoods, and by improving the relationship with and service provided to franchisees.

Material issues in the Strategic Sustainability Plan 2021-2023[16] (102-15; 102-47)

Food safety
Nutritional profile of private-label goods*
Access to a quality diet*
Sustainability of raw materials*
Human rights management in the supply chain*
Team and employee development
Employee health and safety
Diversity and inclusion in employment*
Franchisee relations
Supplier relations*
Sustainable packaging*
Waste management* and food waste
Climate change
Business ethics
Supporting the community*[17]

The issues required by Law 11/2018, for which no information is provided in this report, are not material to DIA:

- Water consumption: this resource is used exclusively for cleaning and not for production purposes and consumption is not therefore considered to be significant. The company does however promote responsible water use in its internal communications.

- Light and noise pollution: the impact is minor, as store lights are turned off in full when the stores are closed and the logistics centres are located outside residential areas. In any case, DIA Spain has made further improvements to its noise management process when unloading by changing the goods transportation method from metal vans to wooden pallets.

[16] Each material issue will be appropriately addressed in the report chapters below.
[17] *Issues that are now more material than when the 2016 materiality analysis was performed.

There are other matters required by law that are not material to DIA, but which are reported on. The equivalence table at the end of this report provides specific details.

In conclusion, this materiality exercise combines both the demands of the main stakeholders in the short to medium-term and the identification of issues that are considered relevant from a longer-term perspective, and mirrors the strategic reflection that the DIA Group is employing to ensure a successful business model.

5.4. Sustainability Plan summary and key developments

MAKE QUALITY FOOD ACCESSIBLE TO ALL (CUSTOMER)

FOOD SAFETY: Ensure that robust food safety systems are in place to guarantee the safety of products.

NUTRITIONAL PROFILE OF PRIVATE-LABEL GOODS: Create a nutrition strategy for private-label goods in each country.

ACCESSIBILITY OF FOOD: Help families, regardless of their budget or where they live, to eat a balanced diet.

BUILD A DIA COMMUNITY IN EVERY NEIGHBOURHOOD (EMPLOYEES AND COMMUNITY)

TEAM AND EMPLOYEE DEVELOPMENT: Support the professional development of teams and their alignment with the cultural transformation process.

EMPLOYEE HEALTH AND SAFETY: Ensure management systems that guarantee the health and safety of employees and significantly reduce serious accidents (15% less than in 2020).

DIVERSITY AND INCLUSION IN EMPLOYMENT: Make the DIA Group a company that values diversity and encourages the inclusion and development of people from different backgrounds.

SUPPORT THE COMMUNITY: Increase food donations to support the communities in need where the Company operates.

UNDERSTAND AND SUPPORT PARTNERS AT SOURCE (FRANCHISEES AND SUPPLIERS)

FRANCHISEE RELATIONS: Improve franchisee satisfaction in every country the Company operates in.

SUPPLIER RELATIONS: Improve supplier satisfaction in every country the Company operates in.

SUSTAINABILITY OF RAW MATERIALS: Outline plans for the transition to improved sustainability of essential raw materials (deforestation, sustainable fishing, animal welfare).

UMAN RIGHTS MANAGEMENT IN THE SUPPLY CHAIN: Introduce a management system that minimises the risk of non-compliance with employment human rights in our relations with third parties.

WORK PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES

PACKAGING: Improve use and recycling of plastic in the packaging of our private-label products. Specifically, for Spain and Portugal:

- 100% recyclable (2025)
- 20% reduction in plastic (2025) 25
- % rPET drinks bottles (2025)

WASTE MANAGEMENT AND FOOD WASTE: Introduce a management system that improves waste management and significantly reduces food waste:

- •40% reduction of waste to landfill (baseline 2020)
- •40% reduction in food waste in Spain and Portugal (baseline 2020)

CLIMATE CHANGE: Reduce the carbon footprint of our operations by at least 20%.

APPLY THE HIGHEST ETHICAL STANDARDS TO EVERYTHING THE COMPANY DOES

BUSINESS ETHICS: Consolidate an internal culture of ethics and compliance at the DIA Group.

In addition to the approval of this Plan, intensive work has been carried out in 2021 to guide the organisation towards achieving the commitments set out in the Plan. These include:

- The creation of plans and structures to ensure the implementation of a sustainable vision, the allocation of accountability for sustainability and the achievement of objectives.

  - The start of an internal communications plan.
  - The creation of baselines/indicators in IT systems to measure progress on all material issues identified by the Plan.
  - The start of sustainability-centred dialogue with the Management Board and the Board of Directors and, as mentioned above, the inclusion of key stakeholder satisfaction indicators as part of the monitoring objectives of the main governing bodies.

- Progress on all priority issues identified in the Sustainability Plan. The key developments include the following:

  - General improvement in main stakeholders satisfaction.
  - Drawing up of a policy on respect for human rights in the supply chain and the start of a responsible sourcing programme to implement it.
  - Progress in inclusion in employment: in Spain alone, over 20,000 people have passed regulated training courses that prepare them to work in different roles at DIA and for other companies in the industry. In addition, in partnership with several NGOs, a further 205 people at risk of exclusion have been trained and have completed work-experience placements at DIA. 161 of these individuals have joined the company's workforce.
  - The presence of women in senior positions in the company has improved with 38% of female directors at year-end (compared to 33% last year).
  - Serious accidents have dropped by 45% compared with previous year.
  - 209 products have been reformulated to reduce their fat, salt and sugar content, and the first assessment of the nutritional quality of the entire private-label range has been carried out in relation to the main nutritional standards and the market.
  - The proportion of sales of fresh products has grown by 21% in just one year.
  - Projects have been launched to help families access food, wherever they live (14,500 people living in villages without an organised retail store and 5,000 people who live in one of Europe's most depopulated regions now have access to fresh DIA products), and whatever their budget (in partnership with NGOs and universities, a study has been launched to understand the barriers that lead the most vulnerable families to have poorer quality diets and how to address them).

- In 2021 in Spain alone, around 5.5 million kg of virgin plastic were eliminated from the packaging of private-label products.
- The proportion of waste sent to landfill, which is now transformed into new products, and the proportion of food waste has been reduced by approximately 9 and 7% respectively.

6. GOOD GOVERNANCE AND COMMITMENT TO THE HIGHEST ETHICAL STANDARDS

The DIA Group's corporate governance system strives to ensure not only the meeting of targets and Company growth, but also an appropriate climate of control and compliance with both internal and external regulations.

The company's internal regulations are in line with the Spanish Companies Act, the CNMV's Code of Good Governance for Listed Companies and best practice in listed companies. The most significant regulations are the Articles of Association, the General Shareholders' Meeting Regulations, the Board of Directors Regulations, the Audit and Compliance Committee Regulations, the Internal Code of Conduct on the Securities Market, the Code of Ethics and corporate policies.

So as to move forward with corporate governance issues and notwithstanding the fact that it is already included in its operating regulations (which can be viewed on www.diacorporate.com), the Company has a specific policy on Managing Conflicts of Interest and Related-Party Transactions, which contains applicable standards thereon, with a clear commitment to transparency, independence and a focus on complying with the best good corporate governance standards.

Moreover, an external assessment of the performance of the Board and its committees was carried out in 2021 in order to develop an action plan for continuous improvement in corporate governance based on the results obtained.

6.1. Composition and structure of the Board of Directors

(102-18; 102-22)

In accordance with its regulations and through the Appointments and Remuneration Committee, DIA's Board of Directors ensures that director selection procedures encourage a diversity of knowledge, experience, age and gender. Proposed appointments are always based on a prior analysis of Board needs so that each member is a professional with a clear executive background and ample experience in retail and consumer goods related businesses.

On 30 August 2019, the Extraordinary General Shareholders' Meeting set the maximum number of Board of Director members at eight. The professional backgrounds of the members of the Board of Directors can be viewed on DIA's website. Board members are taking a new approach to performance management and financial oversight.

Generally speaking, the new organisational structure aims to create a leadership culture with a strong focus on accountability, ethics, performance management and a sense of commitment.

At 31 December 2021, the Board of Directors had the following members: Mr Stephan DuCharme, Mr Jaime García-Legaz, Mr Sergio Antonio Ferreira Dias, Mr José Wahnon Levy, Ms Basola Vallés Cerezuela, Marcelo Maia, Vicente Trius Oliva and Luisa Delgado.

Director remuneration

In accordance with the Spanish Companies Act and the Company's internal regulations, members of the Board of Directors shall receive remuneration, in their capacity as directors, that is determined by the General Shareholders' Meeting via the approval of a Remuneration Policy, submitted for approval at least every three years. Director remuneration for each financial year, which is explained in detail in the Annual Remuneration Report, consists of a fixed cash payment and a deferred share-based payment.

On 30 August 2019, the Extraordinary General Shareholders' Meeting approved a new 2020-2022 Director Remuneration Policy with the following features:

- Engagement, attraction and talent retention: the aim of the Remuneration Policy is to reward quality, dedication, accountability, business expertise and engagement with the Company of individuals in key posts who lead the organisation.
- External and internal equality: the external competitive environment and internal equity shall be taken into consideration when setting remuneration.
- Transparency.
- Encourage the long-term creation of value for the Company and its shareholders.
- Proprietary directors shall not be paid for their work as directors.

Board members	From	To	Financial instruments	Fixed remuneration	Indemnities	Non-compete	Other (remun. in kind)
Mr. Christian Couvreux	01/01/2021	15/02/2021	50.0	21.4	—	—	—
Mr José Wahnon	01/01/2021	31/12/2021	—	150	—	—	—
Mr Jaime García-Legaz	01/01/2021	31/12/2021	—	165.9	—	—	—
Ms. Basola Vallés	01/01/2021	31/12/2021	—	120	—	—	—
Mr Stephan DuCharme	01/01/2021	31/12/2021	—	—	—	—	—
Mr Sergio Ferreira Dias	01/01/2021	31/12/2021	—	—	—	—	—
Mr. Marcelo Maia	01/01/2021	31/12/2021	—	112.1	—	—	—
Mr. Vicente Trius	29/09/2021	31/12/2021	—	25.8	—	—	—
Ms. Luisa Delgado	01/11/2021	31/12/2021	—	25.1	—	—	—
TOTAL			50	620	—	—	—

Average remuneration paid (thousands of euros)

	2021		2020	
	Men	Women	Men	Women
Directors	110.55	145.10	585.32	114.00

Table 4a and 4b: Total and average remuneration paid to directors for all items of remuneration, taking into account the actual time each director has served as a director during 2021 into the average remuneration calculation, in thousands of euros. As proprietary directors do not receive any remuneration for their work on the Board, they have not been taken into account in the calculation of average remuneration. Due to the death of Mr. Christian Couvreux in 2021, shares net of withholdings in the amount of Euros 50 thousand have been given out, which have not been taken into account when calculating the average remuneration paid per gender. For further information, see Note 20 to the Consolidated Annual Accounts and the Annual Director Remuneration Report for 2021.

Board committees

There are several Board committees that are governed by the Company's articles of association, the Board of Directors Regulations and the specific committee regulations, if applicable. These Committees are structured as follows:

Audit and Compliance Committee
Mr José Wahnon Levy (Chairman, Independent Director)
Mr Sergio Ferreira Dias (External Proprietary Director
Mr Jaime García-Legaz Ponce (Independent Director)

Appointments and Remuneration Committee
Ms Luisa Delgado (Chairwomen, Independent Director)
Ms Basola Vallés Cerezuela (Independent Director)
Mr Marcelo Maia (Other External Director)

Generally speaking, the Board's composition and organisational structure aim to create a leadership culture with a strong focus on accountability, ethics, performance management and a sense of commitment.

6.2. Governance model for supervision and control

(102-18)

The DIA Group supervises and controls using a three-line model of defence. The first line are the functions in charge of day-to-day operations, responsible for setting out the controls that mitigate the risks linked to their lines of business. The second line is represented by the internal control, risk management, compliance and ethics functions, which assess, supervise and guarantee that the controls implemented by the first line are effective, that the identified risks are correctly managed and that regulations are effectively complied with. Lastly, a third line is provided by internal audit, which gives independent assurance on the effectiveness and proper running of the Company's processes, including internal control and risk management.

The supervision and control model of governance is vested in three committees made up of senior executives who ensure that the business objectives are achieved in line with agreed values and applicable regulations. All these committees inform regularly to the Audit Committee.

6.2.1. Risk Management Committee

It aims to introduce the necessary tools and procedures to identify, prevent, minimise and manage the risks linked to all areas of activity, ensuring that the business objectives are met in a sustainable manner. It is made up of the heads of the business and corporate departments, in addition to the head of risk control and management. The Committee seeks to make decisions arising from the running of the risk management system and has the following responsibilities:

- Ensure the proper functioning of the risk management system (to identify, measure, control, manage and report the most important potential risks affecting the Group).

- Ensure that the system effectively and efficiently eliminates or mitigates the most significant risks.

- Guarantee that emerging risks are properly identified, analysed, assessed, monitored and reported.

In order to correctly implement the risk management process, in 2021 work began on the introduction of a comprehensive risk management system that includes both the measuring of inherent risks and the assessment of controls, mitigating measures and action plans to monitor each of the risks identified in 2020. In parallel, the identification of these risks is being updated through the creation, in 2022, of a corporate risk catalogue aligned with the Company's strategic objectives and the priorities of the Management Board.

This risk catalogue, which will be the subject of the risk map for each business unit and the DIA Group, is made up of both financial risks (including tax risks) and non-financial risks (strategic, compliance, operational and reputational risks). The non-financial risks specific to the DIA Group and its key stakeholders are detailed in the relevant report chapters.

In 2021, risks inherent to the business model, the Group's activity and the market environment, derived from own and extraordinary circumstances related to business development and economic situation.

To deal with the COVID-19 crisis, the DIA Group deployed human and technical resources, as well as action protocols, necessary to make compatible the primary objective of the protection of health and well-being of its employees, in order to maintain an adequate level of service to all its customers from our warehouses and stores, in order to guarantee the functioning of the global food distribution chain of which DIA Group forms part, an objective that has been successfully met.

Additionally, there have been risks related to:

- The high competition in the food distribution sector.
- The delay in adapting the business model to the needs of the market, as the needs of the market are changing, and it is necessary to agilely adapt to them.
- The political and social situation of the countries in which the Group operates, since the instability in this regard has caused the supply chain to be affected from time to time.

- Exchange rate risk due to the presence in the Group of countries with a high currency fluctuation. Argentina, country in which the Group operates, achieved the status of a hyperinflationary economy in 2019.

6.2.2. Internal Control Committee

Its objective is to promote the effectiveness of the internal control system and develop and update internal regulations that regulate it. It is the forum in which proposals for improvement are channelled and strengthening is facilitated in the different scopes of control. If it is considered that the control environment in place is not sufficient, the Internal Control Committee may propose new controls associated with each process, which may involve the segregation of duties, the preparation and use of certain policies or procedures, or the independent control of certain activities, to name a few. This committee is made up of one manager from the different control areas and the internal control manager.

In terms of the regulatory system, DIA has several instruments that have been suitably documented and disseminated across the organisation and, where appropriate, the value chain as well:

- Code of Ethics: foundation of the company's regulatory and values system.
- Corporate policies[18]: these policies set out the general principles that should govern all Company matters, following the recommendations of the Unified Good Governance Code of Listed Companies. If applicable, they are approved by the Board of Directors.
- Mandatory standards: these standards set out the mandatory criteria and controls that must be performed in processes of high impact and those of a critical nature for the Group. These standards were developed in 2020 on the recommendation of the Audit Committee and are approved by the Group's Internal Control Committee. During 2021, they have been included in the company's operations and updated. At the end of 2021, the DIA Group has 30 of these mandatory standards.
- Specific internal Group and country regulations: They constitute the set of standards, procedures and manuals that govern the functioning of the areas in each region.

This regulatory system has been strengthened in 2021 with the roll-out of a corporate values programme in line with the business purpose of being "closer every day": customer, entrepreneurship, results, trust and learning.

Specific control systems, such as the Financial Information Control System or function of Data Protection, are also in place to carry out this internal control function.

6.2.3. Ethics Committee

(102-16)

It aims to foster an ethical culture within the organisation. The DIA Group's Ethics Committee heads up the Ethics Committees in different countries and is in charge of implementing the Code of Ethics. The Board of Directors receives a quarterly report from the Group's Ethics Committee and is in charge of assessing the Code's effectiveness and of issuing the amendments it deems appropriate in order to meet the desired objectives.

The Code of Ethics is not only the cornerstone of the ethics and compliance system, but also the foundations for the development of the other policies and standards governing the business. This Code formalises the DIA Group's ethics model and the guidelines for the mandatory conduct of Group employees, executives and directors, including the parent company and its subsidiaries, and has been

[18] The policies that cannot be delegated by the Board of Directors according to law, the Company's Articles of Association or the Good Governance Code recommendations are available on www.diacorporate.com.

updated in 2021 to ensure that the ethical principles are fully aligned with the Company's values. In addition, a Whistleblowing Hotline is in place for reporting any irregularities, anonymously and confidentially, which is provided by an external third party and managed internally, guaranteeing the whistleblower's indemnity at all times (102-17).

Suppliers, franchisees and contractors are informed of the Code of Ethics and they may access the Whistleblowing Hotline under the same guarantees as any other employee.

Summary of Sustainability Plan performance

Associated non-financial risks[19]	Key matter in the sustainability plan	2021 indicator and result	Assessment
Fraud Difficulty in effectively showing the DIA culture Damage to the company's reputation and/or image	Business ethics	Number of confirmed reports of corruption, discrimination or harassment.: 15	Partially achieved
		Percentage of participation (and completion) of training in ethics and compliance by employees: 65.5%	Partially achieved
		Average number of days to resolve complaints: 78	Achieved

In 2021, 548 reports were received and admitted for processing via the Whistleblowing Hotline. 533 of these are complaints of non-compliance (compared to 301 the previous year) and 15 are enquiries (compared to 39 the previous year). This 77% increase in reporting is not viewed negatively, but rather as a positive indicator of awareness and confidence in the whistleblowing channel. As shown in table 5, 19 of these reports come from outside the DIA Group and 273 are anonymous.

Following investigation, of the 483 reports closed in 2021, no reports of corruption have been confirmed in 2021 (no cases confirmed in 2020 either) (205-3). There is one confirmed case of discrimination in Argentina that has led to the reported person leaving the company (in 2020, there were no confirmed cases of this kind) (406-1). Lastly, 14 reports of harassment have been confirmed by the Ethics Committees (compared to 2 in 2020). 13 of these 14 cases have happened in Brazil and relate to 7 separate cases, due to several complaints about the same events. The other complaint of harassment relates to a case in Spain. The 8 confirmed cases have resulted in the reported person leaving the company. The other complaints have either been rejected (341), or they have been confirmed and other corrective measures have been adopted (such as training, change of functions or provisional leave).

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
	2021	2020	2021	2020	2021	2020	2021	2020
No. of internal reports	32	51	171	44	25	18	14	7
No. of external reports	2	11	9	-	5	4	2	1
No. of anonymous reports	69	34	136	82	54	38	14	11
No. of reports	103	96	316	126	84	60	30	19
No. of reports resolved	89	72	297	104	70	34	27	14
No. of reports ongoing	14	24	19	22	14	26	3	5
No. of internal enquiries	1	-	2	13	1	-	1	-
No. of external enquiries	-	-	1	4	-	-	-	-
No. of anonymous enquiries	2	-	4	16	3	4	-	2
Total No. of enquiries	3	-	7	33	4	4	1	2
No. of enquiries resolved	3	-	7	31	1	4	1	2
No. of enquiries ongoing	-	-	-	2	3	-	-	-

Table 5: Whistleblowing Hotline activity in 2021 and 2020.

Another of the priorities for improving the Group's ethics management and for increasing the confidence of employees and other stakeholders is to achieve greater agility in the management of the reports received

[19] Unless otherwise specified, the associated non-financial risks are part of the company's risk map.

through the whistleblowing hotline. In 2021, the number of ongoing reports at the end of 2021 decreased by 35%, and the average resolution time is 78 days at Group level, improving the 90 day target set.

Lastly, the organization's commitment to ethics has resulted in a new investment in training in 2021, which completes the effort already made the previous year. In 2021, a total of 16,384 Company employees received training in ethics and compliance, compared to 17,733 employees trained in these areas in 2020. In the specific case of training on the Code of Ethics, 65.5% of the employees present at the end of 2021 had passed this training program (which took place between 2020 and 2021). It is worth noting that the programs Ethics and compliance training courses aim to ensure that all the countries in which DIA operates share the same values, the same culture of ethics and integrity. Therefore, they always develop homogeneously and harmonized for all of them. The Company works to identify effective training channels for the network of stores that make it possible to improve the rates of this training in all the Group's countries

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
Training in anti-corruption policies / Code of Ethics/ other (205-2)	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Directors	-	-	-	-	-	-	-	-
Executives	23	21	25	25	63	85	18	4
Managers	417	471	289	626	1,277	653	142	12
Employees	1,170	1,235	2,520	5,038	8,694	9,212	1,746	351
TOTAL	1,610	1,727	2,834	5,689	10,034	9,950	1,906	367

Table 6: Employees pro-actively trained in anti-corruption policies or the Code of Ethics or other, by professional category. This information includes face-to-face and online learning using training platforms.

As part of the objective of promoting an ethical culture is the compliance function, whose objective is to identify, assess, control and report risks of non-compliance with applicable legal regulations. In addition to a Compliance Policy that defines the principles of compliance and the bases for how the function operates, the following policies should be noted:

- The Anti-Bribery Policy, which aims to set out compliance regulations for the supervision and safeguarding of DIA's position with regard to bribery and establish effective communication and awareness mechanisms between the obliged parties in order to prevent, detect and react to bribery-related issues.

- The Policy on Managing Conflicts of Interest and Related-Party Transactions, which aims to establish and regulate the procedure applicable in situations in which there is a direct or indirect clash between the interests of DIA or the DIA Group companies and the personal interests of the members of the governing bodies of the DIA Group companies and their representatives. In 2021, work has been carried out to expand this policy to all DIA Group employees and this was reported on in the first few months of 2022.

- The International Sanctions Policy, which aims to establish a regulatory framework for all scenarios in which the DIA Group may be involved during the course of its commercial activities and to set out an authorisation procedure that allows DIA to maintain control of all relationships entered into with third parties. To implement this policy, a tool was created in 2021 that centrally validates all suppliers before the start of any business relationship.

The DIA Group also has a Policy for the Prevention of Crimes and Anticorruption and an Anti-fraud and Anti-corruption programme, which identifies and assesses these risks in each of the jurisdictions in which it operates, overseen by an appointed manager. The risks identified by this programme include bribery, facilitation payments, money laundering[20], conflicts of interest, distortion of market competition, financing political parties, their candidates or their foundations, or influence peddling.

[20] In terms of money laundering, DIA is not subject to application of Law 10/2010 and it has not therefore prepared a specific money laundering prevention policy within the anti-fraud programme. The Company does however have control and restriction systems within its procedures to manage issues relating to money laundering: authorisation platforms are used for payments to suppliers for goods and services and cash payments are strictly limited within the Company (generally speaking, cash payments are not allowed and if they are needed under exceptional circumstances, they are

Additionally, DIA Spain has updated its Crime Prevention Model that detects and assesses the risk of a crime being committed that could result in the legal entity being held criminally liable, as well as the standards, procedures and controls needed to prevent these crimes from being committed. Internally, the compliance function is responsible for ensuring the maintenance and proper functioning of the model and reports directly to the Board's Audit Committee.

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duly registered and documented under the mandatory controls). As with the other risks relating to the prevention of crimes that could lead to the legal entity being held liable, they are reviewed and reported on regularly.

6.2.4. Internal Audit Department

The internal audit function of the DIA Group plays a fundamental role in the good governance of the company as independent and objective assurance and consultation activity, designed to add value and improve operations of the organization. Thus, this function helps the organization to meet its objectives by providing a systematic approach and disciplined to assess and improve risk management, control and governance processes.

The annual plan of the internal audit function of the DIA Group is drawn up based on the Group's risk map, considering, among others, the most relevant risks and identifying the processes associated with them. Through the tests performed by the internal audit function an independent opinion is obtained as to whether the controls implemented in the reviewed processes are effective and efficient in mitigating risks. The results of the work carried out are communicated both to the Company's Management and to the Group's Audit and Compliance Committee.

The internal audit function performs its work strictly following the mandatory compliance elements of the International Framework for Professional Practice of "The Institute of Internal Auditors" including: (i) the Principles Fundamentals for the Professional Practice of Internal Auditing, (ii) the Code of Ethics, (iii) the Standards, and (iv) the Definition of Internal Audit.

7. MAKING QUALITY FOOD ACCESSIBLE TO ALL CUSTOMERS

DIA stores are within a 15 minute walk of 63.5% of Spanish people. DIA is also the company with the most sales points in towns of under 10,000 inhabitants[21]. DIA's presence in all types of neighbourhood, something that is repeated in all regions, plays an essential role in providing access to quality food at the best prices for all families, wherever they live and regardless of their budget. In fact, the value of proximity in facilitating people's right to good food was clearer than ever during the pandemic and in the context of extreme weather events, such as the snowstorms experienced earlier this year in Spain. The significant investments made in the remodelling of the stores, around 143 million euros in 2021, are aimed at improving the experience of everyday customers who are so important to DIA.

This is the context in which food safety, the nutritional quality of its private-label goods and access to food have become a priority in the DIA Group's Sustainability Plan. Despite this, "DIA's proximity" is not only physical. Proximity means offering the best service to the customer, knowing them in depth and adapting this service as far as possible to their tastes and needs; it also means offering the best multi-channel experience and being the best in the home straight; and of course, proximity means offering the best products, including the freshest and most seasonal products, at the best price.

Main communication channels with customers

The DIA Group has used different channels to communicate with and listen to its customers:

- Customers can also use ClubDIA to voluntarily rate their shopping experience, the application itself or to directly contact the DIA Group with queries, suggestions and complaints. Moreover, club members receive a questionnaire after each shop, asking them to quickly rate their shopping experience.
- The online shopping pages and related apps (DIA online) can also be used by customers to rate products and fill in a customer services contact form.
- The Group uses social media for business and corporate communications. The Group has accounts on the most popular platforms in all the countries it operates in, including Facebook, Twitter, Instagram and YouTube.
- Customer service: in 2021, more than 500,000 communications were dealt with and analysed through this service, via its multiple available channels (telephone, web, chatbox), in order to get to know the customer better and offer a satisfactory response.

Key policies governing customer relations and their functions

- The Corporate Food Safety and Quality Policy: aims to develop a trust-based relationship with customers via a system that guarantees adequate production, processing and management of all products offered by the Company.
- The Customer Marketing and Communication Policy: based on respect for commitments to customers, honest verbal and written communications and integrity in all professional corporate activity within this context. To this end, customer communications are based on the general principles of transparency, proximity, equality and quality.
- The Corporate Information Security Policy: aims to define the guidelines for ensuring the confidentiality, integrity and availability of information. Employees, staff and external collaborators who need to access the Company's information systems must comply with this policy. Although

[21] "Despoblamiento rural: la becha de la desigualdad" (*Rural depopulation: the inequality divide*), Luis Camarero and Jesús Oliva.

this policy applies to all stakeholders, it is mentioned here because of its particular impact on the protection of customer rights.

Summary of Sustainability Plan performance

Associated non-financial risks	Key matter in the sustainability plan	2021 indicator and result	Assessment
Food crisis/food safety risk Inadequate definition of product portfolio (value proposition)	Food safety	% of approved suppliers: 89%	Partially achieved
	Nutritional quality of private-label goods	Number of products reformulated to improve nutritional profile: 209	Achieved
		Growth in sale of fresh produce: 21%	Achieved
		Reference percentage of "healthy" products in private-label range (available in 2022).	NA
	Access to quality food	Number of vulnerable people impacted by the programme (networks, press, etc.) (available in 2022)	NA
		Customers in districts without stores and food deserts reached by DIA (Spain): 14,500 and 5,000	Achieved

7.1 Food safety

The DIA Group's food safety policy sets out the principles applied across the supply chain and defines the tools to be used to implement this policy in order to guarantee product safety and quality.

This policy is based on two main pillars:

- Supplier approval: this allows the manufacturing process to be verified to ensure that it meets the quality and food safety guarantees required by the DIA Group for all its suppliers of products manufactured under its private-label.

- Process auditing: allows products to maintain their characteristics across the supply chain and reach the consumer in perfect condition.

In terms of approval requirements, in Spain and Portugal, all suppliers must have an IFS or BRC certificate at all factories where DIA-brand products are produced. In Brazil and Argentina, this certificate can be replaced with an equivalent audit report undertaken by DIA. In 2021, 89% of suppliers are approved in terms of food safety at Group level (416-1). Although this is slightly behind schedule, we expect 100% of suppliers to meet this requirement in the first half of 2022.

Once the product arrives at DIA's facilities, it is subjected to a product safety and quality control plan, as well as the monitoring of other essential aspects, such as order and cleanliness, the cold chain, traceability, good hygiene practices and correct product rotation through audits at warehouses and stores. In 2021, 15,128 audits (8,872 the prior year) were performed, including processes to ensure maintenance control of the cold chain across the Group and the freshness of the fruit and vegetables on offer in stores.

7.2. Nutritional quality of the DIA brand

The relationship between a good diet and health is an undisputed fact these days. Therefore, the DIA Group is in the process of defining and measuring the quality of its private-label goods (nutritional strength), with the ultimate aim of drawing up a policy that establishes how to treat this attribute both in terms of product development and in the subsequent promotion and sales processes.

The first milestone in this regard has been the development of a tool that enables diagnoses to be made regarding the nutritional quality of the upwards of 6,800 private-label products (over 6,300 in 2020) with respect to the main nutritional standards (nutriscore, World Health Organization recommendations, NOVA, Chilean alert standards and other own standards) and also with respect to the market, when this information is available. In addition, a series of indicators have been agreed upon to measure the performance of the DIA portfolio in this regard. This first snapshot, which will be ready in early 2022, will be the basis for future decision-making on these matters.

In any event, the DIA Group has already begun a project to improve nutritional quality by considerably reducing hydrogenated fats and added trans-fats in all its private-label goods. Furthermore, in Argentina, Spain and Portugal, work has also been undertaken to reduce the sugar, salt and fat content of certain food categories, reformulating 199 products in 2021. In Spain alone, this reformulation meant that 130 tonnes of saturated fats and over 830 tonnes of sugar were prevented from entering the market this year.

	ARGENTINA		BRAZIL		SPAIN		PORTUGAL	
	2021	2020	2021	2020	2021	2020	2021	2020
Number of private-label products reformulated	10	-	-	-	90	48	109	-

Table 7: Number of private-label products reformulated in order to reduce the amount of fat, sugar or salt.

Along these lines, DIA's concern with offering its customers products with an enhanced nutritional profile is reflected in the launch of products such as palm oil-free crisps and in the efforts to revamp and promote certain categories, such as frozen vegetables or dried fruit and nuts, which are generally deficient, based on the EAT-Lancet Commission’s healthy diet reference. Moreover, in all the countries in which the Group operates, significant funds have been invested to ensure that all stores offer the freshest possible fruit and vegetables, placing them as a central focus in the store layout. Thanks to these efforts, proportion of sales of fresh produce in the DIA Group have increased in 2021 by 21%.

7.3. Access to quality food

DIA’s main strength, customer proximity, together with the complete offer of products and always competitive prices, makes it one of the industry's best positioned companies to aid people's right to access food, wherever they live and whatever their budget.

As stated, a rule of thumb replicated in every country in which DIA operates is that the capillarity of DIA stores extends through all kinds of neighbourhoods, regardless of purchasing power, and in countries with a greater presence, the chain reaches a huge number of districts, including the smaller ones.

High	Medium- High	Medium	Medium-Low	Low	Very low
7%	11%	14%	14%	17%	9%

Table 8: Distribution of DIA Group supermarkets in Spain in accordance with income levels (INE) and census track.

This unique position, which will be reinforced by online service expansion across all countries, will give the DIA Group the edge so that families can access fresh, quality products, regardless of their post code. This includes upwards of 75,000 people living in what could be classified as “food deserts” [22] only in Spain.

In fact, in 2021 the DIA Group, in partnership with a third party, managed to bring food to over 14,000 people living in municipal areas with no store and 5,000 people in food deserts in the province of Soria, by means of a sales and logistics plan that ensures supplies to all municipal areas in Europe's most unpopulated province. The DIA Group ensures weekly supplies of fresh produce to people who would otherwise have great difficulty accessing a balanced diet, since these regions tend to be inhabited by an

[22] Food desert: the term ‘food desert’ was originally coined in the US. Here, food desert is used to refer to towns whose inhabitants have to travel over 15 km as the crow flies to reach a proper retail establishment.

elderly demographic with limited independence. The aim in the coming years is to draw up an expansion plan that will specifically address access to a quality diet in the most inaccessible rural areas in both Spain and Portugal.

Food quality is clearly connected to the risk of suffering from non-transmissible diseases (such as ischaemic heart disease and strokes), which represent the main causes of death worldwide[23]. The DIA Group recognises this fact and has already identified the nutritional profile of its private-label goods as one of the issues to address in the coming years, as mentioned in point 7.2. At the same time, as mentioned previously, the particular presence of DIA in more humble neighbourhoods in which the offering of fresh and safe produce is limited[24], enables the company to create distinctive value by providing a quality diet to more vulnerable families. The company's investment in promoting the fresh produce category in all of its stores is in alignment with this goal. Additionally, DIA has begun working on projects in collaboration with NGOs and universities to better understand the reasons that explain the greater impact of obesity on the poorer classes.

The preliminary results of the analyses carried out in Spain seem to support the idea that the cost of a balanced diet, contrary to the initial perception of the families taking part in the study[25], is not an insurmountable barrier to having a healthy diet, and there are many other factors of an educational, psychosocial and commercial nature that come into play. According to the initial results, the participants of the experimental group that underwent the awareness programme, and were monitored for 10 weeks, reported significant improvements in their patterns of consumption and even improved certain biomedical parameters (mainly weight loss). The aim of the DIA Group is to be able to outline a large-scale programme to help families who wish to achieve a more balanced diet, regardless of their budget.

[23] World Health Organization 2019.

[24] Dynamics of the complex food environment underlying dietary intake in low-income groups: a systems map of associations extracted from a systematic umbrella literature review. Sawyer et al. 2021.

[25] 52 adults and 14 children from vulnerable environments took part in this study, which divided the families into a control group and an experimental group. The final results will be published on the appropriate forums throughout 2022.

8. BUILD A DIA COMMUNITY IN EVERY NEIGHBOURHOOD

Its network of over 5,900 local stores allows the Group to be very present in different neighbourhoods and to understand first-hand what is happening through the talent they provide us. How DIA strives to be close to its customers by offering services that meet their needs was explained in the previous chapter. This new chapter now shows how employees form part of this DIA community, which is built from each store up, and how the company interacts with the most disadvantaged groups in these areas. The following chapter describes how DIA forms part of neighbourhoods through another key player: the franchisee.

8.1. Human capital

The DIA Group has a diverse workforce made up of 38,575 employees at 2021 year-end. Of all DIA employees, 67.3% work in Europe (Spain and Portugal) and 32.6% work in Latin America (Argentina and Brazil), compared to 73% and 27% in 2020, respectively.

Workforce by country, status, gender and age at 31 December (405-1)

			Executives		Managers		Employees	
			2021	2020	2021	2020	2021	2020
ARGENTINA	Men	<30 years	-	-	48	27	617	795
		30-50 years	16	13	282	254	1,127	1,172
		>50 years	3	4	29	28	33	25
	Women	<30 years	-	-	23	27	344	449
		30-50 years	5	4	216	108	750	836
		>50 years	1	-	10	5	22	22
	TOTAL		25	21	608	449	2,893	3,299
BRAZIL	Men	<30 years	-	-	4	4	2,090	1,670
		30-50 years	14	18	149	98	1,575	1,168
		>50 years	12	4	17	10	140	67
	Women	<30 years	-	-	4	2	2,439	1,967
		30-50 years	2	4	112	52	2,418	1,922
		>50 years	-	-	3	1	95	51
	TOTAL		28	26	289	167	8,757	6,845
SPAIN	Men	<30 years	-	1	44	13	1,143	1,550
		30-50 years	42	55	459	258	3,312	3,759
		>50 years	10	12	148	94	1,056	1,079
	Women	<30 years	-	-	54	5	2,078	2,624
		30-50 years	14	21	548	263	10,762	12,233
		>50 years	13	20	164	78	3,214	3,142
	TOTAL		79	109	1,417	711	21,565	24,387
PORTUGAL	Men	<30 years	-	-	2	-	269	382
		30-50 years	6	3	49	17	530	659
		>50 years	4	1	23	15	87	89
	Women	<30 years	-	-	2	-	453	742
		30-50 years	6	5	68	35	1,240	1,460
		>50 years	1	-	4	3	170	156
	TOTAL		17	9	148	70	2,749	3,488

Table 9: Total number and distribution of employees by gender, age, country and professional category[26]. Directors, franchisees and other external workers have not been included in this breakdown. One Executive and one employee from DWT have been included in Spain.

Main communication channels with employees

There are several channels for communicating with employees, the majority of which encourage two-way communication. The main channels are as follows:

- Corporate website for employees: an area where communication, the sharing of expertise, leisure activities and the dissemination of corporate information are encouraged.
- Bulletins: a weekly publication that shares good practice and strategy developments with all Group employees. In addition, operational teams also receive daily and weekly bulletin updates about the projects they are taking part in.
- Regular surveys about different issues (from specific initiatives to general assessments of corporate culture) to find out what employees think. These communications channels, regardless of whether they are managed internally or via a third party, guarantee anonymity and total privacy regarding the responses given by employees.
- New regular communication channels between top management and employees for closer contact with leadership and to share business developments and progress made in the transformation process.

Key policies governing employee relations and their functions

- The Corporate Human Resources Policy: includes the DIA Group's commitment to create jobs and to develop professionals within the context of the Company s corporate values. This policy also aims to encourage DIA's long-term commitment to generating pride and a sense of belonging, adapting to the cultural, employment and business contexts in each of the countries where it operates.

The DIA Group does not have separate diversity, training and disconnect from work policies. The majority of human resource management issues are however included in the Group's general Human Resources Policy.

Summary of Sustainability Plan performance

Associated non-financial risks	Key matter in the sustainability plan	2021 indicator and result	Assessment
Difficulty in effectively showing the DIA culture Problems attracting and retaining talent Occupational accidents	Employee and team development	Employee's level of recommendation: improvement	Achieved
	Employee health and safety	Reduction in serious accidents (%) 45%	Achieved
	Diversity and inclusion in employment	Number of people with disability on workforce: 465	Partially achieved
		Number of employees at risk of exclusion: 161	Achieved
		Percentage of female managers: 38%	Partially achieved

[26] The executives group includes the five highest categories in the organisation, managers includes the next three categories in the organisational hierarchy and employees refers to the remaining categories.

8.1.1. Responsibility for quality employment

A significant portion of DIA's workforce operates under permanent (92% in 2021 compared to 89% in 2020) and full-time (81% in 2021 compared to 79% in 2020) contracts, as shown in the following tables.

Total employees by contract type and working hours at 31 December (102-8)

	2021	2020
Permanent	35,498	35,380
Temporary	3,077	4,203
TOTAL	38,575	39,583
Full-time	31,168	31,218
Part-time	7,407	8,365
TOTAL	38,575	39,374

Table 10: Total number of employees by contract type and working hours. Directors, franchisees and other external workers have not been included in this breakdown.

Average annual contracts by gender (number) (102-8)

	2021		2020	
	Men	Women	Men	Women
Permanent	12,630	23,570	12,290	23,419
Temporary	1,131	2,833	1,791	3,682
Full-time	12,862	19,249	13,071	19,495
Part-time	900	7,153	1,010	7,606

Average annual contracts by age (number) (102-8)

	2021			2020		
	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years
Permanent	8,698	22,594	4,907	8,419	22,714	4,576
Temporary	1,926	1,828	211	2,860	2,342	271
Full-time	8,762	19,259	4,090	9,221	19,544	3,800
Part-time	1,862	5,164	1,028	2,058	5,512	1,047

Average annual contracts by professional category (number) (102-8)

	2021			2020		
	Executives	Managers	Employees	Executives	Managers	Employees
Permanent	139	2,325	33,737	164	1,446	34,099
Temporary	2	24	3,939	2	8	5,463
Full-time	141	2,297	29,673	165	1,421	30,981
Part-time	-	51	8,002	-	34	8,582

Tables 11a, 11b & 11c: Average annual number of employees by contract type, gender, age and professional category. Directors, franchisees and other external workers have not been included in this breakdown. The 2020 average contracts by age have been restated.

In 2021, as in 2020, 100% of employees in Brazil, Spain and Portugal were covered by a collective agreement, either at company or industry level (in Argentina this figure is 70% of the workforce compared to 71% the previous year), and the Company has 1,058 trade union representatives worldwide (1,057 in 2020) (102-41). Given the countries the DIA Group operates in and the significant number of trade union representatives, there is no perceived risk of basic human and employment rights being violated (such as child labour, forced labour, freedom of association or the right to collective bargaining) in internal processes. Among others, the Group's Code of Ethics and Whistleblowing hotline were created to help safeguard the DIA Group's commitment to respecting these values and others.

In terms of the remuneration policy, DIA salaries are in line with market conditions and employment agreements. Merit is the key driver of salary growth and the DIA Group has various performance assessment mechanisms. Store and warehouse employees are assessed based on their performance and productivity, both on an individual and group basis. In the offices, individual objectives are focused on individual performance and they are aligned with the Company's results. In 2021, average wages have fallen slightly, especially due to a reduction in overtime, which was very high in 2020 due to the pandemic.

		Average remuneration paid (euros) (405-2)					
		<30 years		30-50 years		>50 years	
		2021	2020	2021	2020	2021	2020
Executives	Men	-	-	202,041.05	184,329.05	255,880.81	147,088.21
	Women	-	-	135,147.07	114,139.54	170,628.19	129,976.54
Managers	Men	20,815.33	24,742.01	34,219.10	33,574.23	44,370.71	43,158.97
	Women	23,422.28	19,828.97	29,175.09	34,450.65	42,269.08	49,877.84
Employees	Men	9,934.18	10,116.23	15,425.82	15,445.31	20,851.47	22,261.16
	Women	9,191.81	9,748.33	14,834.04	15,285.44	17,684.05	18,446.75

Table 12: Average remuneration paid[27] by category, gender and age range (Euros).

Employee turnover has increased compared with 2020 (see table 13) due to the reorganisation of certain departments, particularly in Brazil.

		Employee turnover (401-1)							
		2021				2020			
		<30 years	30-50 years	>50 years	TOTAL	<30 years	30-50 years	>50 years	TOTAL
Executives	Men	-	6	4	10	-	19	16	35
	Women	-	2	3	5	-	3	3	6
Managers	Men	5	84	30	119	3	39	14	56
	Women	3	146	47	196	-	20	7	27
Employees	Men	661	595	71	1,327	631	535	45	1,211
	Women	668	1,319	227	2,214	732	808	127	1,667
TOTAL		1,337	2,152	382	3,871	1,366	1,424	212	3,002

Table 13: Employee turnover by category, gender and age.

[27] All elements received by employees in 2020 are included, except payments in kind. This includes the fixed pay actually processed and paid, additional payments based on working hours, productivity and performance bonuses and distribution of profits. The salary for the only executive under 30 years of age is not reported in line with current data protection legislation.

8.1.2. Employee and team development

In a sector as competitive as food distribution, one of the strategic priorities of businesses like the DIA Group is not only to attract, but also to retain talent.

Hence, the company has set up a close monitoring and employee satisfaction improvement scheme in all the regions in which it is present. This programme is based on regular monitoring of the commitment and satisfaction of employees and drawing up action plans accordingly to manage issues of concern for the over 38,500 employees of the Group. As a result of this programme, overall employee satisfaction has risen exceeding the target set.

Among the actions carried out to improve employee satisfaction in 2021, three key projects that address the goal of improving personal development and the “DIA team” stand out:

- Drawing up and rolling out a values programme that guides how things are done at DIA to fulfil goals and be a desired employer. These values, which are summed up in the word CLOSE (CERCA in Spanish), are fully aligned with the company's purpose to be “closer every day” and form the foundations of all human resources management processes (102-16).
    - **Customer:** We live for the customer. He is our compass and our guide.
    - **Entrepreneurship:** We are entrepreneurs. We feel that the business is ours.
    - **Results**: We work to achieve results extraordinary**.** We always go further.
    - **Confidence**: We put people at the center and build trust. Our relationships are warm and authentic.
    - **Learning**: We love to learn. We are humble and demanding.

- Promoting a DIA Group leadership development programme, which measures the alignment of leaders with the values and strategic competencies defined, as well as their potential. Conducted through interviews with the HR team and a team of external consultants, each participant receives an individual report which is used to design a personalised development plan. 191 people have taken part in this programme in 2021. In order to generate a culture of continuous learning, improve commitment and enhance the performance of functions, a further 83 employees took part in coaching and mentoring programmes. An indirect benefit of these programmes is that they boost cross-departmental relations and promote collaboration between the company’s different functions.

- Investment in training: in 2021, DIA has made particular efforts to support employee development through training, increasing overall training hours by more than 40%, which is even higher than pre-pandemic levels. In addition to the training outsourced to external suppliers, the DIA Group has over 30 of its own training centres for employees and franchisees. These centres provide training to employees in more specific tasks, such as running the meat and fish counters. Particular investment has been made in franchisee training services, as explained further on. Special attention has been given this year to training on risk prevention and, at a more competence-based level, on digital transformation.

		Training (404-1)					
		Executives		Managers		Employees	
		2021	2020	2021	2020	2021	2020
Men	Training hours	909.8	549.9	17,622.5	5,817.70	92,349.9	57,698.60
	Average training hours	9.0	4.9	14.7	6.8	7.4	4.3
Women	Training hours	498.9	351.9	21,094.6	3,233.90	212,366.1	137,121.30
	Average training hours	12.5	6.7	18.4	5.4	8.4	5.1
TOTAL TRAINING HOURS		1,430.3	901.8	38,750.2	9,051.60	304,731.8	194,819.90

Table 14: Annual training hours and average training hours by professional category and gender.

8.1.3. Occupational health and safety

DIA has its own Occupational Risk Prevention Service, which deals with occupational safety and industrial hygiene, ergonomics and applied psychology. Health is monitored through external prevention services.

Occupational health and safety is a basic principle of excellence in human resource management and its importance has been emphasised as such in the Group's Strategic Sustainability Plan. DIA is committed to reducing serious accidents by 15% over the coming years, a reduction that will be achieved by improving employee health and safety management systems. In 2021, a reduction of 45% has been accomplished, reaching the target ahead of time.

The main improvements to the management system in 2021 have to do with the involvement of managers in the monitoring of actions derived from the regular audits and with the investment in awareness raising and training to create a culture of safety in the workplace. Investment in occupational risk prevention has practically tripled with respect to the prior year, resuming a level of normality that had been displaced due to the exceptional nature of 2020. This does not mean that we have let our guard down in terms of Covid prevention in the workplace, in fact, training sessions have been held to help staff be more resilient and emerge stronger from the adverse situation we have experienced. However, in 2021 we have once again been able to focus on issues that had been set aside in 2020, such as those more closely related to employee mental health.

Lastly, all the protection measures and procedures approved in 2020 for managing the Covid-19 pandemic, including the updating of prevention plans and management of positive cases and possible close contacts, have been upheld in the different work centres throughout 2021 (despite this, hours of absenteeism have significantly dropped this year, due partly to the official reduction in the number of days employees need to isolate for if they test positive). All work-life balance measures derived from the Mecuida Plan in Spain have also been upheld, such as the option for shorter working hours of up to 100%. Beyond the contents of the collective agreements, there are no specific additional health and safety agreements with unions, although all related issues are covered by the agreements.

	Absenteeism and key health and safety indicators (403-9; 403-10)			
	Men		Women	
	2021	2020	2021	2020
Hours of absenteeism	1,435,810.8	1,845,492.0	3,636,971.9	4,504,923.30
Number of accidents	841	841	1,153	1,221
Accident frequency index	32.5	31.7	27.1	28.0
Number of serious accidents	11	25	6	6
Severity index	0.7	0.6	0.6	0.6
Work-related ill health	11	16	38	27
Deaths	-	-	-	-

Table 15: Absenteeism and main health and safety indicators. Absenteeism reflects hours absent due to illness, accident or unjustified absence (including Covid-19). The injury frequency rate represents the number of injuries per 1,000,000 employee hours worked. The severity index represents the number of working days lost due to accidents resulting in sick leave, in thousands, divided by the number of hours worked.

8.1.4. Diversity and inclusion

As already mentioned, the vast capillarity of DIA stores enables the business to form part of the socio-economic fabric of the neighbourhoods and towns, offering professional opportunities to a large number of people and reflecting all of these realities. In 2021, over 79 nationalities were employed at DIA, with staff from all generations. In addition, over 8,600 under 25-year-olds and more than 3,800 unemployed persons were hired[28]. Moreover, in Spain alone, over 20,000 people have completed regulated training at DIA schools, giving them the opportunity to work as cashiers, warehouse workers or section managers at DIA or any other company in the industry.

The DIA Group has also made major efforts to offer training and employment opportunities to groups who are in particularly difficult circumstances, such as those at risk of social exclusion. In partnership with strategic partners, such as Cruz Roja and Cáritas, in Spain alone, 205 people have received training and carried out work experience at DIA stores, providing them with skills that can open doors at any other company. Additionally, a total of 161 individuals from job schemes run by Cruz Roja, Cáritas or refugee aid

[28] Data estimated using the hires from one large warehouse in Spain.

associations at risk of exclusion have been hired by the DIA Group in Spain and Portugal. In Argentina, the Company has joined the Te Sumo programme promoted by the Ministry of Production Development to integrate unemployed young people via the franchise from 2022.

In addition to the significant impact that these programmes have on many people, the company is confident that proactive diversity management can achieve significant organisational skills, such as better customer care, better problem resolution and a more open and tolerant culture. For all of these reasons, this is a material issue for the Group. However, to achieve all these benefits, the company is mindful that not only is workplace integration important, but also creating an environment that promotes inclusion and full personal development in equal opportunities.

In this regard, DIA is committed to respecting the principal of equality and condemning any type of discrimination, in whatever form, direct or indirect, or on any grounds: gender, sexual orientation, civil status, age, race, social status, religion, political affiliation, or any other personal situation. The General Human Resources Policy and Code of Ethics are the tools that guarantee this principle is fulfilled. Furthermore, in 2020 DIA approved a mandatory standard, with associated control procedures, for the purposes of guaranteeing that recruitment processes are conducted solely on the basis of merit and the necessary skills for the job.

		Employees with a disability at 31 December					
		<30 years		30-50 years		>50 years	
		2021	2020	2021	2020	2021	2020
Executives	Men	-	-	-	1	-	-
	Women	-	-	-	-	-	-
Managers	Men	-	1	2	-	-	1
	Women	-	-	5	3	-	-
Employees	Men	63	64	148	155	31	30
	Women	32	34	133	128	51	47
TOTAL		95	99	288	287	82	78

Table 16: employees with some type of disability in the DIA Group workforce, by professional category, gender and age, as of December 31.

One of the first diversity measures has been the revision of action plans to hire people with disabilities. Although the increase hasn't been significant this year, it is expected that the measures outlined in all regions lead to higher numbers in the coming years.

In addition, the company has adopted a selection policy whereby, given equal conditions and skills, the person of the least-represented sex in the post in question will be given preference in the recruitment process. This policy, and the efforts made to bring women into the final stages of the selection process, have resulted in the percentage of female managers rising from 33% in 2020 to 38% in 2021. Lastly, an equal pay assessment system is being developed that will enable equally-valued posts to be compared in order to determine if there is a gender pay gap or not in posts not covered by a collective workers' agreement.

	Gross gender pay gap (405-2)					
	Executives		Managers		Employees	
	2021	2020	2021	2020	2021	2020
ARGENTINA	54.90%	55.13%	57.41%	85.21%	108.88%	100.65%
BRAZIL	82.51%	55.43%	63.58%	96.25%	86.35%	90.09%
SPAIN	70.98%	69.48%	86.08%	91.98%	84.60%	85.39%
PORTUGAL	65.15%	40.27%	86.20%	74.99%	86.49%	60.34%

Table 17: Gross gender pay gap (ratio calculated as the average remuneration of women divided by men for each category). This calculation does not take into account key factors that allow comparability, such as professional category, functional department, performance, knowledge or professional experience, and which can significantly influence the end data. All items, except remuneration in kind, are taken into account for the calculation.

Other significant instruments for promoting gender equality include the equality plan implemented in Spain since 2012. This plan includes measures aimed at each of the following areas: access to the Company and recruitment; hiring and promotion; training; remuneration; work-life balance; occupational health; sexual harassment; gender-based violence; corporate culture, communication and awareness. It is a

preventive plan and, therefore, focuses on eliminating any possibility of future discrimination based on gender. The existence of an Equality Agent, the implementation of different protocols for harassment and gender-based violence, prevention and discrimination systems (access, promotion, compensation, language) and specific awareness-raising campaigns, are some of the practical improvements linked to this programme. As stated in chapter 6.2.3., no reports of discrimination have been confirmed via the Group's whistleblowing hotline.

Lastly, it should be noted that DIA recognises the importance of its employees' work-life balance. It has therefore instituted a hybrid, flexible work-from-home and on-site model at all Group offices, under which certain departments can choose to work 100% in either format if the worker so wishes and the post permits. At stores and warehouses, days off are established based on a flexible model, taking into account the workers' preferences where possible. Workers' right to disconnect from work has not been identified as a priority issue in the conversations held with staff and staff representatives to date, which is why it has not been addressed in company regulations or policies.

8.2. Accountability to Society

The DIA Group is fully aware of the importance and impact of the food distribution sector on society, whether it be supplying products to meet some of a person's basic needs, such as food and personal hygiene products, and making them available to everyone, or creating quality entrepreneurship opportunities and wealth through commerce. This is why the sections in this report describe the DIA Group's relations with its main stakeholders and how the Company creates value through these relationships.

DIA also acknowledges its accountability to other stakeholders that could be included in the "society" group (general public, public administrations, the media, among others). An important part of DIA's accountability to this large group is related to fiscal accountability, understood as sound governance procedures and fiscal discipline, to which the following section is devoted. In addition, the DIA Group considers that it is particularly accountable for reducing food waste by donating food to groups in need, which is why it has focused its social action programmes on this issue. A specific section (8.2.2) has been included in this chapter to describe the relevant initiatives.

8.2.1. Tax management and governance

The DIA Group's tax strategy was approved by the Board of Directors in 2015 and its main aim is to ensure compliance with tax regulations while ensuring that the Company's interests are covered and supporting the Group's business strategies. The tax principles and good practices comprising DIA's tax strategy must guide decision making at all levels.

As part of the good tax practices that guide DIA's activity, the tax strategy stipulates that DIA does not use opaque corporate structures of any kind or companies located in tax havens for tax purposes. The company also adheres to the Code of Good Tax Practices[29]. In this respect, it should be noted that the transfer of assets from the Spanish subsidiaries to the newly created Luxembourg companies takes place for the purposes of the financial agreement reached with the syndicated lenders, as explained above, and not for tax reasons.

The DIA Group is also committed to complying with the "OECD Guidelines for Multinational Enterprises" and with the OECD's BEPS reports on tax avoidance.

As a result of the DIA Group's tax strategy, the company has designed a Tax Risk Control and Management System, even though it is not strictly required by law. The aim of this System is to identify the main tax risks in order to assess and prevent them: To do this:

- Controls are defined within the different tax processes that are documented using risk and control matrices.
- The controls are assessed annually using SAP, GRC.
- In addition to the obligatory mention of tax risk control management in the Annual Corporate Governance Report, the results of the annual review of the Tax Risk Control and Management System are reported to the Board of Director's Audit and Compliance Committee.

[29] https://www.agenciatributaria.es/AEAT.internet/Inicio/_Segmentos_/Empresas_y_profesionales/Foro_Grandes_Empresas/Codigo_de_Buenas_Practicas_Tributarias/Adhesiones_al_Codigo_de_Buenas_Practicas_Tributarias.sht

	Profit before tax (thousands of euros)		Tax paid (thousands of euros)	
	2021	2020	2021	2020
ARGENTINA	7,612	-9,310	-109	353
BRAZIL	-44,148	-176,667	836	-1,183
SPAIN	-187,490	-157,633	-1,420	-6,052
PORTUGAL	-19,431	-8,331	-417	-444
TOTAL	-243,456	-351,941	-1,110	-7,326

Table 18: Profit before tax and tax paid in thousands of euros (207-4). A negative tax paid figured reflects tax paid and a positive tax paid figure reflects a tax refund. In 2020, profit/(loss) before tax (76) is included as part of Argentina. In 2020, DIA Paraguay was wound up. In 2020 and 2021, profit/(loss) before tax (113 in 2021 compared to 256 in 2020 and -291 in 2021 compared to -383 in 2020, respectively) for Switzerland and Luxembourg are included as part of Spain. Tax paid (-33 in 2021 compared to -30 in 2020) for Switzerland is also included as part of Spain.

Tax paid has been calculated on a cash basis, for which the main consideration taken into account are as follows:

- Withholdings borne during the year.
- Interim payments for the year.
- Tax payment / refund (normally relates to the prior year).
- Payments arising from tax inspections.

Further information about tax management, including lawsuits and periods open to inspection can be found in note 15 to the 2020 Consolidated Annual Accounts.

Regarding other transactions with government bodies, in 2020 the DIA Group has not received any government grants in any of the countries it operates in[30] (201-4).

8.2.2. Supporting the community

Summary of Sustainability Plan performance

Associated non-financial risks	Key matter in the sustainability plan	2021 indicator and result	Assessment
NA	Community support	Kg of donated food: 1,216,111	Partially achieved

As mentioned above, DIA has made it a priority in terms of action to increase the donation of surplus food to reduce food waste and also to help disadvantaged groups by giving food that is not suitable for sale but is fit for human consumption. In fact, in 2021 (as in 2020), no sponsorship actions have been carried out by the Group.

[30] Government grants are defined as any financial contribution paid by a government body to the company for the undertaking of a specific activity during the current year. Social security credits received for training and other items are not included here.

During 2021, the traditional operations to donate this surplus from the warehouses have been expanded with new processes to make donations from the DIA Group's darkstores. Specifically, in Spain alone, 19,000 kg of food was given in this way to partners such as WorldVision and Caritas in Spain. Overall surplus donations have maintained versus previous year, in part because of fewer donations in Brazil due to operational problems with the local partner and improvements in shrinkage reduction, as will be explained in the environment chapter.

ARGENTINA	BRAZIL	SPAIN	PORTUGAL
Over 173,300 kg donated to food banks (compared to over 89,000 kg in 2020).	Over 18,000 kg donated to food banks (compared to 162,000 kg in 2020).	Over 520,000 kg donated to food banks (compared to over 640,000 kg in 2020).	Over 181,000 kg donated to food banks (compared to 148,000 kg in 2020).

Table 19: Main donations in kind by the Group in 2020.

In addition to the direct donation of surpluses, DIA works with many organisations to help provide access to basic products for these groups. One way of helping has been to support the food collections organised by the Spanish association of food banks (Banco de Alimentos), which this year alone raised approximately Euros one million in Spain, and to donate more than 250,000 litres of milk to this organisation. To provide a further example, in Argentina DIA has donated over 48,000 products to charities, doubling the aid provided by customers themselves. Taking into account all types of donation, the final figure is in line with the previous year's figure of over 1,216 tonnes.

In addition to these donations in kind, due to its enormous penetration and capillarity in the poorest neighbourhoods, DIA is a reference partner for many organisations that distribute economic resources in the form of food vouchers to beneficiaries with whom it works by offering discounts on the sales price. All the associations and NGOs that DIA Spain works with undergo an approval process that ensures the quality and transparency of their management. This procedure will be rolled out to the other countries in the coming months.

Main partnerships

The DIA Group is aware that many of the global challenges facing the industry and society as a whole require different players to come together and act in partnership. For the sake of transparency, below are the main industry associations with which the DIA Group is involved worldwide (102-13):

- CEOE (Confederación Española de Organizaciones Empresariales - *Spanish confederation of business organisations*).
- Círculo de Empresarios
- ASEDAS (Asociación Española de Distribuidores, Autoservicios y Supermercados - *Spanish association of distributors, self-service chains, and supermarkets*).
- Ecoembes.
- AECOC (Asociación Española de Fabricantes y Distribuidores - *Spanish association of manufacturers and distributors*).
- CEL (Centro Español de Logística - *Spanish logistics centre*).
- PACKNET (Plataforma Tecnológica Española de Envase y Embalaje - *Spanish packaging technology platform*).
- AEA (Agencia Española de Anunciantes - *Spanish advertising agency*).
- AGERS (Asociación Española de Gestión de Riesgos y Seguros - *Spanish association of risk management and insurance*).
- IGREA (Iniciativa de Gestores Asociados de Riesgos Españoles - *Spanish associated risk managers' initiative*).

- Asociación Española de Franquiciadores (*Spanish franchisers' association*).
- ISMS FORUM (La Asociación Española para el Fomento de la Seguridad de la Información - *Spanish association for the advancement of information security*).
- ISACA (Asociación de Auditoría y Control de Sistemas de Información - *Association for the audit and control of information systems*).
- APED (*Portuguese association of distribution companies*).
- APF (*Association of Portuguese franchises*).
- ASU (Asociación de Supermercados Unidos - *Association of united supermarkets*).

9. UNDERSTANDING AND SUPPORTING PARTNERS AT SOURCE

DIA works to gain a full understanding of and to care for the details surrounding the manufacture and sale of its products and to build a transparent and fair relationship with its strategic partners: the franchisees and suppliers. The ultimate goal is to create a relationship of trust and mutual support in which everyone wins: company, strategic partners and customers.

9.1. Franchisees

With over 30 years of experience in developing the franchise model, the DIA Group has become the leading franchisor in Spain, according to the “Empredof the Emprededores” magazine, and the seventh in Europe, according to the international ranking by the Franchise Direct consultancy firm, which is based on parameters that take into account economic issues, innovation capacity, environmental impact and franchisee support, among other aspects.

At 2021 year-end, the DIA Group had 2,710 franchised stores (compared with 2,682 in 2020), which is 45.6% of all its supermarkets, compared to 43% in 2020.

The Company provides its franchisees with its historical knowledge of the industry, the strength of its brand and its logistics services, while the franchisee brings its sales vocation and knowledge of the local market, which is key to developing proximity and the proximity model.

This relationship of trust between the DIA Group and its franchisees also creates value and wealth in the communities in which the franchises are set up. In 2021, DIA's franchise business generated almost 18,000 direct jobs (17,718 in 2020) (102-8).

	Franchised stores		Number of jobs under franchise	
	2021	2020	2021	2020
ARGENTINA	648	621	4,333	4,123
BRAZIL	167	317	3,146	4,907
SPAIN	1,598	1,477	8,308	6,768
PORTUGAL	297	267	2,204	1,920
TOTAL	2,710	2,682	17,991	17,718

Table 20: Franchises and the estimated number of employees in the franchise network.

Main communication channels with franchisees

- Satisfaction surveys prepared by Nielsen, the independent consultant. This anonymous and confidential survey collects information from franchisees on where they see room for improvement and their satisfaction levels.
- The Franchise Portal, an *online* platform franchisees can use to access databases of proprietary and comparative information and contact the Group directly.
- Franchise newsletters in all countries the Group operates in.
- Regular discussion forums with senior management, where two-way communication is key and franchisees have access to decision-making processes.
- Daily communications with supervisors and franchise analysts.

Key policies governing franchisee relations

- Corporate Franchise Policy: sets out related guidelines to ensure that the legislation in each country is respected, that the information provided is accurate and that agreements with franchisees who choose to manage a DIA store through the franchise model are complied with.

- Mandatory Standard for the Recruitment of and Relations with franchisees: aims to guarantee the effective recruitment of, relationship with and management of DIA Group franchisees.

9.1.1. DIA: benchmark partner for franchisees

Summary of Sustainability Plan performance

Associated non-financial risks	Key matter in the sustainability plan	2021 indicator and result	Assessment
Inappropriate management of franchise partners	Franchisee satisfaction	Franchisee satisfaction and level of recommendation: improvement	Achieved

Almost half of the DIA store network belongs to the franchisees and over 2,100 people, together with their respective teams, have trusted this joint project aimed at being closer to the customer and bringing entrepreneurship and self-employment opportunities through franchising. This data shows a principle that DIA holds true: the success of the Company depends on the satisfaction of the franchisee.

Although DIA has been valuing franchisee satisfaction for many years, 2021 is the first year that it has measured this satisfaction rate based on the *net promoter score* and that improving this index is part of the objectives of the Group's own Board of Management. This year, external consultants conducted two satisfaction surveys on the franchisees in the entire Group, with an 89% participation rate. The results show an improvement in franchisee satisfaction in relation to previous surveys.

The main projects undertaken in 2021, which explain a large portion of the improvement registered, are as follows:

- Improvement of franchisee attraction and selection processes, with even more transparency around the commercial relationship and what is expected from both parties. Additional filters have also been outlined to ensure that the profile of the potential franchisee fits in with the success model proposed by DIA.

- Greater investment in franchisee training: in general terms, investments have been made in processes that not only support the franchisee to resolve doubts and operational issues, but also, in many cases offer training on key aspects of business management. The role of the franchisee analyst, a position created in all the countries in which the Group operates, is key in this regard.
  In Spain, a corporate university, known as Campus DIA, has been created for franchise holders to support their growth as entrepreneurs and in the objective of achieving a profitable, competitive franchise that is closer to the customer every day. Campus DIA offers training in hybrid format, that is, both online and face-to-face, and it marks an unprecedented milestone because all of the content has been created specifically to cater to the needs of the franchisees and their teams, bringing together everything they need to know to be excellent managers. Since September 2021, a total of 109 training sessions have been given to over 56% of the franchisees in Spain and 70% of the network is expected to be reached in 2022.

- Achieving more effective communication with franchisees, i.e. two-way communication through which franchisees not only feel well informed of the key issues that concern them, but also feel supported and skilled to participate in the improvements that are relevant to their business. In this

regard, in addition to greater investments in the classic communication channels, regular meetings have been set up between groups of franchisees and DIA management to ensure that the concerns of these key partners are always channelled and resolved. In some business units, such as Clarel, a commitment to formalise these meetings guarantees that all franchisees have access to front-line management at least four times a year.

- Implementing a new contract model which simplifies processes, guarantees correct store supplies and improves franchisee liquidity, among other improvements. This contract model, which began to be implemented in 2020, is now used in practically all of the franchises in Spain and Portugal and in 75% of the franchises in Argentina. Brazil has defined its new model, which is ready for implementation in 2022.

- Standardisation of processes, both in store operations and systems for the reporting of key information so as to guarantee management success.

All business units have already drawn up action plans to ensure that work continues in 2022 to significantly improvement the franchisees' perception of the value proposal and the business relationship DIA offers and, together, to continue to improve a business model that makes the business mission possible.

9.2. Suppliers

The DIA Group has numerous procurement and supply agreements for all its products, which it acquires from private label suppliers and suppliers of national brands from all over the world. Although the large majority of purchases are from own national suppliers (which represent 86.3% of DIA suppliers compared to 85.1% last year), their size and location varies greatly, since the DIA Group works with both large multinational groups and small local suppliers (102-9).

	Number of national suppliers		Proportion of spending on national suppliers (%) (204-1)	
	2021	2020	2021	2020
ARGENTINA	469	472	97.32	97.17
BRAZIL	708	631	99.82	80.38
SPAIN	1,215	1,187	96.31	95.63
PORTUGAL	427	438	84.85	83.96
TOTAL	2,819	2,728	---	

Table 21: National suppliers and proportion of expense relating thereto.

Main communication channels with suppliers

- Suppliers portal: an *online* platform where suppliers can access historical databases, the invoicing system and, in some cases, stock status reports.

- Suppliers convention at which the main strategic lines on which the Company is working for DIA's present and future are presented.

- Regular meetings with management.

- Sales and support team.

- Website for potential new suppliers.

Policies

- The Corporate Food Safety and Quality Policy: aims to develop a trust-based relationship with customers via a system that guarantees the rigorous production, processing and management

of all products offered by the company. Accordingly, the Company controls product quality and safety throughout the supply chain, monitoring storage, transport and sales processes.

- Policy for the Respect of Human Rights in the supply chain.
- International Sanctions Policy.

Summary of Sustainability Plan performance

Associated non-financial risks	Key matter in the sustainability plan	2021 indicator and result	Assessment
Inappropriate management of supplier partners (Sustainability Plan)	General supplier satisfaction	General supplier satisfaction: improvement in three out of four countries	Partially achieved
Inadequate definition of product portfolio (value proposition)	Sustainability of raw materials	Percentage of private-label products/percentage that meet best practice guidelines • Fishing: 12 • Deforestation: Palm oil: 86% Soy (not at risk): 88% Meat: 89% • Animal welfare: 61%	NA
Risk of violation of human rights (Sustainability Plan)	Human rights management in the supply chain	Percentage of private-label suppliers that are signed up to the DIA policy on human rights: 69%	Partially achieved
		Number of suppliers that have started the due diligence process: 276	Partially achieved

9.2.1. DIA: benchmark partner for suppliers

Building a satisfactory, trusting commercial relationship with suppliers has been one of the priorities of the Company in recent months and in 2021 this objective has begun to be monitored through an outsourced supplier satisfaction survey in each of the countries in which DIA has a presence. The first results show an improvement, compared to the prior year, three out of four countries Even more interestingly, the results shed light on where the greatest opportunities lie for DIA to further strengthen these relationships and become a benchmark partner for its suppliers. Across the board at Group level, these opportunities can be summed up in the following points:

- Achieving greater clarity and transparency regarding the Company's strategy, so that suppliers can become aligned and participate in the joint success.
- Improving execution of joint initiatives in-store.
- Sharing more information on day-to-day operations, in order to establish shared improvement plans.

Based on these results, the DIA Group has designed the following projects:

- Developing at least one national supplier convention per year, where both private-label suppliers and national brand suppliers can learn about the company's priorities for the coming months.
- Setting up meetings between senior management, including the country CEO, and strategic suppliers. The aim is to improve transparency, identify shared objectives and define joint business plans.
- Implementing a system for effectively sharing of relevant management data, such as sales or stock levels, with very specific targets, such as reducing defects or shrinkage.

9.2.2. Managing potential impacts associated with the DIA Group's value chain

9.2.2.1. Sustainability of raw materials

(304-2)

Although, due to their location, the direct activities of DIA do not generate a significant negative impact on biodiversity, the Group's supply policies may have an indirect impact on biodiversity and normal ecosystem functioning. This is particularly true in relation to deforestation, sustainable fishing and animal welfare, issues that the DIA Group has decided to tackle head-on in its first Strategic Sustainability Plan.

To this end, in addition to consulting with various stakeholders to deepen its understanding of the associated issues, DIA has defined a work plan to ensure progress on two objectives: to support best practices in each field through certification programmes that are aligned with ISEAL principles and to reduce the potential risks associated with the use of raw materials.

Much of the effort made in 2021 to fulfil this work plan have focused on defining precisely these risks and best practice and obtaining an initial diagnosis of the situation based on existing information systems. Based on this initial snapshot, in terms of raw material availability and DIA's capacity to achieve a change in the field, the aim is to define a raw materials sustainability policy with specific milestones in 2023.

Fishing

Huge growth has been recorded in products with the Marine Stewardship Council certified sustainable fisheries seal in Spain. In just one year, the Company has gone from 7 private-label products with the eco-label in 2020 (and just 1 in 2019) to 28 (18% of private-label frozen fish and tinned fish products). These efforts resulted in DIA Spain being recognised as "best newcomer" in 2021 by the MSC (Ministry of Health and Consumer Affairs).

In terms of fish products, as well as working in collaboration with the MSC (which also entails supporting awareness-raising campaigns on the sustainability of fishing resources), the DIA Group works with the NGO Sustainable Fisheries Partnership in all of the countries in which it operates in order to obtain a sustainability map of all the fishing areas that do not hold this certification. The purpose of this work is to define a supply policy accordingly and, together with other relevant players, to support and promote improvement plans for fisheries to achieve more sustainable resources.

	SPAIN	PORTUGAL	BRAZIL	ARGENTINA
Percentage of fish products with the MSC eco-label	12	14	0	0

Table 22: Percentage of fish products with the MSC stamp out of all private-label fish products.

Animal welfare

One of the most important steps taken by the Group is to adopt a commitment whereby DIA stores will only sell eggs from free-range hens (2025 in Spain and 2028 in Argentina and Brazil).

In addition, 74% of private-label products in Spain, where appropriate, are certified according to the Welfare Quality standard, including 100% of private-label eggs.

	SPAIN	PORTUGAL	BRAZIL	ARGENTINA
Percentage of products with animal welfare certification	74	0	0	0

Table 23: Percentage of private-label products (beef, pork, poultry, eggs, dairy), where appropriate, with animal welfare certification.

Deforestation

The main cause of deforestation and forest degradation is the expansion of crop farming, linked to a series of basic products.[31]. In this regard, DIA is working on four key raw materials: palm oil, soy, paper pulp and meat. In 2021, DIA has begun a due diligence process with regard to these materials in order to better understand the supply chain and identify potential negative impacts in order to begin to minimise these.

	SPAIN	PORTUGAL	ARGENTINA	BRAZIL
Percentage of uncertified products containing palm oil	5	23	36	0
Percentage of private-label products with meat from countries at risk	0	0	100	15
Percentage of private-label products with paper from countries at risk	0	0	0	0
Percentage of uncertified private-label products containing soy from countries at risk	0	1	28	100

Table 24: Private-label performance in relation to raw materials that may contribute to deforestation.

Palm oil is a raw material that DIA had been working with and for which a greater market exists, which is why it is DIA's ambition to eliminate palm oil from its products or ensure that any palm oil used is certified according to the RSPO (Roundtable of Sustainable Palm Oil) standard. DIA hopes to advance substantially in this process in order to meet the 2022 target.

Other significant raw materials in terms of deforestation are beef and paper pulp. Taking into account that Brazil is considered a risk country for beef and the absence of specific standards in this respect, DIA will have to tackle this issue much more thoroughly with each supplier in order to confirm if their activity could be contributing negatively to deforestation in sensitive areas. The paper pulp used by DIA does not appear to come from risk countries.

One of the raw materials that may be contributing most to deforestation of sensitive areas at present is soy. This ingredient is used directly in certain private-label products (from soy sauce to soy oil), but according to analyses carried out in the food industry, the most significant impact is related to indirect consumption of soy contained in animal feed. The DIA Group aims to work in collaboration with its suppliers to better understand the exact origin of the soy used and ensure the sustainability of the soy contained in its private-label products[32]. Anywhere that DIA does not have sufficient information or influence to tackle complex and structural problems, the Company will work with others to drive a transformation that tackles the root cause of these social challenges. In 2022, two other key raw materials, coffee and cacao, will be included in the Company's work plan in relation to deforestation.

9.2.2.2. Human rights management

Recognising that the farming sector is one of the industries with the greatest risk of committing the worst breaches of basic human and employment rights, such as child labour and slave labour, the prevention and mitigation of these potential impacts on the value chain has been deemed as material within the DIA Group's Sustainability Plan.

DIA is committed to ensuring that the people who provide the products and services it buys and sells are treated fairly and that their fundamental human rights are protected and respected. Implementing this commitment is grounded in different regulatory instruments and management systems which are being created for this purpose[33], in accordance with the United Nations Universal Declaration of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights.

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[31] Deforestation is considered to be: i) the conversion of a natural forest to other uses; ii) the conversion of a natural forest into a plantation; or iii) severe and sustained forest degradation. The loss of natural forests is considered to be deforestation regardless of whether it is legal or not.
32 Round Table for Responsible Soy, Proterra, Sustainable Agriculture Network, International Sustainability & Carbon Certification ISCC PLUS.
[33] Based on factors such as the operations sector, geographical location and the existence of sufficient internal controls (active union representation among DIA workers and a set of policies, procedures and dialogue channels dedicated to detecting any non-compliance and promoting improvement of employee welfare), compliance with human employment rights is not deemed to be material in relation to DIA Group employees. Therefore, this chapter focuses on the prevention and mitigation of human rights breaches by third parties.

The Policy for Respecting Human Employment Rights in the Supply Chain, approved in July 2021 by the DIA Group's Executive Committee, aims to establish how the DIA Group can prevent or mitigate the adverse impacts on human employment rights that may be connected to its operations with third parties. This policy, which uses employment standards set forth in the Ethical Trading Initiative (ETI) Base Code, applies to all suppliers (direct or indirect) and franchisees of all regions and subsidiaries of the DIA Group (102-16). In 2021, the commitment of suppliers and franchisees to these principles has become part of the contractual reality of the DIA Group and close to 70% of private-label suppliers have already committed to this policy (it is expected that in the first half of 2022, 100% of suppliers support this policy) (412-3).

Another of the decisive steps in the application of this policy throughout this year has been the definition of a risk assessment and due diligence process, in order for the company to pro-actively manage real and potential risks to human rights. To achieve this, DIA has begun to collaborate with Sedex, an ethical exchange platform that facilitates the definition and follow-up of the entire supply chain monitoring programme. One of the functions of this tool is precisely to create a non-compliance risk map based on the industry, country and risk derived from the surveys and audits provided by the supplier[34]. Of course, any other reliable source of information that points to potential non-compliance (such as information in the media or reported by an NGO) could give rise to new control processes involving any supplier. At the closing date of these Annual Accounts, 276 suppliers have begun this due diligence process according to these parameters (414-1). The aim for the coming months is to prevent and mitigate the potential risks identified in this process by means of on-site audits. If an issue is confirmed, DIA expects and supports that the necessary action plans will be implemented to tackle the fundamental causes. Although cancelling the commercial relationship is not the company's first option, DIA will not hesitate to sever relations with suppliers who conceal, cause or contribute to adverse impacts on human rights and who do not act responsibly to remedy such situations within a reasonable timeframe.

As the Human Rights Policy itself states, the Company places special emphasis on those commercial relationships in which DIA has more responsibility and influence, where there can be greater risk of breach of fundamental employment rights and where the contribution of the company can be even more significant. Whenever DIA cannot resolve complex issues by itself, the Company will work with others to drive a larger-scale transformational change.

[34] The seasonality rate, the presence of immigrants in the workforce, the existence of intermediary agencies, the intensity of labour, and the proportion of unskilled workers are, among other issues, some of the key factors used to determine the risk (408-1; 409-1). In general terms, these conditions occur more predominantly in the primary sector.

10. WORKING PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES

The environment is a priority area for the DIA Group in the Sustainability Plan, insofar as it may affect company performance and may also be affected by the Company's operations.

Main communication channels with stakeholders linked to the environment

One-to-one personal meetings with not-for-profit environmental organisations and active listening channels for legislative changes are the main lines of communication with this stakeholder group. This activity is also reinforced by the institutional agenda kept, mainly, through the industry organisations the Company belongs to.

Key policies governing environmental stakeholder relations and their functions

The DIA Group's commitment to the environment is defined in its Sustainability Policy, in which the company undertakes to pro-actively manage the potential impacts related to the company's activity in order to eliminate or minimise them, beyond regulatory compliance[35]. In turn, the Strategic Sustainability Plan specifies DIA's environmental commitments for the coming years.

Associated non-financial risks	Key matter in the sustainability plan	2021 indicator and result	Assessment
Inadequate definition of product portfolio (value proposition) Damage to the company's reputation and/or image. Regulatory compliance with environmental matters (Sustainability Plan).	Packaging	Percentage of recyclable private-label and fresh products: 66% (Spain). Decrease in plastic content in private-label products (percentage): 16.6% (Spain). Percentage of recycled plastic in private-label bottles: 9.2% (Spain).	Achieved
	Waste management and food waste	Decrease in tonnes of waste to landfill (percentage): almost 9%. Decrease in food waste (Spain and Portugal only) (percentage): 7%.	Achieved
	Climate change	Decrease in CO2 vs. 2020 footprint (percentage): increase in 3.9%	Not achieved

10.1. Circular Economy

10.1.1. Rational use of raw materials

The table below summarises usage of auxiliary materials in the DIA Group: All input categories experience a notable drop except for "other", due to the inclusion of an input for which there was no data in 2020. Paper consumption has been reduced by 11.6%, mainly due to the promotion of digital leaflets, and the use of recycled paper has increased considerably to almost 72% of consumption (compared to 56% in 2020). Another major improvement has led to an almost 30% reduction in plastic film consumption in cargo stabilisation logistics operations, saving approximately 675,000 kg of plastic.

[35] No significant fines for non-compliance with environmental regulations have been recorded this year (the significant thresholds for the reporting of penalties are: Euros 0 for issues relating to competition; Euros 30,000 for issues relating to the environment; Euros 50,000 for other issues. The Company considers that no significant contingencies exist concerning the protection and improvement of the environment and, accordingly, no provision has been made in this regard (307-1).

	Main materials consumed by major groups (Kg) (301-1)	
	2021	2020
Paper and cardboard	11,126,760.9	12,585,682.9
Of recycled origin	7,986,807.0	7,149,748.0
Cling film	1,622,641.6	2,297,319,8
Of recycled origin	-	-
Other	98,680.2	11,353.2
Of recycled origin	-	9,741.2
TOTAL	**12,848,082.7**	**14,894,355.8**

Table 25: Main materials consumed by major groups (Kg) in all company operations (including franchises). The 2020 plastic film figures have been restated. Other includes bags for individual use in Brazil, plastic sealing for lorries in Portugal and, this year, rubbish bags in Spain. The data reported include input from the franchise network.

10.1.2. Sustainable packaging

In terms of use of resources, one of the largest inputs for companies like DIA is packaging materials. Thus, reducing excess packaging and making it more sustainable, with all this entails, has been deemed a material issue in the DIA Group's Sustainability Plan. Specifically, DIA has proposed improving the recyclability of its packaging and reducing the use of virgin plastic, carrying out a series of different initiatives during 2021(301-1):

- Classification of private-label packaging: thanks to the development of this methodology which entails assessing different packaging attributes, the Company has been able to determine, for the first time, both the degree of recyclability of the packaging and its plastic content (total and recycled). According to this analysis, in Spain 66% of private-label products analysed (913 out of a total of 1390) already comply with the recyclability criteria.

- Identification of improvement opportunities to achieve more sustainable packaging: In collaboration with ITENE, during 2021 DIA has developed a “Sustainable Packaging Guide” that sets forth, for each type of packaging and application, the opportunities to improve its sustainability, indicating alternatives and “best practices” in each case. This manual is available to all suppliers and, together with training activities and intensified technical support for the sales team, have made it possible for the packaging of 302 private-label products (over 20% of the total) to become more sustainable using eco-design measures fundamentally geared towards cutting down on weight, reducing impact and incorporating recycled materials. As a result, in Spain alone, a reduction of 5,452,255 kg in virgin plastic has been achieved.

- Lastly, DIA promotes the circular economy for packaging and includes information for customers on all private-label products that enables then to identify the materials used and to know which bin to deposit the packaging in after use, ensuring correct separation at source and thereby improving recycling operations.

10.1.3. Responsible waste management

The objective of the Sustainability Plan in relation to waste is to reduce the amount disposed of in landfill by 40% compared to 2020.

To this end, in 2021 DIA introduced a new waste management model (which will gradually be rolled out to all platforms) whereby waste that can have a second life is separated at source, following the waste hierarchy model, i.e. giving priority to prevention and avoiding landfill disposal whenever possible. Under this premise, the DIA Group has reduced waste generation by over 8,500 tonnes in 2021 (around 7%) and reduced landfill by almost 9%.

Improved range and stock management (using service-based and order preparation formats adapted to each product and each store or using IT tools for order optimisation), and better in-store management of

products close to their sell-by date are the main pillars to avoid the generation of shrinkage. In Brazil, for example, these initiatives have reduced waste at warehouses only by 86% in 2021, avoiding the generation of over 1.2 million kg of waste in the last two years.

DIA is also implementing a circular waste segregation project in its stores, which enables waste to be returned to the warehouse in separate lots, facilitating its reuse, recycling or recovery, thus avoiding landfill. These actions, which shop employees have played a leading role in, have resulted in the first warehouse in Spain being awarded a zero waste certification at year-end. At this centre, more than 99% of the waste generated has destinations other than landfill, such as animal feed (around 10% of the waste), composting (around 73% of the waste) and obtaining biogas (the remaining 16% of the waste).

	Non-hazardous waste[36] (Kg) (306-3)	
	2021	2020
Toner	1,922.50	1,701.00
Organic material[37]	12,011,907.00	12,836,859.00
Scrap metal	892,545.00	838,270.00
Plastics	4,650,837.90	4,874,174.00
Wood	688,630.30	885,320.00
Paper/Cardboard	56,168,887.70	59,562,824.00
WEEE	13,996.14	38,313.05
Other	37,014,337.00	40,941,569.00
TOTAL	**111,443,063.54**	**119,979,030.05**

Disposal of non-hazardous waste (%) (306- 4; 306-5)					
% recycled		% reused		% sent to landfill/incinerated	
2021	2020	2021	2020	2021	2020
63.55	**59.82**	**0.34**	**0.55**	**36.10**	**39.62**

Tables 26a & 26b: Non-hazardous waste (Kg) and its processing destination. 2020 waste has been restated for organic and WEEE fractions.

In addition, DIA pays special attention to reducing food waste, an issue that is important from an environmental point of view, in the context of waste management, but also from a social perspective.

To improve monitoring and management, DIA has created a common indicator to measure this parameter, for which a 40% reduction target has been set over three years. In addition to the waste management improvements outlined above, there are also improvements aimed specifically at reducing this waste (306-2):

- Increased donations of products fit for human consumption but not for sale from new locations, such as darkstores, as explained in the Support the Community chapter 8.2.2.
- Increased engagement with partners that encourage the clearance of products that are close to their expiry date, such as TooGoodtoGo. DIA began working with this company at the end of the year in both Portugal and Spain. In just four months this has made it possible to "save" more than 10,000 kg of food, with reduced prices for customers and also avoiding the emission of some 23 tonnes of CO_2 into the atmosphere.

As a result of these actions, food waste in Spain and Portugal) has dropped by 7% compared to 2020.

[36] In previous years, DIA has reported batteries as hazardous waste. A decision was made not to continue reporting this data, as it represented a very small portion of total waste (less than 0.5%) and it relates, in line with current legislation, to articles “sold” by DIA, not waste generated by DIA.
37 In Argentina this is sewage liquid, but it has been converted to kg using the density factor = 1kg/L.

10.2. Climate change

Despite not being considered a priority industry for climate change mitigation, the distribution and sale of food products entails significant greenhouse gas emissions, especially upstream, in everything related to the production of the goods that are then distributed on the market (according to various studies, 95% of the footprint of companies such as DIA could be located outside its direct operations).

In order to manage the company's impact on climate change, the first step is to get a detailed picture of the carbon footprint associated with its business activity and, as far as possible, with the business activities included in its value chain. This measurement and transparency work has been recognised with an A- by the Carbon Disclosure Project (the only food distribution company in Spain to achieve this in 2021).

Using the 2020 baseline, the Sustainability Plan approved in 2021 commits to a 20% reduction in CO2 emissions across the Group. During the year, DIA has made significant investments in refrigeration and air conditioning equipment[38]), has increased electricity from renewable sources by 33.7 million kwh to 94.7 million kwh and has improved its logistics footprint. Despite these efforts however, the overall Group footprint has grown by 3.9% in 2021 (305-5), due in part to the rise in cooling facilities required by the commitment to sell fresh produce.

Reducing the footprint of DIA's own operations and addressing the challenge of working together with suppliers to reduce scope three emissions are certainly objectives to work towards in 2022 and the coming years.

		Energy (GJ) and refrigerant gas (Kg) consumption (302-1; 302-2; 302-4)		CO_2 emissions (t CO_2 eq) (305-1; 305-2; 305-3; 305-5)	
		2021	2020	2021	2020
Scope 1	Stationary sources	6,517.1	5,988.0	422,00	372.3
	Logistics	1,594,470.9	1,876,806.0	118.194,0	140,159.2
	Company cars	35,258,3	33,703.8	2.569,75	2,441.7
	Refrigerant gases	148,014.7	112,452.6	277.645,9	206,525.4
Scope 2	Electricity consumption	3,418,935.50	3,550,616.8	249.921,82	270,861.2
Scope 3	Business travel	N/A	N/A	5.654,73	6,604.3
TOTAL Group				**654,408.2**	**628,463.0**

Table 27: Energy consumption (GJ), refrigerant gas consumption (Kg) and CO_2 emissions (t eq) at DIA Group[39]. In the case of logistics, the reported data include input from the franchise network; for electricity and refrigerant gases, they only include a part of the franchise network.

In turn, climate change may interfere with the normal functioning of operations and the achievement of company objectives, both in the short and long term. The sustainability department has identified which specific DIA assets and processes may be impacted by climate change and the timescale potentially applicable to these risks (see table 2). In the coming months, these risks will be assessed by the Risk Committee using the risk assessment methodology established.

Assessed climate risk categories with a negative impact on the company and timescale. Includes the entire value chain

Category	Rationale	Time horizon
Transition risk: emerging regulation	Development of new climate change legislation that imposes new operational and management requirements and could involve a significant adaptation cost.	Short term (0-5 years)

[38] For further information, see appendix II on Taxonomy.
[39] The company car data does not include Brazil, where the type of fuel used depends on the market prices of the different options available (this omission does not represent more than 0.15% of the total footprint calculated). Logistics, refrigerant gases and electricity consumption include the franchise network's activity. Breakdown of refrigerant gases reported: R134A, R404A, R407A, R407C, R407F, R410A, R417A, R141B, R422D, R427A, R448A, R449A, R450A, R452A, R453A, R513A, R290, R452A, R401A, R507 and R22, which relates to a total of 1.94 tonnes of CFC-11 (compared to 1.08 tonnes in 2020) equivalents from R22 only (305-6). Scope 3 emissions have only been reported for Spain and Brazil, as business travel in the remaining countries represents less than 5% of the overall total for this indicator.

Assessed climate risk categories with a negative impact on the company and timescale. Includes the entire value chain

Category	Rationale	Time horizon
Transition risk: reputation and market	Corporate climate change strategy can influence the decisions of investors and customers and have a potential impact on the Company's share value, sales volume and reputation.	Short term (0-5 years)
Material risk: acute physical	Suppliers' productivity can be affected, qualitatively and quantitatively, by extreme weather conditions (floods, large-scale droughts, etc.).	Medium term (5-15 years)
Material risk: chronic physical	Rising average temperatures in the areas where DIA operates entail a risk of an increase in the direct costs of running refrigeration and air conditioning systems on its premises to ensure the cold chain, product safety and the thermal comfort of customers and staff.	Short term (0-5 years)

APPENDIX I: TABLE OF CONTENTS OF ACT 11/2018 VS. GRI INDICATORS/REPORTING CRITERIA

Requirements of Act 11/2018	GRI 2021	Scope	Material for DIA	NFIS Chapter
		GENERAL INFORMATION		
		Business model		
Description of the business model, business environment, organisation and structure.	102-2; 102-5	Global	NA	2.DIA GROUP PRESENTATION; 4.BUSINESS MODEL AND STRATEGIC PILLARS
Markets in which the Company operates	102-6	Global	NA	2.DIA GROUP PRESENTATION
Objectives and strategies	102-15	Global	NA	4.1. Business context: trends and risks that impact on the food distribution industry; 5.3. Materiality
Key factors and trends that may affect the Company's future development	102-15	Global	NA	4.1. Business context: trends and risks that impact on the food distribution industry; 5.3. Materiality
Description of policies, including due diligence procedures and verification and control procedures, including what measures have been taken	GRI 103: Economic, environmental and social performance factor	Global	NA	6.GOOD GOVERNANCE AND COMMITMENT TO THE HIGHEST ETHICAL STANDARDS; 7. MAKING QUALITY FOOD ACCESSIBLE TO ALL CUSTOMERS; 8.BUILD A DIA COMMUNITY IN EVERY NEIGHBOURHOOD; 9.UNDERSTANDING AND SUPPORTING PARTNERS AT SOURCE ; 10.WORKING PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES
The results of these policies and associated KPIs (these KPIs should enable the assessment of progress and comparability between companies and sectors, in accordance with national, European or international benchmark frameworks used for each area)	GRI 103: Economic, environmental and social performance factor	Global	NA	6.GOOD GOVERNANCE AND COMMITMENT TO THE HIGHEST ETHICAL STANDARDS; 7. MAKING QUALITY FOOD ACCESSIBLE TO ALL CUSTOMERS; 8.BUILD A DIA COMMUNITY IN EVERY NEIGHBOURHOOD; 9.UNDERSTANDING AND SUPPORTING PARTNERS AT SOURCE ; 10.WORKING PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES
Main risks identified, risk management model and materialization of risks	102-15; 102-47	Global	NA	4.1. Business context: trends and risks that impact on the food distribution industry; 5.3. Materiality
		ENVIRONMENTAL ISSUES		
		General information about environmental performance		
Current and foreseeable effects of the Company's activities on the environment and, where appropriate, on health and safety	GRI 103: Environmental focus	Global	Yes (Packaging; waste management and food waste; climate change)	10.WORKING PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES
Environmental assessment or certification procedures	GRI 103: Environmental focus	Global	Yes (Packaging; waste management and food waste; climate change)	10.WORKING PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES
Resources dedicated to preventing environmental risk	GRI 103: Environmental focus	Global	Yes (Packaging; waste management and food waste; climate change)	
Application of the principle of caution	GRI 103: Environmental focus	Global	Yes (Sustainability of raw materials)	10.WORKING PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES

The amount of provisions and guarantees for environmental risks	307-1	Global	Yes (Packaging; waste management and food waste; climate change)	10.WORKING PRO-ACTIVELY ON ENVIRONMENTAL CHALLENGES
		Pollution		
Measures for preventing, reducing or offsetting carbon emissions that seriously affect the environment; taking into account any kind of atmospheric pollution specific to an activity, including sound and light contamination	GRI 103: Emissions management approach	Global	Yes (Climate change)	10.2. Climate change
		Circular economy and waste prevention		
Waste: Measures for prevention, recycling, reusing, other forms of recovery and waste elimination	306-3; 306-4; 306-5	Global	Yes (Waste management and food waste)	10.1.3. Responsible waste management
Actions to combat food waste	306-2	Spain and Portugal	Yes (Waste management and food waste)	10.1.3. Responsible waste management
		Sustainable use of resources		
Water consumption and water supply according to local limitations	Not material	N/A	Not material	N/A
Consumption of raw materials and measures taken to improve efficiency of use	301-1	Global for operational inputs; Spain for packaging	Yes (Packaging)	10.1. Circular Economy
Direct and indirect consumption of energy, measures taken to improve energy efficiency and use of renewable energies	GRI 103: energy management approach; 302-1; 302-2; 302-4	Global	Yes (Climate change)	10.2. Climate change
		Climate change		
Significant elements of greenhouse gas emissions generated as a result of Company activity, including the use of goods and services it produces	305-1; 305-2; 305-3; 305-5 ;305-6	Global	Yes (Climate change)	10.2. Climate change
The measures taken to adapt to the consequences of climate change	GRI 103: Emissions and energy management approach	Global	Yes (Climate change)	10.2. Climate change
Medium and long-term voluntary reduction targets for greenhouse gas emissions and the measures implemented for this purpose	GRI 103: Emissions and energy management approach	Global	Yes (Climate change)	10.2. Climate change
		Biodiversity protection		
Measures taken to preserve or restore biodiversit	GRI 103: Biodiversity management approach	N/A	Yes (Sustainability of raw materials)	9.2.2.1. Sustainability of raw materials
Impacts caused by activities or operations in protected areas	304-2:	N/A	Non-material direct impacts; Material indirect impacts (Sustainability of raw materials)	9.2.2.1.Sustainability of raw materials
		SOCIAL AND EMPLOYEE ISSUES		
		Employment		
Total number of employees by gender, age, country and	405-1	Global	Yes (Diversity and inclusion)	8.1.Human capital

professional category				
Total number of employees by contract type	102-8	Global	Yes (Diversity and inclusion)	8.1.1.Responsibility for quality employment
Average annual number of permanent contracts, temporary, full and part-time contracts by gender, age and professional category	102-8	Global	Yes (Diversity and inclusion)	8.1.1.Responsibility for quality employment
Employee turnover by gender, age and professional category	401-1	Global	Yes (Diversity and inclusion)	8.1.1.Responsibility for quality employment
Average remuneration and evolution by gender, age and professional category or equivalent value	405-2	Global	Yes (Team and employee development)	8.1.1.Responsibility for quality employment
Wage gap, remuneration of equal jobs	405-2	Global	Yes (Diversity and inclusion)	8.1.1.Responsibility for quality employment; 8.1.4.Diversity and inclusion
Average remuneration of board members and executives, including variable remuneration, allowances, indemnities, payment of long-term savings plans and any other benefit, broken down by gende	405-2	Global	6. Team development	8.1.1.Responsibility for quality employment; 6.1.Composition and structure of the Board of Directors
Implementation of policies safeguarding employees' right to disconnect	GRI 103: Employment management approach	Global	Yes (Team and employee development)	8.1.Human capital
Employees with disabilities	405-1	Global	Yes (Diversity and inclusion)	8.1.4.Diversity and inclusion
Work organisation				
Organisation of work time	GRI 103: Employment management approach	Global	Yes (Team and employee development)	8.1.4.Diversity and inclusion
Number of hours of absenteeism	GRI 103: Occupational health and safety management approach	Global	Yes (Team and employee development)	8.1.3. Occupational health and safety
Measures taken to facilitate work - life balance and promote shared responsibility by both parents	GRI 103: Employment management approach	Global	Yes (Team and employee development)	8.1.3.Occupational health and safety; 8.1.4.Diversity and inclusion
Health and safety				
Occupational health and safety conditions	GRI 103: Health and safety management approach	Global	Yes (Health and safety)	8.1.3. Occupational health and safety
Work-related accidents, specifying accident rates and severity, reported by gender	403-9	Global	Yes (Health and safety)	8.1.3. Occupational health and safety
Work-related ill health by gender	403-10	Global	Yes (Health and safety)	8.1.3. Occupational health and safety
Employee relations				

Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff	GRI 103: Employment management approach	Global	Yes (Team and employee development)	8.1.1.Responsibility for quality employment
Percentage of employees covered by a collective agreement, by country	102-41	Global	Yes (Team and employee development)	8.1.1.Responsibility for quality employment
Balance of collective agreements, particularly in the area of occupational health and safety	GRI 103: Health and safety management approach	Global	Yes (Team and employee development)	8.1.1.Responsibility for quality employment
		Training		
Policies implemented in the area of training	GRI 103: Training management approach	Global	Yes (Team and employee development)	8.1.2.Employee and team development
Total hours of training by professional category	404-1	Global	Yes (Team and employee development)	8.1.2.Employee and team development
Universal accessibility for persons with disabilities	GRI 103: Diversity and equal opportunities approach	Global	8. Diversity and inclusion	8.1.2.Employee and team development
		Equality		
Measures taken to promote equal opportunities for and treatment of men and women	GRI 103: Diversity and equal opportunities approach	Global	Yes (Diversity and inclusion)	8.1.4. Diversity and inclusion
Equality plans, measures taken to promote employment, protocols against sexual and gender-based harassment	GRI 103: Diversity and equal opportunities approach	Global	Yes (Diversity and inclusion)	8.1.4. Diversity and inclusion
Measures taken to promote the integration and universal accessibility of persons with disabilities	GRI 103: Diversity and equal opportunities approach	Global	Yes (Diversity and inclusion)	8.1.4. Diversity and inclusion
Policy against all types of discrimination and, if applicable, diversity management	GRI 103: Diversity and equal opportunities approach	Global	Yes (Diversity and inclusion)	8.1.4. Diversity and inclusion
		HUMAN RIGHTS		
Application of due diligence procedures with regard to human rights	412-3	Global	Yes (Human rights)	9.2.2.2. Human rights management
Prevention of risk of human rights violations and, if applicable, measures to mitigate, manage and address possible abuses committed	412-3	Global	Yes (Human rights)	9.2.2.2. Human rights management
Cases of human rights violations reported	102-17	Global	5. Human Rights	6.2.3 Ethics Committee
Promotion and compliance with the provisions of the core agreements of the International Labour Organisation relating to respect for freedom of association and the right to collective negotiation	102-16; 102-41	Global	5. Human Rights	6.2.3 Ethics Committee; 9.2.2.2. Human rights management; 8.1.1.Responsibility for quality employment

Elimination of workplace job discrimination	406-1	Global	Yes (Diversity and inclusion)	6.2.3 Ethics Committee
Elimination of forced labour	102-16; 102-17; 409-1	Global	Yes (Human rights)	6.2.3 Ethics Committee; 9.2.2.2. Human rights management; 8.1.1.Responsibility for quality employment
Abolishment of child labour	102-16 ; 102-17; 408-1	Global	Yes (Human rights)	6.2.3 Ethics Committee; 9.2.2.2. Human rights management; 8.1.1.Responsibility for quality employment
CORRUPTION AND BRIBERY				
Measures taken to prevent corruption and bribery	102-16; 102-17; 205-2; 205-3	Global	Yes (Business ethics)	6.2.3 Ethics Committee
Anti-money laundering measures	102-16; 205-2	Global	Not material	6.2.3 Ethics Committee
Contributions to foundations and non-profits	GRI 103: Local communities management approach	Global	Not material	8.2.2. Supporting the community
SOCIETY				
Commitments to sustainable development				
Impact of the company's activity on local jobs and development	GRI 103: Local communities management approach; 102-8; 204-1	Global	Yes (Diversity and inclusion)	8.1.Human capital; 9.UNDERSTANDING AND SUPPORTING PARTNERS AT SOURCE
Impact of the Company's activity on local towns and the region	GRI 103: Employment management approach; Local communities management approach	Global	Yes (Diversity and inclusion)	8.BUILD A DIA COMMUNITY IN EVERY NEIGHBOURHOOD; 9.UNDERSTANDING AND SUPPORTING PARTNERS AT SOURCE
Relations with local community players and types of dialogue with these	102-43	Global	Yes (listening to stakeholders prior to defining material issues)	5.3. Materiality
Association activities and sponsorship	102-13	Global	Not material	8.2.2. Supporting the community
Subcontracting and suppliers				
Social issues, gender equality and environmental issues in the procurement policy; consideration in the relationships with suppliers and subcontractors of their social and environmental responsibility	GRI 103: Environmental and social assessment of suppliers management approach; 412-3; 414-1	Global	Yes (Sustainability of raw materials; human rights)	9.2.2.1.Sustainability of raw materials; 9.2.2.2. Human rights management
Supervision and auditing systems and the results thereof	GRI 103: Environmental and social assessment of suppliers management approach	Global	Yes (Human rights)	9.2.2.2. Human rights management
Consumers				
Measures for health and safety of consumers	GRI 103: Customer health and safety management approach; 416-1	Global	Yes (Food safety)	7.1. Food safety

Claims and complaints systems and resolution	GRI 103: Customer health and safety management approach	Global	Yes (Food safety)	7.MAKING QUALITY FOOD ACCESSIBLE TO ALL CUSTOMERS
		Tax information		
Profits earned by country	207-4	Global	Yes (Business ethics)	8.2.1. Tax governance and management
Taxes paid on profits	207-4	Global	Yes (Business ethics)	8.2.1. Tax governance and management
Public grants received	201-4	Global	Yes (Business ethics)	8.2.1. Tax governance and management
		ADDITIONAL INFORMATION		
Other information about the organisational profile	102-1 to 102-9	Global	NA	1. BASIS OF PREPARATION OF THE NON-FINANCIAL INFORMATION STATEMENT; 2. DIA GROUP PRESENTATION; 4. BUSINESS MODEL AND STRATEGIC PILLARS; 8.2.Accountability to Society; 9.2.Suppliers
Corporate governance	102-18	Global	NA	6.GOOD GOVERNANCE AND COMMITMENT TO THE HIGHEST ETHICAL STANDARDS
Stakeholder participation	102-40; 102-42; 102-43	Global	NA	5.3. Materiality
Other information about the report profile	102-45; 102-50; 102-52; 102-53; 102-56	Global	NA	1.BASIS OF PREPARATION OF THE NON-FINANCIAL INFORMATION STATEMENT

APPENDIX II: TAXONOMY

The DIA Group has analysed the eligibility of its activities in accordance with the definitions of economic activities included in the European taxonomy in appendices I and II of Delegated Regulation (EU) 2021/2139 of 4 June 2021, referring to the contribution to the mitigation of and adaptation to climate change, respectively. The DIA Group also discloses key turnover, CapEx and OpEx indicators relating to the European taxonomy in line with the provisions of Delegated Regulation (EU) 2021/2178 of 6 July 2021.

Based on this analysis, it is concluded that none of the eligible activities generate revenue for the Company; therefore, the turnover benchmark indicator takes on a value of 0%. In terms of CapEx, according to the calculation criteria described by the Taxonomy, 4.76% meet the requirements established in relation to mitigation and adaptation to climate change (in addition, it is noted that said percentage is equal to 8.62% if registrations for rights of use are excluded from the calculation, see below the methodology used for greater detail in this regard).

It has been determined that the OpEx included in the taxonomy of these activities is not material in terms of the total 6,380,743 miles Euros of operating and personnel expenses, with OpEx as defined in the Taxonomy regulation estimated at Euros 161,993.

	Proportion of eligible and ineligible activities according to the taxonomy regarding turnover, Capex and Opex.		
	Proportion of eligible economic activities (in %)	**Proportion of ineligible economic activities (in %)**	**TOTAL (thousands Euros)**
Turnover	0.00	100.00	6,647,660.00
Capital expenditure (CapEx)	4.76	95.24	444,866.00
Operational expenditure (OpEx)	0.00	100.00	161,993.00

Economic activity according to DIA Group taxonomy	**Description of activity**
4.25 Production of heat/cool using waste heat	Installation of heat recovery units and smart area controllers
5.5. Collection and transport of non-hazardous waste in source segregated fractions.	Investment in materials that help the reverse logistics of waste fractions returning from store to warehouse
6.5 Transport by motorbike, car and commercial vehicles	Renewal of corporate car fleet with more efficient and modern models
7.3 Installation, maintenance and repair of energy efficiency equipment	Renewal of more efficient cooling, refrigeration and air conditioning equipment using refrigerant gases with a lower GWP; LED replacement projects to reduce electricity use
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings	Renewal of systems to control cooling facilities at several warehouses to improve energy control and efficiency and home automation pilots in stores

To calculate the aforementioned indicators, the numerator has been determined from the control and monitoring records of the 2021 investment budget from the Technical and Procurement departments, following the same accounting criteria that govern the DIA Group's financial accounting.

The key indicator referring to turnover is calculated as the proportion of income arising from eligible activities (numerator) from the company's total income (denominator). This income relates to income recognised in accordance with International Accounting Standard (IAS) 1, paragraph 82 (a), as adopted by

Commission Regulation (EC) No 1126/2008. The denominator of this key indicator is shown in DIA Group's 2021 Consolidated Annual Accounts and corresponds to net turnover.

To calculate the CapEx numerator, first those activities have been identified that meet the eligible criteria according to the taxonomy of the areas involved, and the relevant values have been consolidated. Each eligible activity has only been computed for one area of the Company, thus avoiding double accounting of such investments, as mentioned in the above table "Economic activities in accordance with the DIA Group taxonomy". For the denominator, additions to tangible and intangible assets, before amortisation/depreciation and possible revaluations, including those resulting from revaluations and impairment, have been included for 2021, excluding changes in fair value. Additions to tangible and intangible assets resulting from business combinations, if any, would also have been included, covering costs that are accounted for in accordance with IAS 16 Property, plant and equipment and IFRS 16 Leases. In accordance with our consolidated financial statements, the total CapEx is disclosed in Note 5 and Notes 6.2 and 6.3 to the 2021 Consolidated Annual Accounts.

The OpEx indicator is defined as the proportion of elegible OpEx (as defined in the Taxonomy regulation, the numerator) to total OpEx (as defined in the Taxonomy regulation, the denominator). This denominator reduces total operating expenses to non-capitalised direct costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct costs related to the day-to-day maintenance of property, plant and equipment by the DIA Group or a third party to whom these activities are outsourced and which are required to ensure the ongoing effective operation of those assets.

The numerator of this indicator, however, would include the operational expenses included in the denominator that would be spent on eligible activities. This OpEx indicator denominator is shown in Note 18 to the DIA Group's 2021 Consolidated Annual Accounts.