DIA
Financial Report

Financial Report

Consolidated Annual Accounts

Consolidated Statement of Financial Position

At 31 December 2017 (expressed in thousands of Euros)

ASSETS	NOTES	2016	2017
Property,plant and equipment	5	1,469,078	1,363,963
Goodwill	6.1	557,818	553,129
Other intangible assets	6.2	37,505	42,709
Investments accounted for using the equity method	9	185	974
Trade and other receivables	8.1	69,345	73,084
Other non-current financial assets	8.2	58,657	75,013
Consumer loans from financial activities	8.3	401	-
Deferred taz assets	17	270,164	253,983
Non-current assets		**2,463,153**	**2,362,855**
Inventories	11	669,592	569,644
Trade and other receivables	8.1	167,279	221,846
Consumer loans from financial activities	8.3	6,220	1,070
Current tax assets	17	71,087	64,717
Current income tax assets	17	8.832	369
Other current financial assets	8.2	19,734	18,430
Other assets	10	8,140	7,387
Cash and cash equivalents	12	364,600	340,193
		1,315,484	**1,223,656**
Non-current assets held for sale	13		39,663
Current assets		**1,315,484**	**1,263,319**
TOTAL ASSETS		**3,778,637**	**3,626,174**

EQUITY AND LIABILITIES	NOTES	2016	2017
Capital	14.1	62,246	62,246
Reserves	14.2	261,108	304,676
Own shares	14.3	(66,571)	(60,359)
Other own equity instruments	14.3	21,013	10,773
Net profit for the period		174,043	109,579
Traslation differences	14.7	(59,773)	(100,777)
Value adjustments due to cash flow hedges		92	(55)
Equity attributable to equity holders of the Parent		**392,158**	**326,083**
Non-controlling interests	14.6	(60)	(100)
Total equity		**392,098**	**325,983**
Non-current borrowings	15.1	1,062,273	961,945
Provisions	16	45,841	42,556
Other non-current financial liabilities	15.2	2,785	2,491
Deferred tax liabilities	17	-	2,206
Non-current liabilities		**1,110,899**	**1,009,198**
Current borrowings	15.1	180,734	269,519
Trade and other payables	15.3	1,859,265	1,710,828
Current tax liabilities	17	85,494	85,692
Current income tax liabilities	17	15,505	10,913
Other current financial liabilities	15.4	134,642	148,865
		2,275,640	**2,225,817**
Liabilities directly associated with non-current assets held for sale	13	-	65.176
Current liabilities		**2,275,640**	**2,290,993**
TOTAL EQUITY AND LIABILITIES		**3,778,637**	**3,626,174**

Consolidated Income Statement

For the year ended 31 December 2017 (expressed in thousands of Euros).

INCOME STATEMENT	NOTES	2016	2017
Sales	4	8,669,257	8,620,550
Other income	19.1	126,198	155,660
Total income		**8,795,455**	**8,776,210**
Goods and other consumables used	19.2	(6,767,370)	(6,808,596)
Personnel expenses	19.3	(833,643)	(808,943)
Operating expenses	19.4	(633,513)	(645,071)
Amortisation, depreciation and impairmnet	19.5	(240,580)	(248,799)
Losses and disposal of fixed assets	19.6	(10,811)	(17,728)
Results from operating activities		**309,538**	**247,073**
Finance income	19.7	11,656	4,830
Finance expenses	19.7	(62,293)	(65,868)
Profit of companies accounted for using the equity method	9	93	288
Profit before tax from continuing operations		**258,994**	**186,323**
Income tax	17	(69,119)	(55,350)
Profit after tax from continuing operations		**189,875**	**130,973**
Losses net of taxes of discontinued operations	13	(15,874)	(21,434)
Net profit		**174,001**	**109,539**
Atributted to:			
Equityholders of the Parent		174,043	109,579
Non-controlling interests		(42)	(40)
Basic and diluted earnings per share, in euros			
Profit on continuing operations		0.31	0.21
Losses on discontinued operations		(0.03)	(0.03)
Profit for the period		0.28	0.18

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017 (expressed in thousands of Euros).

	2016	2017
Net profit for the year	**174,001**	**109,539**
Other comprehensive income:		
Items not subject reclassification to income statement	-	-
Items subject reclassification to income statement		
Translation differences of financial statements of foreign operations	33,910	(41,004)
	33,910	(41,004)
Value adjustments due to cash flow hedges	56	(197)
Tax effect	(14)	50
	42	(147)
Other comprehensive income, net of income tax	33,952	(41,151)
Total comprehensive income, net income tax	**207,953**	**68,388**
Attributed to:		
Equityholders of the Parent	207,995	68,428
Non-controlling interests	(42)	(40)
	207,953	**68,388**

Consolidated statement of charges in equity

For the year ended 31 December 2017 (expressed in thousands of Euros).

Equity attributable to equityholders of the Parent

	Registeres capital	Reserves and accumulated earnings	Own shares	Other own equity instruments	Value adjustments due to cash flow hedges	Translation differences	Equity attributable to the Parent	Minority interests	Total equity
At 31st December 2015	62,246	386,544	(53,561)	11,647	50	(93,683)	313,243	(18)	313,225
Net profit for the period	-	**174,043**	-	-	-	-	**174,043**	**(42)**	**174,001**
Other comprehensive income, net of income tax	-	-	-	-	**42**	**33,910**	**33,952**	-	**33,952**
Translation differences of financial statements of foreign operations	-	-	-	-	-	33,910	33,910	-	33,910
Value adjustments due to cash flow hedges	-	-	-	-	42	-	42	-	42
Total comprehensive income for the period	-	**174,043**	-	-	**42**	**33,910**	**207,995**	**(42)**	**207,953**
Transactions with equityholders or owners	-	**(125,436)**	**(13,010)**	**9,366**	-	-	**(129,080)**	-	**(129,080)**
Distribution of dividends	-	(122,212)	-	-	-	-	(122,212)	-	(122,212)
Issuance of share-based payments	-	-	-	15,000	-	-	15,000	-	15,000
Acquisitions of own shares (note 14.3 (a))	-	-	(19,903)	-	-	-	(19,903)	-	(19,903)
Delivery of own shares	-	(3,224)	6,893	(5,634)	-	-	(1,965)	-	(1,965)

At 31st December 2016	62,246	435,151	(66,571)	21,013	92	(59,773)	392,158	(60)	392,098
Net profit for the period	-	**109,579**	-	-	-	-	**109,579**	**(40)**	**109,539**
Other comprehensive income, net of income tax	-	-	-	-	**(147)**	**(41,004)**	**(41,151)**	-	**(41,151)**
Translation differences of financial statements of foreign operations	-	-	-	-	-	(41,004)	(41,004)	-	(41,004)
Value asjustments due to cash flow hedges	-	-	-	-	(147)	-	(147)	-	(147)
Total comprehensive income for the period	-	**109,579**	-	-	**(147)**	**(41,004)**	**68,428**	**(40)**	**68,388**
Transactions with equityholders or owners	-	**(130,475)**	**6,212**	**(10,240)**	-	-	**(134,503)**	-	**(134,503)**
Distribution of dividends	-	**(128,535)**	-	-	-	-	(128,535)	-	(128,535)
Issuance of share-based payments	-	-	-	(4,893)	-	-	(4,893)	-	(4,893)
Acquisitions of own shares (note 14.3 (a))	-	(1,458)	1,458	-	-	-	-	-	-
Delivery of own shares	-	(559)	4,754	(5,347)	-	-	(1,152)	-	(1,152)
Other adjustments in equity	-	77	-	-	-	-	77	-	77
At 31st December 2017	62,246	414,255	(60,359)	10,773	(55)	(100,777)	326,083	(100)	325,983

Consolidated statement of cash flow

	NOTES	2016	2017
Operating activities			
Profit before tax from continuing operations		258,994	186,323
Loss before tax from discontinued operations		(15,874)	(21,434)
Profit before income tax		**243,120**	**164,889**
Adjustments to Profit and Loss:		**299,334**	**282,540**
Amortisation, depreciation and impairment	19.5	240,580	248,799
Losses on disposal of fixed assets	19.6	10,811	17,728
Gains on disposal of fixed assets	19.1	(16,461)	(31,226)
Finance income	19.7	(11,656)	(4,830)
Finance expenses	19.7	62,293	65,868
Changes of provisions and grants		832	984
Other adjustments if discontinued operations	13	8,291	1,923
Other adjustments to Profit and Loss		4,737	(16,418)
Profit/(loss) of companies accounted for using the equity method net of dividends	9	(93)	(288)
Adjustments to working capital:		**285,464**	**(85,363)**
Changes in trade and other receivables		(30,661)	(48,232)
Changes in inventories		(106,538)	88,349
Changes in trade and other payables		431,251	(89,545)
Changes in consumer loan and refinancing commitments		(824)	2,212
Changes in other assets		(2,635)	(3,607)
Changes in other liabilities		(4,510)	7,132
Changes in working capital of discontinued operations	13	5,443	(1,578)
Net cash flows from/(used in) operating activities		827,918	362,066

Investing activities:			
Acquisition of intangible assets	6.1 and 6.2	(5,491)	(7,234)
Development cost	6.2	(7,065)	(11,167)
Acquisition of property, plant and equipment	5	(333,428)	(262,195)
Acquisition of financial instruments		(33,124)	(25,794)
Disposals of property, plant and equipment	19.6	38,302	68;204
Payments/(Collections) for other financial assets		2,220	(1,073)
Interest received	19.7	8,342	2,045
Investing flows of discontinued operations	13	(1,034)	1,724
Net cash flows of discontinued operations		**(331,278)**	**(235,490)**
Financing activities:			
Dividends distributed to shareholders of the Parent	14.4	(122,212)	(128,535)
Acquisition of own shares	14.3 a)	(19,903)	-
Borrowings repaid	15.5	(376,598)	(373,570)
Borrowings made	15.5	300,000	405,556
Payments for other financial liabilities		(6,484)	(6,622)
Interest paid	19.7	(61,797)	(65,683)
Financing flows of discontinued operations	13	6,643	(30,443)
Net cash flows from financing activities		**(280,351)**	**(199,297)**
Net changes in cash and cash equivalents		**216,289**	**(72,721)**
Net foreign exchange differences		**(6,316)**	**48,314**
Cash and cash equivalents at 1st January	**12**	**154,627**	**364,600**
Cash and cash equivalents al 31st December	**12**	**364,600**	**340,193**

Notes to the consolidated annual accounts

1. Nature, activities and composition of the group

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

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

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

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

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

The Company is the parent of a group of subsidiaries (hereinafter the DIA Group or the Group) which are all fully consolidated, except for ICDC Services, Sàrl (50% owned by DIA World Trade, S.A.), Distribuidora Paraguaya de Alimentos, S.A. (10% owned by DIA Paraguay, S.A.), Red Libra Trading Services, S.L. (50% owned by DIA, S.A.) and CD Supply

Innovation, S.L. (50% owned by DIA, S.A.), which are equity-accounted.

The following changes to the Group occurred in 2017 and 2016:

2017

- During the last quarter of 2017, the DIA Group began a process to explore strategic alternatives in the business of its financial entity, Finandia, E.F.C., S.A., classifying the assets and liabilities of this company as held for sale at 31 December 2017, in accordance with IFRS 5 (see notes 13 and 24).
- On 4 December 2017, the DIA Group expanded its collaboration with Casino through the creation of the company CD Supply Innovation, S.L. (hereinafter CDSI), with headquarters in Madrid and which commenced operations on 15 December. This company is 50% owned by DIA, S.A. and its scope is international, excluding Latin America. In order to optimise processes with suppliers and gain efficiency, enabling a better end offering to the consumer, the new company will largely be tasked with purchasing own brand products from its partners on its own behalf. It will also perform, inter alia, logistics management of supplies and quality control of these products, issuing penalties to suppliers where necessary.
- On 12 June 2017, the company DIA Portugal II, S.A. was set up for the purposes of operating one store on a Lisbon market. Its share capital amounts to Euros 50,000, divided into 50,000 shares of Euro 1 par value each, fully subscribed by DIA Portugal, SA.
- On 18 April 2017, the DIA Group and the EROSKI Group signed an agreement to set up Red Libra Trading Services, S.L., a new company tasked with negotiating with suppliers of distributor brands for both companies, as well as purchasing other materials and supplies necessary for their activity, in order to maximise the price-quality ratio for the consumer. This company will trade from Madrid and its capital is shared equally between the DIA and EROSKI Groups.
- In the first quarter of 2017, the DIA Group began a process to explore strategic alternatives in its China business, classifying the assets and liabilities of its companies, DIA Tian Tian Management Consulting Service & Co. Ltd. and Shanghai DIA Retail Co. Ltd., as held for sale. In accordance with IFRS 5, the Company has discontinued the operations of its China business, re-stating the accounts for the prior year for comparability purposes (see note 13).

2016

- On 2 December 2016, DIA Argentina increased its share capital by Argentine Pesos 197,928 thousand, which was fully subscribed by Group companies.
- In May 2016 the Group acquired 100% of the capital of Hartford, S.A. and on 30 June 2016 this company changed its name to DIA Paraguay, S.A. (hereinafter DIA Paraguay). As a result of this acquisition, the Group now holds a 10% indirect interest in Distribuidora Paraguaya de Alimentos, S.A. (hereinafter DIPASA). The registered offices of DIA Paraguay and DIPASA are both located in Asunción, the capital of Paraguay. The principal activity of DIA Paraguay is to engage in legal trade operations of all kinds and, primarily, the purchase, sale, construction and lease of real estate, and the purchase, sale and exchange of vehicles on its own behalf, on behalf of third parties, or in association with third parties, in both the domestic and foreign markets. The principal activity of DIPASA is to undertake the operations included in the master franchise contract entered into with DIA Paraguay. Both companies commenced their respective activities at the end of 2016.
- On 3 May 2016 and 26 December 2016, DIA Brazil increased its share capital by Brazilian Reals 100,000 thousand and Brazilian Reals 39,439 thousand, respectively. Both increases were fully subscribed by the Parent of the Group.
- On 29 March 2016 the winding up of Beijing DIA Commercial Co. Ltd. was completed. The decision to wind up this company was taken in 2014 and its net assets were liquidated at 31 December 2015.

Details of the DIA Group's subsidiaries, as well as their activities, registered offices and percentages of ownership at 31 December 2017 and 2016 are as follows:

NAME	LOCATION	ACTIVITY	% interest	
			2016	2017
DIA Portugal Supermercados, Lda.	Lisbon	Wholesale and retail distribution of food products.	100.00	100.00
DIA Portugal II	Lisbon	Wholesale and retail distribution of food products.	-	100.00
DIA Argentina, S.A.	Buenos Aires	Wholesale and retail distribution of food products.	100.00	100.00
Distribuidora Internacional, S.A.	Buenos Aires	Services consultancy.	100.00	100.00
DIA Paraguay, S.A.	Asunción	To dedicate on his own, from third parties or associated with terd parties, both in the country or abroad, to any act of lawful commerce and mainly to the sale, construction and lease of real estate: and the purchase, sale and exchange of vehicles.	100.00	100.00
DIA Brasil Sociedade Limitada	Asunción	Dedicarse a ejecutar el contrato de Master Franquicia firmado con DIA Paraguay, S.A.	100,00	100,00
DIA Brasil Sociedade Limitada	Sao Paulo	Wholesale and retail distribution of consumer products.	100.00	100.00
DBZ Serv. Inmobiliario LTDA	Sao Paulo	Administration of real estate property of DIA Brasil.	100.00	100.00
Finandia, E.F.C., S.A.	Madrid	Loan and credit transactions, including consumer loans, mortgage loans and finance for commercial transactions, and credit and debit card issuing and management.	100.00	100.00
DIA Tian Tian Management Consulting Service & Co. Ltd.	Shanghai	Services consultancy.	100.00	100.00
Shanghai DIA Retail Co. Ltd.	Shanghai	Wholesale and retail distribution of consumer products.	100.00	100.00
Twins Alimentación, S.A.	Madrid	Distribution of food and toiletries through supermarkets.	100.00	100.00
Pe-Tra Servicios a la distribución, S.L.	Madrid	Leasing of business premises.	100.00	100.00
DIA World Trade, S.A.	Geneva	Provision of services to suppliers of DIA Group companies.	100.00	100.00
Beauty by DIA, S.A. (Schlecker, S.A. in 2015)	Madrid	Distribution of cleaning and toiletry products.	100.00	100.00
Grupo El Árbol, Distribución y Supermercados, S.A.	Madrid	Wholesale and retail distribution of food products and others.	100.00	100.00
Compañía Gallega de Supermercados, S.A.	Madrid	Wholesale and retail distribution of food products and others.	94.24	94.24
DIA ESHOPPING, S.L.	Madrid	Creation, maintenance and exploitation of web pages and portals for the sale of products and services.	100.00	100.00

Details of the DIA Group's associates and joint ventures at 31 December 2017 and 2016 are as follows:

NAME	LOCATION	ACTIVITY	% interest	
			2016	2017
Distribuidora Paraguaya de Alimentos, S.A.	Asunción	Dedicarse a ejecutar el contrato de Master Franquicia firmado con DIA Paraguay, S.A.	10.00	10.00
ICDC Services Sàrl	Geneva	Dealing with international suppliers.	50.00	50.00
Red Libra Trading Services, S.L.	Madrid	Negociation with suppliers of distribution brands	-	50.00
CD Supply Innovation S.L.	Madrid	Finantial and supplies services management for own brand.	-	50.00

The basis of consolidation applicable to the subsidiaries, associates and joint ventures are set forth in note 2.7.

At 31 December 2017 and 2016, the Group has several master franchise agreements, some of which grant the Group the option, within a specific period, to purchase a percentage of the capital of the franchised business. The Group assesses, based on the terms of the agreement, whether these options are derivative financial instruments to be recognised in the consolidated financial statements. If the option entails the Group's control over the franchisee, the Group assesses the impact of the application of IFRS 3 Business combinations. At 31 December 2017 and 2016, the Group considers that the impact of these agreements on these consolidated financial statements is not significant.

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 2017 and of consolidated results of operations, consolidated cash flows and changes in consolidated equity for the year then ended.

On 28 February 2011 the DIA Group authorised for issue the consolidated financial statements for 2010, 2009 and 2008, which were the first consolidated financial statements drawn up, and they were filed with the Mercantile Registry of Madrid in accordance with current legislation.

The DIA Group chose the following exemptions from IFRS 1:

- Business combinations: the DIA Group did not re-estimate the business combinations carried out prior to 1 January 2004 (see note 3 (a)).
- Cumulative translation differences: the DIA Group recognised the cumulative translation differences of all foreign businesses prior to 1 January 2004 at zero, and transferred the related balances to reserves at that date (see note 3 (c)).
- Financial instruments: the DIA Group opted to apply IAS 32 and IAS 39 from 1 January 2004.

These consolidated annual accounts were prepared on a historical cost basis, except for derivative financial instruments and financial instruments at fair value through profit or loss, which were measured at fair value (see note 15.5).

Note 3 includes a summary of all mandatory and significant accounting principles, measurement criteria and alternative options permitted under IFRS.

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

The DIA Group's consolidated annual accounts for 2017 were authorised for issue by the board of directors of the Parent on 21 February 2018 and are expected to be approved by the shareholders of the Parent at their ordinary general meeting without any changes.

2.2. Comparative information

The consolidated statement of financial position, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2017 include comparative figures for 2016, which formed part of the consolidated annual accounts approved by the shareholders of the Parent at the ordinary general meeting held on 28 April 2017.

For the purposes of comparability of the consolidated income statement for 2016, it has been restated to classify the different income statement items corresponding to the China business in the consolidated income statement as net gains/losses on discontinued operations (see notes 1 and 13) and to classify the cash flows of this business in the statement of cash flows.

In 2017, the Group presented the items that meet the offsetting criteria at their net amount, restating the 2016 figures for comparative purposes as a result. In particular deferred tax assets and liabilities and supplier amounts, which are settled at their net amount.

2.3. 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.

2.4. 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:

a) Relevant accounting estimates and assumptions

- **1.** Evaluation of the potential impairment of non-financial assets subject to amortisation or depreciation: see note 3j (ii), note 5 and note 6.2.
- **2.** Evaluation of the potential goodwill impairment: see note 3j(i) and note 6.1.
- **3.** Evaluation of the recoverability of deferred tax assets (see note 17).
- **4.** Long-term incentive plan: see note 3t) and note 18.
- **5.** Analysis of possible contingencies or liabilities relating to proceedings in progress: (see note 3s) and note 20b).

2.5. First-time application of accounting standards

The Group has applied all standards effective as of 01 January 2017. The application of these standards has not required any significant changes in the preparation of this year's consolidated annual accounts.

2.6. Standards and interpretations issued but not applied

At the publication date of these consolidated annual accounts, the following standards issued, but that haven't become effective and which the Group plans to apply on or after 1 January 2018, are:

IFRS 9 Financial Instruments:

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group will apply this standard for the first time on 1 January 2018.

Given the nature of the Group's financial assets and liabilities, the change in reporting criteria set forth in IFRS 9 is not significant for the Group. With regard to the new financial asset impairment calculation model based on the model of expected loan losses over the life of the asset, the Group has estimated the impact and it is not significant.

With regard to recognising refinanced financial liabilities issued on the stock market, the IASB has confirmed retrospective application as stated in IFRS 9 and this applies to the refinancing of bonds by the Parent during 2017 (see note 15.1). The Group has identified a minor impact which it will recognise in equity reserves at 1 January 2018, as established by the regulation.

With regard to hedge accounting, the Group uses forward foreign exchange contracts to hedge against fluctuations in fair value foreign exchanges as a result of changes in exchange rates and interest and will continue to apply IAS 39, therefore not expecting any impact on the consolidated financial statements.

IFRS 15 Revenue from contracts with customers:

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

For the sale of products, revenue is currently recognised when the goods are delivered to the customers at the stores, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable (already received in cash transactions) and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods which also takes place when the goods are delivered to the customers at the stores.

Although the customer is allowed to return any item, the impact of this is irrelevant in the Group. Therefore, there is no current impact in the recognition of revenue and will not either under IFRS 15.

The Group has carried out an analysis of its customer loyalty programmes and since discounts are generally granted and applied to customers when the transaction takes place, they are recognised as a reduction in income. Therefore, no significant impacts are expected.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group will apply this standard for the first time on 1 January 2018.

The actual impact of adopting IFRS 15 on the Group's consolidated financial statements in 2018 will be very limite

IFRS 16 Leases:

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

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

The standard is effective for annual periods beginning on or after 1 January 2019 although early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases of warehouse and stores. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

As a lessee, the Group can either apply the standard using a retrospective approach; or a modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply.

As a lessor, the Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

The Group has not yet completed the quantification of the impact on its reported assets and liabilities of adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into. The Group considers especially relevant in the application of this standard and its quantification the analysis to be performed on the term of the lease, as well as the discount rate to apply. The Group expects to disclose its transition approach and quantitative information before adoption and, in any case, expects that the impact of the application of this standard will be significant in the group financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments:

IFRIC 23 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The Group will apply the standard for the first time on 1 January 2019 and it is analysing the potential impact of this standard on the Group's consolidated financial statements for 2019. It believes that the impact will be very limited.

2.7. Basis of consolidation

a) Subsidiaries

IFRS 10 requires an entity (the parent) that controls one or more other entities (subsidiaries) to present consolidated financial statements 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; and
- **C** the ability to use its power over the investee to affect the amount of the investor's returns.
- **D** The annual accounts or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent.

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

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date control commences. Subsidiaries are excluded from the consolidated Group from the date on which this control is lost. For consolidation purposes the annual accounts of subsidiaries are prepared for the same reporting period as those of the Parent, and applying the same accounting policies. All balances, income and expenses, gains, losses and dividends arising from transactions between Group companies are eliminated in full.

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 accounted for using the equity method from the date that significant influence commences 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. Investments in the Group's joint ventures are recorded using the equity method.

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). Entities acquired prior to that date were recognised in accordance with the generally accepted accounting principles applied by the Carrefour Group at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group applies IFRS 3 Business Combinations, revised in 2014, 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 consideration transferred in a 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 and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

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

At the acquisition date the 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 the consideration given and the value of net assets acquired and liabilities assumed, is recognised as goodwill. Any shortfall, after evaluating the consideration given and the identification and measurement of net assets acquired, is recognised in profit and loss.

Note 3j) details the criteria relating to goodwill impairment.

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

Because they were acquired prior to 1 January 2004, non-controlling interests in subsidiaries were recognised at the amount of the Group's share of the subsidiary's equity.

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

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

c) Translation of foreign operations

The Group has applied the exemption permitted by IFRS 1, First-time Adoption of International Financial Reporting Standards, relating to accumulated translation differences. Consequently, translation differences recognised in the consolidated annual accounts generated prior to 1 January 2004 are recognised in retained earnings (see note 2.1). As of that date, foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated into Euros as follows:

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

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

Translation differences recognised in other comprehensive income are accounted for in profit or loss as an adjustment to the gain or loss on the sale using the same criteria as for subsidiaries, associates and joint ventures.

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.

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. Non-monetary assets measured at fair value have been translated into Euros at the exchange rate at the date that the fair value was determined.

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

Exchange gains or losses on monetary financial assets or financial liabilities denominated in foreign currencies are also recognised in profit or loss.

e) 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.

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

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

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.

The Group recognises revenue from the sale of goods when:

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

f) Intangible assets

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

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

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

Internally generated intangible assets

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

The Group has technical studies that demonstrate the feasibility of the production process.
The Group has undertaken a commitment to complete production of the asset, to make it available for sale or internal use.
The asset will generate sufficient future economic benefits.
The Group has sufficient technical and financial resources to complete development of the asset and has devised budget control and cost accounting systems that enable monitoring of budgetary costs, modifications and the expenditure actually attributable to the different projects.
Expenditure on activities for which costs attributable to the research phase are not clearly distinguishable from costs associated with the development stage of intangible assets are recognised in profit and loss.

Expenditure on activities that contribute to increasing the value of the different businesses in which the Group as a whole operates is recognised as expenses when incurred. Replacements or subsequent costs incurred on intangible assets are generally recognised as an expense, except where they increase the future economic benefits expected to be generated by the assets.

Computer software

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

Leaseholds

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

Industrial property

Industrial property essentially comprises the investment in the development of commercial models and product ranges, amortised over four years.

g) 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 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.

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 from the date on which these assets enter into service. Property, plant and equipment are depreciated by allocating the cost of the assets over the following estimated useful lives, which are calculated in accordance with technical studies, which are reviewed on a regular basis:

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

h) Leases

Lessee accounting

Determining whether a contract is, or contains, a lease is based on an analysis of the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset to the DIA Group.

Leases under which the lessor maintains a significant part of the risks and rewards of ownership are classified as operating leases. Operating lease payments are expensed on a straight-line basis over the lease term.

Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of the assets are transferred to the Group. At the commencement of the lease term, the Group recognises the assets, classified in accordance with their nature, and the associated debt, at the lower of fair value of the leased asset and the present value of the minimum lease payments agreed. Lease payments are allocated proportionally between the reduction of the principal of the lease debt and the finance charge, so that a constant rate of interest is obtained on the outstanding balance of the liability. Finance charges are recognised in the consolidated income statement over the life of the contract.

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

Lessor accounting

The Group has granted the right to use certain spaces within the DIA stores to concessionaires and the right to use leased establishments to franchisees under contracts. The risks and rewards incidental to ownership are not substantially transferred to third parties under these contracts. Operating lease income is taken to the consolidated income statement on a straight-line basis over the lease term. Assets leased to concessionaires are recognised under property, plant and equipment following the same criteria as for other assets of the same nature.

Sale and leaseback transactions

In each sale and leaseback transaction, the Group assesses the classification of finance and operating lease contracts for land and buildings separately for each item, and assumes that land has an indefinite economic life. To determine whether the risks and rewards incidental to ownership of the land and buildings are substantially transferred, the Group considers the present value of minimum future lease payments and the minimum lease period compared with the economic life of the building.

If the Group cannot reliably allocate the lease rights between the two items, the contract is recognised as a finance lease, unless there is evidence that it is an operating lease.

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

When the leaseback is classed as an operating lease:

- If the transaction is established at fair value, any profit or loss on the sale is recognised immediately in consolidated profit or loss for the year.
- If the sale price is below fair value, any profit or loss is recognised immediately. However, if the loss is compensated for by future lease payments at below market price, it is deferred in proportion to the lease payments over the period for which the asset is to be used.
- If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is to be used.

i) 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 and 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.

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 resale.

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.

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.

j) Impairment of non-financial assets subject to amortisation or depreciation.

(i) Impairment of Goodwill

Pursuant to the criteria contained in IAS 36, the Group performs a test annually to assess potential impairment on each CGU or group of CGUs with associated goodwill, to determine whether the carrying amount of these assets exceeds their recoverable amount.

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

The CGU or group of CGUs to which goodwill has been allocated should represent the lowest level at which goodwill is monitored for internal management purposes and should not be larger than an operating segment before aggregation determined in accordance with IFRS 8. The DIA Group assesses the allocation of goodwill at company level. This choice is based on both organisational and strategic criteria and how implementation decisions are made.

A CGU's value in use is measured based on the future cash flows the Group expects to derive from each company, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the assets and other factors that market participants would reflect in pricing the future cash flows associated with the assets. Note 6.1 contains some of the main assumptions used to measure the value in use of the CGUs to which goodwill is allocated.

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

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

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

Based on past experience, the Group considers that there are indications of impairment when the adjusted EBITDA (taken to mean earnings before depreciation/amortisation and impairment, gains/losses on disposal of assets and other non-recurring income and expense) of a mature store (one that has been in operation for more than two years) has been negative for more than two years and also those stores where impairment has been recorded. 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 pre-tax discount rate which reflects the value of money over time, and considering the specific risks associated with the asset.

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

In order to estimate the value in use, the Group uses the strategic plans of the different cash-generating units to which the assets are assigned. These strategic plans generally cover a five-year period. For longer periods, projections based on strategic plans are used as of the fifth year, applying a constant expected growth rate. Note 6.1 includes some of the main assumptions considered in determining the value in use of the cash-generating units to which the non-current assets are allocated.

The discount rates used are calculated before tax and are adjusted for the corresponding country and business risks.

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

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

k) 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.

l) Financial instruments - assets

Regular way purchases and sales of financial assets are recognised in the consolidated statement of financial position at the trade date, when the Group undertakes the commitment to purchase or sell the asset. At the date of first

recognition, the DIA Group classifies its financial instruments into the following four categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The only significant financial assets are classified under loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are not classified in any other financial asset categories. Assets of this nature are recognised initially at fair value, including transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Results are recognised in the consolidated income statement at the date of settlement or impairment loss, and through amortisation. Trade receivables are initially recognised at fair value and subsequently adjusted where objective evidence exists that the debtor may default on payment. The provision for bad debts is calculated based on the difference between the carrying amount and the recoverable amount of receivables. Current trade balances are not discounted.

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

All or part of a financial asset is derecognised when one of the following circumstances arises:

- The rights to receive the cash flows associated with the asset have expired.
- The Group has assumed a contractual obligation to pay the cash flows received from the asset to a third party.
- The contractual rights to the cash flows from the asset have been transferred to a third party and all of the risks and rewards of ownership have been transferred.

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

m) 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.

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.

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.

n) Cash and cash equivalents

Cash and cash equivalents recognised in the consolidated statement of financial position include cash in hand and in bank accounts, demand deposits and other highly liquid investments maturing in less than three months. 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.

o) Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration given, less any directly attributable transaction costs. In subsequent periods, these financial liabilities are carried at amortised cost using the effective interest method. Financial liabilities are classified as non-current when their maturity exceeds 12 months or the DIA Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are derecognised when the corresponding obligation is settled, cancelled or has expired. When a financial liability is substituted by another with substantially different terms, the Group derecognises the original liability and recognises a new liability, taking the difference in the respective carrying amounts to the consolidated income statement.

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.

The Group has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised under trade and other payables in the consolidated statement of financial position until they have been settled, repaid or have expired.

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

Guarantees received in sublease contracts are measured at nominal amount, since the effect of discounting is immaterial

Derivative financial products and hedge accounting

Derivative financial instruments are initially recognised using the same criteria as those described for financial assets and financial liabilities. Financial derivatives that do not meet the hedge accounting criteria shown below are classified as financial assets and liabilities at fair value through profit and loss. Derivative financial instruments are classified as current or non-current depending on whether their maturity is less or more than 12 months. Derivative instruments that qualify to be treated as hedging instruments for non-current assets are classified as non-current assets or liabilities, depending on whether their values are positive or negative.

The criteria for recognising gains or losses arising from changes in the fair value of derivatives depend on whether the derivative instrument complies with hedge accounting criteria and, where applicable, on the nature of the hedging relationship.

Changes in the fair value of derivatives that qualify for hedge accounting, have been allocated as cash flow hedges and are highly effective, are recognised in equity. The ineffective portion of the hedging instrument is taken directly to consolidated profit and loss. When the forecast transaction or the firm commitment results in the recognition of a non-financial asset or liability, the gains or losses accumulated in equity are taken to the consolidated income statement during the same period in which the hedging transaction has an impact on the net profit or loss.

At the inception of the hedge the Group formally allocates and documents the hedging relationship between the derivative and the hedged item, as well as the objectives and risk management strategies applied on establishing the hedge. This documentation includes the identification of the hedging instrument, the hedged item or transaction and the nature of the hedged risk. The documentation also considers the measures taken to assess the effectiveness of the hedge in terms of covering the exposure to changes in the hedged item, whether with respect to its fair value or attributable cash flows. The effectiveness of the hedge is assessed prospectively and retrospectively, both at the inception of the hedging relationship and systematically over the period of allocation.

Hedge accounting criteria cease to be applied when the hedging instrument expires or is sold, cancelled or settled, or when the hedging relationship no longer complies with the criteria to be accounted for as such, or the instrument is no longer designated as a hedging instrument. In these cases, the accumulated gain or loss on the hedging instrument that has been recognised in equity is not taken to profit or loss until the forecast or committed transaction impacts on the Group's results. However, if the transaction is no longer considered probable, the accumulated gains or losses recognised in equity are immediately transferred to the consolidated income statement.

The fair value of the Group's derivatives portfolio reflects estimates based on calculations performed using observable market data and the specific tools used widely among financial institutions to value and manage derivative risk.

p) 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.

The subsequent redemption of the Parent instruments entails a capital reduction equivalent to the par value of the shares, and the posititive or negative difference between the acquisitaion price and the par value of the shares, which should be debited on credited on the reserves account.

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

Parent own shares are recognised as a component of consolidated equity at their total cost.

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.

q) 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.

r) Employee benefits

Defined benefit plans

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

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

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

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

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

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

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

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

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

Termination benefits

Termination benefits paid or payable that do not relate to restructuring processes in progress are recognised when the Group is demonstrably committed to terminating the employment of current employees prior to retirement date. The Group is demonstrably committed to terminating the employment of current employees when it has a detailed formal plan and is without realistic possibility of withdrawing or changing the decisions made.

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.

Employee benefits

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

s) 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. If it is virtually certain that some or all of a provisioned amount will be reimbursed by a third party, for example through an insurance contract, an asset is recognised in the consolidated statement of financial position and the related expense is recognised in the consolidated income statement, net of the foreseen reimbursement. If the time effect of money is material, the provision is discounted, recognising the increase in the provision due to the time effect of money as a finance cost.

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

Assessments of the existence of provisions for onerous contracts are based on the present value of unavoidable costs, determined as the lower of the contract costs, net of any income that could be generated, and any compensation or penalties payable for non-completion.

t) Share-based payments for goods and services

(i) Equity-settled share-based payment transactions

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, the services received are recognised in full, with a corresponding increase in equity;
- If the equity instruments granted do not vest until the employees complete a specified period of service, those services are accounted for during the vesting period, with a corresponding increase in equity.

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

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

The average number of shares expected to be delivered is calculated with the help of an independent expert, who performs the following:

- Regular updating of all relevant information for valuations taking into account the characteristics of the Plan, and information on the variable metrics of DIA and comparable companies.
- Application of a mathematical model, jointly modelling the financial variables using stochastic simulation techniques (Monte Carlo) to obtain the average number of shares expected to be handed over.

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

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

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

Management is required to provide an opinion on and estimate the total obligation derived from these plans and the part of this obligation accrued at 31 December 2017 based on the extent to which the conditions for receipt have been met (see note 18).

(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.

u) Grants, donations and bequests

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

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

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

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

v) 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 tax rates and tax laws used to calculate these amounts are those that have been enacted or substantially enacted at the reporting date.

Deferred tax liabilities reflect income tax payable in future periods in respect of taxable temporary differences while 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 Group calculates deferred tax assets and liabilities using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the end of the reporting period.

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. Deferred tax assets not recognised in the consolidated statement of financial position are also re-evaluated at each accounting close and are recognised when their recovery through future tax profits appears likely, as specified in note 2.4 (a).

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, directly in equity, or from a business combination.

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.

The Group only offsets deferred tax assets and liabilities if the right to offset current tax assets and liabilities has been legally recognised and the deferred tax assets and liabilities are assessed by the same taxation authority and are levied on the same entity, and where the tax authorities permit the entity or a group of entities to settle on a net basis, or to realise the asset and settle the liability simultaneously for each of the future years in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

w) 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 the Group'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.

x) Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. Current assets and liabilities are determined as follows:

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

y) 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.

z) 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.

aa) 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

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

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

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

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

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

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

Thousands of Euros at 31st December 2017	Segment - Iberia	Segment - Emerging	Consolidated
Sales (1)	5,505,621	3,114,929	8,620,550
EBITDA	374,868	138,732	513,600
% of sales	6.8%	4.5%	6.0%
Non-current assets	1,861,673	501,182	2,362,855
Liabilities	2,542,695	757,496	3,300,191
Acquisition of non-current assets	165,021	137,626	302,647
Number of outlets (2)	5,343	2,045	7,388

Thousands of Euros at 31st December 2016	Segment - Iberia	Segment - Emerging	Consolidated
Sales (1)	5,746,449	2,922,808	8,669,257
EBITDA	446,597	114,332	560,929
% of sales	7.8%	3.9%	6.5%
Non-current assets	1,925,491	537,662	2,463,153
Liabilities	2,517,070	869,469	3,386,539
Acquisition of non-current assets	225,774	119,589	345,363
Number of outlets (2)	5,498	1,922	7,420

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

(2) Number of own stores and franchised at the closing date excluding China.

Details of EBITDA by consolidated income statement item are as follows:

Thousands of Euros	2016	2017
Results from operating activities	309,538	247,073
Amortisation, depreciation and impairment	(240,580)	(248,799)
Losses on disposal of fixed assets	(10,811)	(17,728)
Total EBITDA	**560,929**	**513,600**

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

Thousands of Euros	Sales		Tangible and intangible assets	
	2016	2017	2016	2017
Spain	5,064,516	4,827,371	1,336,634	1,281,898
Portugal	681,932	678,250	264,168	259,830
Argentina	1,310,881	1,391,304	154,407	140,143
Paraguay	56	340	-	-
Brazil	1,611,872	1,723,285	291,056	277,928
China	-	-	18,133	-
Switzerland	-	-	3	2
Total	**8,669,257**	**8,620,550**	**2,064,401**	**1,959,801**

5. Property, plant and equipment

Details of property, plant and equipment and movements 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 2016	**146,839**	**1,200,319**	**1,352,528**	**109,360**	**77,222**	**132,128**	**3,018,396**
Additions	802	72,484	159,344	21,860	47,037	31,280	332,807
Disposals	(10,055)	(17,394)	(24,567)	(2,837)	(334)	(7,606)	(62,793)
Transfers	107	49,384	81,529	4,786	(100,470)	12,280	47,616
Other movements	-	-	-	(15)	-	-	(15)
Translation differences	2,350	18,200	20,390	4,494	5,110	5,379	55,923
At 31st December 2016	**140,043**	**1,322,993**	**1,589,224**	**137,648**	**28,565**	**173,461**	**3,391,934**
Additions	750	70,511	135,024	18,344	43,087	16,530	284,246
Disposals	(18,098)	(44,653)	(35,266)	(11,046)	(309)	(7,290)	(116,662)
Transfers	-	16,238	14,559	2,975	(35,372)	1,494	(106)
Transfers to assets held for sale (note 13)	-	(16,424)	(19,781)	(8,321)	(146)	(3,764)	(48,436)
Translation differences	(1,875)	(46,226)	(46,605)	(13,669)	(4,865)	(7,831)	(121,071)
At 31st December 2017	**120,820**	**1,302,439**	**1,637,155**	**125,931**	**30,960**	**172,600**	**3,389,905**

Depreciation							
At 1st January 2016	**-**	**(579,494)**	**(885,692)**	**(50,613)**	**-**	**(110,524)**	**(1,626,323)**
Amortisation and depreciation (note 19.5)	-	(56,489)	(131,490)	(13,196)	-	(16,968)	(218,143)
Disposals	-	2,281	16,041	1,169	-	7,182	26,673
Transfers	-	(18,844)	(27,245)	(2,784)	-	(555)	(49,428)
Other movements	-	(2,313)	(2,435)	(802)	-	(250)	(5,800)
Translation differences	-	(4,360)	(12,138)	(1,464)	-	(2,920)	(20,882)
At 31st December 2016	**-**	**(659,219)**	**(1,042,959)**	**(67,690)**	**-**	**(124,035)**	**(1,893,903)**
Amortisation and depreciation (note 19.5)	-	(55,605)	(135,973)	(14,297)	-	(19,122)	(224,997)
Disposals	-	16,055	23,729	9,360	-	6,671	55,815
Transfers	-	(634)	3,149	(3,422)	-	(8)	(915)
Other movements	-	(421)	(573)	(198)	-	(69)	(1,261)
Transfers to assets held for sale (note 13)		10,394	13,619	4,276	-	3,318	31,607
Translation differences	-	7,419	19,717	5,438	-	4,375	36,949
At 31st December 2017	**-**	**(682,011)**	**(1,119,291)**	**(66,533)**	**-**	**(128,870)**	**(1,996,705)**

Impairment							
At 1st January 2016	**(612)**	**(14,711)**	**(4,705)**	**(32)**	**-**	**(3)**	**(20,063)**
Allowance (note 19.5)	-	(9.515)	(5.719)	(1)	-	(2)	(15.237)
Distribution	-	2,002	1,122	-	-	(2)	3,126
Reversals (note 19.5)	-	1,778	855	-	-	-	2,633
Other movements	-	-	(12)	-	-	-	(12)
Transfers	-	748	24	23	-	-	795
Translation differences	-	(186)	(9)	-	-	(3)	(195)

At 31st December 2016	**(612)**	**(19,884)**	**(8,444)**	**(10)**	**-**	**(7)**	**(28,953)**
Allowance (note 19.5)	-	(10,183)	(3,296)	(6)	-	-	(13,492)
Distribution	-	4,863	1,591	6	-	-	6,460
Reversals (note 19.5)	-	4,598	862	-	-	-	5,460
Transfers	-	529	386	-	-	-	915
Transfers to assets held for sale (note 13)		-	193	-			193
Translation differences	-	175	4	-	-	1	180
At 31st December 2017	**(612)**	**(19,902)**	**(8,704)**	**(10)**	**-**	**(9)**	**(29,237)**
Net carrying amount							
At 31st December 2016	**139,431**	**643,890**	**537,821**	**69,948**	**28,565**	**49,423**	**1,469,078**
At 31st December 2017	**120,208**	**600,526**	**509,160**	**59,388**	**30,960**	**43,721**	**1,363,963**

Additions in property, plant and equipment in the Group during 2017 and 2016 mainly comprise refurbishments, remodelling and the opening of new stores to new formats, as follows:

Thousands of Euro	2016	2017
Iberia	215,887	149,846
Emerging	116,920	134,400
Total	**332,807**	**284,246**

Disposals for 2017 and 2016 primarily comprise the assets relating to the sale of certain warehouses and stores owned by the DIA Group and their subsequent leases and also items replaced as a result of the aforementioned improvements and disposals due to store closures.

Note 19.5 includes the impairment of property, plant and equipment recorded in 2017 and 2016 under the income statement caption Amortisation and impairment. The impairment has been recognised at CGU level based on Management estimates, in line with the criteria defined in note 3 j) (ii).

Details of the cost of fully depreciated property, plant and equipment in use at 31 December are as follows:

Thousands of Euros at 31 December	2016	2017
Buildings	341,068	341,822
Equipment, fixtures and fittings and machinery	718,841	742,273
Other installations, utensils and furniture	29,501	25,207
Other fixed assets	95,398	90,558
Total	**1,184,808**	**1,199,860**

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.

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

Thousands of Euro	2016	2017
Adictions property, plant and equipment	332,807	284,246
Variation suppliers of fixed assets	621	(22,051)
Total	**333,428**	**262,195**

Finance leases

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

Thousands of Euros	2016	2017
Land	**176**	**176**
Cost	176	176
Buildings	**481**	**435**
Cost	527	527
Accumulated depreciation	(46)	(92)
Equipment, fixtures and fittings and machinery	**29,350**	**25,267**
Cost	46,407	47,567
Accumulated depreciation	(17,057)	(22,300)
Other installations, utensils and furniture	**3**	-
Cost	3	-
Accumulated depreciation	(1)	-
Other fixed assets (transports)	**12,422**	**10,712**
Cost	15,902	17,708
Accumulated depreciation	(3,480)	(6,996)
Net carrying amount	**42,432**	**36,590**

The amount of the cost indicated in the previous breakdown corresponds, in every case, with the fair value of the assets at the date on which the financial lease contracts were signed.

Interest incurred on finance leases totalled Euros 2,317 thousand in 2017 and Euros 3,532 thousand in 2016 (see note 19.7).

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

	2016		2017	
Thousands of Euros	Minimum payments	Present value	Minimum payments	Present value
Less than one year	13,420	11,634	11,978	10,547
Two to five years	30,088	27,480	26,063	24,109
More than 5 years	3,963	3,825	2,177	2,120
Total minimum payments and present value	**47,471**	**42,939**	**40,218**	**36,776**
Less current portion (note 15.1)	(13,420)	(11,634)	(11,978)	(10,547)
Total non-current (note 15.1)	**34,051**	**31,305**	**28,240**	**26,229**

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

Thousands of Euros	2016	2017
Minimum future payments	47,448	40,195
Purchase option	23	23
Unaccrued finance expenses	(4,532)	(3,442)
Present value	**42,939**	**36,776**

6. Intangible assets

6.1. Goodwill

Details of goodwill by operating segment before aggregation and movement during the period are as follows:

Thousands of Euros	Spain	Portugal	Total
Net goodwill at 31/12/2015	**518,309**	**39,754**	**558,063**
Additions to the consolidated group	1,208	-	1,208
Disposals	(1,158)	-	(1,158)
Provision for impairment (note 19.5)	(295)	-	(295)
Net goodwill at 31/12/2016	**518,064**	**39,754**	**557,818**
Disposals	(99)	-	(99)
Provision for impairment (note 19.5)	(4,590)	-	(4,590)
Net goodwill at 31/12/2017	**513,375**	**39,754**	**553,129**

The goodwill reported by the Group relates to the following business combinations:

Thousands of Euros	Generarion year	Thousands of Euros
Acquisition of stores to Grupo Eroski	2015	91,695
Acquisition of assets to Mobile Dreams Factory Marketing, S.L.	2015	2,174
Acquisition company Grupo El Arbol, S.A.	2014	155,112
Acquisition of stores to Schlecker, S.A.	2013	48,591
Acquisition company Plus Supermercados, S.A.	2007	160,553
Acquisition of stores to Champion, S.A. and Supeco, S.L.	2006	15,100
Acquisition of stores to Dinosol, S.L.	2006	10,944
Acquisition company Distribuciones Reus, S.A.	1991	26,480
Other acquisitions of stores	Various	2,726
Total goodwill arising on consolidation in Spain		**513,375**
Acquisition company Portuguesa de Lojas de Desconto,S.A.	1998	39,754
Total goodwill arising on consolidation in Portugal		**39,754**

For impairment testing purposes, goodwill has been allocated to DIA's cash-generating units up to country level.

The recoverable amount of a group of CGUs is determined based on its value in use. These calculations are based on cash flow projections from the five-year financial budgets approved by management. Cash flows beyond this five-year period are extrapolated using the estimated growth rates indicated below. The growth rate should not exceed the average long-term growth rate for the distribution business in which the Group operates.

The impairment provision in 2017, amounting to Euros 4,590 thousand, corresponds to 11 stores, (in 2016 impairment was Euros 295 thousand and corresponded to one store which was closed in 2017).

The following main assumptions are used to calculate value in use:

	Spain		Portugal	
	2016	2017	2016	2017
Sales growth rate (1)	1.60%	3.80%	4%	3.70%
Growth rate (2)	2%	2%	2%	2%
Discount rate (3)	6.42%	7.11%	7.85%	8.70%

(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) Pre-tax discount rate applied to cash flow projections.

The rise in the average annual growth rate for Spain is due to the increased number of store openings planned for the coming years in the new formats.

These assumptions have been used to analyse each group of CGUs within the business segment.

The Group determines budgeted weighted average sales growth based on estimated future performance and market forecasts.

Group management considers that the average weighted growth rates for sales over the next five years are consistent with past performance, taking into account expansion plans, store refits to new formats and trends in macroeconomic indicators (population, inflation in food prices, etc.).

According to the assumptions used to forecast cash flows, the gross margin will remain stable throughout the budgeted period.

The weighted average growth rates of cash flows in perpetuity are consistent with the forecasts for the industry's expected evolution. The discount rates used are pre-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.

In all cases sensitivity analyses are performed in relation to the discount rate used and the growth rate of cash flows in perpetuity to ensure that reasonable changes in these assumptions would not have an impact on the possible recovery of the goodwill recognised. Specifically, a variation of 200 basis points in the discount rate used, a 0% growth rate of income in perpetuity, a 20 bps fall in the EBITDA margin or a 1% reduction in the average growth rate of sales, would not result in the impairment of any of the goodwill recognised.

	Argentina		Brazil	
	2016	2017	2016	2017
Growth rate (2)	2%	2%	2%	2%
Discount rate (3)	10.26%	10.82%	9.43%	9.79%

For all the other countries, the following assumptions are used to calculate value in use of property, plant and equipment and intangible assets:

	Argentina		Brazil	
	2016	2017	2016	2017
Growth rate (2)	2%	2%	2%	2%
Discount rate (3)	10.26%	10.82%	9.43%	9.79%

6.2 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 2016	**4,818**	**8,196**	**27,102**	**34,184**	**15,550**	**89,850**
Additions/Internal development	7,065	477	-	3,409	397	11,348
Disposals	-	-	(345)	(423)	(197)	(965)
Transfers	(2,507)	1,272	(2,310)	2,049	2,513	1,017
Translation differences	-	-	-	553	349	902
At 31st December 2016	**9,376**	**9,945**	**24,447**	**39,772**	**18,612**	**102,152**
Additions/Internal development	11,167	1,156	-	5,024	1,054	18,401
Disposals	-	(925)	(4,000)	(788)	(2,368)	(8,081)
Transfers	(5,439)	21	2,688	5,436	(2,600)	106
Transfers to assets held for sale (note 13)	-	-	-	(3,048)	-	(3,048)
Translation differences	-	-	-	(1,149)	(437)	(1,586)
At 31st December 2017	**15,104**	**10,197**	**23,135**	**45,247**	**14,261**	**107,944**
Depreciation						
At 1st January 2016	**-**	**(2,897)**	**(21,879)**	**(24,609)**	**(5,308)**	**(54,693)**
Amortisation and depreciation (note 19.5)	-	(1,839)	(1,065)	(5,780)	(503)	(9,187)
Disposals	-	-	345	386	-	731
Other movements	-	-	-	(495)	-	(495)
Translation differences	-	-	-	(323)	(133)	(456)
At 31st December 2016	**-**	**(4,736)**	**(22,599)**	**(30,821)**	**(5,944)**	**(64,100)**
Amortisation and depreciation (note 19.5)	-	(2,033)	(975)	(6,966)	(541)	(10,515)
Disposals	-	925	3,869	787	2,093	7,674
Transfers	-	-	(34)	-	(3)	(37)
Transfers to assets held for sale (note 13)	-	-	-	2,000	-	2,000
Other movements	-	-	-	(137)	-	(137)
Translation differences	-	-	-	578	112	690
At 31st December 2017	**-**	**(5,844)**	**(19,739)**	**(34,559)**	**(4,283)**	**(64,425)**

Impairment						
st January 2016	-	-	(51)	-	(343)	(394)
Allowance (note 19.5)	-	-	(13)	-	(338)	(351)
Distribution	-	-	-	-	198	198
At 31st December 2016	-	-	(64)	-	(483)	(547)
Allowance (note 19.5)	-	-	(10)	-	(655)	(665)
Distribution	-	-	3	-	362	365
Transfers	-	-	34	-	3	37
At 31st December 2017	-	-	(37)	-	(773)	(810)
Net carrying amount						
At 31st December 2016	9,376	5,209	1,784	8,951	12,185	37,505
At 31st December 2017	15,104	4,353	3,359	10,688	9,205	42,709

Additions in intangible assets in the Group during 2017 and 2016 mainly comprise the development of IT projects carried out in-house in Iberia. Computer software was also acquired. Details are as follows:

Thousands of Euro	2016	2017
Iberia	9,887	15,175
Emerging	2,669	3,226
Total	**12,556**	**18,401**

Note 19.5 includes the impairment of intangible assets recorded in 2017 and 2016 under the income statement caption Amortisation and impairment.

Details of fully amortised intangible assets at each year end are as follows:

Thousands of Euros	2016	2017
Computer software	32,382	26,363
Leaseholds and other	15,053	3,437
Total	**47,435**	**29,800**

7. Operating leases

The Group has approximately 8,000 operating leases in place. 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 in off-balance sheet commitments (see note 20.1).

During 2017 and 2016 sale and leaseback contracts were signed for certain warehouses and stores with terms of between 20 and 25 years and a minimum tie-in period of between 2 and 10 years (see notes 5 and 19.1).

Details of the main operating lease contracts in force at 31 December 2017 are as follows:

Warehouse	Country	Minimum lease period
Getafe	Spain	2026
Mallén	Spain	2023
Manises	Spain	2018
Mejorada del Campo	Spain	2024
Miranda	Spain	2018
Orihuela	Spain	2023
Sabadell	Spain	2029
San Antonio	Spain	2023
Tarragona	Spain	2018
Villanubla	Spain	2,019
Villanueva de Gállego	Spain	2023
Santander	Spain	2018
Granda-Siero	Spain	2020
Almería	Spain	2018
Salamanca	Spain	2018
Azuqueca	Spain	2018
Dos Hermanas	Spain	2027
Santiago	España	2020
Albufeira	Portugal	2018
Loures	Potugal	2020
Grijó	Portugal	2021
Anhanghera	Brazil	2018
Guarulhos	Brazil	2018

Americana	Brazil	2018
Porto Alegre	Brazil	2018
Ribeirao Preto	Brazil	2018
Belo Horizonte	Brazil	2018
Mauá	Brazil	2020
Avellaneda	Argentina	2018

Operating lease payments are recognised in the consolidated income statement as follows:

Thousands of Euros	2016	2017
Lease payments, property (note 19.4)	297,296	316,611
Lease payments, furniture and equipment (note 19.4)	5,563	5,997
Total	**302,859**	**322,608**

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

Thousands of Euros	2016	2017
Less than one year	103,823	109,030
One to five years	93,931	117,356
Over five years	39,792	60,234
Total minimum lease payments, property	**237,546**	**286,620**
Less than one year	1,870	1,737
One to five years	2,244	1,406
Over five years	26	-
Total minimum lease payments, furniture and equipment	4,140	3,143

The majority of the lease contracts signed by the Group contain clauses allowing them to be terminated at any time throughout their useful lives, once the mandatory tie-in period has elapsed, by informing the lessor of this decision with the agreed period of notice, which is generally under three months. Total lease commitments amount to a similar amount to annual lease expenses.

Sublease revenues amount to Euros 30,455 thousand (Euros 26,415 thousand at 31 December 2016) (see note 19.1) and comprise revenues from rights-of-use transferred to franchisees, as well as the amounts received from concessionaires to carry out their activities. In general terms, the duration of these contracts is under one year, tacitly renewable in those that establish a monthly fixed rent with an additional turnover-based fee. The consolidated income statement does not include any contingent income in respect of these contracts.

8. Financial assets

Details of financial assets in the consolidated statements of financial position at 31 December are as follows:

Thousands of Euros	2016	2017
Non-current assets		
Trade and other receivables	69,345	73,084
Non-current financial assets	58,657	75,013
Consumer loans from financing activities	401	-
Current assets		
Trade and other receivables	167,279	221,846
Consumer loans from financing activities	6,220	1,070
Other current financial assets	19,734	18,430
TOTAL	**321,636**	**389,443**

8.1. Trade and other receivables

Details of trade and other receivables are as follows:

Thousands of Euros	2016	2017
Trade and other receivables	69,345	73,084
Total non-current	**69,345**	**73,084**
Trade and other receivables	102,558	122,656
Other receivables	19,099	20,963
Receivables from suppliers	38,061	72,709
Advances to suppliers	2,709	2,840
Receivables from associates companies (note 21)	4,852	2,678
Total current	**167,279**	**221,846**

a) Trade receivables

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

Thousands of Euros	2016	2017
Trade and other receivables non current (note 22d))	69,345	73,084
Trade and other receivables current (note 22d))	132,303	157,149
Total Trade and other receivables	**201,648**	**230,233**
Impairment loss (note 8.1 d))	(29,745)	(34,493)
Total	**171,903**	**195,740**

These trade balances are measured at present value and have generated interest of Euros 2,382 thousand in 2017 (Euros 2,743 thousand in 2016), which has been recognised in the consolidated income statement.

b) Receivables from suppliers

This caption includes balances receivable from suppliers.

In 2017 the Group entered into agreements to transfer supplier trade receivables with and without recourse (see notes 3 (l) and 22 d)). The accrued finance cost of the transfer of these receivables amounted to Euros 240 thousand in 2017 (Euros 139 thousand in 2016) (see note 19.7). The transferred receivables that had not yet fallen due at 31 December 2017 totalled Euros 99,624 thousand (Euros 88,449 thousand in 2016) and all were considered to be without recourse.

c) Trade debts with other related parties

During 2017, transactions have been carried out with the companies ICDC, Red Libra and CD Supply Innovation (see note 21), mainly corresponding to trade operations.

d) Impairment

Movements in the provision for impairment of receivables (see other disclosures on credit risk in note 22 d)) were as follows:

2017

Thousands of Euros	Customer for sales (note 8.1 a) and 22 d))	Other debtors	Credits receivable from suppliers	Total
At 1st January	**(29,745)**	**(7,446)**	**(6,288)**	**(43,479)**
Charge	(16,914)	(983)	(2,990)	(20,887)
Applications	5,258	417	2,902	8,577
Reversals	2,655	-	245	2,900
Transfers	(33)	33	-	-
Transfers to assets held for sale	-	-	189	189
Translation differences	4,286	-	25	4,311
At 31st December	**(34,493)**	**(7,979)**	**(5,917)**	**(48,389)**

2016

Thousands of Euros	Customer for sales (note 8.1 a) and 22 d))	Other debtors	Credits receivable from suppliers	Total
At 1st January	**(21,444)**	**(8,478)**	**(7,091)**	**(37,013)**
Charge	(13,771)	(786)	(3,940)	(18,497)
Applications	126	-	-	126
Reversals	5,995	1,818	4,838	12,651
Other movements	(47)	-	-	(47)
Translation differences	(604)	-	(95)	(699)
At 31st December	**(29,745)**	**(7,446)**	**(6,288)**	**(43,479)**

8.2 Other financial assets

Thousands of Euros	2016	2017
Equity instruments	88	88
Guarantees	46,269	57,998
Other guarantees	2,000	2,000
Other loans	572	524
Other non-current financial assets	9,728	14,403
Total non-current	**58,657**	**75,013**
Franchise deposits (note 22 d))	2,958	3,256
Other deposits	7,366	8,541
Credits to personnel	2,920	3,027
Other loans	1,219	1,016
Loans on the sale of fixed assets	-	498
Other finantial assets	5,271	2,092
Total current	**19,734**	**18,430**

"Non-current security and other deposits" are the amounts pledged to lessors to secure lease contracts. These amounts are measured at present value and any difference with their nominal value is recognised under prepayments for current or non-current assets. The interest on these assets included in the consolidated income statement in 2017 amounted to Euros 293 thousand (Euros 495 thousand in 2016).

At 31 December 2017 and 2016, "Other non-current guarantees" consist of the amount withheld from the sellers in the acquisition of establishments from the Eroski Group, which will be released after five years, in accordance with the addendum to the framework contract signed on 7 August 2015 (see note 15.2).

In both years "Other loans" mainly consisted of loans extended by the Group to employees.

An asset derived from sales tax in Brazil is the main component of the non-current balance under "Other financial assets" in 2017 and 2016.

8.3. Current and non-current consumer loans from financing activities

In 2017, after transferring these loans to non-current assets held for sale of the company FINANDIA, EFC, the balance of this caption solely relates to DIA Argentina and comprises loans granted to individuals resident in Argentina; calculated at amortised cost, which does not differ from their fair value.

Interest and similar income from these assets recognised in the consolidated income statement at 31 December 2017 amounted to Euros 2,033 thousand (Euros 1,700 thousand at 31 December 2016) (see note 19.1).

9. Other equity-accounted investees

The balance under equity-accounted investees in 2017 and 2016 reflects the 50% investment of ICDC Services Sàrl, which began operations in the first half of 2016. In addition, in 2017 this balance includes the 50% ownership interests of the companies Red Libra Trading Services, S.L. and CD Supply Innovation, S.L., which commenced activity in the second half of 2017. Also, in 2016, DIA Paraguay's entry into the consolidated Group resulted in the acquisition of an indirect 10% interest in DIPASA (see note 1).

The key financial indicators of these companies in 2017 are as follows:

Thousands of Euros	2016	2017
Assets	28,654	255,806
Net equity	367	1,786
Sales	2,975	104,325
Profit for the period	187	578

10. Other assets

Details of other assets are as follows:

Thousands of Euros	2016 current	2017 current
Prepayments for operating leases	3,191	2,967
Prepayments for guarantees	481	373
Prepayments for insurance contracts	657	717
Other prepayments	3,811	3,330
Total other assets	**8,140**	**7,387**

11. Inventories

Details of inventories are as follows:

Thousands of Euros	2016	2017
Goods for resale	662,640	562,966
Other supplies	6,952	6,678
Total Inventories	**669,592**	**569,644**

At 31 December 2017 and 2016 there are no restrictions to the availability of any inventories.

The Group has taken out insurance policies to cover the risk of damage to its inventories. The coverage of these policies is considered sufficient.

12. Cash and cash equivalents

Details of cash and cash equivalents are as follows:

Thousands of Euros	2016	2017
Cash and current account balances	165,778	288,882
Cash equivalents	198,822	51,311
Total	**364,600**	**340,193**

Balances in current accounts earn interest at applicable market rates. Current investments are made for daily, weekly and monthly periods and have generated interest ranging from 0.04% to 0.10% in 2017 and from 0.05% to 0.15% in 2016.

The balance of cash equivalents at 31 December 2017 mainly reflects the deposits maturing at under three months in Brazil. At 31 December 2016 it included deposits maturing at under three months in Spain and Brazil.

13. Disposal groups held for sale and discontinued operations

In the first quarter of 2017, the DIA Group began a process to explore strategic alternatives in its China business, classifying the assets and liabilities of its companies, DIA Tian Tian Management Consulting Service & Co. Ltd. and Shanghai DIA Retail Co. Ltd., as held for sale. In accordance with IFRS 5, the Company has discontinued the operations of its China business, re-stating the accounts for the prior year for comparability purposes (see note 1).

Furthermore, during the last quarter of 2017, the DIA Group began a process to explore strategic alternatives in the business of its financial entity, Finandia, E.F.C., S.A., classifying the assets and liabilities of this company as held for sale at 31 December 2017, in accordance with IFRS 5 (see notes 1 and 24).

The results of the Group's discontinued operations, which correspond to the activity of the China business are as follows for 2017 and 2016:

Thousands of Euros	2016	2017
Income	199,603	181,511
Amortisation and depreciation	(5,623)	(1,345)
Expenses	(208,459)	(200,152)
Gross Margin	**(14,479)**	**(19,986)**
Financial income	433	869
Financial expenses	(1,828)	(2,317)
Loss before taxes of discontinued operations	**(15,874)**	**(21,434)**

The effect on the cash flow of the Group's discontinued operations in 2017 and 2016 is as follows:

Thousands of Euros	2016	2017
Adjustments to Profit and Loss	8,291	1,923
Changes in working capital	5,443	(1,578)
Net cash flows used in investing activities	(1,034)	1,724
Net cash flows used in financing activities	6,643	(30,443)
Total cash flows	**19,343**	**(28,374)**

The results of activities discontinued by the Group in both years correspond in their entirety to the Parent.

Assets and liabilities classified as held for sale in 2017 are as follows:

Thousands of Euros	2017
Assets	
Tangible fixed assets	16,862
Other Intangible assets	1,069
Other non-current financial assets	1,378
Consumer loans from financial activities	297
Deferred tax assets	117
Inventories	9,461
Trade and other receivables	3,683
Consumer loans from financial activities	2,590
Current tax assets	2,794
Other current financial assets	272
Other assets	1,140
Non-current assets held for sale	**39,663**

Liabilities	
Non-current borrowings	384
Current borrowings	13,280
Trade and other payables	48,778
Deferred tax liabilities	1,082
Other financial liabilities	1,652
Liabilities directly associated with non-current assets held for sale	**65,176**

14. Equity

14.1. Capital

At 31 December 2017 and 2016 share capital was Euros 62,245,651.30, represented by 622,456,513 shares of Euros 0.10 par value each, subscribed and fully paid. These shares are freely transferable.

The Parent's shares are listed on the Spanish stock markets. According to public information filed with the Spanish National Securities Market Commission, the members of the board of directors control approximately 0.245% of the Parent's share capital at the date of authorising these annual accounts for issue.

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

Letterone Investment Holdings, S.A.	25.001%
Baillie Gifford & CO	10.488%
Black Creek Investment Management INC	4.988%
Morgan Stanley	4.444%
The Goldman Sachs Group, INC	4.258%
Norges Bank	3.032%
Blackrock INC.	3.012%
LSV Asset Management	3.003%

On 28 July 2017, Letterone Investment Holdings, S.A. (hereinafter "Letterone") reached a collateralised agreement to buy in instalments 62.2 million ordinary shares, which represents 10.0% of the share capital of the Parent, through LTS Investment S.à.r.l., a solely-owned direct subsidiary of Letterone. On 19 January 2018, the termination date of this agreement, Letterone has increased its ownership stake in DIA to 93.4 million ordinary shares, equivalent to 15.0% of the share capital of the Parent. Hence, at the date of preparation of these annual accounts, Letterone holds 25.001% of the share capital of DIA.

The Group manages its capital with the aim of safeguarding its capacity to continue operating as a going concern, so as to continue providing shareholder remuneration and benefiting other stakeholders, while maintaining an optimum capital structure to reduce the cost of capital.

To maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, reimburse capital, issue shares or dispose of assets to reduce debt.

Like other groups in the sector, the DIA Group controls its capital structure on a debt ratio basis. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is the sum of financial debt less cash and other items. Adjusted EBITDA comprises earnings before depreciation and amortisation, impairment and gains/losses on disposal of assets and other excluded elements, as stated in note 19.9.

In view of the ratios for 2017 and 2016, net debt has been calculated as follows:

Thousands of Euros	2016	2017
Total borrowings (note 15)	1,243,007	1,231,464
Less: cash and cash equivalents (note 12)	(364,723)	(340,193)
Net debt	**878,284**	**891,271**
Adjusted EBITDA (*)	627,896	568,590
Debt ratio	**1.4x**	**1.6x**

(*) Adjusted EBITDA in note 19.9

14.2. Reserves and retained earnings

Details of reserves and retained earnings are as follows:

Thousands of Euros	2016	2017
Legal reserve	13,021	13,021
Capital redemption reserve	5,688	5,688
Other reserves non available	15,170	15,170
Other reserves	227,229	270,797
Profit attributable to equityholders ot the parent	174,043	109,579
Total	**435,151**	**414,255**

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 2017, the Parent has appropriated to this reserve more than the minimum amount required by law.

An amount equal to the par value of the own shares redeemed in 2015 and 2013 was appropriated to the redeemed capital reserve. It will only be available once the Parent meets the conditions for reducing share capital set forth in article 335.c) of the Spanish Companies Act.

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

Other reserves include the reserves of the Parent and consolidation reserves, as well as the reserve for the translation of capital into Euros, totalling Euros 62.07. This non-distributable reserve reflects the amount by which share capital was reduced in 2001 as a result of rounding off the value of each share to two decimals.

At 31 December 2017 and 2016, the Parent's distributable reserves amount to Euros 118,616 thousand and Euros 41,783 thousand, respectively.

14.3. Other own equity instruments

a) Own shares

Changes in own shares in 2017 and 2016 are as follows:

	Number of shares	Euros/share	Total
31st December 2015	**8,183,782**	**6.5448**	**53,560,917.32**
Acquired shares	821,000		4,047,871.51
Acquired shares	3,179,000		15,855,452.31
Delivery of shares to Board Members	(79,236)		(478,732.54)
Delivery of shares to incentives plans 2011-2014 (note 18)	(998,772)		(6,414,043.32)
31st December 2016	**11,105,774**	**5.9943**	**66,571,465.29**
Liquidation equity swap	(2,100,000)		(12,588,053.49)
Formalisation equity swap	2,100,000		11,130,000.00
Delivery of shares to Board Members	(73,227)		(428,672.64)
Delivery of shares to incentives plans 2014-2016 (note 18)	(721,914)		(4,326,043.04)
31st December 2017	**10,310,633**	**5.8540**	**60,358,696.13**

Purchases carried out in 2016 were to cover the needs of the "2016-2018 Long-Term Incentive Plan" (LTIP) approved by the shareholders at the general meeting held on 22 April 2016 as remuneration for Group executives.

Shares transferred during 2017 and 2016 generated charges of Euros 559 and 3,224 thousand to other reserves.

b) Other own equity instruments

This reserve includes obligations derived from equity-settled share-based payment transactions following the approval by the board of directors and shareholders of the 2014-2016 long-term incentive plan and the 2016-2018 incentive plan (see note 18).

14.4. Dividends

Details of dividends paid are as follows:

Thousands of Euros	2016	2017
Dividends on ordinary shares	122,212	128,535
Dividend per share (in Euros)	0.20	0.21

Dividends per share (in Euros) are calculated based on the number of shares that entitle the holder to dividends at the distribution date, which in 2017 was 612,072,653 (611,055,470 shares in 2016).

The proposed distribution of the Parent's 2017 profit to be submitted to the shareholders for approval at their ordinary general meeting is as follows:

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

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

(*) The directors have proposed that an ordinary dividend of Euros 0.18 (gross) be distributed for each of the shares with the corresponding economic rights. This figure is an estimate based on there being 612,145,880 shares that confer the right to receive this dividend, following any necessary corrections. This estimate may vary depending on several factors, including the volume of shares held by the Parent.

The distribution of profit for 2016, approved by the shareholders at the ordinary general meeting held on 28 April 2017, was as follows:

Basis of distribution	Euros
Profit for the year	207,384,982.56
Total	**207,384,982.56**

Basis of allocation	Euros
Dividends	128,535,257.13
Other reseves	78,849,725.43
Total	**207,384,982.56**

14.5. Earnings per share

Basic earnings per share are calculated by dividing net profit for the period attributable to the Parent by the weighted average number of ordinary shares in circulation throughout the period, excluding own shares.

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

	Weighted average ordinary shares in circulation at 31/12/2017	Ordinary shares at 31/12/2017	Weighted average ordinary shares in circulation at 31/12/2016	Ordinary shares at 31/12/2016
Total shares issued	622,456,513	622,456,513	622,456,513	622,456,513
Own shares	(10,571,332)	(10,310,633)	(9,276,954)	(11,105,774)
Total shares available and diluted	**611,885,181**	**612,145,880**	**613,179,559**	**611,350,739**

Details of the calculation of basic earnings per share are as follows:

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	2016	2017
Average number of shares	**613,179,559**	**611,885,181**
Profit for the period in thousands of Euros	174,043	109,579
Profit per share in Euros	0.28	0.18

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

14.6. Non-controlling interests

Non-controlling interests at 31 December 2017 and 2016 reflect that held in Compañía Gallega de Supermercados, S.A.

14.7. Translation differences

Details of translation differences at 31 December 2017 and 2016 are as follows:

Thousands of Euros	2016	2017
Argentina	(36,384)	(45,178)
Brazil	(17,131)	(52,281)
China	(6,258)	(3,318)
Total	**(59,773)**	**(100,777)**

15. Financial liabilities

Details of financial liabilities in the consolidated statement of financial position at 31 December are as follows:

15.1 Borrowings

Thousands of Euros	2016	2017
Debentures and bonds long term	794,652	892,570
Syndicated credits (Revolving credit facilities)	97,360	-
Mortgage loans	2,632	814
Other bank loans	126,351	30,842
Finance lease payables	31,305	26,229
Guarantees and deposits received	9,469	11,148
Other non-current borrowings	504	342
Total non-current borrowings	**1,062,273**	**961,945**
Debentures and bonds long term	5,587	6,021
Mortgage loans	2,218	633
Other bank loans	61,819	144,268
Other financial liabilities (note 15.1 c)	39,944	34,238
Finance lease payables	11,634	10,547
Credit facilities drawn down	41,355	65,809
Expired Interests	520	132
Guarantees and deposits received	5,817	2,813
Liabilities derivatives	6,600	4,339
Other current borrowings	5,240	719
Total current borrowings	**180,734**	**269,519**

a) Debentures and bonds

The Parent has outstanding bonds with a nominal value of Euros 905,700 thousand at 31 December 2017 (Euros 800,000 thousand at 31 December 2016), all of which were issued as part of a Euro Medium Term Note programme approved by the Central Bank of Ireland. Details of bond issues are as follows:

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

Movement in bond issues during 2017 and 2016 is as follows:

Thousands of euros	Bonds
At 1 January 2016	**500,000**
Issues	300,000
At 31 December 2016	**800,000**
Issues	300,000
Amortization	(194,300)
At 31 December 2017	**905,700**

On 27 March 2017, the Parent successfully completed a bond issue amounting to Euros 300,000 thousand, with an issue price of 99.092% and an annual coupon of 0.0875%. These bonds were issued on the Irish Stock Exchange.

On 7 April 2017, a bond swap was performed on a portion of the bonds from the previous placement issued on the same day, for 1,943 bonds (nominal amount of Euros 194,300 thousand) of the issue carried out on 22 July 2014. Once the swap was completed, the acquired bonds were amortised and written off, leaving 3,057 current bonds from that placement in circulation.

This swap has been treated as a renegotiation under IAS 39, whereby an exchange of financial instruments between the borrower and the lender is carried out, the latter assuming the risk of the new issue, the risk of not completing the exchange of the amortised and issued debt and the risk of a variation in price between the bonds acquired and issued. Furthermore, the new contract is not substantially different to the original, given that the current discounted value of the cash flows on the bonds swapped under the new issue using the original interest rate differ by less than 10% from the present value of the discounted cash flows still remaining from the original swapped bonds.

As a result the original swapped bonds have been written off at their carrying value and the associated expenses have not had an impact on profit and loss.

On 18 April 2016, the Parent successfully completed a second bond issue amounting to Euros 300,000 thousand, with an issue price of 99.424% and an annual coupon of 1.000%. These bonds were issued on the Irish Stock Exchange.

b) Loans and borrowings

Syndicated loans

These types of loans have been extended to the Parent by various national and foreign entities. Details at 31 December 2017 and 2016 are as follows:

Description	Limit in thousand of euros	Currency	Outstandings in thousand of euros		Signed date	Maturity date and thousands of euros
			2016	2017		
Sindicated	300,000	EUR	99,000	-	21/04/2015	75,000 21/04/2018 225,000 21/04/2020
Sindicated	300,000	EUR	-	-	03/07/2014	28/06/2022

Description	Limit in thousand of euros	Currency	Outstandings in thousand of euros		Signed date	Maturity date and thousands of euros
			2015	2016		
Sindicated	300,000	EUR	300,000	99,000	21/04/2015	75,000 21/04/2018 225.000 21/04/2020
Sindicated	400,000	EUR	-	-	03/07/2014	03/07/2019

On 28 June 2017, the Parent signed a modification to the existing syndicated loan taken out in July 2014 and expiring on 3 July 2019. The new loan is not substantially different to the original; the amount of Euros 400,000 is reduced to Euros 300,000 and the term of the loan is extended for 5 years until 28.06.2022.

In March 2017 the second and final extension to the syndicated loan arranged in April 2015 was carried out for Euros 225,000 thousand maturing in April 2020. In March 2016 the first extension to the syndicated loan was carried out.

These loans are subject to compliance with certain covenant ratios linked thereto, as defined in the agreement. At 31 December 2017 all covenant ratios, which are calculated on the basis of the DIA Group's consolidated annual accounts, have been met. Details are as follows:

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

Total net debt and Ebitda figures are calculated according to the definition included in the syndicated contract. Thus, these figures do not agree with the figures included in the notes 4 and 14.1 in this document.

Mortgage and other bank loans

Details of the maturity of mortgage and other bank loans, grouped by type of operation and company, at 31 December 2017 and 2016 are as follows:

At 31 December 2017

Type	Owner	Currency	Maturity in thousand of euros				
			2018	2019	2020	2021	Total
Mortgage	Beauty by DIA	EUR	633	421	393	-	1,447
	Mortgage Loans	**EUR**	**633**	**421**	**393**	**-**	**1,447**
Loan	DIA	EUR	101,046	13,413	15,000	-	129,459
Loan	DIA Brasil	EUR	40,273	-	-	-	40,273
Loan	Grupo El Arbol	EUR	501	2,000	-	-	2,501
Loan	DIA Argentina	EUR	2,448	429	-	-	2,877
	Other Loans	**EUR**	**144,268**	**15,842**	**15,000**	**-**	**175,110**

At 31 December 2016

			Maturity in thousand of euros				
Type	Owner	Currency	2017	2018	2019	2020	Total
Mortgage	Beauty by DIA	EUR	1,324	632	421	394	2,771
Mortgage	Twins Alimentación	EUR	894	942	243	-	2,079
	Mortgage Loans	**EUR**	**2,218**	**1,574**	**664**	**394**	**4,850**
Loan	DIA	EUR	10,017	121,014	-	-	131,031
Loan	DIA Brasil	EUR	46,637	-	-	-	46,637
Loan	Grupo El Arbol	EUR	1,805	500	2,000	-	4,305
Loan	DIA Argentina	EUR	3,360	2,270	567	-	6,197
	Other Loans	**EUR**	**61,819**	**123,784**	**2,567**	**-**	**188,170**

Mortgage loans have been secured by certain properties owned by the Group and accrue interest at rates between 1.84% and 2.00% at 31 December 2017.

During 2017 the following operations have been carried out:

- On 15 December 2017, the Parent repaid in advance a Euros 30,000 thousand loan with maturity in December 2018.
- On 15 December 2017, the Parent entered into a Euros 30,000 thousand loan with maturity in December 2020.
- On 30 November 2017, the company Twins Alimentación repaid in advance a mortgage loan of Euros 1,285 thousand signed in March 2017 with maturity on 23 March 2019.
- On 7 April 2017, the company Beauty by DIA repaid in advance a mortgage loan of Euros 543 thousand signed in November 2010 with maturity on 23 November 2017.

In 2016 the Parent repaid in advance a Euros 60,000 thousand loan signed in December 2015 and another Euros 50,000 thousand loan arranged in 2016. A new loan amounting to Euros 101,000 thousand was arranged in December 2016.

Credit facilities

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

Year	Limit granted	Amount available (note 20.2)	Amount used
31/12/2017	237,875	165,173	72,702
31/12/2016	178,357	137,002	41,355

Moreover, at 31 December 2017 and 2016 the Parent has other uncommitted credit facilities, with a limit of Euros 210,000 thousand in both years. The credit facilities that the Group held in 2017 and 2016 accrued interest at market rates.

c) Other financial liabilities

Other financial liabilities include the prevailing “Equity Swap” contracts signed by the Parent. The main characteristics of the contracts held at 31 December 2017 and 2016 are as follows:

At 31 December 2017

Start date	Expiration date	Number of shares	Nominal amount in thousand of euros	Counterpart	Strike	Interest rate	Liquidation
2271272017	2171272018	6,000,000	34,238	Santander	Fixed	Variable	Physical

At 31 December 2016

Start date	Expiration date	Number of shares	Nominal amount in thousand of euros	Counterpart	Strike	Interest rate	Liquidation
22/12/2016	22/03/2017	1,000,000	5,706	Santander	Fixed	Variable	Physical
22/12/2016	22/12/2017	6,000,000	34,238	Santander	Fixed	Variable	Physical

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

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

d) Maturity of borrowings

The maturities of borrowings are as follows:

Thousands of Euros	2016	2017
Less than one year	180,734	269,519
One to two years	232,976	25,360
Three to five years	816,003	633,515
Over five years	13,294	303,070
Total	**1,243,007**	**1,231,464**

15.2 Other non-current financial liabilities

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

Thousands of Euros	2016	2017
Capital grants	785	491
Other non-current financial liabilities	2,000	2,000
Total grants and other non-current financial liabilities	**2,785**	**2,491**

At 31 December 2017 and 2016 "Other non-current financial liabilities" of Euros 2,000 thousand reflect the amounts withheld from the seller in the acquisition of establishments from the Eroski Group, which will be released after five years, in accordance with the addendum to the framework contract signed on 7 August 2015 (see note 8.2).

15.3 Trade and other payables

Details are as follows:

Thousands of Euros	2016	2017
Suppliers	1,660,806	1,510,152
Suppliers, other related parties	-	64,308
Advances received from receivables	2,454	2,920
Trade payables	196,005	133,448
Total Trade and other payables	**1,859,265**	**1,710,828**

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

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

"Trade and other payables" do not bear interest.

The Group has payables discounting operations with limits of Euros 616,898 thousand and Euros 678,061 thousand at 31 December 2017 and 2016, respectively. Drawdowns total Euros 367,294 thousand at 31 December 2017 and Euros 333,258 thousand at 31 December 2016.

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:

	2016	2017
	Days	**Days**
Average payment period to suppliers	45	46
Paid operations ratio	46	46
Pending payment transactions ratio	40	42
	Amount (euros)	**Amount (euros)**
Total payments made	4,881,824,952	4,134,004,583
* Total payment pending	509,127,690	542,911,981

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

15.4 Other financial liabilities

Details of other financial liabilities are as follows:

Thousands of Euros	2016	2017
Personnel	69,262	59,198
Suppliers of fixed assets	60,300	85,992
Other current liabilities	5,080	3,675
Total other liabilities	**134,642**	**148,865**

15.5 Fair value estimates

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

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

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

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

Thounsands of euros	Loans and receivables	
	2016	2017
Financial assets		
Trade and other receivables	236,624	294,930
Other financial assets	78,391	93,443
Consumer loans from financial activities	6,621	1,070
Total	**321,636**	**389,443**

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

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

Thousands of euros	Carrying amount					
	Debts and items payable		Hedge derivatives		Fair value	
Financial liabilitiess	2016	2017	2016	2017	2016	2017
Trade and other payables	1,859,265	1,710,828	-	-	-	-
Debentures and bonds	800,239	898,591	-	-	823,344	918,684
Bank loans and credits	331,735	242,366	-	-	-	-
Finance lease payables	42,939	36,776	-	-	-	-
Guarantees and deposits received	15,286	13,961	-	-	-	-
Financial derivative instruments	-	-	6,600	4,339	6,600	4,339
Contract "Equity Swap"	39,944	34,238	-	-	32,655	25,818
Other financial liabilities	143,691	152,549	-	-	-	-
Total	**3,233,099**	**3,089,309**	**6,600**	**4,339**	**862,599**	**948,841**

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

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

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

The fair value of the equity swaps based on their quoted price at 31 December 2017 and 2016 (level 1).

The reconciliation between financial liabilities on the balance sheet and the cash flows from financing activities is as follows:

Thousands of euros	Financial debt non current	Financial debt current	TOTAL
At 31st December 2016	**1,062,273**	**180,734**	**1,243,007**
Net cash flows from financing activities (payments)	(316,767)	**(56,803)**	(373,570)
Net cash flows from financing activities (charges)	338,950	66,606	405,556
Changes non-monetarys			
Reclassification to short term	(122,578)	122,578	-
Exchange differences	(360)	(8,919)	(9,279)
Transfer held for sale	(379)	(34,312)	(34,691)
Other Change non-monetarys	806	(365)	441
At 31st December 2017	**961,945**	**269,519**	**1,231,464**

16. Provisions

Details of provisions are as follows:

Thousands of Euros	Provisions for long-term employee benefits under defined benefit plans	Tax provisions	Social security provisions	Legal contingencies provisions	Other provisions	Total provisions
At 1st January 2016	**2,700**	**24,316**	**12,094**	**9,291**	**3,102**	**51,503**
Charge	423	870	8,585	4,419	773	**15,070**
Applications	-	(1,142)	(4,021)	(2,325)	(265)	**(7,753)**
Reversals	(441)	(925)	(6,493)	(5,043)	(1,891)	**(14,793)**
Other movements	43	109	-	-	12	**164**
Translation differences	-	(20)	1,334	381	(45)	**1,650**
At 31st December 2016	**2,725**	**23,208**	**11,499**	**6,723**	**1,686**	**45,841**
Charge	358	4,142	10,153	4,708	491	**19,852**
Applications	-	(85)	(6,425)	(1.410)	(554)	**(8,474)**
Reversals	(63)	(7,740)	(2,394)	(1,885)	-	**(12,082)**
Other movements	34	110	-	-	8	**152**
Translation differences	-	(9)	(1,814)	(752)	(158)	**(2,733)**
At 31st December 2017	**3,054**	**19,626**	**11,019**	**7,384**	**1,473**	**42,556**

As regards the provisions for taxes deriving from the risk of tax inspections, in 2017 the Parent has made provisions of Euros 3,751 thousand.

In 2017 and 2016, charges and applications 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 2017 provisions of Euros 2,033 thousand were made in Brazil and Euros 1,402 thousand in Spain to cover litigations with third parties.

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

17. Tax assets and liabilities and income tax

Income tax

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

Thousands of Euros	2016	2017
Current income taxes		
Current period	69,179	45,188
Prior periods' current income taxes	(1,802)	(1,221)
Total current income taxes	**67,377**	**43,967**
Deferred taxes		
Source of taxable temporary differencess	12,200	7,230
Source of deductible temporary differences	(29,456)	(4,928)
Reversal of taxable temporary differences	(6,438)	(6,464)
Reversal of deductible temporary differences	25,436	15,545
Total deferred taxes	**1,742**	**11,383**
Total income tax	**69,119**	**55,350**

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

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

Thousands of Euros	2016	2017
Profit for the period before taxes from continuing operations	258,994	186,323
Share in profit/(loss) for the year of equity accounted investees	(93)	(288)
Profit for the period before tax	**258,901**	**186,035**
Tax calculated at the tax rate of each country	61,986	49,983
Unrecognised tax credits	(252)	(19)
Non-taxable income	(1,894)	(2,343)
Non-deductible expenses	7,757	6,878
Deductions and credits for the current period	(1,009)	(1,306)
Adjustments for prior periods	(1,802)	(1,221)
Capitalised tax loss carryforwards and other adjustments of deferred taxes	1,827	(139)
Unrecognised deferred taxes	1,884	(3,148)
Other adjustments	406	3,669
Tax rate's change adjustment	216	2,996
Total income tax	**69,119**	**55,350**

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:

DIA, Twins, Beauty by DIA, Petra, GEA, Cía. Gallega, Eshopping	25%
Finandia	30%
DIA Portugal	25,85%
DIA Portugal II	21%
Argentina	35%
Brazil	34%
China	25%
Switzerland	24%
Paraguay	10%

The Spanish companies Distribuidora Internacional de Alimentación, S.A. (parent) and Twins Alimentación, S.A., Pe-Tra Servicios a la Distribución, S.L., Beauty by Dia, S.A., Grupo El Árbol Distribución y Supermercados S.A., Compañía Gallega de Supermercados S.A. and Dia Eshopping, S.L. (subsidiaries) filed consolidated tax returns in 2017 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.

In 2018, the tax rate applicable in Argentina is to decrease from the rate of 35% applicable in 2017 to 30%. This reduction has caused a decrease of Euros 2,989 thousand in deferred tax assets at the closing date of these annual accounts.

Tax assets and tax liabilities

Details of the tax assets and liabilities for 2017 and 2016 recognised in the consolidated statement of financial position at 31 December are as follows:

Thousands of Euros	2016	2017
Deferred tax assets	270,164	253,983
Taxation authorities, VAT	39,816	40,330
Taxation authorities	31,271	24,387
Current income tax assets	8,832	369
Total tax assets	**350,083**	**319,069**
Deferred tax liabilities	-	2,206
Taxation authorities, VAT	46.448	51.924
Taxation authorities	39,046	33,768
Current income tax liabilities	15,505	10,913
Total tax liabilities	**100,999**	**98,811**

During 2017 the Parent received a refund of Euros 8,158 thousand from the taxation authorities. At the reporting date of last year's annual accounts this amount was recognised as a current tax asset.

A reconciliation of details of deferred tax assets and liabilities (before consolidation adjustments) with the deferred taxes recognised in the consolidated statement of financial position (after consolidation adjustments) is as follows:

	2016	2017
Capitalised tax loss carryforwards	226,172	219,905
+ Deferred tax assets	91,535	79,669
Total deferred tax assets	**317,707**	**299,574**
Assets offset	(47,543)	(45,591)
Deferred tax assets	**270,164**	**253,983**
Deferred tax liabilities	47,543	47,797
Liabilities offset	(47,543)	(45,591)
Deferred tax liabilities	**-**	**2,206**

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

Deferred tax assets

Thousands of Euros	1 Jan 2016	Adjustments to tax rate	Profit/(loss)		Net equity	Transfers to assets held for sale	Others	Exchange gains/losses	31 Dec 2016
			Additions	Disposals	Disposals				
Provision	26,063	(4)	10,217	(1,034)	-	-	-	2,248	37,490
Onerous contracts	516	(2)	224	(440)	-	-	-	-	298
Portfolio provisions	3,907	-	-	(3,907)	-	-	-	-	-
Share-based payments	2,242	(1)	2,049	-	-	-	-	-	4,290
Other remuneration	675	-	71	(79)	-	-	-	-	667
Loss carryforwards	240,060	(216)	120	(13,792)	-	-	-	-	226,172
Deductions activation	-	-	2,315	-	-	-	540	-	2,855
Difference between depretation tax-accounting	25,897	-	11,074	(102)	-	-	(7)	1,384	38,246
Other	10,953	(5)	3,614	(6,082)	-	-	-	(791)	7,689
Total non-curent deferred tax asset	**310,313**	**(228)**	**29,684**	**(25,436)**	**-**	**-**	**533**	**2,841**	**317,707**

Thousands of Euros	1 Jan 2017	Adjustments to tax rate	Profit/(loss)		Net equity	Transfers to assets held for sale	Others	Exchange gains/losses	31 Dec 2017
			Additions	Disposals	Disposals				
Provisions	37,490	(1,687)	3,042	(5,617)	-	(1)	-	(5,043)	28,184
Onerous contracts	298	(1)	152	(75)	-	-	-	-	374
Share-based payments	4,290	(9)	-	(2,084)	-	(36)	-	-	2,161
Other remuneration	667	-	96	-	-	-	-	-	763
Loss carryforwards	226,172	34	78	(6,301)	-	(78)	-	-	219,905
Deductions activation	2,855	-	176	-	-	-	(176)	-	2,855
Difference between depretation tax-accounting	38,246	-	3,489	(638)	-	-	7	(1,237)	39,867
Other	7,689	(1,368)	926	(830)	-	(2)	(5)	(945)	5,465
Total non-curent deferred tax asset	**317,707**	**(3,031)**	**7,959**	**(15,545)**	**-**	**(117)**	**(174)**	**(7,225)**	**299,574**

In addition, the Parent has unrecognised temporary differences deriving from the impairment of the investments in the Chinese companies for an amount of Euros 103,402 thousand, and in the El Árbol Distribución y Supermercados Group for an amount of Euros 3,255 thousand.

Deferred tax liabilities

Thousands of Euros	1 Jan 2016	Adjustments to tax rate	Profit/(loss)			Transfers to assets held for sale	Others	Exchange gains/losses	31 Dec 2016
			Additions	Disposals	Disposals				
Goodwill	1,385	-	54	(5)	-	-	-	-	1,434
Amortisation and depreciation	22,504	(6)	6,937	(3,052)	-	-	(7)	(80)	26,296
Portfolio provisions	16,533	-	-	(3,307)	-	-	-	-	13,226
Store Sales	-	-	4,413	-	-	-	-	-	4,413
Other	1,604	(6)	808	(74)	(153)	-	-	(5)	2,174
Total non-current deferred tax liabilities	**42,026**	**(12)**	**12,212**	**(6,438)**	**(153)**	**-**	**(7)**	**(85)**	**47,543**

Thousands of Euros	1 Jan 2017	Adjustments to tax rate	Profit/(loss)			Transfers to assets held for sale	Others	Exchange gains/losses	31 Dec 2017
			Additions	Disposals	Disposals				
Goodwill	1,434	-	55	-	-	-	-	-	1,489
Amortisation and depreciation	26,296	(11)	6,797	(2,367)	-	-	-	(339)	30,376
Portfolio provisions	13,226	-	-	(3,306)	-	-	-	-	9,920
Strore sales	4,413	-	191	-	-	-	-	-	4,604
Other	2,174	(24)	222	(791)	(140)	-	-	(33)	1,408
Total ID de Pasivo No Corriente	**47,543**	**(35)**	**7,265**	**(6,464)**	**(140)**	**-**	**-**	**(372)**	**47,797**

Based on the tax returns, the Group companies have the following accumulated tax losses, deductions and exemptions to be offset in future years amounting to Euros 983,165 thousand in 2017 and Euros 997,847 thousand in 2016.

Thousands of Euros	Years in which generated	Not subjetc to limitation	Limitation period (years)						Total	Loss carryforwards activated	Loss carryforwards non-activated
			2018	2019	2020	2021	2022	> 2022			
Distribuidora Internacional de Alimentación, S.A.	2014	351,423	-	-	-	-	-	-	351,423	351,423	-
Finandia E.F.C., S.A.U.	2017	259	-	-	-	-	-	-	259	259	-
Twins Alimentación, S.A.	2006-2007	91,248	-	-	-	-	-	-	91,248	91,248	-
Pe-Tra Servicios a la distribución, S.L.	1997-1999	18,549	-	-	-	-	-	-	18,549	-	18,549
Beauty by DIA, S.A. (en 2015 Schlecker, S.A.)	2012	945	-	-	-	-	-	-	945	945	-
Grupo El Árbol, Distribución y Supermercados, S.A.	2000-2014	429,454	-	-	-	-	-	-	429,454	429,454	-
Compañía Gallega de Supermercados, S.A.	2002-2014	3,497	-	-	-	-	-	-	3,497	3,497	-
DIA ESHOPPING, S.L.U.	2015	393	-	-	-	-	-	-	393	393	-
Dia Tian Tian Manag. Consulting Service & Co.Ltd.	2016-2017	-	-	-	-	1,395	672	-	2,067	-	2,067
Shanghai DIA Retail Co.Ltd.	2013-2017	-	15,396	13,545	14,467	13,659	25,024	-	82,091	-	82,091
Dia Portugal Supermercados S.U., Lda	2013-2014	-	225	-	-	-	-	2,941	3,166	3,166	-
DIA Portugal II, S.A.	2017	-	-	-	-	-	73	-	73	-	73
Total tax loss carryforwards		**895,768**	**15,621**	**13,545**	**14,467**	**15,054**	**25,769**	**2,941**	**983,165**	**880,385**	**102,780**

Spanish Corporate Income Tax Law 27/2014 establishes that for the purposes of determining the gross tax base of the tax group and in relation to write-offs, the accounting standards shall apply, whereby intra-group income and expenses are eliminated before calculating the individual tax base, based on which the amount of pre-consolidation tax loss carryforwards which can be offset against each of the companies during the year is obtained. For these purposes, the Parent carried out a binding consultation to the Tax Authorities to confirm the criteria for calculating the tax loss carryforwards of the Group, and management confirmed this criteria.

In accordance with Royal Decree-Law 3/2016 of 2 December 2016, from 2016 onwards, the Spanish consolidated tax group may offset tax loss carryforwards up to a maximum of 25% of taxable income prior to offset, which extends the period of recovery of the deferred tax asset; the company has carried out extensive tests to ascertain the probable recovery of such tax credits.

Considering the stability of the positive results obtained by the Group, the Management considers that there is evidence that allows to recover the assets for deferred taxes in a period of more than ten years.

At 31 December 2017, Spain's taxation authorities continue their ongoing inspection of the following taxes for the following periods:

Tax	Periods
Income tax	2011-2012
Personal income tax	2012

The inspection is ongoing at the reporting date, although no probable contingencies for the Parent have been identified at the date on which these consolidated annual accounts were authorised for issue. 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 these inspections, the years open to inspection or the appeals submitted.

During 2017, the verification and inspection procedures for the Company's 2012 Value Added Tax were completed.

18. Share-based payment transactions

On 25 April 2014 the shareholders at their general meeting approved a long-term incentive plan for 2014-2016, to be settled with a maximum of 6,981,906 Parent shares.

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

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

Incentive Plans	Terms and Compliance objectives	Timetable for delivey of shares	Maxium number of shares at 31st December	Price
2014-2016	Detailed in the section A.4 of IAR 2014 pages 5 and 6	April 2017 January 2018	2,016,778	5.3950
2016-2018	Detailed in the section A.4 of IAR 2016 pages 6 and 7	April 2019 January 2020	1,715,878	5.9203

In 2017 the profit/(loss) recognised in respect of these plans amount to Euros (4,893) thousand and Euros 15,000 thousand in 2016 and are recognised in personnel expenses in the consolidated income statement. The balancing entry was recognised under other own equity instruments. The payments made in relation to the 2014-2016 Long-Term

Incentives Plan during 2017 amounted to Euros 5,347 thousand, entailing the transfer of 721,914 own shares. The payments made in relation to the 2011-2014 Long-Term Incentives Plan and the Multi-Year Variable Remuneration Plan in 2016 amounted to Euros 5,634 thousand, entailing the transfer of 998,772 own shares.

19. Other income and expenses

19.1.Other income

Details of other income are as follows:

Thousands of Euros	2016	2017
Fees and interest to finance companies (note 8.3)	1,700	2,033
Service and quality penalties	34,701	38,380
Revenue from lease agreements (note 7)	26,415	30,455
Other revenue from franchises	14,411	8,622
Revenue from information services to suppliers	14,814	25,359
Revenue from the sale of packaging	8,547	9,306
Gains for the sale of fixed assets (note 19.9)	16,461	31,226
Other income	9,149	10,279
Total other operating income	**126,198**	**155,660**

Contractual penalties for service include the income obtained by the Group from the collection of penalties charged to suppliers.

Proceeds from the disposal of fixed assets correspond to sale and leaseback contracts of certain DIA Group warehouses and stores (see notes 5 and 7). In 2017 the Group has classified proceeds from the sale of Group properties to third parties as Other income for the purposes of better understanding, adapting the 2016 figures accordingly for comparative purposes.

19. 2. Merchandise and other consumables used

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

Details of borrowings are as follows:

Thousands of Euros	2016	2017
Goods and other consumables used	6,472,424	6,336,585
Inventory variation	(97,085)	42,052
Other sales costs	392,031	429,959
Total	**6,767,370**	**6,808,596**

19.3. Personnel expenses

Details of personnel expenses are as follows:

Thousands of Euros	2016	2017
Salaries and wages	636,784	630,290
Social Security	162,539	164,964
Defined contribution plans	(63)	300
Other employee benefits expenses	19,402	17,946
Parcial total personnel expenses	**818,662**	**813,500**
Expenses for share-based payment transactions	14,981	(4,557)
Total personnel expenses	**833,643**	**808,943**

The decrease in expenses of share-based payment transactions is attributable to the income accrued in connection with the 2016-2018 incentive plan (see note 18).

19.4. Operating expenses

Details of operating expenses are as follows:

Thousands of Euros	2016	2017
Repairs and maintenance	47,795	48,113
Utilities	88,062	82,656
Fees	22,893	23,053
Advertising	55,607	51,548
Taxes	22,056	23,379
Rentals, property (note 7)	297,296	316,611
Rentals, equipment (note 7)	5,563	5,997
Other general expenses	94,241	93,714
Total operating expenses	**633,513**	**645,071**

19.5. Amortisation and impairment

Details are as follows:

Thousands of Euros	2016	2017
Amortisation of intangible assets (note 6.2)	9,187	10,515
Depreciation of property, plant and equipment (note 5)	218,143	224,997
Total amortisation and depreciation	**227,330**	**235,512**
Impairment of intangible assets and goodwill (note 6)	646	5,255
Impairment of property, plant and equipment (note 5)	12,604	8,032
Total impairment	**13,250**	**13,287**

19.6. Losses on disposal of assets

The losses recorded on these transactions in 2017 and 2016 derive from the closures and remodelling operations mentioned in note 5.

19.7. Finance income and finance costs

Details of finance income are as follows:

Thousands of Euros	2016	2017
Interest on other loans and receivables	2,775	571
Exchange gains (note 19.8)	4,153	520
Change in fair value of financial instruments	-	7
Other finance income	4,728	3,732
Total financial income	**11,656**	**4,830**

Details of finance costs are as follows:

Thousands of Euros	2016	2017
Interest on bank loans	23,911	25,946
Intereses on debentures and bonds	11,181	12,994
Finance expenses for finance leases (note 5)	3,532	2,317
Exchange losses (note 19.8)	3,743	2,914
Change in fair value of financial instruments	-	14
Financial expenses assigment of receivables operations (notes 8.1 (b) and 22 (d))	139	240
Other finance expenses	19,787	21,443
Total financial expenses	**62,293**	**65,868**

At 31 December 2017 and 2016, interest on bank loans includes the finance costs associated with bank loans, primarily in Spain, Brazil and Argentina.

Interest on bonds includes the accrued interest and costs as a result of the bond issues described in note 15.1 (a).

Other finance costs at 31 December 2017 and 2016 primarily reflect the bank debit and credit interest rates in Argentina linked to its revenues.

19.8. Foreign currency transactions

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

Thousands of Euros	2016	2017
Currency exchange losses (note 19.7)	(3,743)	(2,914)
Currency exchange gains (note 19.7)	4,153	520
Trade exchange losses	(562)	(441)
Trade exchange gains	849	1,513
Total	**697**	**(1,322)**

19.9. Non-IFRS performance measures

Thousands of Euros	2016	2017
Operating Profit (EBIT)	309,538	247,073
Expenses relating to acquisitions	14,520	26,022
Expenses for restructuring and efficiency process	25,590	52,339
Expenses related to the transfer of own stores to franchises	28,675	12,713
Gains for the sale of fixed assets (note 19.1)	(16,461)	(31,226)
Parcial total of other cash elements (1)	**52,324**	**59,848**
Expenses relating to share based payments transactions	14,643	(4,858)
Losses on disposal of fixed assets (note 19.6)	10,811	17,728
Impairment of fixed assets (note 19.5)	13,250	13,287
Amortizations related to the closing of stores	584	3,517
Total of other excluded items to analyze ordinary performance (2)	**91,612**	**89,522**
Operating Profitn ajusted (EBIT ajusted)	401,150	336,595

Thousands of Euros	2016	2017
Operating Profit (EBIT)	309,538	247,073
Amortisation, depreciation and impairment (note 19.5)	240,580	248,799
Losses on disposal of fixed assets (note 19.6)	10,811	17,728
Gross operating profit (EBITDA)	560,929	513,600
Other cash elements (1)	52,324	59,848
Expenses relating to share based payments transactions	14,643	(4,858)
Gross operating profit ajusted (EBITDA ajusted)	627,896	568,590

Thousands of Euros	2016	2017
Net Profit atributted to equityholders of the parent	174,043	109,579
Other excluded items to analyze ordinary performance (2)	91,612	89,522
Items excluded from financial income and expenses	2,085	9,039
Items excluded from income tax	(15,188)	(12,545)
Losses net of taxes of discontinued operations (note 13)	15,874	21,434
Net Profit ajusted atributted to equityholders of the parent	268,426	217,029

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

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

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

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

20.Commitments and contingencies

a) Commitments

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

Off-balance-sheet cash commitments comprise

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

Expansion operation commitments were undertaken for expansion at Group level.

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

Itemised details of commitments at 31 December 2017 and 2016 are as follows:

20.1. Pledged:

Thousands of Euros	In 1 year	In 2 year	3-5 years	+ 5 years	Total
At 31st December 2017					
Guarantees	23,409	510	2,185	12,057	38,161
Credit facilities to customers (finance companies)	79,550	-	-	-	79,550
Cash	**102,959**	**510**	**2,185**	**12,057**	**117,711**
Purchase options	7,212	24,084	2,219	48,089	81,604
Commitments related to commercial contracts	13,820	2,468	1,846	1,130	19,264
Other commitments	4,530	2,217	7,209	17,117	31,073
Transactions / properties / expansion	**25,562**	**28,769**	**11,274**	**66,336**	**131,941**
Total	**128,521**	**29,279**	**13,459**	**78,393**	**249,652**
At 31st December 2016					
Guarantees	30,500	250	1,183	10,506	42,439
Credit facilities to customers (finance companies)	79,129	-	-	-	79,129
Cash	**109,629**	**250**	**1,183**	**10,506**	**121,568**
Purchase options	9,630	14,643	5,999	37,716	67,988
Commitments related to commercial contracts	16,743	4,016	1,469	117	22,345
Other commitments	4,717	3,353	3,672	16,578	28,320
Transactions / properties / expansion	**31,090**	**22,012**	**11,140**	**54,411**	**118,653**
Total	**140,719**	**22,262**	**12,323**	**64,917**	**240,221**

The Parent is the guarantor of the drawdowns on the credit facilities made by its Spanish subsidiaries, which at 31 December 2017 amounted to Euros 2,777 thousand (Euros 1,687 thousand in 2016).

20.2. Received:

Thousands of Euros	In 1 year	In 2 years	3-5 years	+ 5 years	Total
At 31st December 2017					
Available credit facilities (note 15.1 b))	165,173	-	-	-	165,173
Available sindicated revolving credit facilities	600,000	-	-	-	600,000
Available confirming lines	249,604	-	-	-	249,604
Cash	**1,014,777**	**-**	**-**	**-**	**1,014,777**
Guarantees received for commercial contracts (note 22 d))	24,394	5,415	20,950	55,610	106,369
Other commitments	4,000	-	-	-	4,000
Transactions / properties / expansion	**28,394**	**5,415**	**20,950**	**55,610**	**110,369**
Total	**1,043,171**	**5,415**	**20,950**	**55,610**	**1,125,146**
At 31st December 2016					
Available credit facilities (note 15.1 b))	137,002	-	-	-	137,002
Available revolving credit facilities	601,000	-	-	-	601,000
Available confirming lines	344,803	-	-	-	344,803
Cash	**1,082,805**	**-**	**-**	**-**	**1,082,805**
Guarantees received for commercial contracts (note 22 d))	28,300	5,950	25,961	38,726	98,937
Other commitments	-	-	49	199	248
Transactions / properties / expansion	**28,300**	**5,950**	**26,010**	**38,925**	**99,185**
Total	**1,111,105**	**5,950**	**26,010**	**38,925**	**1,181,990**

b) Contingencies

The Group is undergoing legal proceedings and tax inspections in a number of jurisdictions, some of which have been completed by the taxation authorities and additional tax assessments have been appealed by the Group companies at 31 December 2017 (see note 17). The Group recognises a provision if it is probable that an obligation will exist at year end which will give rise to an outflow of resources embodying economic benefits and the outflow can be reliably measured. As a result, management uses significant judgement when determining whether it is probable that the process will result in an outflow of resources and when estimating the amount.

In 2014 DIA Brazil was inspected by the local taxation authorities, as a result of which it has received two additional tax assessments, one amounting to Euros 17,238 thousand (Brazilian Reals 68,483 thousand) in relation to a discrepancy concerning tax on income from discounts received from suppliers, and another amounting to the updated figure of Euros 82,782 thousand (Brazilian Reals 328,885 thousand) in relation to the recognition of movements of goods and the consequent impact on inventories.

In 2016, the initial administrative ruling on the discrepancy concerning income from suppliers was unfavourable. A legal defence is being mounted and the legal counsel believe there are sufficient grounds to win a ruling favourable to DIA Brazil. As regards the latter proceedings, an unfavourable decision was handed down via administrative channels, despite the stock movements having been shown to be in line with the criteria followed in all the countries in which the DIA Group operates. A ruling has yet to be handed down on the appeal filed against this ruling. Nevertheless, based on the reports from the external legal counsel, the probability of losing this lawsuit continues to be considered remote at 31 December 2017.

21. Related parties

Transactions other than ordinary business or under terms differing from market conditions carried out by the directors of the Parent

In 2017 and 2016 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

Related party balances and transactions

During 2017 and 2016 the Group has carried out the following related party transactions: ICDC, Red Libra and CD Supply Innovation, mainly corresponding to trade operations and the balance receivable of which at 31 December 2017 and 2016 is show in note 8.1 and note 15.3. The transactions carried out with related parties during both years are as follows:

	2016	2017
ICDC	18,433	23,522
Red Libra	-	(1,157)
CDSI	-	(56,466)
Total transactions	**18,433**	**(34,101)**

Transactions with directors and senior management personnel

Details of remuneration received by the directors and senior management of the Group in 2017 and 2016 are as follows:

Thousands of Euros

2016		2017	
Directors	Senior management personnel	Directors	Senior management personnel
2,756	4,175	2,237	4,257

In 2017 and 2016 the directors of the Parent earned Euros 1,174 thousand and Euros 1,188 thousand, respectively, (included in the table above) in their capacity as board members.

In 2017 shares from the 2014-2016 Long-Term Incentives Plan were handed over to members of Senior Management, recognised in remuneration accrued for the year.

In 2016 the shares of the four-year incentive plan for 2011-2014 were awarded and the value of the shares awarded to one executive who is both a board member and a member of senior management was recognised as remuneration earned in this year.

Article 39.5 of the Parent's articles of association requires the disclosure of the remuneration earned by each of the present members of the board of directors in 2017 and 2016. Details are as follows:

2017	Thousands of Euros			
Board members	Financial instruments	Fixed remuneration	Variable remuneration	Others
Ms. Ana María Llopis Rivas	43.9	120.2	-	-
Mr. Ricardo Currás de Don Pablos (*)	21.3	667.5	456.4	7.4
Mr. Julián Díaz González	32.7	81.8	-	-
Mr. Juan María Nin Genova	28.0	86.6	-	-
Mr. Richard Golding	28.9	88.8	-	-
Mr. Mariano Martín Mampaso	34.7	89.7	-	-
Mr. Antonio Urcelay Alonso	28.0	90.6	-	-
Ms. Angela Lesley Spindler	34.8	83.7	-	-
Mr. Borja de la Cierva Álvarez de Sotomayor	28.0	89.6	-	-
Ms. María Luisa Garaña Corces	21.3	73.5	-	-
Total	**302**	**1,472**	**456**	**7**

(*) Remuneration as director plus remuneration as Board member.

2016	Thousands of Euros			
Board members	Financial instruments	Fixed remuneration	Variable remuneration	Others
Ms. Ana María Llopis Rivas	51.4	124.2	-	-
Mr. Ricardo Currás de Don Pablos (*)	522.7	669.4	462.8	7.2
Mr. Julián Díaz González	38.3	81.6	-	-
Mr. Juan Maria Nin Genova	32.7	92.1	-	-
Mr. Richard Golding	35.9	98.8	-	-
Mr. Mariano Martín Mampaso	41.9	94.7	-	-
Mr. Pierre Cuilleret	11.8	26.9	-	-
Ms. Rosalía Portela de Pablo	22.4	64.1	-	-
Mr. Antonio Urcelay Alonso	32.7	94.1	-	-
Ms. Angela Lesley Spindler	34.0	72.7	-	-
Mr. Borja de la Cierva Álvarez de Sotomayor	10.5	28.6	-	-
Ms. María Luisa Garaña Corces	1.2	2.6	-	-
Total	**836**	**1,450**	**463**	**7**

(*) Remuneration as director plus remuneration as Board member.

During 2017 and 2016 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 by the Group in respect of directors and senior management personnel totalled Euros 29 thousand in both years.

The directors of the Group and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the TRLSC.

22. Financial risk management: objectives and policies

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

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

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

a) 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.

b) 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 is associated with future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

In order to control currency risk associated with future commercial transactions and recognised assets and liabilities, Group entities use forward currency contracts negotiated with the Treasury Department. Currency risk arises on future commercial transactions in which the recognised assets and liabilities are presented in a foreign currency other than the Company's functional currency.

In 2017 and 2016 the Group has performed no significant transactions in currencies other than the functional currency of each company. However, the Group has contracted exchange rate insurance policies for non-recurrent transactions in US Dollars.

The hedging transactions carried out in US Dollars during 2017 amounted to US Dollars 7,529 thousand (US Dollars 6,552 thousand in 2016). This amount represented 68.76% of the transactions carried out in this currency in 2017 (66.09% in 2016). At 2017 year end, outstanding hedges in this currency total US Dollars 1,809 thousand (US Dollars 1,803 thousand in 2016) and expire in the next 11 months. These transactions are not significant with respect to the Group's total volume of purchases.

The Group holds 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 Argentine Pesos, Chinese Yuan and Brazilian Reals is mitigated primarily through borrowings in the corresponding foreign currencies.

In 2017, had the Euro strengthened/weakened by 10% against the US Dollar, with the other variables remaining constant, consolidated post-tax profit would have been Euros 555 thousand higher/lower (Euros 328 thousand in 2016), mainly as a result of translating trade receivables and debt instruments classified as available-for-sale financial assets.

The translation differences included in other comprehensive income are significant due to the major depreciation of the Argentine Peso and the Brazilian Real in 2017. Had the exchange rates in the countries where the Group operates that use a currency other than the Euro depreciated/appreciated by 10% the translation differences would have varied by +22.34% / -22.34%, respectively, in the equity of the DIA Group.

The Group's exposure to currency risk at 31 December 2017 and 2016 in respect of the balances outstanding in currencies other than the functional currency of each country is immaterial

c) Price risk

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

d) Credit risk

The Group does not have significant concentrations of credit risk. 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 and cash transactions are only performed with financial institutions that have high credit ratings. The Group has policies to limit the amount of risk with any one financial institution.

The credit risk presented by the Group is attributable to the transactions it carries out with the majority of its franchisees and is mitigated through the bank and other guarantees received, which are described in note 20. Details are as follows:

Thousands of Euros	2016	2017
Trade operations non-current (note 8.1 a))	69,345	73,084
Trade operations current (notes 8.1 a))	132,303	157,149
Franchise deposits (note 8.2)	2,958	3,256
Guarantees received (note 20.2)	(98,937)	(106,369)
Total	**105,669**	**127,120**

Non-current commercial transactions reflect the financing of the starting inventory of the franchisees, which is repaid monthly based on the cash generation profile of the business. Current commercial transactions comprise financing of goods supplies and amounts falling due less than 12 months from the initial financing.

In 2017 the Group entered into agreements to transfer supplier trade payables with and without recourse (see notes 3 (l) and 8.1 (b)). The accrued cost of the transfer of these receivables amounted to Euros 240 thousand in 2017 (Euros 139 thousand in 2016) (see note 19.7). Undue balances at 31 December 2017 amount to Euros 99,624 thousand (Euros 88,449 thousand at 31 December 2016), all of which are without recourse.

The Group's exposure to credit risk at 31 December 2017 and 2016 is shown below. The accompanying tables reflect the analysis of financial assets by remaining contractual maturity dates:

Thousands of Euros	Maturity	2017
Guarantees	per contract	57,998
Other guarantees	2020	2,000
Equity instruments	-	88
Other loans	2019-2021	524
Trade receivables	2019-2035	73,084
Other non-current financial assets	2019-2024	14,403
Non-current assets		**148,097**
Franchise deposit (note 8.2)	2018	3,256
Other deposits	2018	8,541
Credits to personnel	2018	3,027
Other loans	2018	1,016
Loans on the sale of fixed assets	2018	498
Other finantial assets	2018	2,092
Trade receivables	2018	219,168
Receivables from group companies	2018	2,678
Consumer loans from finance companies	2018	1,070
Current assets		**241,346**

Thousands of Euros	Maturity	2016
Guarantees	per contract	46,269
Other guarantees	2020	2,000
Equity instruments	-	88
Other loans	2018-2021	572
Trade receivables	2018-2035	69,345
Other non-current financial assets	2018-2020	9,728
Consumer loans from finance companies	2018	401
Non-current assets		**128,403**
Franchise deposit (note 8.2)	2017	2,958
Other deposits	2017	7,366
Credits to personnel	2017	2,920
Other loans	2017	1,219
Other finantial assets	2017	5,271
Trade receivables	2017	162,427
Receivables from group companies	2017	4,852
Consumer loans from finance companies	2017	6,220
Current assets		**193,233**

The Group has taken out credit insurance policies to ensure the collectability of certain trade receivables for sales. The trade receivables covered by these policies totalled Euros 4,855 thousand at 31 December 2017 (Euros 6,037 thousand at 31 December 2016).

The returns on these financial assets totalled Euros 4,818 thousand in 2017 and Euros 5,015 thousand in 2016.

Details of non-current and current trade and other receivables by maturity in 2017 and 2016 are as follows:

			Thousands of Euros			
Current	Total	Unmatured	Between 0 and 1 month	Between 2 and 3 months	Between 4 and 6 months	Between 7 and 12 months
31st December 2017	221,846	151,983	20,826	44,223	3,547	1,267
31st December 2016	167,279	105,518	29,585	29,504	1,320	1,352

	Thousands of Euros			
Non-current	Total	Between 1 and 2 years	Between 3 and 5 years	Over five years
31st December 2017	73,084	23,198	32,029	17,857
31st December 2016	69,345	21,895	33,866	13,584

The Group's accounting policies establish that as a rule amounts receivable with a maturity of over six months are impaired. However, the Group assesses, based on historical data, all accounts receivable, recording impairments when a loss is incurred.

e) Liquidity risk

The Group 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.

The Group's exposure to liquidity risk at 31 December 2017 and 2016 is shown below. These tables reflect the analysis of financial liabilities by remaining contractual maturity dates:

Thousands of Euros	Maturity	2017
Debentures and bonds long term	2019-2023	892,570
Mortgage loan	2019-2020	814
Other bank loans	2019-2020	30,842
Finance lease payables	2019-2027	26,229
Guarantees and deposits received	ıer contract	11,148
Other non-current financial debt	2019-2021	342
Other non-current financial liabilities	2019	2,491
Total non-current financial liabilities		**964,436**
Debentures and bonds long term	2018	6,021
Mortgage loan	2018	633
Other bank loans	2018	144,268
Other financial liabilities (note 15.1 c))	2018	34,238
Finance lease payables	2018	10,547

Credit facilities drawn down	2018	65,809
Expired interest	2018	132
Guarantees and deposits received	2018	2,813
Derivatives	2018	4,339
Other financial debts	2018	719
Trade and other payables	2018	1,710,828
Suppliers of fixed assets	2018	85,992
Personnel	2018	59,198
Other current liabilities	2018	3,675
Total current financial liabilities		**2,129,212**

Thousands of Euros	Maturity	2016
Debentures and bonds long term	2019-2021	794,652
Syndicated credits (Revolving credit facilities)	2018	97,360
Mortgage loan	2018-2020	2,632
Other bank loans	2018-2019	126,351
Finance lease payables	2027	31,305
Guarantees and deposits received	per contract	9,469
Other non-current financial debt	2022	504
Other non-current financial liabilities	2020	2,785
Total non-current financial liabilities		**1,065,058**
Debentures and bonds long term	2017	5,587
Mortgage loan	2017	2,218
Other bank loans	2017	61,819
Other financial liabilities (note 15.1 c))	2017	39,944
Finance lease payables	2017	11,634
Credit facilities drawn down	2017	41,355
Expired interest	2017	520
Guarantees and deposits received	2017	5,817
Derivatives	2017	6,600
Other financial debts	2017	5,240
Trade and other payables	2017	1,859,265
Suppliers of fixed assets	2017	60,300
Personnel	2017	69,262
Other current liabilities	2017	5,080
Total current financial liabilities		**2,174,641**

Details of non-current financial debt by maturity in 2017 and 2016 are as follows:

	Thousands of Euros		
2017	2019	2020-2022	>2023
Debentures and bonds long term	315,911	313,875	302,625
Mortgage loan	432	396	-
Other bank loans	17,595	15,063	-
Finance lease payables	9,912	15,974	2,354
Guarantees and deposits received	-	-	11,148
Other non-current financial debt	126	216	-
Total non-current financial debt	**343,976**	**345,524**	**316,127**

	Thousands of Euros		
2016	2018	2019-2021	>2022
Debentures and bonds long term	97,360	-	-
Syndicated credits (Revolving credit facilities)	10,500	816,500	-
Mortgage loan	1,638	1,095	-
Other bank loans	124,272	2,587	-
Finance lease payables	11,391	18,083	4,577
Guarantees and deposits received	-	-	9,469
Other non-current financial debt	126	375	3
Total non-current financial debt	**245,287**	**838,640**	**14,049**

The finance costs accrued on these financial liabilities totalled Euros 41,257 thousand and Euros 38,624 thousand in 2017 and 2016, respectively.

f) 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 2017 and 2016 there were no outstanding derivatives contracted with external counterparties to hedge interest rate risk related to long-term financing.

During 2017 fixed-rate debt as a percentage of the volume of average gross debt totalled 84.25%, compared with 59.33% in the previous year.

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

A 0.5 percentage point rise in interest rates would have led to a variation in profit after tax of Euros 111 thousand in 2017 (Euros 1,911 thousand in 2016)

23. Other information

23.1. Employee information

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

	2016	2017
Management	209	204
Middle management	1,719	1,759
Other employees	40,739	39,591
Total	**42,667**	**41,554**

The average headcount in 2017 includes 815 employees in China (1,080 in 2016). Personnel expenses for these employees are recorded under discontinued operations in the income statement.

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

	2016		2017	
	Female	Male	Female	Male
Board members	3	7	3	7
Senior management	1	8	1	7
Other management	60	141	55	135
Middle management	688	1,079	679	1,074
Other employees	28,020	14,488	27,143	14,242
Total	**28,772**	**15,723**	**27,881**	**15,465**

At year end, the headcount includes 733 employees in China in 2017 (321 men and 412 women) and 1,027 employees in China in 2016 (403 men and 624 women).

During 2017 the Group employed an average of one executive (one in 2016), six middle management personnel (six in 2016) and 550 other employees (518 in 2016) with a disability rating of 33% or above (or an equivalent local classification).

23.2. Audit fees

KPMG Auditores, S.L., the auditor of the annual accounts of the Group, and other affiliates of KPMG International have invoiced the following fees for professional services during the years ended 31 December 2017 and 2016:

2017

Thousands of Euros	KPMG Auditores, S.L.	Other companies associated with KPMG International	Total
Audit services	380	233	613
Other services relating to audit	148	49	197
Tax advisory services	-	55	55
Other services	-	27	27
Total	**528**	**364**	**892**

2016

Thousands of Euros	KPMG Auditores, S.L.	Other companies associated with KPMG International	Total
Audit services	409	227	636
Other services relating to audit	109	71	180
Tax advisory services	-	40	40
Other services	-	47	47
Total	**518**	**385**	**903**

Other audit-related services invoiced by KPMG Auditores, S.L. comprise limited reviews of six-monthly financial statements, comfort letters relating to securities issues and financial information agreed procedures services rendered to DIA, S.A. and its subsidiaries during the year ended 31 December 2017.

The amounts detailed in the above tables include the total fees for services rendered in 2017 and 2016, irrespective of the date of invoice.

23.3. Environmental information

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

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

The Parent's board of directors considers that there are no significant contingencies in connection with the protection and improvement of the environment and that it is not necessary to recognise any environmental provisions.

24. Events after the reporting period

On February 20, 2018, DIA has signed a strategic alliance with CaixaBank, structured through the purchase by CaixaBank Consumer Finance of the 50% of the shares of Finandia, E.F.C., S.A. The purchase is subject to the authorization processes of the competent authorities (see notes 1 and 13).