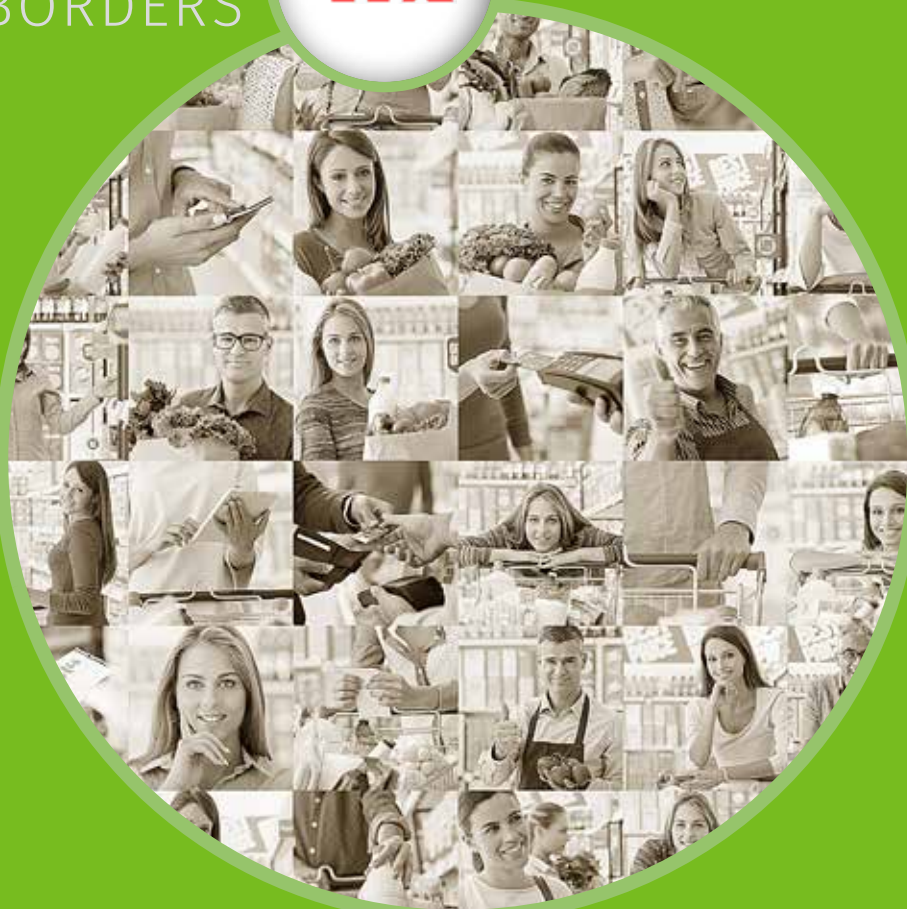


2016 ANNUAL REPORT

a model for success

WITHOUT BORDERS





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letter

FROM THE PRESIDENT

Once again, **our results** as the IFA Group –consolidated group of companies associated with IFA Retail, S.A.- **were very positive, exceeding the goals and surpassing the growth in the market**, helping us increase our market share in the food distribution sector.

We continue to be faced with a tremendously competitive sector that combines the large regional, national and international companies present in the Iberian market with new physical and digital operators.

Our business model continues to demonstrate consistency and robustness, especially in the wake of the financial crisis, in which consumers are once again placing a priority on purchasing renowned brands, new products or the best available fresh products with the highest quality.

The battle being waged by the vast majority of distributors to better engage with consumers is resulting in the considerable increase in both the number of new establishments and in the retail surface area, though this is not always accompanied by improved sales for comparable stores.

In 2016, the IFA Group marked a very important milestone in our almost 50-year history, namely the launch of our internationalization strategy.

Sonae Modelo Continente, a leader in food distribution in our cherished neighbor, Portugal, was the first large company to trust in and join our Group, confident that it is signing on to a long-term project with great potential. The Portuguese company's admirable track record and its prestige nationally and abroad are the best way to set off on this important venture.

In 2016, we continued to reinforce the pillars of joint work involved in this common project so as to improve the competitiveness of our stores as the number one goal of our efforts.

The advances made in the joint projects of an operational nature continue to bear fruit, with some of these projects now well on their way to consolidation. We are also launching other projects that are also intended to help make and keep our companies competitive.

We have been and continue to be important contributors to creating employment in our country, and once more we are proud to be able to state

that **we created new jobs, bringing the total number of employees in Spain and Portugal to almost 95,000.** In this particular regard, I want to acknowledge and express my gratitude for the work of our governing bodies and staff of associates and at our headquarters who are excellent professionals in their vision and execution, as I have said before, steeped in consistency, work and focused on the long term.

Our appreciation naturally goes out to the manufacturers, suppliers and clients for relying on us.

We continue forward together, committed to the objectives of our IFA 2020 strategic plan to become the best distribution group in Spain.

As we near the celebration of our 50th anniversary in 2017, we can be satisfied with the results obtained in 2016 as we remain faithful to the values that uphold the pillars of all our companies.



Roberto Tojeiro Rodríguez
President and CEO
of IFA Retail, S.A.

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our
OVERALL NUMBERS*

* Includes figures for Spain and Portugal



BILLING	CENTRALIZED PAYMENTS	ESTABLISHMENTS	RETAIL SURFACE AREA		NUMBER OF EMPLOYEES	MARKET SHARE BY VALUE	MARKET SHARE BY SURFACE AREA
15,487 +37.9% MILLION EUROS	5,639 +5.1% MILLION EUROS	6,784 +14.9% UNITS	4.3 +17.9% MILLIONS OF M2		95,410 +40.1%	15.2% +4.0p.	18.6% +4.4p.
Source: IFA Group	Source: IFA Group	Source: IFA Group	Source: IFA Group		Source: IFA Group	Source: Nielsen	Source: Nielsen

our
NUMBERS FOR SPAIN



BILLING	CENTRALIZED PAYMENTS	ESTABLISHMENTS	RETAIL SURFACE AREA	NUMBER OF EMPLOYEES	MARKET SHARE BY VALUE	MARKET SHARE BY RETAIL SURFACE AREA	MARKET SHARE BY WHOLESALE SURFACE AREA
11,800 +5.0% MILLION EUROS	5,639 +5.1% MILLION EUROS	5,913 +0.2% UNITS	3.6 -1.3% MILLIONS OF M2	69,910 +2.7%	15.1% +0.1p.	17.6% +0.0p.	33.3% +1.4p.
Source: IFA Group	Source: IFA Group	Source: IFA Group	Source: IFA Group	Source: IFA Group	Source: Nielsen	Source: Alimarket	Source: Alimarket

our HISTORY



1967

IFA ESPAÑOLA S.A. IS FOUNDED

THE FIRST BUYING CENTER IN SPAIN, on Friday, 2 June 1976, with a company capital of 2,800,000 pesetas.

1968

The IFA GROUP opens the **FIRST CASH & CARRY in Spain** through its associate, Almacanes Paquer (Tarrasa).

1978

The IFA GROUP started the concept of **CHAIN OUTLETS** in Spain with an expansion plan to develop its retail channel by opening supermarkets.

Cabrero e Hijos opened its first "discount supermarket" in Spain under the **ALDI** brand.

1987

As IFA develops its own brand, **the number of sales outlets reaches 1,000**.

1990

The IFA GROUP is once more pioneering the **implementation of Electronic Data Exchange (EDI)** in Spanish distribution.

1992

The number of associates in the **IFA Group grows some 50%** with the addition of the **PENTA Buying Center**.

1994

The adaptation of the IFA Group's structure to the market takes a decisive step with the **integration of the UNAGRAS and CMD buying centers**.

1998

The IFA Group's turnover exceeds **1 trillion**

Start of **NAOR Program**, which we joined through the Spanish Agency for Food Safety and Nutrition (**AESAN**), to commit to healthy and natural foods.

2005

IFA receives the **2012 Trade Award** presented by the Ministry of the Economy. The companies in the Group total **60,000 employees**.

2012

2013

Launch of the Group's new 2013-2016 **STRATEGIC PLAN**, as part of the vision to turn the IFA Group into the **Best distribution group in Spain**.

Launch of the IFA Own-Brand Project and development of first 1,000 items under the **ELIGES, UNNIA and SABE brands**.

2015

Unide joins the IFA Group, resulting in a significant increase in the network of sales establishments. **Alliance signed with the Gasol Foundation** to build and develop livable homes in Spain. The internationalization strategy materializes with the announcement of the **incorporation of the Sonae MC Group**.

2016

Sonae MC joins the IFA Group to start the Group's internationalization. Turnover reaches **15 billion euros**.

our ESSENCE



CLOSENESS We are close to our customers because we are present with our broad network of establishments throughout Spain. But what also brings us closer is our in-depth knowledge and understanding of the needs and desires of our consumers. A closeness that is also expressed in our relationships with local suppliers.

QUALITY We go to great lengths to satisfy market needs and to offer the best value for the money. As proof, fresh products prevail in our stores, along with a guarantee of top quality items, thanks to our intense efforts in local markets.

P. 4

it's

HOW WE ARE

VARIETY

We believe in freedom of choice. Because for us, being able to choose makes for better shopping.

We work to offer a wide range of products, manufacturers and prices so that consumers can choose freely and get the maximum satisfaction from their shopping experience.

INNOVATION

One trait present in our character from the start: we developed the chain store and Cash & Carry concepts in Spain, we implemented the EDI system, we offer manufacturers a solid and extensive platform in which to launch their innovations...



We strive for excellence in our distribution model, which is able to satisfy the needs of current and future generations.

TRUST

We are fighting to build a more authentic relationship every day

through our courteous service and the quality of our products. We know that building trust is building a future.

VERSATILITY

Our character is what defines us (not the origin or the source) - our common way of viewing customers and how we treat them -, though our sales structure offers points of sale of all sizes. We are present in large cities and small towns.

BALANCE

We offer greater shopping freedom thanks to a solid model of autonomous and independently managed associates (with a balance between local and national suppliers).





our ASSOCIATES governing BODIES institutional PRESENCE



Our ASSOCIATES

(As of June 1, 2017)



AHORRAMAS, S.A.



ALIMENTACIÓN PENINSULAR. S.A.



ALIMERKA, S.A.



BON PREU, S.A.U.



CABRERO E HIJOS, S.A.



CADENA DE EMPRESAS DETALLISTAS, S.A.



CAFÉS MORA, S.L.



CASH LEPE, S.L.



COMERCIAL PIEDRA TRUJILLO, S.L.



COMPAÑÍA NACIONAL DE COMERCIO, S.A.



CONDIS SUPERMERCATS, S.A.



DINOSOL SUPERMERCADOS, S.L.



ECOS MANCHEGOS, S.A.



FRANCO- MOR, S.A.



GADISA RETAIL, S.L.U.



GRUPO HERMANOS MARTÍN, S.A.



HD COVALCO, S.L.



HERMANOS AYALA SOUSA, S.L.U.



HIPER USERA, S.L.



IBERCUDIS, S.L.

IFA Retail consists of 34 fully-fledged partner companies, 29 of which are also shareholders in the company, each with an equal stake.

There are an additional 137 companies between subsidiaries and members of other centers integrated in IFA. The IFA Group has attained its leadership position thanks to its excellent associates, who in turn have reinforced their competitive status in the sector through their membership in the group.



JOSÉ BERNABEU PIC, S.A.



MODELO CONTINENTE HIPERMERCADOS, S.A.



MOYÁ SAUS E HIJOS, S.A.



ROMÁN GARCIA ROMO, S.A.



SÁNCHEZ VAZQUEZ HNOS. S.A.U.



SCABER, S.C



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SÁNCHEZ VAZQUEZ HNOS. S.A.U.



SCABER, S.C



SUPERFICIES DE ALIMENTACIÓN, S.A.

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board OF DIRECTORS

(As of June 1, 2017)



The Board of Directors is made up of 14 directors and a non-voting secretary.

It has a President and a Vice-President, who are also Managing Directors, and one Managing Director.

Mr. Roberto Tojeiro Rodríguez
GADISA RETAIL, S.L.U.
PRESIDENT AND MANAGING DIRECTOR OF IFA RETAIL, S.A.

Mr. Eduardo Serrano Vallejo
AHORRAMAS S. A.
MANAGING DIRECTOR OF IFA RETAIL, S.A.

Mr. Ángel Fernández de Barrena Villagarcía
UNIALCO S. L.
VICE-PRESIDENT AND MANAGING DIRECTOR OF IFA RETAIL, S.A.

Ms. Manuela Bella Díaz Orta
CASH LEPE S. L.
DIRECTOR OF IFA RETAIL, S.A.

Mr. Josep Saperas Vergara
HD COVALCO S. L.
DIRECTOR OF IFA RETAIL, S.A.

Mr. Joan Font i Fabregó
BON PREU S. A. U.
DIRECTOR OF IFA RETAIL, S.A.

Mr. José Abraham Domínguez Santana
DINOSOL SUPERMERCADOS S. L.

Mr. Luis Mesquita Soares Moutinho
MODELO CONTINENTE HIPERMERCADOS, S.A.
DIRECTOR OF IFA RETAIL, S.A.

Mr. Alejandro Fernández González
ALIMERKA S. A.
DIRECTOR OF IFA RETAIL, S.A.

Mr. Juan Antonio Gómez Pérez
UNAGRAS S. A.
DIRECTOR OF IFA RETAIL, S.A.

Mr. Gregorio Gilarranz Sánchez
HIPER USERA, S.L.
DIRECTOR OF IFA RETAIL, S.A.

Mr. Jerónimo Martín Rodríguez
GRUPO HERMANOS MARTÍN S. A.
DIRECTOR OF IFA RETAIL, S.A.

Ms. María Pilar Condal Bargas
CONDIS SUPERMERCATS, S.A.
DIRECTOR OF IFA RETAIL, S.A.

Mr. Rafael Ruíz Alonso
TEÓGENES RUÍZ S. L.
DIRECTOR OF IFA RETAIL, S.A.

Mr. Francisco Javier de Asís y Garrote
SECRETARY OF THE BOARD OF DIRECTORS OF IFA RETAIL, S.A. (NON-VOTING MEMBER)



centralized purchasing COMMITTEE

(As of June 1, 2017)

The Centralized Purchasing Committee, consisting of associates and executives from the buying center, analyzes the market and is empowered to make decisions. It also reports to the Board of Directors and recommends steps to take for the Board's final approval.

Mr. Miguel Rodríguez López
AHORRAMAS S. A.

Mr. Joan Sabartes i Pardo
BON PREU S. A. U.

Mr. Alfonso Martínez Carnero
GRUPO HERMANOS MARTÍN S. A.

Mr. Juan Carlos Gago Conlledo
DINOSOL SUPERMERCADOS S. L.

Mr. Álvaro
Fernández - Fournier
ALIMERKA S. A.

Mr. Santiago
Codesido Barreiro
GADISA RETAIL S. L. U.

Mr. Manel
Romero Romagosa
CONDIS SUPERMERCATS S. A.



In 2016, coinciding with the arrival of Sonae Mc and with the implementation of the group's internationalization plan, the International Centralized Purchasing Committee was created.

Mr. Jaime Femenias Dols
UNAGRAS, S.A. (HIPER MANACOR, S.A.)

Ms. M^a Paz Fernández Vega
UNIALCO S. L.

Mr. Víctor Pérez Díez
OWN BRAND AND INTERNA-
TIONAL DIRECTOR

Mr. Francisco José
Sánchez del Arco
HIPER USERA S. L.

Ms. Paula Varela Jordão
MODELO CONTINENTE
HIPERMERCADOS, S.A.

Ms. Juan Manuel
Morales Alonso
IFA RETAIL S. A.

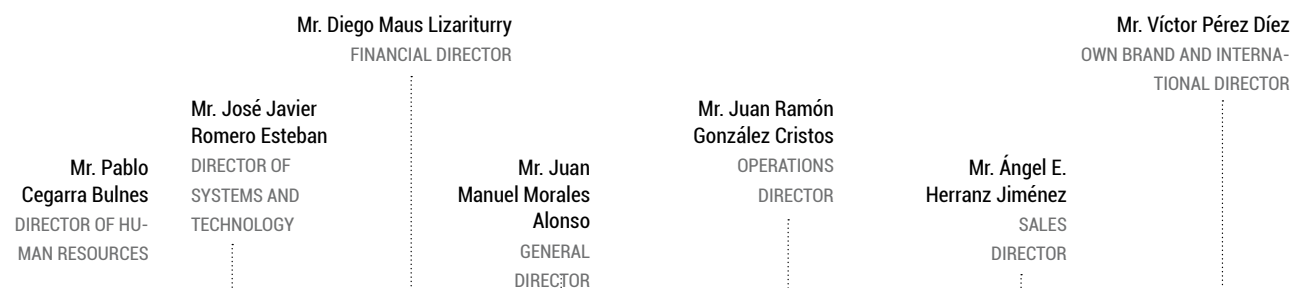
Mr. Ángel E.
Herranz Jiménez
IFA RETAIL S. A.

Mr. Pere
Kaiser Cozar
HD COVALCO S. L.



executive TEAM

(As of June 1, 2017)



INSTITUTIONAL PRESENCE

(As of June 1, 2017)



VICE-CHAIRMANSHIP OF ASEDAS



CEOE EXECUTIVE COMMITTEE (REPRESENTING ASEDAS)



AECOC BOARD OF DIRECTORS



FULL MEMBER OF THE MADRID CHAMBER OF COMMERCE



CEIM BOARD OF DIRECTORS



SAN TELMO INTERNATIONAL INSTITUTE ADVISORY BOARD



IFA group

TODAY



Once more, our business model shows its strength and consistency by coming out ahead in an increasingly competitive sector. Despite having more and better competitors, our companies have defended their position, growing and gaining market share.

Our consolidated turnover in 2016 reached a record figure of 15.487 billion euros as a result of the significant growth of our companies in Spain and the addition of Sonae Modelo Continente, a leader in Portugal, as we start our internationalization process.

Our consolidated sales in Spain grew 5%, totaling 11.8 billion euros. This increase was aided by a 6% growth in the turnover of the retail channel, once again outpacing the growth in the modern distribution market, according to Nielsen.

Our same-store sales grew in excess of 4%, improving on the positive trend in the previous year. Without a doubt, these results showcase

Our consolidated turnover in 2016 reached a record figure of 15.487 billion euros.

the robustness and reliability of the business model that has been in place at our companies for many years.

Our centralized payments figure, which measures the consumption by suppliers which passes through the Buying Center, reached 5.639 billion euros, with a considerable growth of 5%. This figure refers to the centralized payment for purchases made exclusively by members in Spain.

Our commitment to manufacturers, along with our pillars of success, has allowed us to make further inroads in the market, allowing us to become even more competitive as our market share in the supermarket channel rose to 15.1%, according to Nielsen.

Our growth in household panel market share, according to Kantar, allowed

our group to report the second largest growth in market share in 2016.

The incorporation of our new associate, Sonae Mc, brought our total number of establishments to 6,784, consolidating our position as the leading operator in the food distribution sector both in terms of points of sale and retail surface area, which in 2016 reached a total of 4,252,231 square meters.

Our commitment to creating jobs in our country continued unabated, even during the worst years of the crisis, and resulted in the creation of over 1,800 jobs in 2016, reaching a total of 69,910 workers throughout all our companies in Spain.

It is worth noting that with the **incorporation of Sonae to IFA**, all of the companies in the Iberian Peninsula now employ over **95,000 workers**.

The strategic pillars of our plan continued to develop through multiple initiatives and projects.

As part of our pillar to create value,

Our commitment to creating jobs continued unabated and resulted in the creation of over 1,800 jobs in 2016, making for a total of 69,910 workers in Spain.

we continued to engage in multiple vertical initiatives to cooperate with manufacturers and which have allowed us to grow alongside these suppliers, outpacing the market. We also reinforced our connections with our preferred suppliers as part of our G20 strategic initiative for the top twenty market categories.

Our strategic pillar to promote cost efficiency saw an important year in terms of accelerating initiatives. In this regard, of particular note in 2016 was the result after the first year following the launch of our logistics platform to consolidate low-rotation items, which has substantially improved

the cost and efficiency of delivering products to our associates.

Our efforts to modernize the Buying Center continued to take important steps in 2016, with key renovation and training initiatives involving our processes, technology, infrastructure and human resources. We continued to add new sales and support staff, and work continued to modernize the systems and technology of the Buying Center.

Lastly, and as we announced back in 2015, the IFA Group took a historic step by launching its international presence on the market with the addition of Sonae. There is no doubt that the incorporation of this important European player was felt not only through our increased competitiveness, but also through its contribution to the governing and working bodies of which Sonae is a part and which comprise an important asset for the future.

We closed out 2016 on a very positive note and we very much look forward



to an exciting 2017 as we celebrate our 50th anniversary. It is with this same passion that we are focusing on drawing up a roadmap for 2020, aware of the challenges that await us in the sector in coming years and that we are confident we will overcome thanks to a successful business model whose soundness has been proven time and again during its long history.



SALES BY CHANNEL

(in millions of euros)

% OF TOTAL

RETAIL CHANNEL

84.60%

WHOLESALE CHANNEL

15.40%

CONSOLIDATED TURNOVER IN SPAIN

(in millions of euros)

	2015	2016	increase
RETAIL CHANNEL	9,442 million euros	9,978 million euros	Δ+5.7%

	2015	2016	increase
WHOLESALE CHANNEL	1,792 million euros	1,182 million euros	Δ+1.7%

CONSOLIDATED TURNOVER IN IBERIAN PENINSULA

(in millions of euros)

	2015	2016	increase
	11,233 million euros	15,487 million euros	Δ+37.9%

	2015	2016	increase
	11,233 million euros	11,800 million euros	Δ+5.0%

TOTAL CENTRALIZED PAYMENTS

	2015	2016	increase
CENTRALIZED PAYMENTS in millions of euros	5,365	5,639	Δ+5.1%

TURNOVER

	2015	2016	increase
NET TURNOVER in millions of euros	651	692	Δ+6.3%

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market SHARE

	2015	2016	increase
TOTAL	15.0%	15.1%	Δ+0.1p.
PRODUCE	16.6%	16.5%	-0.1p.
PACKAGED	14.5%	14.6%	Δ+0.1p.
MANUFACTURERS' BRANDS	22.7%	22.6%	-0.1p.

Source: Nielsen. Market share by value



MARKET SHARE BY SURFACE AREA (M²)

Key provincial market shares by retail surface area in the organized distribution sector
(based on food) on 31-12-2016 (+) Source: Alimarket

FIRST PLACE

MADRID
BARCELONA
SEVILLA
A CORUÑA
LAS PALMAS
ASTURIAS
TENERIFE
GIRONA
TOLEDO
CIUDAD REAL
HUELVA
LUGO
OURENSE
GUADALAJARA
HUESCA
CUENCA
TERUEL

SECOND PLACE

VIZCAYA
GUIPÚZCOA
NAVARRA
LEÓN
LLEIDA
ALBACETE
SALAMANCA
ÁVILA
SORIA



strategic plan

2013 - 2016



Today we are much more confident than yesterday that all the parts are in place to continue forward and become the best distribution group in Spain

The strategic plan approved in December 2012, which was expanded until 2016, has shown that **"We're better together"**.

The increased competitiveness and efficiency is evident and has allowed our partner companies to enjoy new value-added services provided by the buying center. We have also undertaken joint cooperative projects in which managers from our associate members worked as a team at the center, yielding very positive results.

This plan, which relied on four strategic pillars and which consisted of more than fifteen projects and initiatives, will see many of its components continued in the new 2017-2020 IFA Group plan.

As we explained a year ago, this plan features the following strategic pillars:

- Developing initiatives to create value for the business
- Boosting the cost efficiency of associates
- Improving our competitive stance in the sector.
- Accelerating plans to grow and expand.

Our commitment to focus on creating value through our companies and their suppliers has led to the consolidation of the G20 strategic plan, which has **improved** relationships on various levels with leading manufacturers of national and international brands and **boosted** joint growth plans in the medium and long term. **Today, our group can state, and show, that manufacturer brands account for almost 90% of its**

sales of packaged products, proof of a commitment to innovation and to expanding consumer choice.

The IFA Group also increased its cooperation with own-brand suppliers by launching a project to develop and integrate the purchase of own-brands for associate members, as well as by launching its own IFA brand in different segments. This is expected to increase sales volume for suppliers by 500 million euros in 2017 and to increase profits for the associates.

This project, which aims to both create value and reduce costs, allows us to share some examples of development and services in this area. **We can feel proud of having become a vertical operator in the purchase of common goods and services** for companies,

such as energy, for example. Since its start in 2012, the IFA Group has managed to gain the respect of the main electric utilities, and is today an important client due to its overall purchasing volume, a client that has established relations with some of the main players in the sector, who are aware of the Group's strategic value.

Worth noting in this regard is the significance of the project to boost logistical efficiency in 2016. We consolidated logistical services for low-rotation products in order to improve the level of service and efficiency or our partners and suppliers. We still have a long way to go, but we are confident that despite facing a complex strategic task, we will be able to make our companies more competitive while saving them money. As a result, we are going to work together on a tactical level and primarily on a long-term basis.

Lastly, **we firmly believe in expanding our activity as a buying center, but above all, in the business model of our associates.** Convinced that we will make our companies more competitive both in Spain and other countries, we achieved our first internationalization milestone and are now able to say with pride that we did so thanks to

We firmly believe in expanding our activity as a buying center, but most of all, in the business model of our associates

the distribution leader in our beloved neighbor, Portugal. A good start.

It is obvious that designing and executing this strategic plan would not have been possible without reinforcing, stimulating and changing the culture at our organization. The time and finances invested to enhance technical, human and other resources have accounted for much of the work carried out by the Board and by management at IFA Retail. **Today, we can say that our company is ready in every sense to face the important challenges that await us**, with a level of preparation, information, corporate culture and rigor that is an essential pillar of our activity, and which places us alongside the best in the industry.

On this road to modernization, we will continue relentlessly to reinforce both human and technological capabilities in the future in order to become a leader in distribution in these areas as well.

Without a doubt, we cannot and must not forget our roots and the main task of IFA, which is to uphold the competitiveness of its companies against other market giants. It is important to note that none of the above would have been possible had we not stayed focused on the basic and essential contributions we make to our companies. In this regard, our sales and financial departments, primarily, will keep working and improving in order to keep our companies competitive. They will do so through their ties to more than 400 suppliers and by efficiently managing the centralized payment system. This is an essential and reliable service that we have been providing to Associates and Suppliers for many years.

In summary, **these past four years have allowed us to improve our quality and considerably increase our belief that together, we are in fact better.** We have also improved the perception that the other agents in the value chain have of the synergies that we are capable of creating when we work together. We still have a long way to go, **but we are much more confident today than we were yesterday that all the parts are in place to continue forward and become the best distribution group in Spain.**

value CREATION

Our task, as a Buying and Service Center, is to increase the value of the product lineup of our group.

in three areas of activity: for our customers, by developing and expanding the product selection to better adapt it to their needs, consumption habits and preferences; for our suppliers, by making it possible for them to grow by working closely with them to define and launch their products; and for our associates, by guaranteeing them constantly improving involvement and profitability in the marketplace. Keeping everyday management focused on developing these three lines of work will allow us to turn the IFA Group into the best distribution group on the Iberian Peninsula, and leverage the strength of the position of each and every one of the companies that comprise it and who are leaders in their respective regional markets.

From the consumer's point of view, we are actively working to identify

consumption trends, having created management and business intelligence tools that allow us to accurately analyze said trends so that we can quickly and more directly adapt to them. We also plan to accompany our partners in exploiting the analysis of big data and new technologies, which should allow us to improve the segmentation of our sales lineup and make the most of communications and sales channels that are customized to our customers.

A better knowledge of our customer base and the market is key so that our teams of category managers can, in concert with our more than 400 suppliers, come up with sales proposals that offer value to customers. We firmly support the growth of our suppliers by promoting their key product launches, supporting them in undertaking their innovation programs and by rolling out joint promotional initiatives that

are focused on consumer preferences. Specifically, and in collaboration with 170 suppliers, we managed over 550 campaigns in 2016. Thanks to this sales partnership with our suppliers, we will be able to keep strengthening our position as a leader for manufacturers' brands in the Spanish wholesale product distribution market.

The addition of SONAE to the Buying Center in 2016, which was the first step in our internationalization project, will allow us to progress even further in our relations with our suppliers by expanding the geographical scope of our activities.

A combination of market knowledge and the integrated management of suppliers is behind the Group's improved competitiveness in 2016. At the end of 2016, our market share was almost 11%, a figure that rises to approximately 22.5% for manufacturer brand products.

The combination of market know-how and the integrated management of suppliers accounts for the Group's improved competitive position



boosting

COST EFFICIENCY

We continue to grow together through negotiation and by increasing the efficiency of our processes

So as to improve competitiveness for all our associates, we once more pooled our efforts to negotiate for commodities and services as a group.

Yet again we managed to lower the operating costs of associates, such as for **energy**, the purchasing cost of which we lowered for the fifth year in a row, exceeding market indicators.

And following the product standardization conducted under the auspices of the **Consumables**

Committee, we started joint negotiations for consumable materials, bringing not only value to the price negotiations, but production efficiency. We also expanded the catalog of equipment suppliers that support our associates.

It has been one year since we launched the **Logistics Platform**, which is fulfilling the target goals for volume, use and savings for those associates who utilize the service. The ability to increase supply efficiency, and therefore the product assortment, has turned the logistical service into an important

asset for both our associates and for the suppliers who work in this area.

In the area of logistics, we continue to work on a **Master Plan that will help us identify all of the opportunities provided by the volumes of the associates such that the sum of all the volumes will present opportunities for savings** that have not been realized so far. We are being helped by our associates who, from their companies, are sending us the information needed to undertake this complex project.



expanding

THE FRONTIERS OF OUR BUSINESS



We opted for a growth model that satisfies the needs of consumers

The constant challenges from our competitors in Europe and the growing internationalization of manufacturers are naturally steering us toward our own international expansion, which started with the integration of Portugal's leading distributor, Sonae M.C., into our Group in January 2016. This thus represented our first step toward this internationalization and marked one of the main milestones in 2016 for our Strategic Plan.

Today we can say that we are the best and largest development platform for brands in the Iberian Peninsula, and we have no intention of limiting our project to just two countries. As a result, the

addition of new international partners must involve careful requirements in terms of the shared long-term values and commitments of our associates.

This international expansion commits our Group to launching a new international commercial program that differs from other European purchasing groups and strategic alliances of retailers. Our goal is to develop a platform for growing and defending brands in the context of a complex market that is polarized toward restrictive models in terms of product lineup, variety and innovation.

Our international project is taking shape slowly but surely, in response

to the needs and capabilities of our members and to an environment in which competitiveness is essential to confronting the globalization of the marketplace and the incessant financial, environmental and modernization challenges.

We currently have a number of first-rate manufacturers that are leaders in their respective categories who have joined our project, and with whom we are working very closely by strengthening our strategic relations as we look for improvements and joint plans that contribute to the sustainable growth of their brands, and to the competitiveness and differentiation of our associates.



The Group's internationalization began in 2015 with the incorporation of Sonae MC.



own BRAND communication



own BRAND

Our own-brand project was launched in 2013 in an effort to give our associates a tool that would help them compete better and that allowed them to offer an alternative to consumers. Today, that spirit is the same: to have a quality own-brand that is competitive and that complements the manufacturer's top brands in the store shelves of our associates.

In 2016, we expanded our own-brand to every product family. We market 1,600 products with our brands, a number that reaches 5,000 if we include the brands of our associates, which are also handled through the Buying Center. To this assortment we have added new brands for exclusive categories in which we did not have a presence and that allow our associates to have a unique, more exclusive product range.

The sales volume for our own brands

continued to grow, reaching 420 million euros in 2016, a number that is expected to grow to over 500 million in 2017. Another important milestone was the addition of two new members, meaning that most of our associates are now taking part in this project.

If 2015 was the year to consolidate the project, its pillars and foundations, then 2016 was the year we took a leap forward in quality, with the start of new projects that will see the light of day in 2017 and will allow us to be on the cutting edge of own-brands in the sector.

Our own-brand department continued to expand its resources over the course of 2016, reinforcing both its Sales and Quality departments in an effort to improve the service given to associates and to enhance our foundations. The year 2016 also

In 2016, the own-brand coverage was expanded to include every line of products

saw us improve our facilities as we opened an internal laboratory that will allow us to complement the external quality controls, the goal being to, once again, offer consumers an increasingly competitive and higher quality product assortment.

Our teams are directly present in the most important forums or supporting the associations we belong to, taking an active part in the commitment to the main sectors, ensuring environmental sustainability and food safety and working to offer even healthier products to our customers.



OUR BRANDS AND OUR COMMUNICATION: SIGNS OF OUR COMMITMENT TO CONSUMERS



The sales volume for our own brands continued to grow, reaching 420 million euros in 2016, a number that is expected to grow to over 500 million in 2017.

communication

SOME THINGS ARE VERY DEAR TO US

“The Free Shopping Basket”, a promotion that offers a year’s free groceries to a family , something that is very relevant in these hard times being experienced by our families.

In 2016 our promotional activities remained in line with the actions undertaken in 2015 with “The Free Shopping Basket”. A promotion defined by our brand promise: “Some things are very dear to us”. “Ours” is understood as a way to express our desires, needs, concerns, commitments, preferences, tastes, etc. Twice a year, in spring and autumn, we handed out 50 prizes valued at the average cost of a year’s groceries for the average family (cost estimated using official sources).



Our consumer website www.haycosasmuy nuestras.com is good proof of this, since on it we offer content of interest to our consumers

Content related to the world of food, trivia, etc. We also keep them informed of our promotional activities. We have continued our activity on social media as

well as a method for engaging directly with our consumers.

We have progressed in our online initiatives as a way to stay close and approachable to our consumers.



Our goal is to provide Spain's kids with tips on how to live a healthy life



At the IFA Group, we are convinced that **A BETTER WORLD IS POSSIBLE** and that we can do our part to make it happen. That is why this goal is the foundation atop which our Social Responsibility strategy is built. It is from there that we build the actions that define our contribution.

Our position as a distribution leader gives us ready access to Spanish families. Even our nutrition advice is very relevant in our area of activity. In 2016 we took steps to educate our consumers on healthy eating

practices in an effort to combat the health problems associated with bad eating habits.

Already in 2015 we set up an alliance with the Gasol Foundation intended to create and nurture healthy lifestyle habits through eating, sports and psychological health with educational and training activities. That is why in 2016 we created the Super Healthy superheroes, who give advice on eating healthy and on fighting and getting rid of bad practices.

Our goal is to provide Spain's kids

with tips on eating healthy. **The Super Healthy superheroes allow us to engage with kids so they can incorporate good habits into their lives**, especially in the areas of food and physical activity.

In September and October we had a campaign in our stores with these superheroes. Consumers were able to collect all eight stuffed superheroes, stickers, letters with tips and an album to hold the collection.

Our Group, due to its position and its values, has the credentials to undertake this task in the area of food, more so if



SUPER HEALTHY SUPERHEROES



we consider how the more than 5,890 points of sale bring us closer to Spanish families, and how more than half of Spanish households are our customers.

This important task, which we began in 2015 and will continue in coming years, has not caused us to lose focus on other areas we had been working on and that are still of considerable importance to us.

That is why we continue to work on creating stable jobs. Increasing the number of jobs we offer is one of our goals, but so is the quality and

stability of life that we offer through them. Our 69,910 employees are much more than just a number to us. And they pose a management and training challenge. Year in and year out we help create stable jobs in our sector. Our business model requires it. The personalized service in our establishments and our proximity to consumers make it so that the number and quality of our employees exceed the usual figures, which makes training them that much more important.

Our presence in towns and cities throughout Spain involves us in local

and regional cultural and sports activities through our members because we are committed to the many societies that we call home, and through our contributions we want to give them back part of what they offer us.

Through our members we continue to cooperate with reputable charitable organizations like Unicef, the Red Cross, food banks, Oxfam, Feafes, FAO and more.

And of course, we continue to make progress in our commitment to the environment.

directory of ASSOCIATES

(As of June 1, 2017)



AHORRAMAS, S.A.



ALIMENTACION PENINSULAR. S.A.



ALIMERKA, S.A.



BON PREU, S.A.U.



CABRERO E HIJOS, S.A.


CADENA DE EMPRESAS
DETALLISTAS, S.A.

SUBSIDIARY-MEMBER COMPANIES:

- ALMACENES EGUREN, S.A.
- AYEBSA, S.L.
- D. Y P. MINGUEZ, S.L.
- DROGUERÍA ALBIZU, S.L.
- EBRO DROPER, S.L.
- HERMANOS GAVIRA, S.L.
- HIJOS DE FIDEL GARCÍA, S.L.
- INPESCASA (INDUSTRIAS DE LA PESCA CANARIA, S.A.)
- SUBSIDIARY-MEMBER COMPANIES:
SUPERMERCADOS
INPESCASA, S.L.
- ORENCIO MATAS Y HNOS, S.L.
- PERFUMERÍA MIRALLS, S.L.
- SUPER BONILLA, S.A.
- SUPERMERCADOS CODI, S.L.
- SUPERMERCADOS SÁNCHEZ ROMERO, S.L.
- UDATA, S.C.L.



CAFÉS MORA, S.L.



CASH LEPE, S.L.

SUBSIDIARY-MEMBER COMPANIES:

MANUEL VALLEJO, S.A.



COMERCIAL PIEDRA TRUJILLO, S.L.


COMPAÑÍA NACIONAL DE COMERCIO,
S.A.


CONDIS SUPERMERCATS, S.A.



DINOSOL SUPERMERCADOS, S.L.

ECOS MANCHEGOS, S.A.

ECOS MANCHEGOS, S.A.



FRANCO- MOR, S.A.



GADISA RETAIL, S.L.U.



GRUPO HERMANOS MARTÍN, S.A.



HD COVALCO, S.L.

GROUP COMPANIES:

- 7 ALIMENTACIÓN 7, S.A.
- ALIMENTACIÓN ALCIRA, S.A.U.
- CARO RUÍZ, S.A.
- COALIMENT ANDALUCÍA, S.L.
- COALIMENT ARAGÓN, S.A.U.
- COALIMENT CASTILLA, S.A.U.
- COALIMENT GRANOLLERS, S.A.U.
- COALIMENT MALLORCA, S.L.
- COALIMENT PENEDÉS, S.A.U.
- COALIMENT VALENCIA, S.A.U.
- DISTRIBUIDORA GRAL.
ALAVESA, S.A.U
- ETHNIC FOODS, S.L.
- VALENCIANA DE SUPERMERCADOS,
S.A.U.



HERMANOS AYALA SOUSA, S.L.U.



HIPER USERA, S.L.



IBERCUDIS, S.L.



JOSÉ BERNABEU PIC, S.A.


MODELO CONTINENTE
HIPERMERCADOS, S.A.


MOYÁ SAUS E HIJOS, S.A.

SUBSIDIARY-MEMBER COMPANIES:
SUPERMERCADOS COP, S.A


ROMÁN GARCÍA ROMO, S.A.



SÁNCHEZ VÁZQUEZ HNOS. S.A.U.


SCABER, S.C. CENTRAL DE COMPRAS
DE HIPERMERCADOS
E. LECLERC

GROUP COMPANIES:

- ACA, S.A.U.
- ALCANTADIS, S.L.
- ALMENDIS, S.L.
- ARANCEDIS, S.L.
- CARBADIS, S.L.
- CORI, S.A.U.
- EUROHIPER DISTRIBUCIÓN, S.L.
- FUENLABRADADIS, S.L.
- LUCEDIS, S.L.
- MAJADADIS, S.L.
- MIRANDADIS, S.L.
- PAMPLONA DISTRIBUCIÓN, S.A.
- PINTODIS, S.L.
- PUERTOLLANODIS, S.L.
- SORIADIS, S.L.
- TORIODIS, S.L.
- TRUJILLODIS, S.L.
- VALDEMODIS, S.L.
- VALLECADIS, S.L.
- VITORIADIS, S.L.



SUPERFICIES DE ALIMENTACIÓN, S.A.



SUPERMERCADOS BOLAÑOS, S.L.



SUPERMERCADOS DANI, S.L



TEÓGENES RUIZ, S.L.



UNAGRAS, S.A.



UNIALCO, S.L.

SUBSIDIARY-MEMBER COMPANIES:

VES, S.L.


UNIÓN DETALLISTAS
ESPAÑOLES S. COOP.


VICENTE ALONSO, S.L.





financial

FIGURES

IFA RETAIL, S.A.





BALANCE SHEET ON 31 DECEMBER 2016

ASSETS	2016 FY	2015 FY	NET EQUITY AND LIABILITIES	Notes from the report	2016 FY	2015 FY
NON-CURRENT ASSETS	4,649	4,962	NET EQUITY	Note 8	27,365	25,869
Intangible fixed assets	759	891	INTERNAL FUNDS			
Tangible fixed assets	2,843	2,903	Capital		1,849	1,849
Investments in Group companies	62	62	Reserves		24,405	22,908
Long-term financial investments	39	40	Legal and statutory		4,431	4,431
Tax-deferred assets	946	1,066	Other reserves		19,974	18,477
			Group shares		(1,591)	(1,591)
			Profit		2,702	2,703
			NON-CURRENT LIABILITIES		1,000	1,100
			Long-term debts		1,000	1,100
CURRENT ASSETS	753,428	707,492	Debts with credit institutions	Note 9	1,000	1,100
Inventory	45	55				
Trade	35	47	CURRENT LIABILITIES		729,712	685,485
Advances to suppliers	10	8	Short-term provisions		2,232	2,232
Trade debtors and other accounts receivable	737,336	638,668	Short-term debts		68,200	56,721
Associate members	661,243	564,115	Debts with credit institutions	Note 9	68,200	56,721
Accounts receivable	76,055	74,544	Short-term debt with Group companies	Note 14.4	-	20
Personnel	13	9	Trade creditors and other accounts payable		658,818	626,176
Other government credits	25	-	Debts from purchases or services	Notes 4.5 & 4.8	470,427	438,827
Short-term financial investments	62	5	Accounts payable to associate members for various reasons		186,864	182,341
Short-term accruals	531	363	Salaries outstanding		1,059	1,935
Cash and cash equivalents	15,454	68,401	Current tax liabilities	Note 11.1	-	20
Cash	15,454	48,001	Other government debts	Note 11.1	468	3,053
Other equivalent liquid assets	-	20,400	Short-term accruals		462	336
TOTAL ASSETS	758,077	712,454	TOTAL NET EQUITY AND LIABILITIES		758,077	712,454

In thousands of euros

PROFIT AND LOSS STATEMENT FOR THE 2016 FY

	2016 FY	2015 FY
Net turnover	692,352	651,017
Sales	895	911
Services rendered	691,457	650,106
Raw materials and consumables	(677,024)	(636,273)
Consumption of goods	(789)	(847)
Other supplies	(676,235)	(635,426)
Other operating revenue	12	10
Sundry revenue and other current operating revenue	12	10
Personnel expenses	(6,009)	(6,324)
Salaries	(5,047)	(5,466)
Benefits	(962)	(858)
Other operating expenses	(4,952)	(4,380)
External services	(4,569)	(3,972)
Taxes	(49)	(42)
Loss, impairment and change in provisions from commercial operations	(334)	(357)
Other current management expenses	-	(9)
Amortization of fixed assets	(590)	(241)
Exceptional expenses and revenue	-	18
OPERATING RESULT	3,789	3,827
Revenue	272	560
From marketable securities and other financial third-party instruments	272	560
Financial expenses	(464)	(811)
From third-party debts	(464)	(811)
FINANCIAL RESULT	(192)	(251)
PRE-TAX RESULT	3,597	3,576
Income tax	(895)	(873)
RESULT FOR THE YEAR	2,702	2,703

In thousands of euros



STATEMENT OF CHANGES IN NET EQUITY IN THE 2016 FY

A) STATEMENT OF RECOGNIZED REVENUE AND EXPENSES

	2016 FY	2015 FY
RESULT OF PROFIT AND LOSS STATEMENT (I)	2,702	2,703
TOTAL REVENUE AND EXPENSES CHARGED DIRECTLY TO NET EQUITY (II)	-	-
TOTAL TRANSFERS TO PROFIT AND LOSS STATEMENT (III)	-	-
TOTAL RECOGNIZED REVENUE AND EXPENSES (I+II+III)	2,702	2,703

In thousands of euros

B) COMPLETE STATEMENT OF CHANGES TO NET EQUITY

	Capital	Legal reserve	Statutory reserve	Other reserves	Group shares	Result for the year	TOTAL
BALANCE AT START OF 2015 FY	1,849	370	4,061	17,254	(2,158)	2,455	23,831
Total recognized revenue and expenses	-	-	-	-	567	2,703	3,270
Application of funds	-	-	-	1,249	-	(1,249)	-
Operations with shareholders							
Dividend payouts	-	-	-	-	-	(1,206)	(1,206)
Other	-	-	-	(26)	-	-	(26)
BALANCE AT END OF 2015 FY	1,849	370	4,061	18,477	(1,591)	2,703	25,869
Total recognized revenue and expenses	-	-	-	-	-	2,702	2,702
Application of funds	-	-	-	1,497	-	(1,497)	-
Operations with shareholders							
Dividend payouts	-	-	-	-	-	(1,206)	(1,206)
BALANCE AT END OF 2016 FY	1,849	370	4,061	19,974	(1,591)	2,702	27,365

In thousands of euros

STATEMENT OF CASH FLOWS IN THE 2016 FY

	2016 FY	2015 FY
CASH FLOWS FROM OPERATING ACTIVITIES (I)	(62,644)	97,489
Result for the year before taxes	3,597	3,576
Adjusted results:	1,773	1,341
Amortization of fixed assets	590	241
Change in provisions	991	849
Revenue	(272)	(560)
Financial expenses	464	811
Changes in current capital	(67,022)	93,608
Inventory	10	11
Debtors and other accounts receivable	(98,815)	20,046
Other current assets and liabilities	(5)	(29)
Creditors and accounts payable	31,788	73,580
Other cash flows from operating activities	(992)	(1,036)
Interest payments	(464)	(811)
Collection of interest	272	567
Income tax revenue / (expense)	(800)	(792)
CASH FLOWS FROM INVESTMENT ACTIVITIES (II)	(454)	(2,468)
Payments for investments	(454)	(2,468)
Intangible fixed assets	(154)	(745)
Tangible fixed assets	(244)	(1,722)
Other financial assets	(56)	(1)
CASH FLOWS FROM FINANCING ACTIVITIES (III)	10,153	(52,399)
Collections and payments for financial liability instruments	(20)	15
Debts with Group and associated companies	(20)	15
Payments from other equity instruments	-	550
Group shares	-	550
Dividend payments and remunerations for other equity instruments	10,173	(52,964)
Dividends	(1,206)	(1,206)
Group shares	-	-
Debts with credit institutions	11,379	(51,758)
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (I+II+III)	(52,945)	42,622
Cash or cash equivalents at start of period	68,401	25,779
Cash or cash equivalents at end of period	15,454	68,401

In thousands of euros



financial FIGURES

IFA RETAIL, S.A.

AUDIT REPORT ON ANNUAL ACCOUNTS





Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
Fax: +34 915 14 51 00
www.deloitte.es

INFORME DE AUDITORÍA INDEPENDIENTE DE CUENTAS ANUALES

A los Accionistas de
IFA RETAIL, S.A.:

Informe sobre las cuentas anuales

Hemos auditado las cuentas anuales adjuntas de la sociedad IFA RETAIL, S.A., que comprenden el balance a 31 de diciembre de 2016, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria correspondientes al ejercicio terminado en dicha fecha.

Responsabilidad de los Administradores en relación con las cuentas anuales

Los Administradores son responsables de formular las cuentas anuales adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados de IFA RETAIL, S.A., de conformidad con el marco normativo de información financiera aplicable a la entidad en España, que se identifica en la Nota 2.1 de la memoria adjunta, y del control interno que consideren necesario para permitir la preparación de cuentas anuales libres de incorrección material, debida a fraude o error.

Responsabilidad del auditor

Nuestra responsabilidad es expresar una opinión sobre las cuentas anuales adjuntas basada en nuestra auditoría. Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la auditoría de cuentas vigente en España. Dicha normativa exige que cumplamos los requerimientos de ética, así como que planifiquemos y ejecutemos la auditoría con el fin de obtener una seguridad razonable de que las cuentas anuales están libres de incorrecciones materiales.

Una auditoría requiere la aplicación de procedimientos para obtener evidencia de auditoría sobre los importes y la información revelada en las cuentas anuales. Los procedimientos seleccionados dependen del juicio del auditor, incluida la valoración de los riesgos de incorrección material en las cuentas anuales, debida a fraude o error. Al efectuar dichas valoraciones del riesgo, el auditor tiene en cuenta el control interno relevante para la formulación por parte de la entidad de las cuentas anuales, con el fin de diseñar los procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad. Una auditoría también incluye la evaluación de la adecuación de las políticas contables aplicadas y de la razonabilidad de las estimaciones contables realizadas por la dirección, así como la evaluación de la presentación de las cuentas anuales tomadas en su conjunto.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión de auditoría.

Opinión

En nuestra opinión, las cuentas anuales adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de la sociedad IFA RETAIL, S.A. a 31 de diciembre de 2016, así como de sus resultados y flujos de efectivo correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación y, en particular, con los principios y criterios contables contenidos en el mismo.

Informe sobre otros requerimientos legales y reglamentarios

El informe de gestión adjunto del ejercicio 2016 contiene las explicaciones que los Administradores consideran oportunas sobre la situación de la Sociedad, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales del ejercicio 2016. Nuestro trabajo como auditores se limita a la verificación del informe de gestión con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de la Sociedad.

DELOITTE, S.L.
Inscrita en el R.O.A.C. Nº S0692

Victoria López Téllez
24 de abril de 2017



DELOITTE, S.L.

Año: 2017 Nº: 01/17/28245
SELLO CORPORATIVO: 99,00 EUR
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Informe de auditoría de cuentas sujeto
a la normativa de auditoría de cuentas
española e internacional.
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