Press release

DIA Group 2018-2023 Strategic Plan

\`The New DIA´: quality, low prices, proximity, and customer commitment

/ The New Business Plan is focused on own label, fresh produce, and store renewal.

Madrid, 8 February 2019

2018-2023 STRATEGIC PLAN

The DIA group presents its 2018-202 Strategic Plan focused on the transformation, modernisation and future of the company with the aim of increasing market share in the distribution sector of a leading company in Spain, Portugal, Argentina, and Brazil. And as a benchmark for more than 20 million consumers, DIA is committed to carrying out a renewal process that is based on the following pillars:

- The transformation of the commercial offer with the aim of placing quality, competitive prices, and proximity at the heart of 'The New DIA's' offer. The company is focused on strengthening its own label, boosting the offer of fresh produce, making prices more competitive with personalised promotions, and a rationalisation of the offer focused on customer needs. All of this is focused on offering the best shopping experience for the millions of DIA customers.

- Attention to, and loyalty of, consumers who trust DIA, in addition to attracting new customers, is one of the pillars of 'The New DIA', which is committed to better service. Accordingly, the stores (both physical and online) will be modernised to meet customer needs, where and when required.

- The company is focused on the effective execution of store projects, simplifying the processes: launching a new store format that is modern and comfortable, with stock efficiency, and that includes the concept of the 'sentimental mile' to carry out online deliveries in the shortest possible timeframe.

- 'The New DIA' will strengthen the relationship with franchisees to improve the business model, with a review of the incentive system, investing in training and in their objectives and career plans.

- Renew and strengthen the company's culture, where the customer is the focus beyond offering a good service. The company is also focusing on employee talent and capacity. Transparency and openness to strengthen the brand are also part of this Strategic Plan.

The key points of this Strategic Plan presented by the Company will allow the financial objectives set for the 2018-2023 period to be achieved:

- Average single-digit sales growth.
- Improve EBITDA from 2020.
- Limited investment in 2019 and recovery to company levels from 2020.

2018 RESULTS

- In addition to the new Strategic Plan, the DIA Group has presented the 2018 accounts, which posted gross sales of EUR9.39bn, 14.9% less than a year ago. This result includes the discontinued Clarel and Max Descuento businesses, and includes the currency effect due to the depreciation of the Argentinean peso (40%) and of the Brazilian real (16%). Without this effect, sales would have fallen by 0.9%.

- Adjusted EBITDA fell by 34.8%, reaching EUR338m. The regulation relating to hyperinflationary economies had a negative impact of EUR36.3m on the results. Taking into account the Clarel and Max Descuento businesses, adjusted EBITDA was EUR385m.

- The underlying net profit was minus EUR352.6m due to the impact of EUR288m following the asset valuation test. Without these effects, underlying net profit was EUR49.7m, which implies a 74% drop compared to a year ago.

- The company's net debt reached EUR1.452bn, EUR506m more than at the end of 2017. This increase is due to the worsening of the binding capital due to the reduction in the payment period to suppliers.

- The Group's comparable sales fell by 3.6% in 2018, and the company ended the year with 6,157 stores, 56 more than in 2017.

SPAIN

- The company's new Strategic Plan includes a process of collective redundancies that will affect the DIA and TWINS companies in Spain. This process, which aims to ensure the future sustainability of the Company and strengthen the group's global position, will affect a maximum of 2,100 employees. In the near future, the company will initiate a period of consultations with union representatives.

- Gross sales in Spain fell by 2.4% in 2018, reaching EUR5.148bn.

- There was a significant increase in online sales, up 37%, reaching EUR78m, accounting for 1.5% of gross sales in the country.

PORTUGAL

- In Portugal, where DIA has already started its online business testing, gross sales reached EUR808m, down by 3.1%.

ARGENTINA

- In Argentina, gross sales fell by 38.8% to EUR1.795bn. As mentioned previously, these figures were hit by the currency effect. Excluding the currency effect, sales would have risen by 3%.

BRAZIL

- Brazil suffered from the same conditions as Argentina, with gross sales of EUR1.64bn (down by 17.9%), which, excluding the currency effect, would have fallen by 1.8%.

VALUATION BY CEO BORJA DE LA CIERVA

2018 was a turbulent year for DIA, probably the most difficult since the company's foundation more than forty years ago. The restated figures and in particular results for 2018 are a clear indicator that our performance did not meet expectations. However, it is also clear that despite recent events the Company's vast store network has continued to perform and delivered over EUR7bn in net sales. We continue to be a major grocery retailer because every day, millions of loyal customers in Spain, Portugal, Argentina and Brazil put trust in our offer and enjoy convenience of our stores, quality of our products and attractiveness of our prices. This trust is the reason why today we are firmly committed to radically improve our customer proposition and transform DIA's business to benefit all of our stakeholders.

To achieve this transformation, we added new experienced talents to our management team, with whom, together; we have developed a new comprehensive strategic plan to reset our organisation. This plan has been unanimously approved by our Board of Directors. Today, we communicate our new strategy at the same time as we publish our full year accounts, which are more transparent and detailed than ever before. This is our first step towards building 'The New DIA' as a leading omnichannel convenience retailer of choice, an organisation which is fully accountable to its customers, employees, franchisees and shareholders.

Our new strategy is a transformational plan articulated around better offer, improved service and great experience for our customers. It is rooted in our fundamental strengths, yet the way we do business, the organisation and its culture will all undergo significant changes to help us regain credibility and ensure we remain the preferred choice for consumers. The management team has already started to implement the plan, and is fully committed and incentivised to deliver its targets. Our newly established Management Transformation Office works daily across the entire organisation to aid and oversee execution of the plan. We are fully determined to make it a success for us and our stakeholders, and to continue winning on convenience, value and quality".

Full-year 2018 Results

(€m)	2017	%	2018	%	Change	Change (ex-FX)
Net sales	**8,217.5**	**100.0%**	**7,288.7**	**100.0%**	**-11.3%**	**7.4%**
Cost of goods sold & other income	(6,448.9)	-78.5%	(5,724.4)	-78.5%	-11.2%	9.0%
Gross profit	**1,768.6**	**21.5%**	**1,564.4**	**21.5%**	**-11.5%**	**1.5%**
Labour costs	(685.8)	-8.3%	(645.6)	-8.9%	-5.9%	8.9%
Other operating expenses	(283.4)	-3.4%	(296.6)	-4.1%	4.6%	35.1%
Leased property expenses	(280.9)	-3.4%	(284.4)	-3.9%	1.2%	11.9%
Adjusted EBITDA (1)	**518.5**	**6.3%**	**337.9**	**4.6%**	**-34.8%**	**-32.3%**
Other cash items	(47.5)	-0.6%	(91.9)	-1.1%	93.3%	
EBITDA	**470.9**	**5.7%**	**246.0**	**3.4%**	**-47.8%**	**-73.3%**
D&A	(223.7)	-2.7%	(235.2)	-3.2%	5.1%	23.0%
Impairment	(12.1)	-0.1%	(79.9)	-1.1%		
Write-off of fixed assets	(17.2)	-0.2%	(25.4)	-0.3%		
EBIT	**218.0**	**2.7%**	**(94.5)**	**-1.3%**		
Net financial results & associates	(53.3)	-0.6%	(84.9)	-1.2%	59.3%	
Gain from monetary position (IAS29)	(0.0)		67.5	0.9%		
EBT	**164.7**	**2.0%**	**(111.9)**	**-1.5%**		
Income taxes	(52.0)	-0.6%	(16.4)	-0.2%		
Impairment of DTA's	(0.0)		(170.5)	-2.3%		
Consolidated profit	**112.7**	**1.4%**	**(298.9)**	**-4.1%**		
Discontinuing operations	(11.5)	-0.1%	(15.7)	-0.2%		
Impairment of discontinued op.	(0.0)	-0.0%	(38.0)	-0.5%		
Non-controlling interests	(0.0)	-0.0%	(0.0)			
Net attributable profit	**101.2**	**1.2%**	**(352.6)**	**-4.8%**	**-448.5%**	**-460.6%**
Underlying net profit	**191.3**	**2.3%**	**49.7**	**0.7%**	**-74.0%**	**-70.0%**

(1) Adjusted by 'Other cash items'

Information by country

DIA GROUP[2] (EURm)	2017	%	2018	%	Change	Change (ex-
Gross sales under banner	**11,040.7**		**9,390.2**		**-14.9%**	**-0.9%**
Like-for-like sales growth	-4.9%		-3.6%			
Net sales	**8,217.5**	**100.0%**	**7,288.7**	**100.0%**	**-11.3%**	**7.4%**
COGS + OPEX	(7,699.0)		(6,950.9)		-9.7%	
Adjusted EBITDA [1]	**518.5**	**6.3%**	**337.9**	**4.6%**	**-34.8%**	**-32.3%**
Other cash items & impairment	(80.1)		(199.8)			
D&A	(220.4)		(232.6)			
Operating profit (EBIT)	**218.0**	**2.7%**	**(94.5)**	**-1.3%**	**-143.4%**	**-163.5%**

SPAIN [2] (EURm)	2017	%	2018	%	Change
Gross sales under banner	**5,275.1**		**5,147.7**		**-2.4%**
Like-for-like sales growth	-2.9%		-2.3%		
Net sales	**4,441.7**	**100.0%**	**4,280.4**	**100.0%**	**-3.6%**
COGS + OPEX	(4,094.8)		(4,029.4)		-1.6%
Adjusted EBITDA [1]	**346.9**	**7.8%**	**251.0**	**5.9%**	**-27.6%**
Other cash items & impairment	(74.5)		(154.9)		
D&A	(136.0)		(146.6)		
Operating profit (EBIT)	**136.4**	**3.1%**	**(50.5)**	**-1.2%**	**-137.0%**

PORTUGAL[2] (EURm)	2017	%	2018	%	Change
Gross sales under banner	**834.4**		**808.4**		**-3.1%**
Like-for-like sales growth	-1.0%		-5.0%		
Net sales	**663.1**	**100.0%**	**628.6**	**100.0%**	**-5.2%**
Cost of goods sold & OPEX	(620.9)		(598.6)		-3.6%
Adjusted EBITDA [1]	**42.2**	**6.4%**	**30.1**	**4.8%**	**-28.7%**
Other cash items & impairment	(5.7)		(25.6)		
D&A	(23.1)		(21.0)		
Operating profit (EBIT)	**13.4**	**2.0%**	**(16.5)**	**-2.6%**	**-222.7%**

ARGENTINA (EURm)	2017	%	2018	%	Change	Change (ex-
Gross sales under banner	**2,934.1**		**1,794.5**		**-38.8%**	**3.0%**
Like-for-like sales growth	-7.8%		-2.8%			
Net sales	**1,391.6**	**100.0%**	**970.6**	**100.0%**	**-30.3%**	**60.5%**
Cost of goods sold & OPEX	(1,332.7)		(967.8)		-27.4%	
Adjusted EBITDA [1]	**58.9**	**4.2%**	**2.8**	**0.3%**	**-95.3%**	**-91.2%**
Other cash items & impairment	(7.1)		(13.2)			
D&A	(17.9)		(23.3)			
Operating profit (EBIT)	**34.0**	**2.4%**	**(33.8)**	**-3.5%**	**-199.3%**	**-332.2%**

BRAZIL (EURm)	2017	%	2018	%	Change	Change (ex-
Gross sales under banner	**1,997.1**		**1,639.6**		**-17.9%**	**-1.8%**
Like-for-like sales growth	-8.5%		-8.1%			
Net sales	**1,721.1**	**100.0%**	**1,409.1**	**100.0%**	**-18.1%**	**-2.1%**
Cost of goods sold & OPEX	(1,650.6)		(1,355.1)		-17.9%	
Adjusted EBITDA [1]	**70.5**	**4.1%**	**54.0**	**3.8%**	**-23.3%**	**-8.3%**
Other cash items & impairment	7.2		(6.0)			
D&A	(43.5)		(41.8)			
Operating profit (EBIT)	**34.2**	**2.0%**	**6.2**	**0.4%**	**-81.9%**	**-78.3%**

(1) Adjusted by 'Other cash items', (2) With Clarel and Max Descuento as discontinued activities, (3) Includes EUR36.3m impact from the application of IAS29.

Summary of stores

DIA GROUP [1]	2017 Owned	2017 Franchised	2017 TOTAL	2018 Owned	2018 Franchised	2018 TOTAL
Total stores at the beginning of the period	**2,608**	**3,543**	**6,151**	**2,462**	**3,639**	**6,101**
New openings	**150**	**271**	**421**	**163**	**173**	**336**
Owned to franchised net transfers	**-105**	**105**	**0**	**20**	**-20**	**0**
Closings	**-191**	**-280**	**-471**	**-35**	**-245**	**-280**
Total DIA GROUP stores at the end of the period	**2,462**	**3,639**	**6,101**	**2,610**	**3,547**	**6,157**

SPAIN [1]	Owned	Franchised	TOTAL	Owned	Franchised	TOTAL
Total stores at the beginning of the period	1,630	2,040	3,670	1,473	2,024	3,497
New openings	20	53	73	34	28	62
Owned to franchised net transfers	-13	13	0	109	-109	0
Closings	-164	-82	-245	-13	-72	-85
Total SPAIN stores at the end of the period	**1,473**	**2,024**	**3,497**	**1,603**	**1,871**	**3,474**

PORTUGAL [1]	Owned	Franchised	TOTAL	Owned	Franchised	TOTAL
Total stores at the beginning of the period	303	256	559	262	297	559
New openings	12	10	22	6	17	23
Owned to franchised net transfers	-38	38	0	-35	35	0
Closings	-15	-7	-22	-10	-40	-50
Total PORTUGAL stores at the end of the period	**262**	**297**	**559**	**223**	**309**	**532**

ARGENTINA	Owned	Franchised	TOTAL	Owned	Franchised	TOTAL
Total stores at the beginning of the period	296	576	872	303	627	930
New openings	32	78	110	30	64	94
Owned to franchised net transfers	-16	16	0	-24	24	0
Closings	-9	-43	-52	-11	-34	-45
Total ARGENTINA stores at the end of the period	**303**	**627**	**930**	**298**	**681**	**979**

BRAZIL	Own	Franchised	TOTAL	Owned	Franchised	TOTAL
Total stores at the beginning of the period	379	671	1,050	424	691	1,115
New openings	86	130	216	93	64	157
Owned to franchised net transfers	-38	38	0	-30	30	0
Closings	-3	-148	-151	-1	-99	-100
Total BRAZIL stores at the end of the period	**424**	**691**	**1,115**	**486**	**686**	**1,172**

(1) By 2018 year-end the company also operated 1,200 Clarel and 35 Max Descuento stores in Spain and 71 Clarel in Portugal

Corporate Communication

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DIA (Distribuidora Internacional de Alimentación) is an international food retailer that also distributes fast-moving and HPC goods. In 2018, gross sales under banner reached EUR9.390bn and the company had 6,157 stores in the countries in which it operates: Spain, Portugal, Brazil and Argentina. DIA is traded on the Madrid Stock Exchange.

"Stop underage drinking, a challenge for all" is a social initiative promoted by Grupo DIA. The aim is to tackle the issue of underage drinking. With this project, we are working together with the whole of society to reduce alcohol consumption among minors in our country to zero.