5 November 2019

Unaudited

DIA

9M/2019

9M 2019 Corporate and business context

During the six months of the year, the Company has been operating in a highly disrupted and volatile business, financial and corporate context which, despite having a positive final resolution, has taken a substantial toll which is reflected in the negative operating performance for the period.

The sequence of the most relevant events is as follows:

- The release on 8 February 2019 of the Company's 2018 Annual Accounts (showing negative shareholder's equity and triggering a short-term dissolution threat), together with other factors such as: very near-term debt maturities and high refinancing risk, uncertainty around the outcome of the then-forthcoming Annual Shareholders' Meeting held on 20 March, rating agencies' negative comments and overall headline noise, led to a negative public perception around the Company that, amplified with sharp risk-cutting decisions made by trade insurance companies at that time, resulted in a level of supplier tightening that impacted negatively the supply chain, resulting in a substantial increase in the out-of-stock levels in our warehouses and stores, which ultimately translated into lower sales.

- The top-line deterioration and sales decline resulting from the above became visible firstly in March, and accelerated since then in the following months, as the uncertainty about the binary outcome of the voluntary tender offer kept growing, and stakeholders feared the potential consequences of a scenario where a failed VTO would trigger an insolvency proceeding.

- Finally on 21 May 2019, right after the public tender offer was successfully completed and an agreement in principle with the syndicate lenders was announced, LetterOne became the controlling shareholder reaching 69.76% of the share capital of DIA, new members of the Board of Directors and a new CEO were appointed. But still then, the negotiations with the syndicate lenders to reach a binding agreement were on-going, and their successful completion was a prerequisite for LetterOne to inject cash into the Company ahead of the committed capital increase.

- The new financing agreement with the syndicated facility lenders was finally reached on 25 June 2019, and it became effective on 18 July 2019, once all conditions precedent were completed or waived, providing the Company at last with a long-term and sustainable capital structure, enabling the removal of the dissolution obligation, and providing an integral solution to the urgent liquidity needs that the Company had been facing in the last months.

- The Company entered into participating loans from LetterOne totalling EUR 490m, which were fully funded by 19 July 2019 and were used by the Company to fully repay at maturity on 22 July 2019 the EUR 306m Medium Term Notes. These participating loans will be converted into shareholders´ equity in the capital increase approved by the Shareholders´ Extraordinary Meeting held on 22 October 2019 for an amount of EUR 606m.

The complex situation and the high uncertainty described above, which has extended over most of the H1 2019, resulted in a very negative impact on the Company's top-line and ultimately resulted in a strongly negative performance specially in H1 2019.

The performance of the Company is also negatively impacted by a series of decisions taken and actions implemented, which have all the common goal of creating upfront a realistic, robust and healthy business base on which to start building the new future of the Company. Those include principally: (i) a Collective Dismissal in Spain and other headcount reduction measures in Brazil to improve productivity, (ii) the closure of 757 unprofitable stores (94 in Q3 2019) with permanent negative contribution, (iii) a strong de-franchising initiative (COFO to COCO) affecting 309 (87 in Q3 2019) stores to improve and strengthen the franchisee network, (iv) an assortment optimization initiative to achieve a meaningful SKUs reduction to reduce complexity and improve operations, (v) the discontinuation of non-core activities (i.e.: e-shopping, Bahia masterfranchise or Mini Preço) to reduce complexity and improve efficiency and focus, and (vi) the recognition of accruals, losses or write-offs in connection with certain receivables, risks and liabilities that had previously not been provisioned appropriately.

Once the new liquidity -primarily in the form of participating loans- was made available to the Company (by late June – early July), the immediate priority has been to normalize the relationship with credit insurers and all the supplier base, to catch-up and eliminate the out-of-stocks, and to have the warehouses and stores fully supplied, in order to be ready to fully serve our customers and be back to business as usual as soon as possible. The positive effect of this normalization is already visible in 3Q 2019, with Like-for-Like Sales showing a gradual recovery from June all-time low levels (-15.5%).

Going forward, the Company intends to further support and promote this sales recovery with several initiatives across different areas (i.e.: commercial, operations, logistics, etc.) whose common goal will be to drive incremental traffic and sales in our stores and improve productivity.

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

Group Performance[1]

Financial summary (€m)	9M 2018 (*)	9M 2019	Change (%)	Change (% ex-FX)
Net sales	5,490.6	5,082.9	-7.4%	-3.5%
Adjusted EBITDA (ex one-offs)	291.2	48.3		
Operating income (EBIT)	(22.6)	(356.6)		
Net attributable profit	(45.8)	(504.3)		

(*) Including in the 9M 2018 figures as re-expressed in the 2018 Annual Accounts: (i) the IAS 29 hyperinflation adjustment of Argentina, (ii) the consolidation of CDSI and (iii) Clarel figures as continued operations.

- In the first nine months of 2019, Gross Sales Under Banner fell by 18.2% to EUR 6.3bn (8.7% down ex-currency with a strong FX impact of 9.5%). Comparable (Like-for-Like) sales decreased 8.1% for the Group compared to a negative 3.6% in the same period of 2018, showing a negative trend and the sharp deterioration caused by the out-of-stock levels in our warehouses and stores resulting from the business disruption context suffered during H1 2019.

- Net attributable loss amounted EUR 504.3m, compared to the EUR 45.8 m losses shown in the same period of 2018, as a result of the strongly negative earnings impact related to the sharp sales decline and also to the exceptional one-off effects registered in the period in connection with the different measures implemented to set the right basis for the long term turnaround of the Company, which will translate into visible positive effects on sales and profitability only in the medium to long-term, as explained further in this report. Also, a detailed risk and recoverability analysis has resulted in the recognition of previously not addressed write-offs, losses, and provisions for risks associated to the business.

- The main items affecting the Group's negative performance in the first nine months of 2019, include:

    1. The sharp sales deterioration caused by the extraordinary out-of-stock levels and business disruption context described above.

    2. The closure process of poorly-performing stores which has affected a total of 757 stores in 9M 2019 (mostly in Spain and Brazil), which ultimately translated into: lower sales, the write-off of related assets, an increase in Opex due to the expenses related to the handover of the leases and the recognition of provisions in respect of doubtful accounts receivables from related franchisees. The positive impact of these closings (derived from the elimination of their negative margin contribution), will be seen from H2 2019 onwards.

    3. A strong de-franchising process aimed at improving the quality of our franchisee network, which has affected a total of 309 stores during 9M 2019 (mostly in Spain and Brazil), resulting in higher labor and opex expenses, and the recognition of additional provisions on related accounts receivables.

[1]The Company has decided to keep its Clarel business and to strengthen it with the appointment of a new CEO and a dedicated management team who will work on reformulating its customer value proposition. Accordingly, the 9M 2019 financial information and the comparable data for 9M 2018 includes Clarel figures fully consolidated as "continued operations".

4. An initial **commercial assortment rationalization** process carried out, in all regions resulting in a meaningful SKUs reduction, seeking greater simplification, productivity improvement and best value-for-money proposition for customers. This initiative led to the recognition of significant losses (especially in Brazil) related to the corresponding stock liquidation (impacting Cost of Goods Sold).

5. The impact of some **logistic improvement initiatives** implying the **closing of warehouses** to seek greater efficiency, which translated in the short term into higher logistic costs, additional write-offs of assets and provisions for committed lease payments to the owners.

6. **Refinancing complexity and increasing focus on its core business**, which led to decisions/actions (the closing of the operations in Bahia and Mini Preço in Brazil, or the discontinuation of the non-food e-commerce activities in Spain through E-Shopping) which increased restructuring costs and impairment of assets.

7. Other substantial **extraordinary and one-off items** such as:

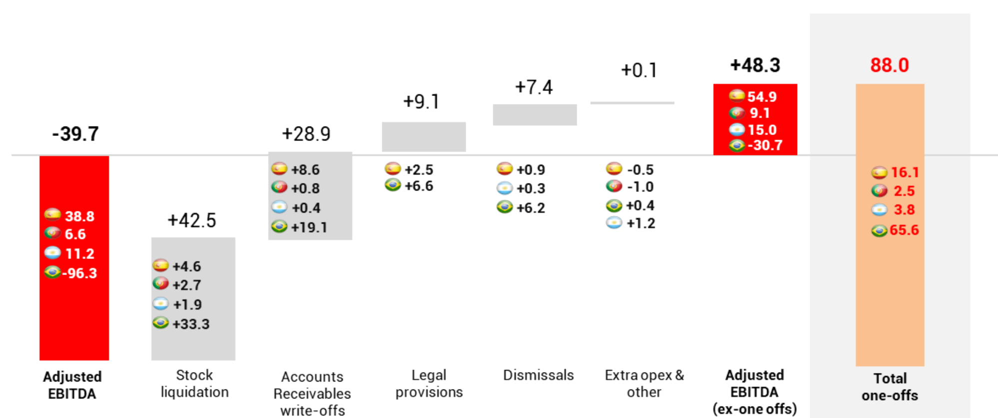
    - The **Collective Dismissal** implemented in Spain together with other headcount reduction decisions taken in other countries (mainly Brazil) to improve productivity in the stores, warehouses and head offices, impacting Restructuring Costs.

    - The **complex and multi-phased syndicated debt refinancing process** and advisory work related to the **capital increase presented by the former board** in the Annual General Shareholders' Meeting (including financial and corporate advice, auditors, forensic services, legal advice and strategy consultants), impacting Restructuring Costs and Financial Results.

    - The **repurchase by DIA of the 50% of Finandia** due to change of control which triggered the recognition of losses impacting in Financial Results.

8. The recognition of **additional accruals in connection with certain legal and tax risks and liabilities** identified that needed to be provisioned, and write offs and others.

The following chart shows the **One-off impacts included in Adjusted EBITDA**, totaling EUR (88.0)m, which are mainly concentrated in Brazil (65.6m) and Spain (16.1m). The largest impacts in Adjusted EBITDA relate to stock liquidation efforts and to accounts receivable write-offs.



9M 2019 Results

(€m)	9M 2018[1]	%	9M 2019	%	Change (%)	Change (% ex-FX)
Net sales	**5,490,6**		**5,082.9**		**-7,4%**	**-3,5%**
Cost of goods sold & other income	(4,283.3)	-78.0%	**(4,065.5)**	-80.0%	-5.1%	**-0.8%**
Gross profit	**1,207.3**	**22.0%**	**1,017.3**	**20.0%**	**-15.7%**	**-13.4%**
Labour costs	(514.3)	-9.4%	(558.6)	-11.0%	8.6%	**11.4%**
Other operating expenses	(221.1)	-4.0%	(265.3)	-5.2%	20.0%	**26.4%**
Leased property expenses	(213.1)	-3.9%	(15.8)	-0.3%	-92.0%	**-92.0%**
Restructuring costs	(87.9)	-1.6%	(82.4)	-1.6%	-6.3%	**-13.6%**
Gain/Losses on disposal of assets	15.5	0.3%			-100.0%	**100.0%**
EBITDA	**186.3**	**3.4%**	**95.2**	**1.9%**	**-48.9%**	**-50.1%**
D&A	(194.7)	-3.5%	(392.0)	-7.7%		
Impairment	(3.3)	-0.1%	(11.6)	-0.2%		
Write-offs	(10.9)	-0.2%	(48.2)	-0.9%		
EBIT	**(22.6)**	**-0.4%**	**(356.6)**	**-7.0%**		
Net financial results	12.0	0.2%	(131.7)	-2.6%		
EBT	**(10.6)**	**-0.2%**	**(488.3)**	**-9.6%**		
Income taxes	(32.4)	-0.6%	5.8	0.1%		
Consolidated profit	**(43.0)**	**-0.8%**	**(482.5)**	**-9.5%**		
Discontinuing operations	(2.8)	-0.1%	(21.8)	-0.4%		
Net attributable profit	**(45.8)**	**-0.8%**	**(504.3)**	**-9.9%**		

(1) Including in the 9M2018 figures as re-expressed in the 2018 Annual Accounts: (i) the IAS 29 hyperinflation adjustment of Argentina, (ii) the consolidation of CDSI, and (iii) Clarel figures as continued operations.

In 9M 2019, the DIA Group's Net Sales decreased by 7.4% to EUR 5.08bn, but were down only by 3.5% in local currency. This sales performance reflected a 3.9% negative effect from currencies due to the 42.0% and 2.0% depreciation of the Argentinean Peso and Brazilian Real, respectively, in the period.

Comparable Sales (Like-for-Like) in the 9M 2019 was negative -8.1%, but driven by a -1.4% in the number of tickets and a -6.7% decline in the average basket, showing the strong resilience of our customer base despite the difficult context of the Company.

The monthly evolution of Like-for-Like (see table attached) shows two different phases, with the first one characterized by a progressive and accelerating deterioration during the first six months of the year (peaking in June with -15.5% driven by the negative impact caused by the uncertainty surrounding the Company's financial situation and the supplier tightening resulting from it), and the second one showing a gradual recovery of the business from July until October (reaching -7.0%), which is especially noteworthy considering that it is happening despite having discontinued in this year commercial practices like the Day-without-VAT promotions in Spain or the wholesale sales in Brazil.

LFL (*)	Jan	Feb	Mar	Apr	May	Jun	H1
DIA Group	-1.6%	-3.2%	-7.7%	-7.5%	-11.1%	-15.5%	-7.8%
LFL (*)	**Jul**	**Aug**	**Sept**	**Oct**			**9M**
DIA Group	-9.1%	-6.9%	-10.0%	-7.0%			-8.1%

(*) with Clarel

Gross Profit (as a percentage of Net Sales) decreased in 9M 2019 to 20.0% (versus 22.0% in 9M 2018) reflecting principally the negative impact of the stock liquidation initiatives referred to above, write off of receivables related to franchisees and also some erosion caused by the supplier tightening.

Adjusted EBITDA[2] amounted to EUR -39.7m in 9M 2019, compared to the EUR 285.7m in the same period last year, as a result of the negative earnings impact related to the sales decline and to the exceptional one-off effects of EUR -88.0m registered in the period mainly related to stock liquidation and write-off of accounts receivables in Spain and Brazil. Also, the Company has adopted a new more conservative definition of Adjusted EBITDA in 2019 which does not exclude certain cost items.

EBITDA in 9M 2019 fell to EUR 95.2m compared to positive EUR 186.3m in the same period of last year. In addition to the negative operational impacts already described above, the negative impact from one-off restructuring items of EUR -82.4m, additional Impairment of EUR -11.6m and write-offs of assets of EUR -48.2m were more than offset by the sizeable EUR 242.8m positive effect resulting from the application of IFRS 16.

[2] The Adjusted EBITDA definition has been updated in 2019 (see "Definition of APMs") to: (i) exclude the effect of IAS 29 negatively impacting EBITDA and IFRS 16 positively impacting EBITDA by transferring rental expenses to Depreciation and Amortization, and (ii) include as ordinary operational expenses or revenues –to be more conservative- those related to store remodelling and closings, long-term incentive programs (LTIP), and write-offs of account receivables related to franchisees.

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

EBITDA to Adjusted EBITDA reconciliation

(€m)	9M 2018	9M 2019	Change
EBITDA	**186.3**	**95.2**	**-91.1**
Restructuring costs	**87.9**	**82.4**	**-5.5**
Store remodellings	18.7		-18.7
COCO to COFO transfers	9.1		-9.1
Store closings	18.1	15.7	-2.5
DC closings	0.9	10.9	10.0
Efficiency projects & severance packages	30.8	42.9	12.1
Advisory fees & other special items	9.6	12.9	3.3
LTIP share based payments	0.7		-0.7
Gains/Losses on disposal of fixed assets	**(15.5)**		**15.5**
IFRS 16 lease effect		**(242.8)**	**-242.8**
IAS 29 hyperinflation effect	**27.0**	**25.5**	**-1.5**
Adjusted EBITDA	**285.7**	**(39.7)**	**(325.4)**

With respect to the Restructuring Costs, the material increase in 9M 2019 is primarily resulting from: (i) the EUR 42.9m provision accrued for the total estimated costs related to the Collective Dismissal approved in Spain and dismissals in other countries, and (ii) the EUR 12.9m of exceptional one-off fees related to: financial and corporate advice, auditors, forensic services, legal advice, strategy consultants, and the preparation of the EUR 600m capital increase presented at the Annual Shareholders' Meeting, and (iii) the EUR 26.6m related to committed lease payments and other costs related to the exceptional closing of stores and warehouses executed in the period.

The effect of the initial application in 2019 of new IFRS 16 (without restating 2018 for comparative purposes), and that of IAS 29 is shown separately in the table, and complete the explanation of the evolution of the items excluded from Adjusted EBITDA.

It is important to note that the Adjusted EBITDA definition has been updated in 2019 to: (i) exclude the effect of IAS 29 and IFRS 16, and (ii) include –to be more conservative– as ordinary operational expenses or revenues, those related to store remodellings and closings, long-term incentive programmes (LTIP) and write-offs of account receivables related to franchisees.

Depreciation and amortisation almost doubled in 9M 2019 (from EUR 194.7m to EUR 392.0m) due to the new application of IFRS 16.

Financial results

(€m)	9M 2018	9M 2019	Change
Finance income	6.0	2.3	-3.7
Interest expense	(31.6)	(49.6)	-18.0
Other financial expenses	(15.0)	(24.8)	-9.8
Refinancing costs		(26.7)	-26.7
FX differences	(3.2)	(14.6)	-11.4
IFRS 16 related financial costs		(51.8)	-51.8
Gains from net monetary position (IAS 29)	56.6	46.9	-9.7
Change in fair value of financial instruments		(13.8)	-13.8
P&L from companies accounted under equity method	(0.9)	0.4	1.3
NET FINANCIAL RESULTS	**12.0**	**(131.7)**	**-143.6**

In terms of financial results, in 9M 2019, the Group's net financial expenses amounted to EUR 131.7m, which compares with EUR 12.0m income of the re-expressed figures in the same period of last year. This EUR 143.6m increase is firstly due to the new application of IFRS 16 in 2019, which had a EUR 51.8m impact on the financial results. On top of that, the higher amounts of average financial net debt held during the period and its substantially higher cost translated into EUR 18.0m higher interest financial costs (from EUR 31.6m to EUR 49.6m).

The costs related to the refinancing process had an exceptional effect of EUR 26.7m, considering all fees paid to syndicate lenders, together with all financial and legal advisory services used during the various phases of the refinancing process that the Company has gone through.

Finally, the change in fair value of financial instruments includes a EUR 12.5m impairment charge triggered by the repurchase in July of the 50% stake in Finandia, following the exercise of a change-of-control put option by the other partner.

After all these effects, the Net attributable loss amounted to EUR 504.3m in 9M 2019 (versus a EUR 45.8m loss in the re-expressed 9M 2018 accounts).

Information by country

DIA GROUP [1] (EURm)	9M 2018	%	9M 2019	%	Change (%)	Change (% ex-FX)
Gross sales under banner	**7,738.4**		**6,327.9**		**-18.2%**	**-8.7%**
Like-for-like sales growth	-3.6%		-8.1%			
Net sales [3]	**5,490.6**	**100.0%**	**5,082.9**	**100.0%**	**-7.4%**	**-3.5%**
Cost of goods sold & Opex	(5,204.9)		(5,122.6)		-1.6%	
Adjusted EBITDA [2]	**285.7**	**5.0%**	**(39.7)**	**-0.8%**	**-113.9%**	**-111.6%**

SPAIN [1] (EURm)	9M 2018	%	9M 2019	%	Change (%)
Gross sales under banner	**4,094.0**		**3,763.6**		**-8.1%**
Like-for-like sales growth	-2.1%		-6.8%		
Net sales	**3,393.6**	**100.0%**	**3,128.8**	**100.0%**	**-7.8%**
Cost of goods sold & Opex	(3,197.9)		(3,090.1)		-3.2%
Adjusted EBITDA [2]	**195.7**	**5.8%**	**38.8**	**1.2%**	**-80.2%**

PORTUGAL [1] (EURm)	9M 2018	%	9M 2019	%	Change (%)
Gross sales under banner	**619.3**		**579.8**		**-6.4%**
Like-for-like sales growth	-4.5%		-4.7%		
Net sales	**483.7**	**100.0%**	**447.3**	**100.0%**	**-7.5%**
Cost of goods sold & Opex	(460.4)		(440.7)		-4.3%
Adjusted EBITDA [2]	**23.2**	**4.7%**	**6.6**	**1.5%**	**-71.7%**

ARGENTINA (EURm)	9M 2018	%	9M 2019	%	Change (%)	Change (% ex-FX)
Gross sales under banner	**1,812.3**		**984.7**		**-45.7%**	**-6.4%**
Like-for-like sales growth	-2.6%		-10.4%			
Net sales [3]	**571.9**	**100.0%**	**644.0**	**100.0%**	**12.6%**	**47.5%**
Cost of goods sold & Opex	(547.1)		(632.8)		15.7%	
Adjusted EBITDA [2]	**24.8**	**3.1%**	**11.2**	**1.6%**	**-54.8%**	**-23.0%**

BRAZIL (EURm)	9M 2018	%	9M 2019	%	Change (%)	Change (% ex-FX)
Gross sales under banner	**1,212.8**		**999.7**		**-17.6%**	**-15.6%**
Like-for-like sales growth	-9.1%		-10.3%			
Net sales	**1,041.3**	**100.0%**	**862.8**	**100.0%**	**-17.2%**	**-15.9%**
Cost of goods sold & Opex	(999.4)		(959.1)		-4,0%	
Adjusted EBITDA [2]	**42.0**	**4.0%**	**(96.3)**	**-11.2%**	**-329.4%**	**-332.9%**

(1) With Max Descuento as discontinued activities, and Clarel as continued activities.
(2) Adjusted by Restructuring Costs, IFRS 16 and IAS 29. Margin % calculated over Net sales excluding IFRS 16 and IAS 29.
(3) Includes EUR -237.0m and EUR -58.7m IAS 29 impact in Net Sales in 9M 2018 and 9M 2019, respectively.

Gross Sales Under Banner in Spain declined by 8.1% in 9M 2019 to EUR 3.76bn, while Net Sales also went down 7.8% during the period to EUR 3.13bn, very affected by the out of stock situation, the negative media environment around the Company and substantially lesser promotion investment. This negative performance was driven by the negative 6.8% Comparable Sales, while the store selling area during the period also went down 8.4%.

The Adjusted EBITDA generated in the country decreased by 80.2% to EUR 38.8m, reflecting 460bps margin erosion to 1.2% strongly impacted by one-off impacts of EUR -16.1m.

With regards to Portugal, Gross Sales Under Banner went down by 6.4% in 9M 2019 to EUR 579.8m, while Net Sales decreased by 7.5% during the same period to EUR 447.3m. This negative performance was related to the negative 4.7% Comparable Sales and the contraction of the commercial space by 6.2%. Adjusted EBITDA went down by 71.7% to EUR 6.6m, a 330bps margin erosion to 1.5%.

In Argentina, Gross Sales Under Banner declined by 45.7% (in local currency) to EUR 984.7m and by 6.4% in constant currency. Net sales grew by 12.6% to EUR 644.0m after applying IAS 29, but down 13.1% before IAS 29 (up 47.5% in constant currency), affected by the challenging macroeconomic environment and the sharp decline in private consumption related to the spike in inflation and severe currency depreciation, business in local currency performed relatively well in 9M 2019. The volume Comparable Sales declined by 10.4%. Adjusted EBITDA in 9M 2019 was EUR 11.2m (EUR -14.3m after the impact from the application of IAS 29). Isolating this effect, the comparable figure of Adjusted EBITDA would have been down by 54.8% versus 9M 2018 (-23.0% in constant currency), reflecting a 150bps decline in the Adjusted EBITDA margin to 1.6%.

In Brazil, Gross Sales Under Banner fell by 17.6% to EUR 999.7m (-15.6% in local currency) with comparable sales down by 10.3%. Adjusted EBITDA figure of the period declined to EUR -96.2m highly impacted by one-off adjustments of EUR -65.6m related mainly to stock liquidation and accounts receivables write-offs associated to the defranchising process. The actions taken by the Company in Brazil during the first half of the year to improve its operations and the commercial proposition, and to clean up the store network, are already showing strong signs of recovery, as evidenced by Like-for-Like reaching levels of -3.6% in October, after having reached all-time low level in June of -29.1% Like-for-Like.

Balance Sheet

(€m)	31 Dec 2018	30 Sep 2019
Non-current assets	2,159.1	2,648.0
Inventories	597.4	508.9
Trade & Other receivables	193.5	96.5
Other current assets	66.9	82.2
Cash & Cash equivalents	239.8	123.3
Non-current assets held for sale	15.1	2.2
TOTAL ASSETS	**3,271.8**	**3,461.1**
Total equity	(166.1)	(665.1)
Long-term debt	920.4	1,860.6
Short-term debt	775.6	819.4
Trade & Other payables	1,448.9	1,197.8
Provisions & Other liabilities	293.0	243.4
Liabilities associated with assets held for sale	0.0	5.0
TOTAL EQUITY & LIABILITIES	**3,271.8**	**3,461.1**

The application in 2019 of the new IFRS 16 has resulted in an incremental impact of EUR 702.2m on the Company's consolidated balance sheet (mostly in the Non-current Assets, and the Long & Short-term Debt captions).

As a consequence of the Net Losses reported in 9M 2019, at the end of September 2019 the negative shareholders' equity balance in the Parent Company is EUR 272.7m (vs. EUR 99m at year-end 2018). However, the total EUR 490m funded into the Company until 19 July 2019 by the controlling shareholder in the form of participating loans increase the Parent Company's shareholder equity for the purpose of computing the legal dissolution obligation. These participating loans will be converted into equity at the time that the new share capital increase of EUR 606m is completed. The capital increase will also add c. EUR 100m to shareholders' equity.

Using EUR 306m from such proceeds, the Company fully repaid the "Euro Medium Term Notes" maturing on 22 July 2019, thereby satisfying all its payment obligations with respect to such notes.

The effectiveness of the refinancing of the existing facilities, the new facilities obtained, the profit participating loans granted by LetterOne, and the proceeds coming from the share capital increase launched and approved by CNMV on 25 October 2019, imply the consolidation of the removal of the dissolution cause due to losses, the achievement of a viable long-term capital structure for the Company, and a solution to the liquidity needs of the Company, mitigating the existing uncertainty and providing the basis for the successful turnaround of the Company.

Net Debt

(€m)	31 Dec 2018	30 Sep 2019
Net Financial Debt	1,456.2	1,854.5
Other net debt (IFRS 16)		702.2
Total Net Debt	**1,456.2**	**2,556.7**

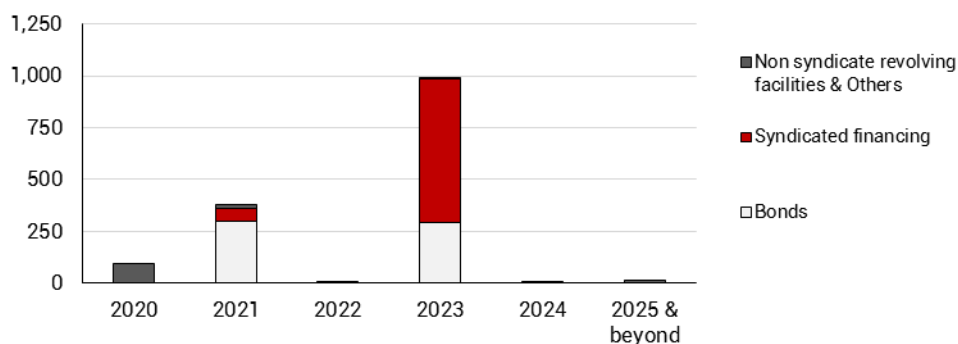
Total Net Debt at the end of September 2019 amounted to EUR 2,556.7m, of which EUR 702.2m corresponded to the application of the new accounting standard IFRS 16, and EUR 492.3m to the profit participating loans received from its main shareholder Letterone which shall be converted into Shareholders' Equity once the EUR 606m capital increase is completed. Therefore, Net Financial Debt was EUR 1,854.5m at the end of September 2019, EUR 398.3 m higher than at year-end 2018.

There are three main reasons behind the increase in Net Financial Debt during the period:

I. The deterioration of Trade Working Capital (EUR 65.7m decrease vs Dec 2018).
II. The decline in operating results.
III. The reduced volume of commercial financing available through factoring lines.

- The **Debt maturity profile has been significantly enhanced** after the long term refinancing agreement signed and the bond repayment in July. We highlight the following maturities: (i) €95m of non-syndicate revolving facilities & others by September 2020, (ii) €300m in bonds in April 2021 and €293m in bonds in April 2023, and (iii) syndicated financing: €63m by September 2021 and €691m in March 2023.

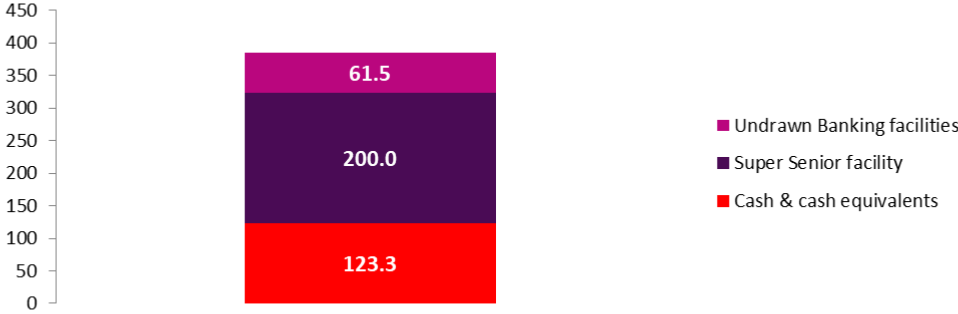
Actual Debt Maturity Profile as of 30 Sept 2019 (€1.5bn disposed)



(*) Not including reverse factoring lines , profit participating loans to be capitalized in the coming Capital Increase and lease payments (IFRS 16)

Available Liquidity

- At 30 September 2019, the Company had €384.8 million of liquidity available as detailed below:



Cash Flow Statement

(€m)	9M 2019
Consolidated Net Profit	**(504.3)**
Income Tax	**(5.8)**
Adjustments to Net Profit	**601.0**
D&A	392.0
Impairment and write-offs	72.4
Net financial result	131.7
Other adjustments	4.9
Changes in working capital	**(56.4)**
Inventories	88.5
Trade receivables and other	96.9
Trade payables and other	(251.1)
Other receivables and payables	9.3
CASH FLOW FROM OPERATING ACTIVITIES (A)	**34.5**
Investment in fixed assets	(143.7)
Disposals of fixed assets	7.8
Other	20.0
CASH FLOW FROM INVESTMENT ACTIVITIES (B)	**(115.9)**
Profit participating loans	490.0
Debt drawdowns	114.9
Bond repayments	(305.7)
Interest paid and other financial expenses	(129.3)
Payment of financial leases	(245.9)
Monetary position and other financing activities	34.7
CASH FLOW FROM FINANCING ACTIVITIES (C)	**(41.2)**
Exchange rate differences (D)	6.1
CHANGES IN CASH FLOW FOR THE PERIOD (A+B+C+D)	**(116.5)**
Cash and cash equivalents as of 31 December 2018	**239.8**
Cash and cash equivalents as of 30 September 2019	**123.3**

Trade Working Capital

(€m)	Dec-18	Sep-19	Change
Non-recourse factoring	*126.4*	*15.9*	*(110.5)*
Inventories (A)	597.4	508.9	(88.5)
Trade & other receivables (B)	193.5	96.5	(96.9)
Trade & other payables (C)	(1,448.9)	(1,197,8)	251.1
Trade Working Capital [(1)]	**(658.1)**	**(592.4)**	**65.7**

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

From December 2018 to September 2019, DIA's negative Trade Working Capital declined by 10.0% to EUR 592.4m. This EUR 65.7m decrease in the value of negative Trade Working Capital is attributable to:

I. The declining volume of sales in the period, both related to the underlying performance of the business and to seasonality, since the first half of the year is a period with a lower volume of sales than the second half.

II. The shorter payment period to suppliers in recent months, linked to the tight financial situation of the Company.

III. The lower volume of commercial financing (non-recourse factoring).

IV. Continued depreciation of currencies in Argentina in 2019.

The value of inventories declined by 14.8% versus December 2018, EUR 88.5m down to EUR 508.9m due to a more efficient management of stock in stores and distribution centres and the stock liquidation measures activated by the Company.

Trade and other receivables decreased by 50.1% compared to year-end 2018. This EUR 96.9m decline in the value of debtors is due to the declining volume of activity with franchisees, and the still limited negotiation activity with suppliers in YTD 2019.

The value of Trade and other payables decreased by 17.3%, from EUR 1,44bn to EUR 1,20bn. This decline of EUR 251.1m relates to the challenging business conditions already mentioned in the last period, which resulted in substantially lower-than-average payment period to suppliers.

Non-recourse factoring from receivables from our suppliers amounted to EUR15.9m by the end of September 2019, having a material impact in the evolution of Trade Working Capital figures, which compares with EUR126.4m at the end of 2018.

With regards to confirming, it stood at EUR 214.0m at September 2019, broadly in line with the level held by the Company at the end of 2018 (EUR 199.9m).

Capex

(€m)	9M 2018	%	9M 2019	%	Change (%)	Change (% ex-FX)
Spain	196.3	72.9%	36.7	46.0%	-81.3%	-81.3%
Portugal	15.3	5.6%	3.7	4.6%	-76.0%	-76.0%
Argentina	20.7	7.7%	6.6	8.2%	-68.2%	-58.3%
Brazil	37.1	13.8%	32.8	41.2%	-11.6%	-13.9%
TOTAL Capex	**269.5**	**100.0%**	**79.8**	**100.0%**	**-70.4%**	**-85.0%**

DIA sharply decreased its investment activity to EUR 79.8m in 9M 2019 (of which c. 85% were related to on-going and maintenance investments), EUR 189.7m less than in the same period of last year (a 70.4% decrease), which reflects the Company´s tight control with respect to new investments.

Store Count

At the end of September 2019, DIA operated a total of 6,720 stores, 718 less than at the end of the same period last year, accumulating 39 new openings and 757 closures in the period.

The number of stores declined by 366 in Spain (from 4,684 to 4,318), after the opening of 8 new stores and the closure of 374 stores in the last nine months. 9M 2019 was also special in terms of franchised activity, as the Company transferred 196 net stores back to owned from franchised operations. This change is due to the new Company policy to seek higher-quality franchise partners to provide customers with a better shopping experience. This policy will continue during 2019 and should be reflected in another material number of transfers from franchised to owned stores in H2 2019.

In Portugal, the total number of stores declined by 27 in the period, from 603 to 576. The net number of stores transferred from owned to franchised was 13, and 29 stores were closed.

Argentina ended September 2019 with 943 stores in operation, 36 less than in December 2018, totalling 5 openings and 41 closures during the period. With regards to franchised activity, a total of 28 net stores were transferred to owned during the period.

In Brazil, the Company closed 313 stores in the period and opened 24 stores. The total number of stores declined by 289 net stores, from 1,172 to 883.

Summary of stores

30 Sep 2019			
DIA GROUP	**Owned**	**Franchised**	**TOTAL**
Total stores 31 December 2018	**3,693**	**3,745**	**7,438**
New openings	**22**	**17**	**39**
Owned to franchised net transfers	**309**	**-309**	**0**
Closings	**-362**	**-395**	**-757**
Total DIA GROUP stores at 30 Sep 2019	**3,662**	**3,058**	**6,720**

SPAIN	**Owned**	**Franchised**	**TOTAL**
Total stores at 31 December 2018	2,615	2,069	4,684
New openings	3	5	8
Owned to franchised net transfers	196	-196	0
Closings	-290	-84	-374
Total DIA Spain stores at 30 Sep 2019	**2,524**	**1,794**	**4,318**

PORTUGAL	**Owned**	**Franchised**	**TOTAL**
Total stores at 31 December 2018	294	309	603
New openings	0	2	2
Owned to franchised net transfers	13	-13	0
Closings	-21	-8	-29
Total DIA Portugal stores 30 Sep 2019	**286**	**290**	**576**

ARGENTINA	**Owned**	**Franchised**	**TOTAL**
Total stores at 31 December 2018	298	681	979
New openings	5	0	5
Owned to franchised net transfers	28	-28	0
Closings	-7	-34	-41
Total DIA Argentina stores at 30 Sep 2019	**324**	**619**	**943**

BRAZIL	**Owned**	**Franchised**	**TOTAL**
Total stores at 31 December 2018	486	686	1,172
New openings	14	10	24
Owned to franchised net transfers	72	-72	0
Closings	-44	-269	-313
Total DIA Brazil stores at 30 Sep 2019	**528**	**355**	**883**

Events Following the Close of the Period

- The company launched a Collective Dismissal process in the subsidiary Grupo El Árbol Supermercados y Distribución, S.A. mainly related to the expected closing of Max Descuento stores and that could affect a maximum of 210 employees.

- On 22 October 2019 the Extraordinary Shareholders´Meeting approved with a sufficient majority , among others, a Share Capital Increase in the Company for €606m. On 25 October 2019, the National Securities Market Commission ("CNMV") approved and registered in its official records the Informative Prospectus of the Capital Increase approved by the Extraordinary General Shareholders' Meeting of the Company. Said Informative
  Prospectus, which includes the terms and conditions of the Capital Increase, as well as the subscription and payment procedure for the shares issued in such Capital Increase, is available as of this moment in electronic format on the Company's website (www.diacorporate.com) and on the CNMV's website (www.cnmv.es).

  As stated in the Informative Prospectus, the preferential subscription period of the Capital Increase started on 30 October 2019. Furthermore, the Company informed that, as detailed in the Informative Prospectus of the Capital Increase, on 24 October 2019, a subscription commitment for up to 5,000,000,000 new shares was executed with L1R Invest1 Holdings S.à r.l. ("L1"), holder of 69.759% of the share capital of the Company. On 30 October 2019 L1 confirmed to the Company that, in order to facilitate and promote the participation of all shareholders that desire to participate in the Capital Increase, it will not request shares of the second tranche of the Capital Increase in the Additional Allocation Period (as this term is defined in the Prospectus), not altering in any manner its underwriting commitment, which remains in full force and effect, as defined and further described in the Prospectus.

Change in Currency Rates

Period	**€ / Argentinean Peso**	**€ / Brazilian Real**
9M 2018 average	0.0350	0.2339
9M 2019 average	0.0203	0.2291
9M 2019 change (1)	**-42.0%**	**-2.0%**

(1) Bloomberg average currency rates (a negative change in exchange rates implies a depreciation versus the Euro)

Definition of APMs

In the preparation of the financial information that is reported internally and externally, the Directors of DIA have adopted a series of Alternative Performance Measures (APMs) to gain a better understanding of the business performance. These APMs have been chosen according to the Company's activity profile and taking into account the information of business performance commonly published by other international peers. Nevertheless, these APMs may or may not be totally comparable with those of other companies in the same industry. In all cases, APMs should be considered as data that are not intended to replace (or be superior to) IFRS measurements.

PURPOSE

The purpose of these APMs is to assist in the understanding of the business performance by providing additional useful information about the underlying performance of the activity and financial position of the Company.

APMs are also used to enhance the comparability of information between reporting periods and geographical units by adjusting for other cost and revenue items or uncontrollable factors that affect IFRS measures. APMs are therefore used by Directors and management for performance analysis, planning, reporting, and incentive-setting purposes.

CHANGES TO APMs

The Adjusted EBITDA definition has been updated in 2019 to:

I. Exclude the effect of IAS 29 and IFRS 16,

II. Include as ordinary operational expenses or revenues –to be more conservative – those related to store remodellings and closings, long-term incentive programs (LTIP), and write-offs of account receivables related to franchisees.

- Gross Sales Under Banner: Total turnover value obtained in stores, including indirect taxes (sales receipt value) in all the Company's stores, both owned and franchised.

NET SALES TO GROSS SALES UNDER BANNER RECONCILIATION

(€m)	9M 2018	9M 2019	Change (%)
Net sales	5,490.6	5,082.9	-7.4%
VAT and other	2,247.8	1,245.0	-44.6%
GROSS SALES UNDER BANNER	**7,738.4**	**6,327.9**	**-18.2%**

- LFL growth of Gross Sales Under Banner: Growth rate of gross sales under banner at constant currency of the stores that have been operating for more than thirteen months under the same conditions. To be more conservative in applying this definition, LFL figures reported in this document exclude from the comparison base of calculation only those stores that have been closed for significant remodelling activities or severely impacted by external objective reasons. Additionally, the new LFL figures corresponding to Argentina have been deflated using internal inflation to reflect volume LFL, avoiding hyperinflationary misleading nominal calculations.

- **Adjusted EBITDA:** Operating profit that is calculated after adding back to EBIT depreciation and amortisation (including amortization related to the closing of stores and impairment of fixed assets), losses on the write-down of fixed assets, impairment of fixed assets, restructuring costs, gain and losses on disposal of fixed assets and the effect related to the application of IAS 29 and IFRS 16.

EBIT TO ADJUSTED EBITDA RECONCILIATION

(€m)	9M 2018	9M 2019	Change
Operating profit (EBIT)	-22.6	-356.6	-334.0
Depreciation & Amortization	194.7	392.0	197.3
Losses on write-off of fixed assets	10.9	48.2	37.3
Impairment of fixed assets	3.3	11.6	8.4
Gross operating profit (EBITDA)	**186.3**	**95.2**	**-91.1**
Restructuring costs	87.9	82.4	-5.5
Gain/Loss on disposal of fixed assets	-15.5	0.0	15.5
IFRS 16 lease effect		-242.8	-242.8
IAS 29 hyperinflation effect	27.0	25.5	-1.5
ADJUSTED EBITDA	**285.7**	**-39.7**	**-325.4**

- **Net Financial Debt:** Is the result of subtracting from the total value of the Company's short-term and long-term debt, the total value of its cash, cash equivalents, and other liquid assets and the debt related effect from the application of IFRS 16. The Company has also included the debt related to profit participating loans from its majority shareholder that will be converted into Shareholders´ Equity in the next Capital Increase. All the information necessary to calculate the Company's net debt is included in the balance sheet.

NET DEBT RECONCILIATION

(€m)	31 Dec 2018	30 Sept 2019	Change
Long-term debt	920.4	1.860.6	940.2
Short-term debt	775.6	819.4	43.8
Cash & Cash equivalents	-239.8	-123.3	116.6
TOTAL NET DEBT	**1,456.2**	**2,556.7**	**1,100.6**
IFRS 16 related debt effect		-702.2	-702.2
NET FINANCIAL DEBT	**1,456.2**	**1,854.5**	**398.4**

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This document contains some expressions (gross sales under banner, comparable growth of gross sales under banner, adjusted EBITDA, etc...) which are not IFRS (International Financial Reporting Standards) measures.

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