



DÍA 9M18

Results

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

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01

Introduction



Corporate Governance update

➤ **Antonio Coto, the new CEO of DIA**

- Joined DIA in 1986 and in 1997 appointed CEO of DIA Argentina
- 1999: Head of Latam business (adding the leadership of Partnerships in 2010)

➤ **Changes to the Board of Directors**

- Ms Ana María Llopis resignation as Chairwoman
- Mr Stephan DuCharme, Mr Richard Golding and Mr Mariano Martín appointed as First, Second and Third Vice-Chairmans respectively
- Mr Sergio Ferreira Dias as new Board member (also appointed to Audit and Compliance Committee)

15th October's Relevant Fact

➤ EUR56m equity reduction in 2017 mostly attributable to Iberia

(EURm)	2017	Adjustments	2017 re-expressed	
Reserves	305	-36	269	1. Outstanding supplier invoices deferred (EUR 18m) to the next period
Net profit of the period	110	-20	90	2. Reversal of income provisions recognized in previous periods (EUR 18m)
Total Equity	326	-56	270	3. Overestimate of commercial discounts
Trade and other payables	1,711	70	1,781	
Current tax liabilities	86	-14	72	
Current Liabilities	2,291	56	2,347	
TOTAL EQUITY & LIABILITIES	3,626		3,626	

02

Business review



2018 adjusted EBITDA outlook

**New FY 2018
adjusted EBITDA
outlook of
EUR350-400m**



Normalized adjusted EBITDA of EUR494.4m affected by:

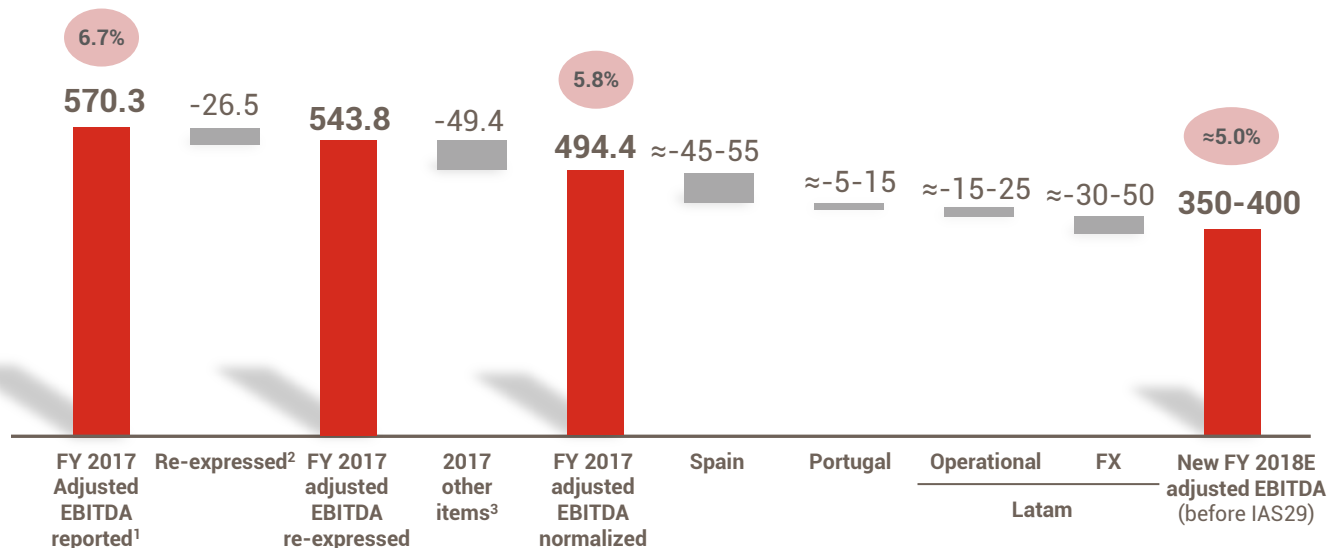
1) IBERIA:

- Reduced sales in a challenging competitive environment
- Increased OPEX:
 - Higher penetration of perishables
 - Additional labour costs

2) EMERGING MARKETS:

- Competitive environment and negative impact of transport strikes in Brazil
- Adverse FX effect

Margin (%)

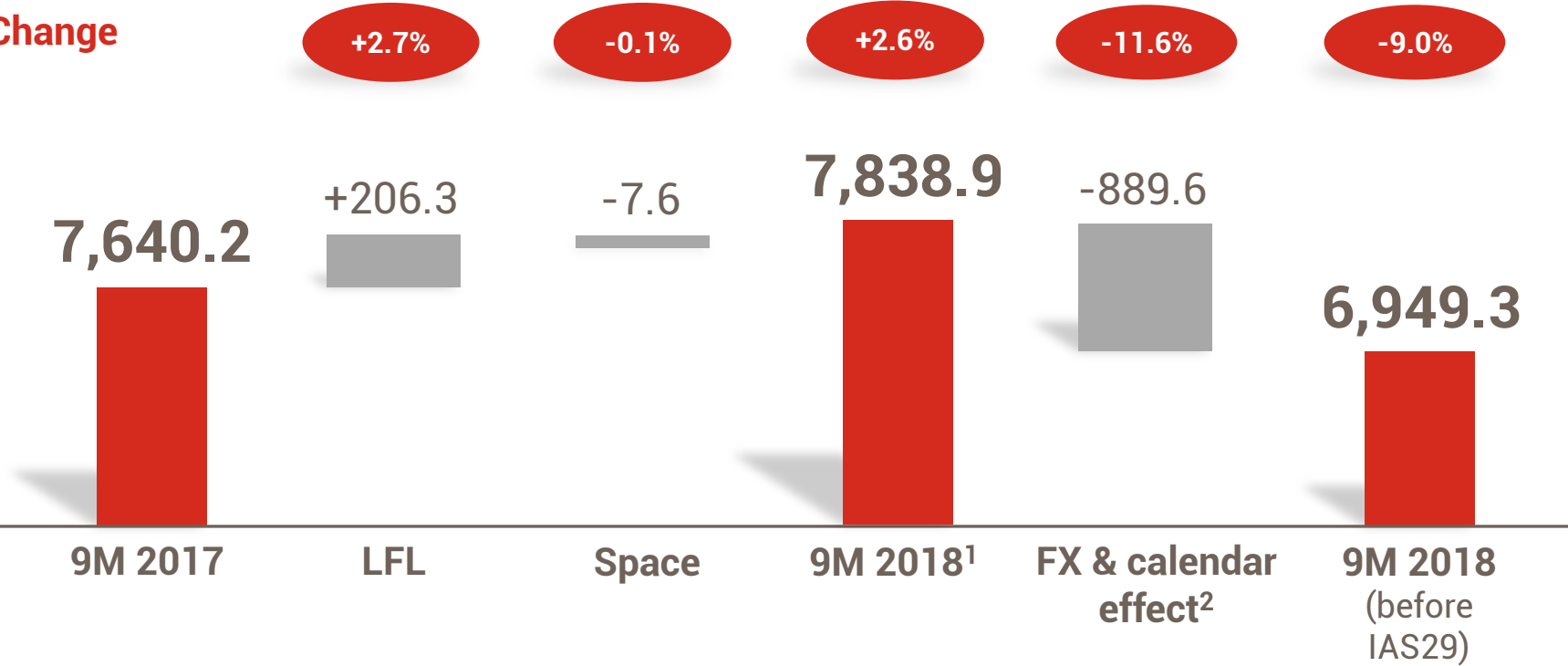


1. After discontinuation of Cash&Carry (EUR1.8m)
 2. Spain commercial discounts overestimated
 3. One-off income occurred in 2017 but not replicated in 2018 such as gain on sales of warehouse call options, income related to China and changes in tax regulation

Group gross sales under banner

EURm

Change



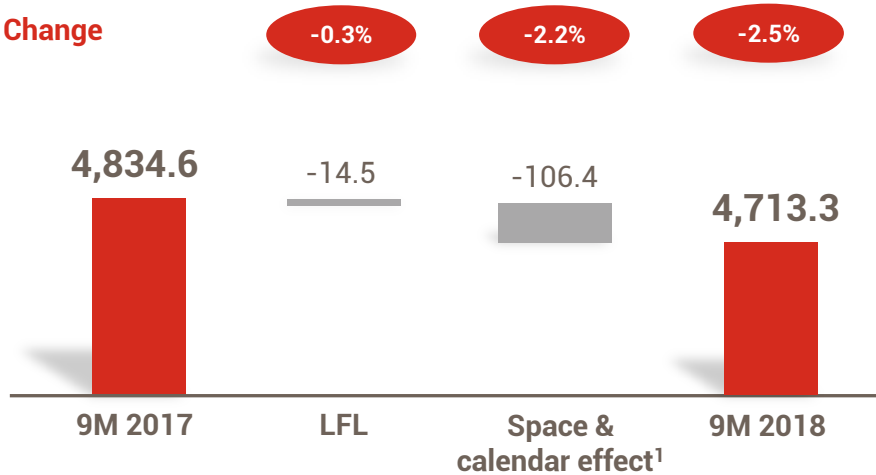
1. Ex-FX and ex-calendar effect

2. Calendar effect -0.1%

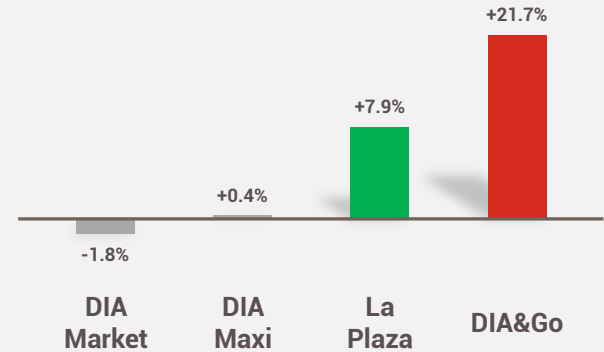
Iberia gross sales under banner

EURm

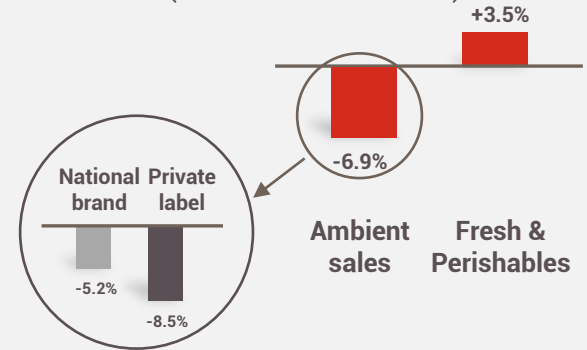
Change



LFL performance after remodellings



Spain sales performance per category (9M 2018 vs 9M 2017)

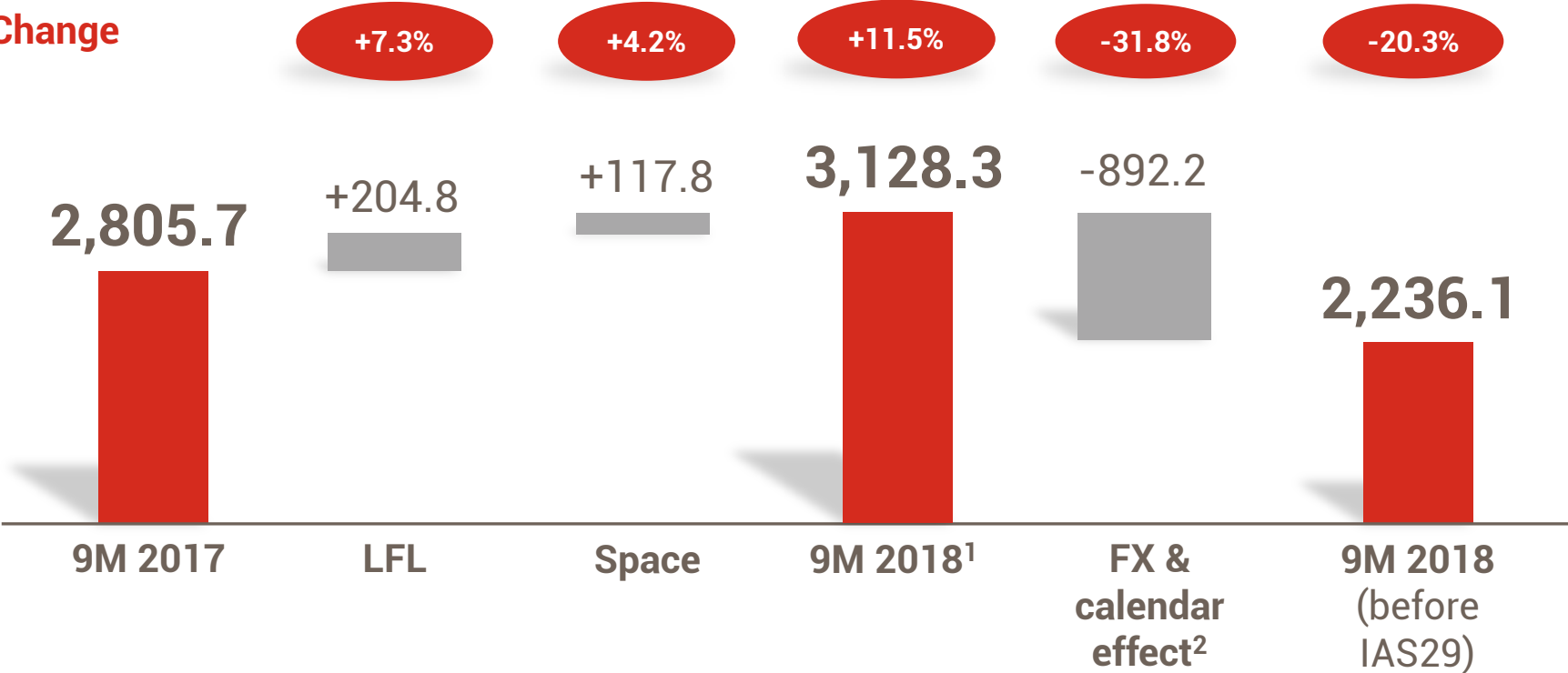


1. Calendar effect -0.1%

Emerging Market gross sales under banner

EURm

Change

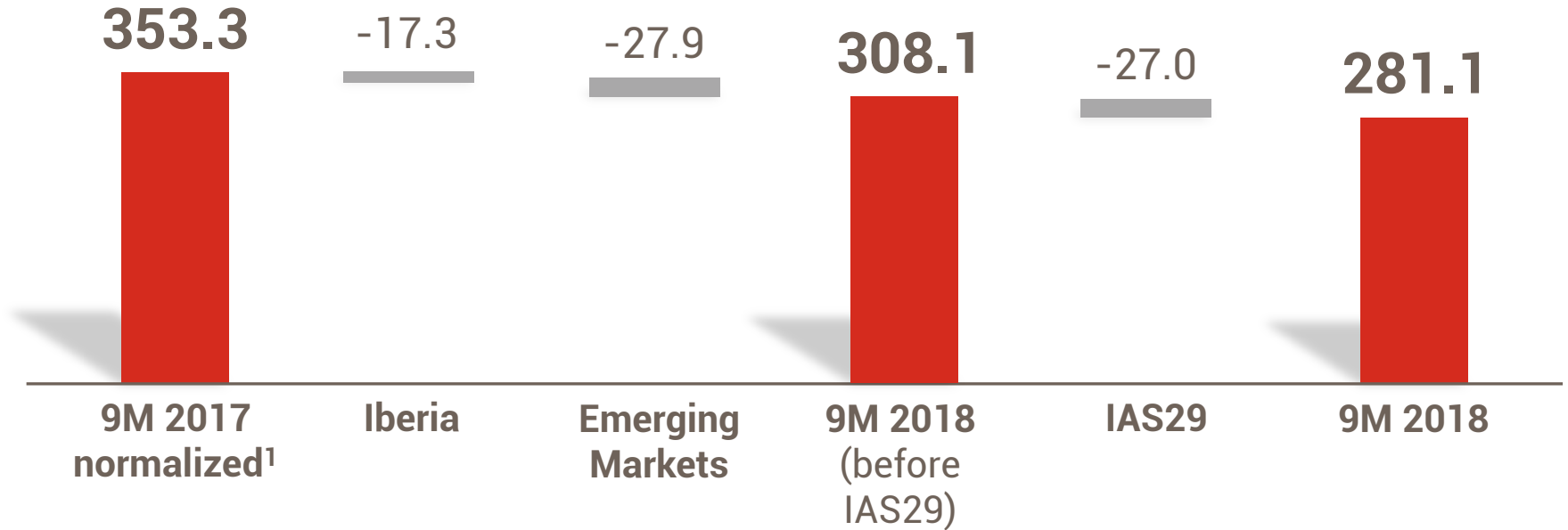


1. Ex-FX and ex-calendar effect

2. Calendar effect -0.2%

Normalized adjusted EBITDA breakdown

EURm



1. Normalized adjusted EBITDA margin: Restated and excluding 2017 one-off items (EUR16.9m)

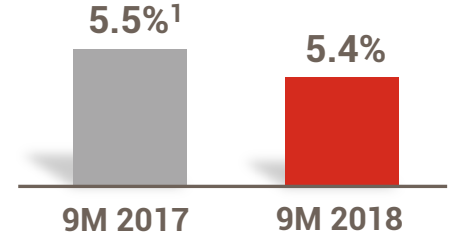
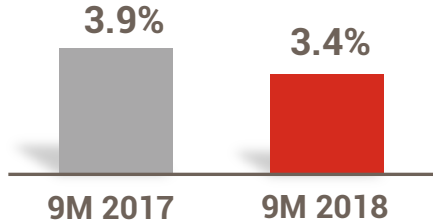
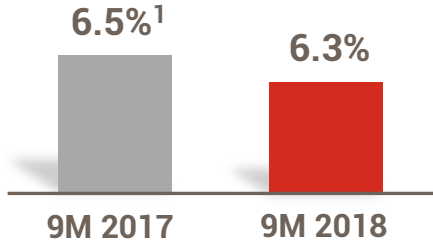
Normalized adjusted EBITDA margin

%

Iberia

Emerging

DIA Group

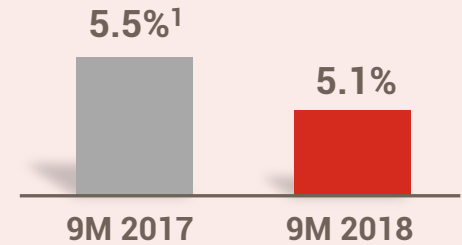
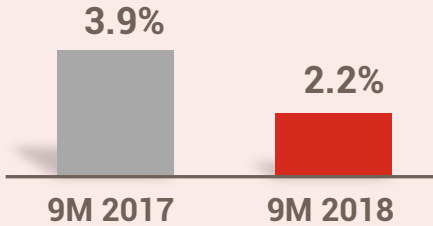
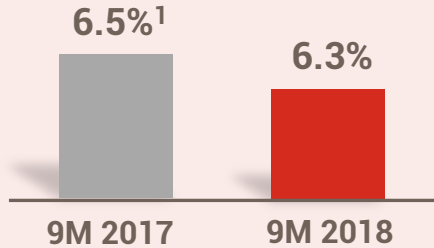


With IAS29

Iberia

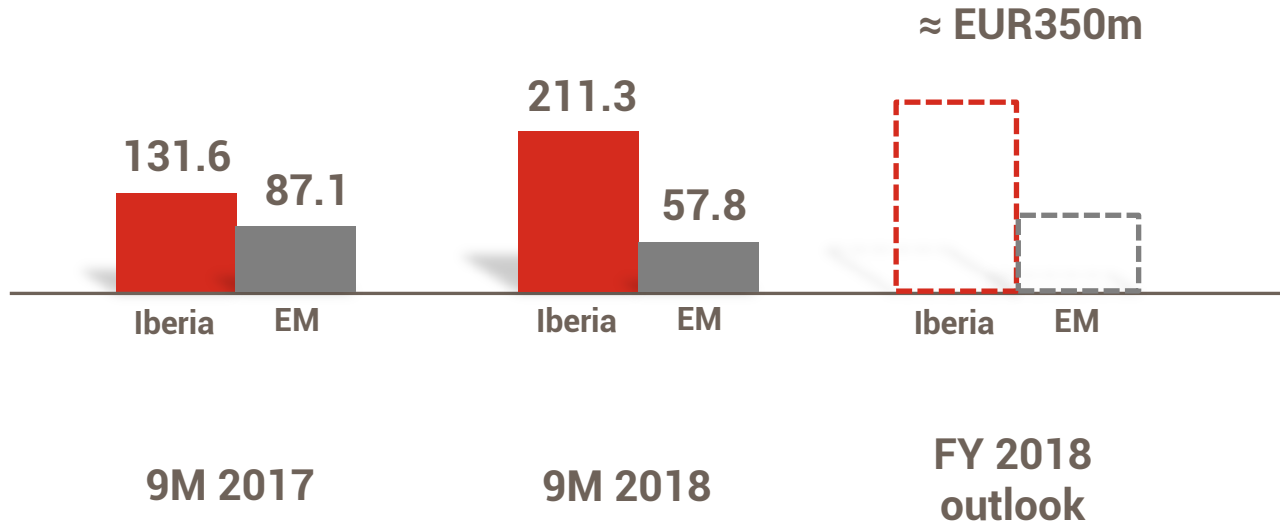
Emerging

DIA Group



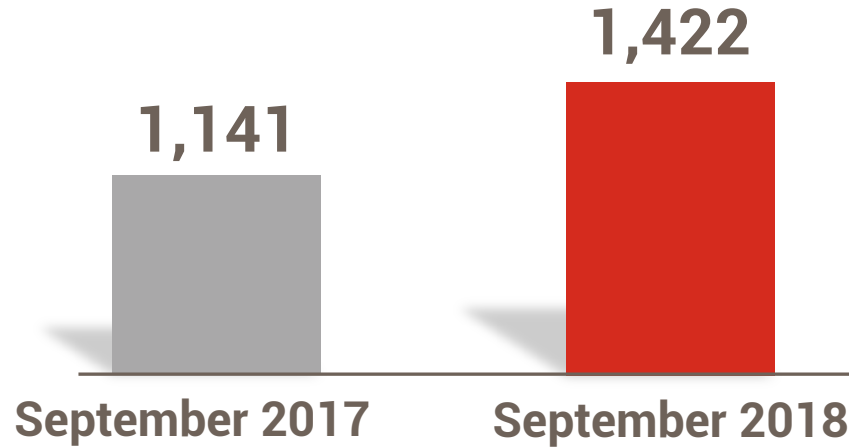
1. Normalized adjusted EBITDA margin: Restated and excluding 2017 one-off items (EUR16.9m)

Evolution of capex



Net debt at EUR1.4bn at 30 September 2018

EURm



03

Strategic Plan highlights



Proximity store: the most resilient format and expected to drive global food retail growth in the mid-term

Current trends in the global food retail sector...

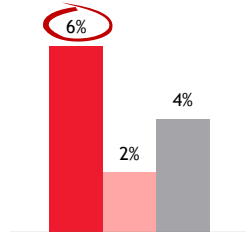
Mature markets

- Ageing population
- Higher shopping frequency
- Less people per home / reduced storage capacity
- Value-for-money approach
- Unemployment remains high in certain geographies

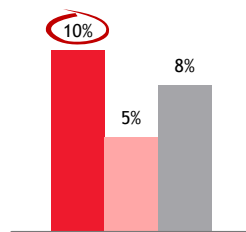
Emerging markets

- Increase of urban population
- Rise of middle class
- Rise of transportation costs
- Rising personnel costs call for efficient formats

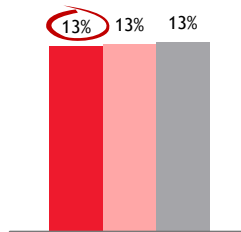
Spain



Brazil

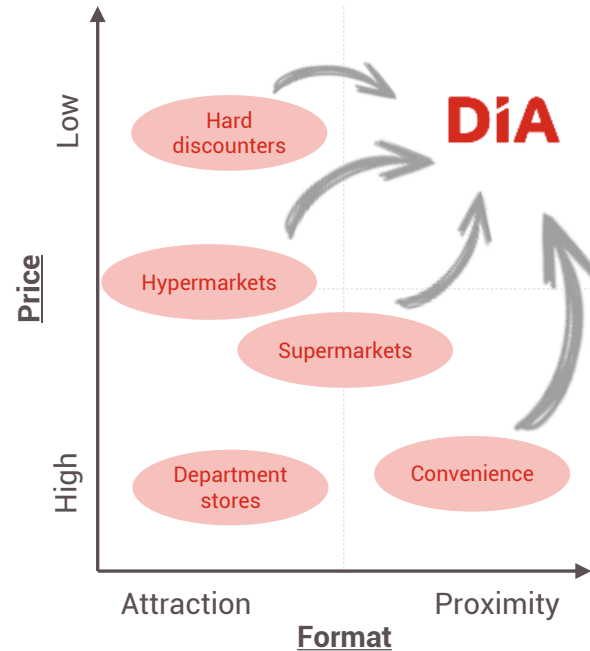


Argentina

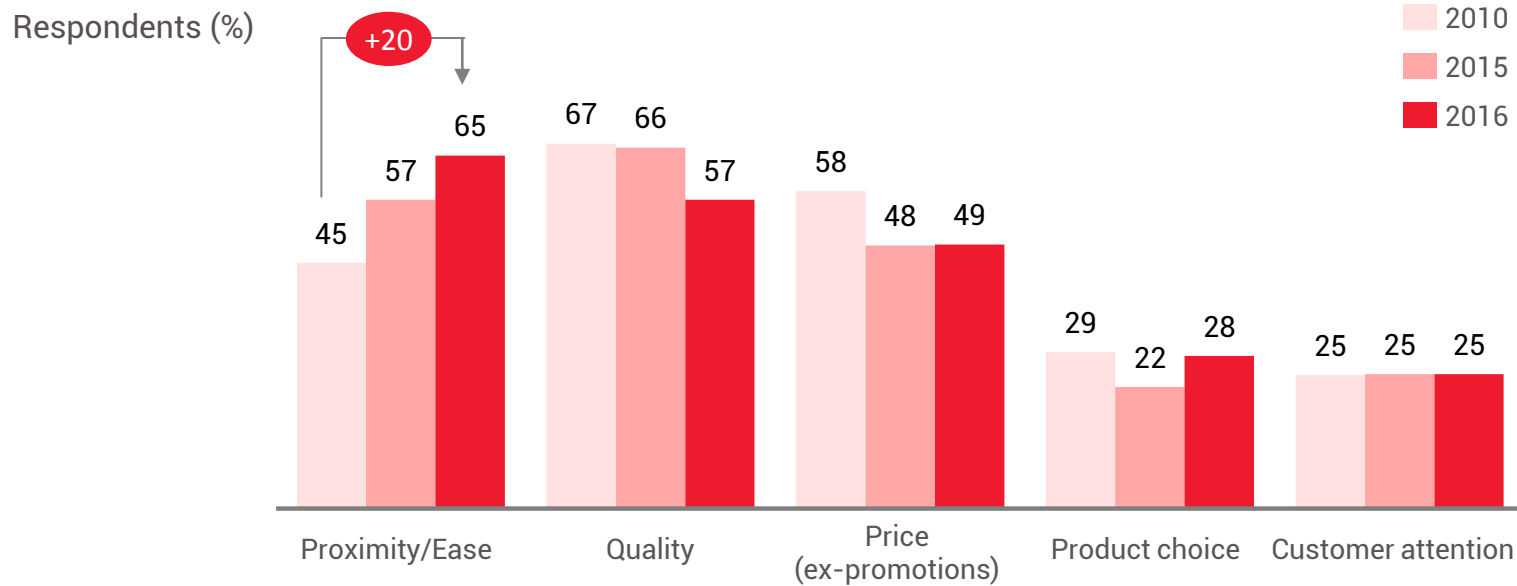


■ Convenience & Discount ■ Hypermarkets ■ Supermarkets

...support DiA's long-term strategic positioning



Spanish consumers, with less and less time, have a growing need for proximity, having become the main shopping driver



DiA strategy focus



Transform grocery
business in Iberia



Continue selective
self-funded growth in
Latam



Analyse potential
strategic alternatives
for non-core businesses

Top layers of management already appointed, fully committed with the implementation of the new strategy

Strategic approach: Spain



Strong pillars to become a winning model in Spain



Create a **differentiated commercial offering**



Optimize value perception through a new promotional effort



Implementation of an **improved operating model**



Openings in targeted regions, **profitable refurbishment programme** with higher uplift potential and **closings** of non-performing stores



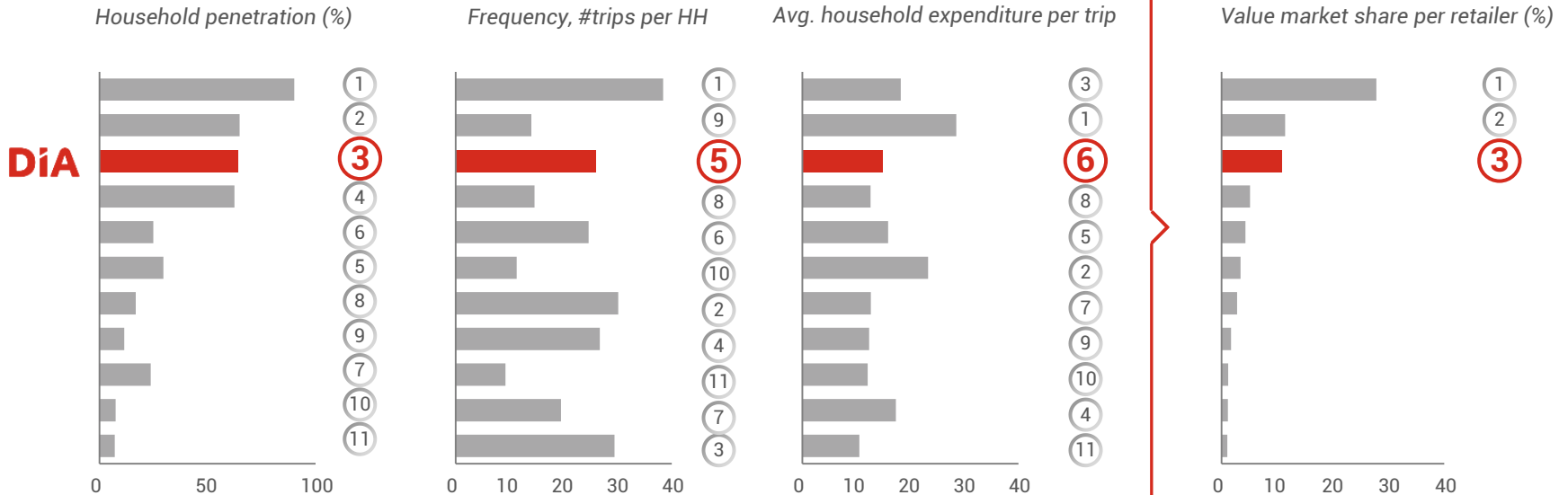
Launch of **profit boosting** initiatives that supports refurbishment plan and reduce leverage

We have strong pillars to achieve our ambition (I)



DIA is #3 player in the market, driven by large household penetration and number of trips

Key levers driving retailers' market share¹



Source: Kantar "Informe clientele DIA 2017", Company information

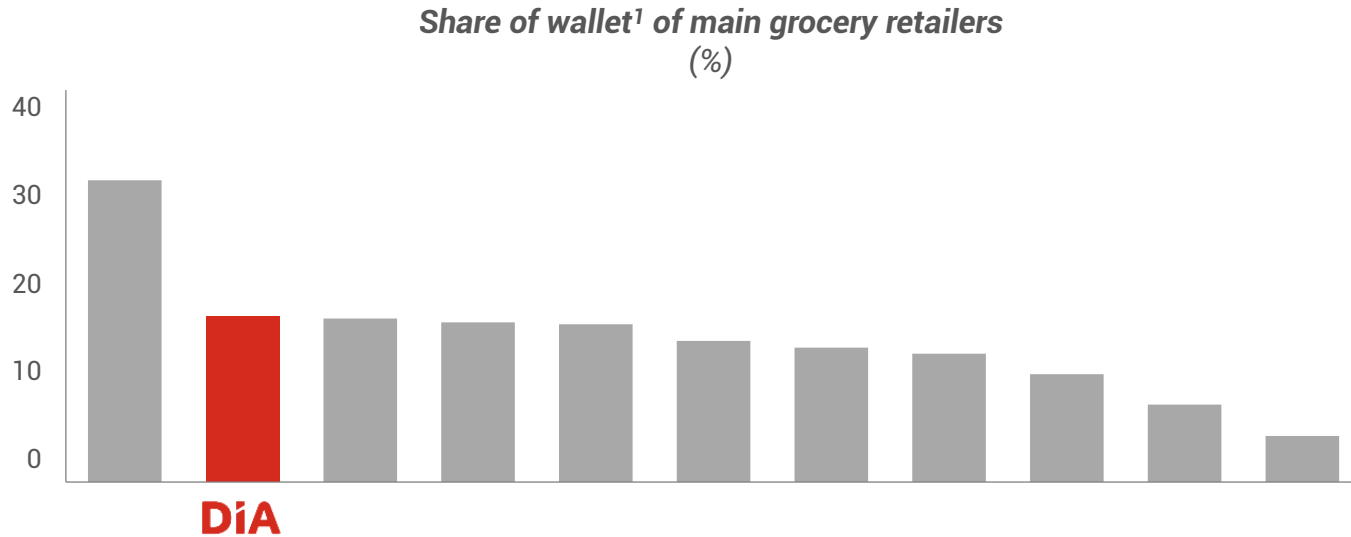
Note: Retailers sorted according to their respective share of wallet. DIA includes all DIA banners (Market, Maxi, Supermarkets and Clarel). Does not include perishable fresh.

1. PGC market size, not including perishable fresh

We have strong pillars to achieve our ambition (II)



Being #2 retailer in terms of share of wallet



Source: Kantar "Informe clientela DIA 2017", Company information

Note: Not including perishable fresh. DIA includes all DIA banners (Market, Maxi, Supermarkets and Clarel)

1.Share of wallet measures how much the average grocery retail customer spends at each retailer

New DIA's commercial offering to be built around strong fresh focus, state of the art own & exclusive brand and customer-centric assortment

1 Identify priorities



Deep **customer research** to determine what clients are demanding from us



Top-class **fresh offering**, both in quality and assortment



Innovative and differentiated **private label**

2 Define category strategy



Set **roles** (importance of the category within the value proposition) & intents (business objective for the category), build hero categories

	Maintain	Grow sales	Transform
Famous for		Ready to eat, Fresh bread	Veggies, Fruit, Fresh meat
Traffic driver	Wine & Beer		On-the-go
Basket builder	Dairy, Soft drinks, Charcuterie, Frozen, Milk	Snacking	Cheese
Min. credible	Canned food, Biscuits & cereals, Dairy & soft products, Fresh fish	Sports, Industrial bread	Cosmetics & perfumes, Home care

3 Set range & space



Leverage shopping missions and roles & intents to **allocate space** and define **assortment** for each new format, including **hero products**

Assortment

- Think of units of need leveraging big data
- Use own brand to optimize range and provide unique reason to shop at DIA
- Create hero products

Space

- Understanding product elasticities and return on space
- Considering direct product profitability

DIA is developing winning store formats that cover customer missions

Each customer has different types of shopping missions, defined by:

1 **Stock-up**

2 **Next Meal**

3 **On-the-go¹**

DIA is developing the winning store formats to satisfy customer missions

Focus on **next meal** and **on-the-go**

- Close from home
- Healthy / fresh / High-quality products
- Innovative experience, through product and general modernity
- Convenient experience, without stress
- Good service



Focus on **next meal** and **stock-up**

- A "value supermarket" model
- Fresh at its best
- Staff focused on customer service
- Adequate FMCG and HPC assortment

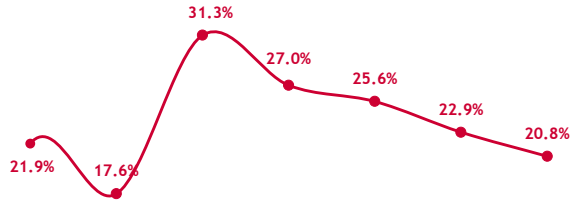


1. On-the-go mission defined as food/drinks for immediate consumption, off premises

New Dia&Go and La Plaza: successful seeds



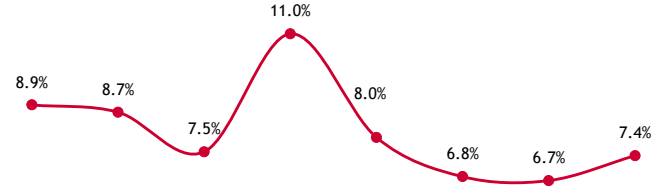
Monthly LFL sales evolution



Jan-18 Feb-18 Mar-18 Apr-18 May-18 Jun-18 Jul-18 Aug-18



Monthly LFL sales evolution



Jan-18 Feb-18 Mar-18 Apr-18 May-18 Jun-18 Jul-18 Aug-18

Optimize value perception through lower promotional intensity and personalized promos

From...

- **Hi-Lo** complex pricing strategy with limited personalization
- **Promotional activity** sometimes resulting in **limited product availability** (hard to keep promo products on shelves)
- **Better prices than competitors** only visible through loyalty in many cases and not in shelfprice
- As a consequence, **price leadership** not translated into **price or value perception**

...to



Mid-Lo strategy where we invest on shelf prices (to drive perception) and optimize ineffective promos



Shift towards **personalised** promotions



Improve **own brand recognition while differentiating our branded offering**, increasing value for money perception



Understand category strategy and roles & intents to prioritize investment in pricing

New proposition to be supported by improved operating model

Optimized E2E operations

- Review supply chain (more deliveries to enable fresh)
- Develop new store operating model (replenishment, customer service)
- Adapt commercial model and product breadth/depth to drive higher availability

Updated franchise model

- Relaunch new agreements (incentives and level of control)
- Support franchisees in implementing and maintaining standards
- Personalized training

Cutting-edge technology advantages

- Self checkouts freeing sales surface and speeding-up shopping trips
- Big data to leverage internal data (especially from loyalty card) to optimize operations

Strategic approach: Portugal



Replicate the model of Spain

(commercial offering, value stack / personalised promos and improved operating model)



Limited openings and major refurbishments

(targeted to key areas and stores with higher growth potential)



Immediately launch **profit boosting** initiatives to maximise cash flow generation

Strategic approach: Brazil



Prioritize expansion in regions where DIA has a winning and profitable model



Improve attractiveness of stores to attract more customers



Improve fresh food offering to increase customer value proposition



Reduce stock-outs which are a major point of customer dissatisfaction

Strategic approach: Argentina



Conservative approach to **store network expansion**. Potential for accelerated self-funded growth if macro backdrop stabilizes



Specific **cost efficiency measures** (enhancement in technology, apps and training aimed at equipping franchisees)



Increase bet on **perishable, winery and beauty**



Maintain the **#1 position in Private Label** in the market

Long-term financial outlook

Transformed model to underpin healthy growth in the future

2019; a transition year

Sharpen our commercial model and **optimise** operating performance

Launch **profit boosting** initiatives

Contained CAPEX deployment
(below EUR200m)

2020 – 2023; confirming turnaround

Mid-single digit **TOP LINE GROWTH**

EBITDA upturn in 2020E and healthy growth thereafter benefiting from top-line growth and significant operating leverage

CAPEX at 3.5%-4.0% in the 2020-2023 period to roll-out our new winning commercial model

04

Conclusions



Conclusions

- **New strategic focus** to gravitate around **the customer**
- Our business has **great fundamentals** and enjoys an **outstanding supplier base and franchisee network** that will deliver solid and sustainable results
- We are building up **a top-class leadership team** and an **efficient corporate organisation** around it
- We are conscious of the challenging situation that we are navigating and understand that **we need to be disciplined in capital allocation and deleverage**
- The **new Strategic Plan** is **unanimously backed by the Board of Directors of DIA**

05

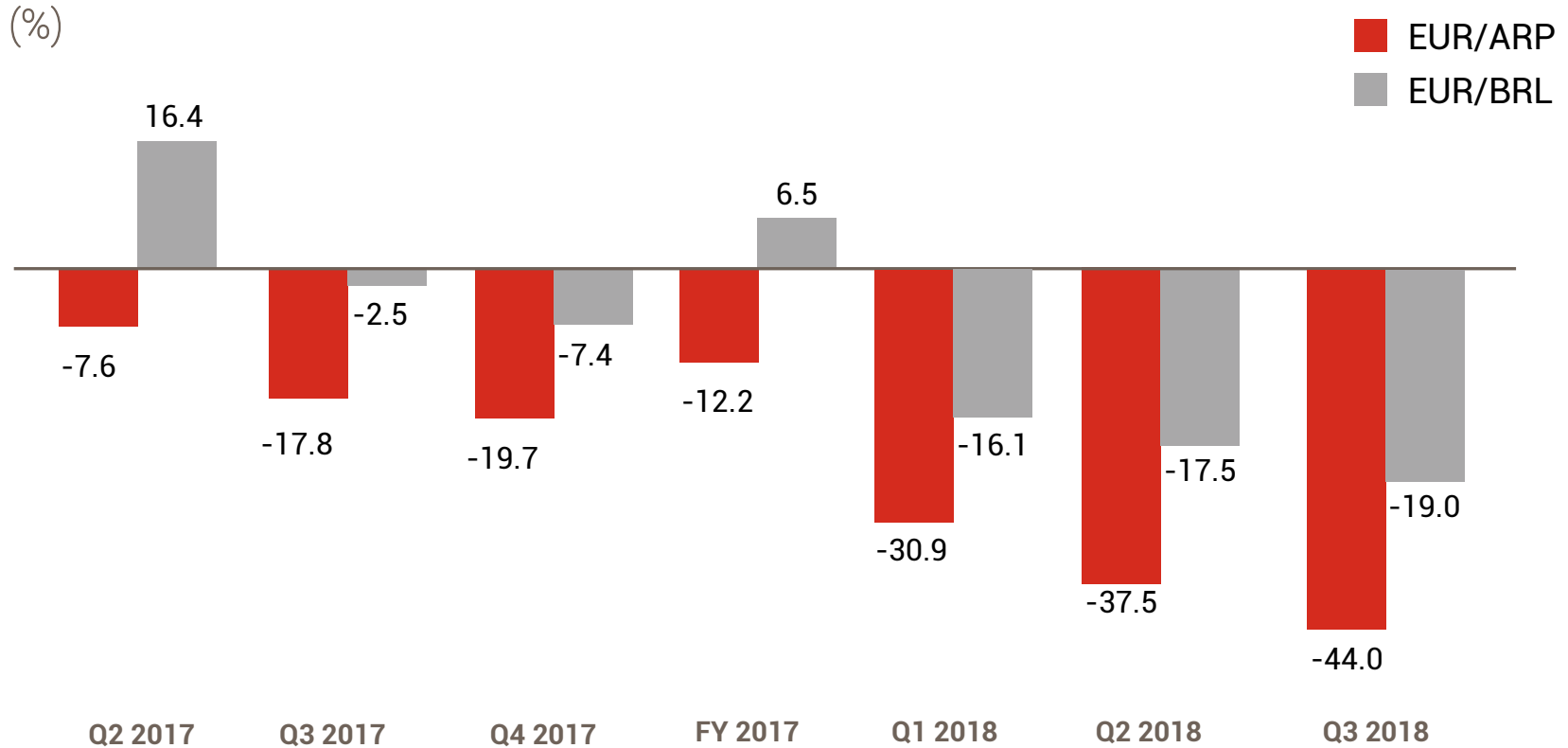
Appendix



Gross sales under banner by country

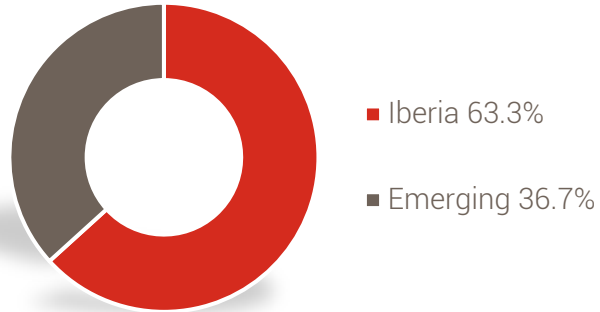
(EURm)	9M 2017	%	9M 2018	%	Change	FX effect	Change (ex-FX)
Spain	4,194.1	54.9%	4,094.0	58.9%	-2.4%	-	-2.4%
Portugal	640.5	8.4%	619.3	8.9%	-3.3%	-	-3.3%
IBERIA	4,834.6	63.3%	4,713.3	67.8%	-2.5%	-	-2.5%
Argentina	1,306.8	17.1%	1,023.3	14.7%	-21.7%	-47.8%	26.1%
Brazil	1,498.9	19.6%	1,212.8	17.5%	-19.1%	-17.5%	-1.6%
EMERGING MARKETS	2,805.7	36.7%	2,236.1	32.2%	-20.3%	-31.6%	11.3%
TOTAL DIA	7,640.2	100.0%	6,949.3	100.0%	-9.0%	-11.6%	2.6%

Currency performance

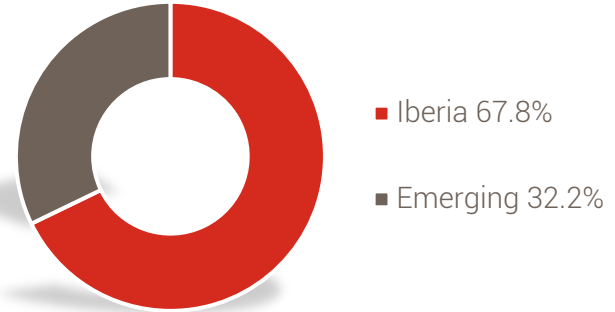


Gross Sales Under Banner & adjusted EBITDA by segment

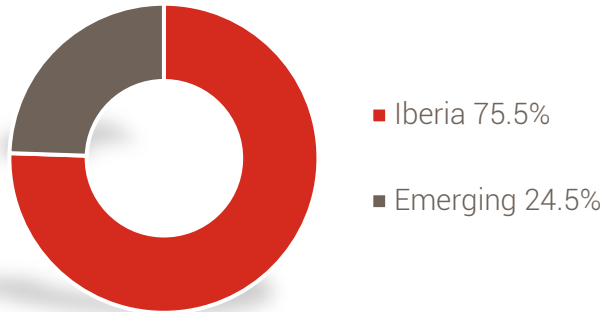
9M 2017 Gross sales under banner



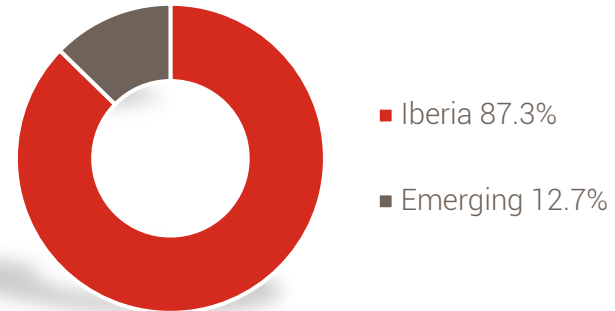
9M 2018 Gross sales under banner



9M 2017 adjusted EBITDA



9M 2018 adjusted EBITDA



IAS29: Financial Reporting in Hyperinflationary Economies

- The Company applied the **IAS29 accounting standards** for its Argentinian accounts for the first time in **30th September 2018**
- Net gain of inflation in monetary items increases the **net income by EUR13m** and the **net equity by EUR58m** but decreases **adjusted EBITDA by EUR27m**
- Following the strict application of the IAS29 **non-monetary balance sheet items are adjusted by the underlying inflation**



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