La Compañía, en relación con el folleto de ampliación de capital de Distribuidora Internacional de Alimentación, S.A., registrado con fecha 25 de octubre de 2019, aporta como adenda el siguiente texto:

AVISO IMPORTANTE

La inversión en Derechos de Suscripción Preferente y Nuevas Acciones está sujeta a una serie de riesgos. En consecuencia, los inversores y los potenciales inversores deberán evaluar cuidadosamente antes de realizar una inversión en los Derechos de Suscripción Preferente y en las Nuevas Acciones, toda la información incluida en este Folleto, incluidos, en particular, los riesgos descritos debajo y en el apartado de "*Factores de Riesgo*". El negocio, la situación financiera, los resultados de las operaciones y las perspectivas del Grupo podrían verse afectadas de forma significativa y adversa por cualquiera de los riesgos que se describen a continuación. En ese caso, el precio de mercado de los Derechos de Suscripción Preferente o de las Acciones podría descender, y los inversores podrían perder la totalidad o parte de su inversión. Para más información, véase "*Factores de Riesgo*".

Riesgo de rentabilidad y ausencia de la aprobación de un plan de negocio a largo plazo a la fecha del Folleto

En los resultados del primer semestre, a fecha 30 de junio de 2019, el grupo registró unas pérdidas netas atribuibles de 418,7 millones de euros, frente a una pérdida de 29,6 millones de euros en el mismo periodo en 2018, lo cual fue consecuencia de (i) un fuerte impacto negativo en los beneficios consecuencia del fuerte descenso del 7,0% de las ventas; (ii) un deterioro del valor de los activos no corrientes por valor de 11,6 millones de euros; (iii) unas pérdidas por enajenación de inmovilizado por valor de 51,6 millones de euros; (iv) un deterioro de los saldos de deudores comerciales por valor de 35,8 millones de euros; (v) unos gastos de reestructuración, relacionados principalmente con empleados, por valor de 40,3 millones de euros; y (vi) un aumento de los gastos financieros de 80,5 millones de euros. Adicionalmente, esta pérdida neta atribuible se debe también a los efectos extraordinarios y excepcionales de 61,0 millones de euros registrados en este periodo, relacionados con las diferentes medidas que se han implementado para establecer las bases adecuadas para el cambio de rumbo de la Sociedad a largo plazo, tales como, entre otras, el cierre de tiendas de bajo rendimiento, que la Sociedad espera que se traduzcan, en su caso, en un resultado positivo en las ventas y en la rentabilidad a medio y largo plazo, tal y como se explica más adelante en el presente Folleto.

El total consolidado de los fondos propios del Grupo ascendió a 566,2 millones de euros negativos a 30 de junio de 2019. Asimismo, un análisis detallado del riesgo y de las posibilidades de recuperación ha resultado en el reconocimiento de amortizaciones, pérdidas y provisiones para riesgos asociados con el negocio que no se habían reflejado anteriormente. Tras la Oferta, suponiendo que la Oferta se suscriba en su totalidad, el total consolidado de los fondos propios del Grupo será negativo por un importe de 65,19 millones de euros. No obstante lo anterior, DIA, como sociedad matriz del Grupo, no estará en causa de disolución, ya que los fondos propios de DIA, suponiendo que la Oferta se suscribe en su totalidad, ascenderán a 327,19 millones de euros positivos. Para más información, véase "*Capitalización y Endeudamiento*".

A fecha de registro del presente Folleto, el Grupo continúa desarrollando su plan de negocio a largo plazo basado en su estrategia de transformación, la cual establecerá las directrices de la nueva estrategia del Grupo y será la base para evaluar la posibilidad de recuperación a largo plazo de sus activos. El diseño e implementación del plan de negocios a largo plazo es un ejercicio complejo que implica la ejecución simultánea de numerosas iniciativas, las cuales pueden plantear retos operativos importantes. No es posible garantizar que la estrategia y los objetivos del Grupo en el marco del nuevo plan de negocios se cumplan plenamente, que se alcancen en el plazo previsto o que no se superen los costes de ejecución esperados. La imposibilidad del Grupo de implementar la estrategia de negocio podría tener un efecto material adverso en el negocio, condición financiera y resultados de las operaciones.

Conforme a las disposiciones de los Nuevos Acuerdos de Financiación (según se definen a continuación), el incumplimiento por parte de la Sociedad de entregar el futuro plan de negocios a largo plazo a los Prestamistas (según se definen a continuación) antes del cierre del ejercicio del año 2019, podría suponer un supuesto de incumplimiento en virtud de los Nuevos Acuerdos de Financiación y dar lugar a un incumplimiento de los bonos pendientes de 2021 y 2023 (conjuntamente, los "**Bonos**"). Para más información acerca de las razones por las cuales se ha disminuido la rentabilidad del Grupo, véase el factor de riesgo "*Riesgo de rentabilidad y ausencia de la aprobación un plan de negocio a largo plazo a la fecha del Folleto*".

El Grupo puede incumplir las condiciones de refinanciación tras la ejecución de la Oferta, lo que daría lugar a un supuesto de incumplimiento de los Nuevos Acuerdos de Financiación y, por tanto, el Grupo podría verse incapacitado para continuar como negocio en funcionamiento

El 31 de diciembre de 2018, la Sociedad suscribió un contrato de financiación (los "**Acuerdos de Financiación Preexistentes**") y, el 17 de julio de 2019, DIA suscribió con todos los prestamistas sindicados de los créditos sindicados de la Sociedad (los "**Prestamistas**") un contrato que modifica y actualiza los Acuerdos de Financiación Preexistentes (los "**Nuevos Acuerdos de Financiación**"). Los Nuevos Acuerdos de Financiación prorrogaron los plazos de vencimiento de todos los tramos preexistentes de los créditos sindicados (902,4 millones de euros) hasta el 31 de marzo de 2023 y establecieron una línea de crédito de 70,8 millones de euros por parte de los Prestamistas. En el contexto de la negociación de los Nuevos Acuerdos de Financiación, se ha exigido a la Sociedad que mejore el paquete de garantías de los Nuevos Acuerdos de Financiación mediante la transferencia de activos, pasivos y contratos a determinadas filiales de su propiedad (el "**Hive Down**").

Con el fin de implementar el Hive Down, entre otras cuestiones, la Sociedad está obligada, en virtud de los Nuevos Acuerdos de Financiación a transferir sus negocios, activos, pasivos y contratos a ciertas filiales indirectamente participadas por la Sociedad, en o antes del 31 de diciembre de 2019. Sin embargo, dicha transferencia no incluye la transferencia de (a) los bonos (*European Medium Term Notes*) actualmente emitidos por la Sociedad; (b) cualquier activo, pasivo o relación contractual que no pueda ser transferida debido a restricciones legales o contractuales; (c) cualquier activo, pasivo o contrato cuya transferencia afecte de forma significativa y adversa al negocio de la Sociedad o del Grupo; (d) cualquier activo, pasivo o contrato cuya transferencia resulte en un coste para el Grupo (incluyendo impuestos o pérdidas de activos por impuestos) que excedan de un importe total de 5,0 millones de euros (en el caso de que se exceda dicho límite, la Sociedad y los Prestamistas iniciarán conversaciones de buena fe para identificar las formas de minimizar dichos costes y acordar los pasivos y relaciones contractuales relevantes que se transferirán consecuencia del Hive Down); y (e) cualquier contrato de arrendamiento de bienes inmuebles cuya cesión o traspaso de derecho al arrendador a incrementar el alquiler o terminar el contrato de arrendamiento.

En concreto, el primer hito del Hive Down incluye, salvo las excepciones anteriormente mencionadas, la transferencia de: (i) todos los inmuebles propiedad de la Sociedad en España; (ii) algunas tiendas comerciales de la Sociedad que representen al menos el 58% del EBITDA Restringido (EBITDA después de sumar todos los importes previstos para depreciación, amortización y deterioro); y (iii) las participaciones de la Sociedad en las filiales brasileña, argentina y portuguesa, en la medida en que sea viable desde el punto de vista legal, fiscal y reglamentario (el "**Primer Hito del Hive Down**").

Además de la transferencia de activos, pasivos y contratos, está previsto en los Nuevos Acuerdos de Financiación que la Sociedad transfiera, como tarde el 31 de diciembre de 2019, su deuda bancaria sindicada a la sociedad actualmente denominada DIA Finance, S.L. ("**DebtCo Española**") y a Twins Alimentación, S.A. ("**OpCo Española**"). Para más información, véase "*El Grupo puede incumplir las condiciones de refinanciación tras la ejecución de la Oferta, lo que daría lugar a un supuesto de* *incumplimiento de los Nuevos Acuerdos de Financiación y, por tanto, el Grupo podría verse incapacitado para continuar como negocio en funcionamiento*".

La Sociedad considera que debería estar en condiciones de aplicar el régimen del Hive Down de acuerdo con los términos de los Nuevos Acuerdos de Financiación. A pesar de ello, el Hive Down es un proceso de reestructuración intragrupo complejo, que requerirá la implementación de un elevado número de pasos y acciones en diferentes jurisdicciones, involucrando también a terceras partes (tales como arrendadores, proveedores, Registros de la Propiedad y Mercantiles, autoridades fiscales, etc.); los cuales deberían llevarse a cabo en o antes del 31 de diciembre de 2019.

Además de lo anterior, el incumplimiento por parte de la Sociedad de las siguientes obligaciones recogidas en los Nuevos Acuerdos de Financiación, entre otras, podrían dar lugar a un supuesto de incumplimiento de dichos acuerdos: (i) un pacto de liquidez mínima (*minimum liquidity covenant*), fijándola en 30 millones de euros en efectivo o equivalentes (salvo cualquier efectivo retenido) aplicable hasta el 31 de diciembre de 2020, que se comprobará trimestralmente sobre una base de 12 meses que comienza a partir del 31 de diciembre de 2019; (ii) un acuerdo de apalancamiento (*leverage covenant*), que comienza a partir del 31 de diciembre de 2020, establecido a unos niveles que incluyen un margen de ganancia del 35% de la Deuda Neta Total Actualizada/ratio EBITDA Reducido establecido en el futuro plan de negocios a largo plazo de la Sociedad, que se comprobará cada dos semestres; (iii) unos compromisos de gastos de capital y de reestructuración (*capex and restructuring cost covenants*) establecidos en el 112,5% y el 120% respectivamente, de los importes totales de los gastos de capital y de reestructuración incluidos en el futuro plan de negocios a largo plazo de la Sociedad. Para más información, véase "*Descripción de Ciertos Acuerdos de Financiación*".

El incumplimiento por parte de la Sociedad de cualquiera de las obligaciones anteriormente mencionadas conllevaría un supuesto de incumplimiento de los Nuevos Acuerdos de Financiación, y daría lugar a un incumplimiento cruzado de los Bonos en vigor.

El accionista principal de la Sociedad ha realizado varias operaciones vinculadas con la Sociedad

La Sociedad y varias de las sociedades del grupo LIHS (el "**Grupo LIHS**") han realizado una serie de operaciones vinculadas tras la adquisición por LetterOne de la participación de control de la Sociedad En concreto, la Sociedad y diversas sociedades del Grupo LIHS han realizado las siguientes operaciones vinculadas:

- Primer Préstamo Participativo y Segundo Préstamo Participativo – suscritos con LetterOne el 29 de mayo de 2019 y el 26 de junio de 2019 respectivamente, y por un principal de 40,0 y 450,0 millones de euros respectivamente. Ambos se otorgaron para cualquier uso dentro del objeto social o la actividad habitual de la Sociedad, y, principalmente, para atender las necesidades de liquidez de la Sociedad. La fecha de repago de ambos es el 28 de noviembre de 2019. Los intereses anuales ascienden al 0,25% (Primer Préstamo Participativo) y al 2,80% (Segundo Préstamo Participativo) de las ventas medias mensuales del Grupo conforme a las últimas cuentas de los estados financieros consolidados de DIA disponibles, hasta un máximo del 2% anual de la cuantía prestada. El importe total de los intereses devengados por ambos préstamos participativos a fecha 30 de septiembre de 2019 es de 2,28 millones de euros, y hasta su vencimiento se espera que el importe total al que asciendan los intereses sea de 3,89 millones de euros.

- Contrato de servicios de gestión – suscrito el 12 de junio de 2019 entre DIA y L1 Retail (UK) LLP y L1 Retail (Jersey) LLP, dos sociedades pertenecientes al Grupo LIHS. L1 Retail (UK) LLP y L1 Retail (Jersey) LLP, son dos sociedades que forman parte de una firma de inversión internacional, con experiencia probada en el sector *retail* y en la transformación *retail* a nivel mundial. En este sentido, el contrato de servicios de gestión tiene por objeto beneficiar a DIA con su experiencia en el sector *retail* y proporcionarle servicios de consultoría y asesoramiento con el fin de ayudar a mejorar el rendimiento de DIA. A cambio de los servicios prestados, DIA ha acordado pagar

416.666,66 euros al mes, lo cual suma un total de hasta 5,0 millones de euros anuales. Este contrato tiene una duración indefinida y puede ser terminado por mutuo acuerdo entre las partes, mediante preaviso de 6 meses por cualquiera de las partes o por DIA en caso de que LetterOne deje de ser accionista de control de la Sociedad.

- Carta de Compromiso del Tramo TL – suscrita el 17 de julio de 2019 entre la Sociedad y LetterOne, en virtud de la cual LetterOne se compromete a proporcionar (o a conseguir por cualquier otro medio la provisión por parte de terceros) del Tramo TL (según se define a continuación) por una cuantía total de 200,0 millones de euros, con un margen fijado en el 7%.

- Compromiso de Aseguramiento – suscrito el 24 de octubre de 2019 entre la Sociedad y LetterOne, mediante el cual, a cambio de comprometerse a suscribir hasta 500,0 millones de euros de la Oferta, incluyendo hasta 81.445.000,40 euros en el Segundo Tramo, sujeto a las condiciones del Compromiso de Aseguramiento, la Sociedad se compromete a abonar una comisión de 3.868.637,50 euros a LetterOne. Esta decisión se ha basado principalmente en los contactos realizados, y las propuestas de aseguramiento recibidas por la Sociedad.

Todas las anteriores operaciones han sido aprobadas tras la emisión del correspondiente informe por parte de la Comisión de Auditoría y Cumplimiento de la Sociedad. Asimismo, el Consejo de Administración de la Sociedad también ha aprobado las mencionadas operaciones. Para dicha aprobación, los consejeros dominicales, designados por LetterOne, se han abstenido de deliberar sobre los acuerdos pertinentes y se han adherido al voto de los consejeros independientes, aprobándose todas estas operaciones por unanimidad a través del mismo procedimiento. La Sociedad considera que todas estas operaciones se han realizado en condiciones de mercado y en el mejor interés de la Sociedad. Como consecuencia de las operaciones anteriormente mencionadas, realizadas por y entre la Sociedad y varias sociedades del Grupo LIHS, DIA tiene cierta dependencia de su accionista mayoritario. Para más información, véase "*Operaciones con Partes Vinculadas*" y "*Plan de Distribución – Compromiso de Aseguramiento*".

THIS PROSPECTUS AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS OR AS TO WHAT ACTION YOU SHOULD TAKE, YOU SHOULD IMMEDIATELY CONSULT AN APPROPRIATELY AUTHORIZED PROFESSIONAL ADVISOR.

This document constitutes a prospectus (the "**Prospectus**") for the purposes of Article 3 of the European Parliament and Council Regulation (EU) 2017/1129 of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC (the "**Prospectus Regulation**") and the Commission Delegated Regulations (EU) 2019/979 and 2019/980 of March 14, 2019 (the "**Prospectus Delegated Regulations**" and, together with the Prospectus Regulation, the "**Prospectus Rules**"), relating to Distribuidora Internacional de Alimentación, S.A. ("**DIA**" or the "**Company**" and, together with its consolidated subsidiaries, the "**Group**", unless otherwise indicated or the context otherwise requires). The Prospectus has been prepared in accordance with Annexes 1 and 11 of the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019. On October 25, 2019, the Prospectus has been approved by the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) ("**CNMV**"), as competent authority under the Prospectus Regulation, meaning that the information given in the Prospectus meets the standards of completeness, consistency and comprehensibility required by the Prospectus Rules. Such approval relates only to the offering of the Preferential Subscription Rights (as defined below) and the New Shares (as defined below) that are to be admitted to trading on the Spanish Stock Exchanges (as defined below) as a regulated market for the purposes of the European Parliament and of the Council Directive 2014/65/EU of May 15, 2014, on markets in financial instruments, as amended ("**MiFID II**"). The Prospectus is available on the CNMV's website (www.cnmv.es) and on the Company's website (www.diacorporate.com).

Distribuidora Internacional de Alimentación, S.A.

OFFERING OF 6,055,522,466 NEW SHARES

BY MEANS OF A RIGHTS OFFERING OF NEW SHARES AT AN OFFERING PRICE OF €0.10 PER SHARE AND ADMISSION TO TRADING ON THE SPANISH STOCK EXCHANGES

The Extraordinary General Shareholders' Meeting of the Company held on October 22, 2019 approved, among other things, a share capital reduction for the purposes of restoring the balance and structure of the company's net equity in an amount of €56,021,086.17 by decreasing the nominal value of the Company's ordinary shares (the "**Shares**" or individually, a "**Share**") by €0.09 from the current nominal value of €0.10 per Share to €0.01 per Share (the "**Share Capital Reduction**"). Once the Share Capital Reduction is effectively registered with the Commercial Registry of Madrid (*Registro Mercantil de Madrid*), the share capital of the Company, which as of the date of this Prospectus is set at €62,245,651.30, will be reduced to €6,224,565.13. Therefore, as registration of the Share Capital Reduction with the Commercial Registry of Madrid is expected to occur before the closing and execution of the Offering (as defined below), the initial share capital figure that has been taken as a reference in the Prospectus for the purposes of calculations related to the Offering is €6,224,565.13.

This Prospectus relates to the offering of 6,055,522,466 new ordinary shares of the Company, each with a nominal value of €0.01 (the "**New Shares**") pursuant to a rights offering (the "**Offering**").

The Offering is divided in two tranches, (i) a first tranche of €41,855,499.96 of nominal value and €418,554,999.60 of effective value by means of compensations of credits due by the Company to its shareholder L1R Invest1 Holdings S.à r.l. ("**LetterOne**"), which is part of the retail division of Letterone Investment Holdings S.A. ("**LIHS**") under certain profit participating loans (the "**PPLs**") (the "**First Tranche**"); and (ii) a second tranche of a maximum of €18,699,724.70 of nominal value and €186,997,247.00 of effective value by means of cash contributions to be made by the shareholders of the Company (other than LetterOne) exercising their Preferential Subscription Rights (as defined below) and/or other investors who purchase said rights (the "**Second Tranche**").

Subject to the terms and conditions set out herein, the Company is granting, with regard to the Second Tranche, transferable subscription rights (the "**Preferential Subscription Rights**" and together with the New Shares, the "**Securities**") to existing holders of Shares (other than LetterOne) who acquired their Shares on or before October 29, 2019 (the expected date of publication of the Offering in the Spanish Commercial Registry Official Gazette (*Boletín Oficial del Registro Mercantil*) ("**BORME**") and appear as shareholders of the Company in Iberclear (as defined below) on or before October 30, 2019 (the "**Eligible Shareholders**"). Each Share held by the Eligible Shareholders entitles its holder to receive 10 Preferential Subscription Rights in the Second Tranche. Eligible Shareholders do not include LetterOne, who is understood to have already exercised all the Preferential Subscription Rights that it could be entitled to in the Offering during the First Tranche. The exercise of 1 Preferential Subscription Right entitles the relevant Eligible Shareholder to subscribe for 1 New Share in consideration for payment of a subscription price of €0.10 per New Share, which is referred to as the "**Subscription Price**".

The Shares are listed on the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges (the "**Spanish Stock Exchanges**") and are quoted on the Automated Quotation System of the Spanish Stock Exchanges (*Sistema de Interconexión Bursátil or Mercado Continuo*) (the "**AQS**") under the symbol "DIA". The Company expects the Preferential Subscription Rights to be listed on the Spanish Stock Exchanges and to be traded on the AQS during the period from 8:30 a.m. (CET) on October 30, 2019 to 5:30 p.m. (CET) on November 13, 2019. The Company will apply for admission to listing of the New Shares on the Spanish Stock Exchanges and quotation on the AQS (the "**Admission**").

The preferential subscription period will commence on the first calendar day following the publication of the Offering in the BORME and will last up to and including the 15th calendar day thereafter (the "**Preferential Subscription Period**"). During the Preferential Subscription Period, Eligible Shareholders (which do not include LetterOne) will be able to sell all or part of their Preferential Subscription Rights or, alternatively, to subscribe, in whole or in part, for New Shares in the Second Tranche, subject to any applicable restrictions on transfer described in this Prospectus, while other investors may acquire Preferential Subscription Rights in the market in the required proportion and subscribe for the corresponding New Shares in the Second Tranche. Both Eligible Shareholders and other investors that acquire Preferential Subscription Rights and exercise their Preferential Subscription Rights, in whole or in part, may also subscribe for additional New Shares during the additional allocation period, which is expected to take place by no later than November 21, 2019 (the "**Additional Allocation Period**"), as described in this Prospectus. For the avoidance of doubt, for this purpose LetterOne shall be considered to have exercised its Preferential Subscription Rights by subscribing the First Tranche, as it equals to the Preferential Subscription Rights corresponding to LetterOne in the Offering.

Preferential Subscription Rights not exercised within the Preferential Subscription Period will expire without value. Assuming the New Shares are fully subscribed, they will represent approximately 972.84% of the Company's issued and paid-up share capital at the date the Share Capital Reduction is registered with the Commercial Registry of Madrid and approximately 90.68% of the Company's issued and paid-up share capital after the execution of the Offering.

Any New Shares in the Second Tranche that are not subscribed for during the Preferential Subscription Period or the Additional Allocation Period may then be offered to Eligible Shareholders or to qualified investors showing interest in acquiring New Shares in the Second Tranche during a discretionary allocation period which is expected to begin at any time after the end of the Additional Allocation Period and end no later than 16:00 p.m. CET on November 22, 2019 (the "**Discretionary Allocation Period**").

LetterOne shall be entitled to subscribe New Shares in the Second Tranche, either in the Additional Allocation Period or in the Discretionary Allocation Period, first by capitalization of the PPLs and secondly by cash contributions.

New Shares in the Second Tranche that remain unsubscribed after such Discretionary Allocation Period will, subject to the terms and limitations of the Underwriting Commitment (as defined herein), be subscribed by LetterOne as underwriter of the Offering (the "**Underwriter**") at the Subscription Price.

No action has been taken, or will be taken, in any jurisdiction other than Spain that would permit a public offering of the Preferential Subscription Rights or the New Shares in the Second Tranche, or possession or distribution of this Prospectus or other offering or publicity materials issued in connection with this Offering, in any country or jurisdiction where action for that purpose is required. Accordingly, the Preferential Subscription Rights and the New Shares in the Second Tranche may not be exercised, offered or sold, directly or indirectly, and neither this Prospectus nor any other offering or publicity materials issued in connection with this Offering may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. In particular, and without limiting the foregoing, neither the Preferential Subscription Rights nor the New Shares have been or will be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States except in reliance on an available exemption from the registration requirements of the U.S. Securities Act.

The New Shares are expected to be delivered through the book-entry facilities of the Spanish securities, clearance and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.*) ("**Iberclear**"), subject to payment, by not later than November 22, 2019, for New Shares in the Second Tranche subscribed during the Preferential Subscription Period, the Additional Allocation Period or the Discretionary Allocation Period.

Investing in the Preferential Subscription Rights and/or the New Shares involves certain risks. See "*Risk Factors*". You should read this Prospectus in its entirety and in particular the risk factors set out in the section of this Prospectus headed "*Risk Factors*" before investing in the Preferential Subscription Rights and/or the New Shares.

Underwriter

L1R Invest1 Holdings S.à r.l.

Agent Bank

Banco Bilbao Vizcaya Argentaria, S.A.

This Prospectus is dated October 25, 2019

IMPORTANT INFORMATION

General

By accepting delivery of this Prospectus, each purchaser of the New Shares and the Preferential Subscription Rights will be deemed to have made the representations, warranties and acknowledgements that are described in this Prospectus under the "*Selling and Transfer Restrictions*" section of this Prospectus, and you further agree to each of the notices set forth below:

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO SUBSCRIBE FOR, ANY OF THE NEW SHARES AND THE PREFERENTIAL SUBSCRIPTION RIGHTS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH AN OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF DIA OR THE GROUP OR THAT THE INFORMATION SET FORTH HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

In making an investment decision, prospective investors must rely upon their own examination of the Company's business and the terms of this Prospectus, including the merits and risks involved in investing in the New Shares and the Preferential Subscription Rights. The Preferential Subscription Rights and the New Shares offered hereby have not been recommended by any foreign country securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus.

The distribution of this Prospectus and the offering, sale, exercise or transfer of the New Shares and the Preferential Subscription Rights in certain jurisdictions may be restricted by law. Thus, this Prospectus may not be used in connection with any offer or solicitation in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Other than in Spain, no action has been taken or will be taken by the Company that would permit a public offering of the New Shares and the Preferential Subscription Rights or the possession or distribution of a Prospectus in any jurisdiction where action for that purpose would be required. This Prospectus may not be used for, or in connection with, and does not constitute an offer of, or an invitation or solicitation to subscribe for or purchase, any securities in any jurisdiction in which such offer, invitation or solicitation would be unlawful. The Company require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. The Company does not accept any responsibility for any violation by any person, whether or not such person is a prospective purchaser of the New Shares and the Preferential Subscription Rights described in this Prospectus, of any of these restrictions.

In particular, and without limiting the foregoing:

Important Information for investors in the United States

The New Shares and Preferential Subscription Rights have not been and will not be registered under the U.S. Securities or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States except pursuant to an effective registration statement under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act, including, without limitations, to "qualified institutional buyers" ("**QIBs**") within the meaning of Rule 144A under the U.S. Securities Act ("**Rule 144A**"), in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. Prospective investors are hereby notified that sellers of the New Shares and the Preferential Subscription Rights may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. The New Shares and the Preferential Subscription Rights may be offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**"). For a description of certain additional restrictions on transfers of the New Shares and the Preferential Subscription Rights, see "*Selling and Transfer Restrictions*". Terms used in this paragraph have the meanings given to them by Regulation S.

The New Shares and the Preferential Subscription Rights offered hereby have not been reviewed or recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not passed upon the merits of the Offering or confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offense under the laws of the United States.

Important Information for investors in Canada

The New Shares and the Preferential Subscription Rights may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the New Shares and the Preferential Subscription Rights must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Important Information for investors in Australia

Neither this Prospectus nor any disclosure document (as defined in the Corporations Act 2001 of the Commonwealth of Australia (the "**Australian Corporations Act**")) in relation to the New Shares and the Preferential Subscription Rights has been or will be lodged with the Australian Securities and Investments Commission ("*ASIC*") or ASX Limited (ABN 98 008 624 691) (the "**ASX**") and New Shares and the Preferential Subscription Rights may not be offered for sale, nor may applications for the issue, sale, purchase or subscription of any New Shares and the Preferential Subscription Rights be invited, in, to or from Australia (including an offer or invitation which is received by a person in Australia) and neither this Prospectus nor any advertisement or other offering material relating to the New Shares and the Preferential Subscription Rights may be distributed or published in Australia unless:

(i) (A) the aggregate consideration payable by each offeree or invitee for the New Shares and the Preferential Subscription Rights is at least AU$500,000 (or its equivalent in other currencies) (disregarding moneys lent by the offeror or its associates); or (B) the offer otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Australian Corporations Act;

(ii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Australian Corporations Act;

(iii) such action complies with all applicable laws, regulations or directives in Australia; and

(iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

This Prospectus was prepared for "wholesale clients" only within the meaning of section 761G of the Australian Corporations Act. This Prospectus is not directed at persons who are "retail clients" as defined in the Australian Corporations Act.

Important Information for investors in Japan

The New Shares and the Preferential Subscription Rights have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "**Financial Instruments and Exchange Law**") and not offered, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Important Information for investors in South Africa

The offer of the New Shares and the Preferential Subscription Rights is not an "offer to the public" as defined in Section 95(1)(h) of the Companies Act No. 71 of 2008, as amended (the "**South African Companies Act**"), and this Prospectus does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act. No South African residents or other offshore subsidiaries may subscribe for or purchase any New Shares and the Preferential Subscription Rights or beneficially own or hold any New Shares and the Preferential Subscription Rights unless such subscription, purchase or beneficial holding or ownership is pursuant to Section 96(1) of the South African Companies Act, or is otherwise permitted under the South African Exchange Control Regulations or the rulings or policies of the South African Reserve Bank or applicable law.

IMPORTANT NOTICE

An investment in the Preferential Subscription Rights and New Shares is subject to a number of risks. Accordingly, investors and prospective investors should carefully consider all of the information set out in this Prospectus including, in particular, the risks described below and in the "*Risk Factors*" section, prior to making an investment in the Preferential Subscription Rights and New Shares. The Group's business, financial condition, results of operations and prospects could be materially and adversely affected by any of the risks described below. In such cases, the market price of the Preferential Rights or Shares may decline, and investors may lose all or part of their investment. For more information, see "*Risk Factors*".

Profitability risk and absence of an approved long-term business plan as of the date of the Prospectus

In the first semester results, as of June 30, 2019, the Group recorded a net attributable loss of €418.7 million compared to a loss of €29.6 million in the same period in 2018, as a result of (i) the strongly negative earnings impact related to the sharp sales decline of 7.0%; (ii) impairment of non-current assets of €11.6 million; (iii) losses on disposal of fixed assets of €51.6 million; (iv) impairment of trade debtors of €35.8 million; (v) restructuring expenses mainly related to personnel of €40.3 million; and (vi) an increase of finance expenses of €80.5 million. In addition, this net attributable loss is also due to the exceptional one-off effects of €61.0 million registered in the period in connection with the different measures implemented to set the right basis for the long-term turnaround of the Company, such as, among others, closure of poorly performing stores, which the Company expects will translate into visible positive effects on sales and profitability only in the medium to long-term, if at all, as explained further in this Prospectus.

Total consolidated equity of the Group amounted negative €566.2 million as of June 30, 2019. Also, a detailed risk and recoverability analysis has resulted in the recognition of previously not addressed write-offs, losses, and provisions for risks associated with the business. After the Offering, assuming full subscription of the Offering, total consolidated equity of the Group will be negative €65.19 million. Despite that, DIA, as parent company of the Group, will not be under dissolution cause, as DIA's equity, assuming full subscription of the Offering will amount to positive €327.19 million. For further details see "*Capitalization and Indebtedness*".

As of the date of registration of this Prospectus, the Group is continuing to develop its long-term business plan based on its transformation strategy, which will set forth the guidelines of the new strategy of the Group and be the basis to assess the long-term recoverability of its assets. The design and implementation of the long-term business plan is a complex exercise involving the simultaneous execution of numerous initiatives that may pose significant operational challenges. There can be no assurance that the Group's strategy and targets under the new business plan will be fully realized, that they will be achieved within the targeted time frame, or at all, or that the associated expected implementation costs will not be exceeded. The inability of the Group to implement its business strategy could have a material adverse effect on its business, financial condition and results of operations.

As per the provisions of the New Finance Arrangements (as defined below), a failure by the Company to deliver the future long-term business plan to the Lenders (as defined below) before the end of financial year 2019 could trigger an event of default under the New Finance Arrangements (as defined below) and result in a cross-default under the remaining outstanding 2021 and 2023 bonds (together, the "**Bonds**"). For further detail on the reasons for the decrease in the Group's profitability see the risk factor "*Profitability risk and absence of an approved long-term business plan as of the date of the Prospectus*".

The Group may fail to comply with the refinancing conditions after the execution of the Offering, which would give rise to an event of default under the New Finance Arrangements, and therefore, the Group may be unable to continue as a going concern

On December 31, 2018, the Company entered into a facilities agreement (the "**Preexisting Finance Arrangements**") and, on July 17, 2019, DIA entered into an agreement for the amendment and restatement of the Preexisting Finance Arrangements with all the syndicated lenders of the Company's syndicated facilities (the "**Lenders**") (the "**New Finance Arrangements**"). The New Finance Arrangements extended the maturity dates of all pre-existing tranches of the syndicated facilities (€902.4 million) until March 31, 2023 and securing a €70.8 million financial facility from the Lenders. In the context of the negotiation of the New Finance Arrangements, the Company has been required to enhance the security package of the New Finance Arrangements by means of a transfer of assets, liabilities and contracts to certain wholly-owned subsidiaries (the "**Hive Down**").

In order to implement the Hive Down, among others, the Company is required under the New Finance Arrangements to transfer its business, assets, liabilities and contracts to certain subsidiaries indirectly owned by the Company, no later than December 31, 2019. However, such transfer does not include the transfer of (a) the bonds (European Medium Term Notes) currently issued by the Company; (b) any assets, liabilities or contractual relationships which may not be transferred due to legal or contractual restrictions; (c) any assets, liabilities or contracts the transfer of which materially and adversely affects the business of the Company or the Group; (d) any assets, liabilities or contracts the transfer of which results in a cost for the Group (including taxes or losses of tax assets) which exceeds an aggregate amount of €5,000,000 (in the event that such cap is exceeded the Company and the Lenders shall enter into good faith discussions with a view to identifying ways to minimize such costs and to agreeing the relevant assets, liabilities and contractual relationships which will be transferred as part of the Hive Down); and (e) any property lease agreements the assignment or transfer of which entitles the lessor to increase the rent or terminate the lease agreement.

In particular, the first hive down milestone includes, subject to the above exceptions, the transfer of: (i) all real estate owned by the Company in Spain, (ii) certain commercial stores of the Company representing at least 58% of Restricted EBITDA (EBITDA after adding back all amounts provided for depreciation, amortization and impairment); and (iii) the Company's holdings in the Brazilian, Argentinean and Portuguese subsidiaries, to the extent viable from a legal, tax and regulatory standpoint (the "**First Hive Down Milestone**").

In addition to the transfer of assets, liabilities and contracts, it is envisaged in the New Finance Arrangements that the Company shall, on or before December 31, 2019, transfer its syndicated bank debt to the company currently named DIA Finance, S.L. ("**Spain DebtCo**") and to Twins Alimentación, S.A. ("**Spain OpCo**"). For further information see "*The Group may fail to comply with the refinancing conditions after the execution of the Offering, which would give rise to an event of default under the New Finance Arrangements, and therefore, the Group may be unable to continue as a going concern*".

The Company considers that it should be able to implement the Hive Down in accordance with the requirements of the New Finance Arrangements. Notwithstanding the foregoing, the Hive Down is a complex intragroup restructuring process which will require the implementation of a significant number of steps and actions in different jurisdictions, also involving third parties (such as landlords, suppliers, Land and Commercial Registries, tax authorities etc.), which must be implemented no later than December 31, 2019.

In addition to the above, a failure by the Company to comply with the following relevant obligations foreseen under the New Finance Arrangements, among others, could also result in an event of default under said arrangements: (i) a minimum liquidity covenant set at €30 million in cash and cash equivalents (less any trapped cash) to apply until December 31, 2020, to be tested quarterly on a 12-month look forward basis, commencing from December 31, 2019 (ii) a leverage covenant, from December 31, 2020, set at levels including 35% headroom to the Restated Total Net Debt/Restated EBITDA ratio established in the future long-term business plan of the Company, to be tested semi-annually, and (iii) capex and restructuring costs covenants fixed at 112.5% and 120%, respectively of the aggregate amounts of capex and restructuring costs included in the new long-term business plan of the Company. For further details see "*Description of Certain Financing Arrangements*".

A failure by the Company to satisfy any of the aforementioned obligations would trigger an event of default under the New Finance Arrangements and result in a cross-default under the remaining outstanding Bonds.

The principal shareholder of the Company has executed several related party transactions with the Company

The Company and several companies within the LIHS group (the "**LIHS Group**"), have executed a number of related party transactions following the acquisition of a controlling stake by LetterOne. In particular the Company and the following companies within the LIHS Group have entered into the following related party transactions:

- First Profit Participating Loan and Second Profit Participating Loan – entered into with LetterOne on May 29, 2019 and June 26, 2019, respectively, and for a principal amount of €40,000,000 and €450,000,000, respectively. Both were granted for any uses within the corporate purpose or activity of the Company, and, mainly, to assist the liquidity needs of the Company, and their repayment date is November 28, 2019. The annual interest amounts to 0.25% (First Profit Participating Loan) and 2.80% (Second Profit Participating Loan) of the Company's group average monthly sales in accordance with the latest available consolidated management accounts of the Company, up to a maximum of 2% per annum of the amounts borrowed. The total amount of interest accrued under both profit participative loans as of September 30, 2019 is €2.28 million, and until their maturity the total amount of interests is expected to be a total 3.89 million.
- Management services agreement – entered into on June 12, 2019 between the Company and L1 Retail (UK) LLP and L1 Retail (Jersey) LLP, two companies within the LIHS Group. L1 Retail (UK) LLP and L1 Retail (Jersey) LLP are companies within an international investment firm with proven world-class retailing and retail transformation expertise. In this regard, the management services agreement is aimed at benefitting DIA from their experience in the retail industry and by providing consultancy and advisory services in order to help to improve DIA's performance. In exchange of the services rendered, DIA has agreed to pay up to €416,666.66 per month, which amounts to up to €5,000,000 per year. This agreement has an indefinite duration and may be terminated by a mutual agreement of the parties, by means of a 6-month prior notice by either party or by DIA if LetterOne ceases to be a controlling shareholder of DIA.
- TL Tranche Commitment Letter – entered into on July 17, 2019 between the Company and LetterOne, pursuant to which LetterOne commits to provide (or otherwise procure the provision by other party/ies) the TL Tranche (as defined below) in an aggregate principal amount of €200,000,000 with a margin set at 7%.
- Underwriting Commitment – entered into on October 24, 2019 between the Company and LetterOne, whereby in exchange for committing to subscribe up to €500,000,000 of the Offering, including up to €81,445,000.40 in the Second Tranche subject to the conditions thereof, the Company agrees to pay a fee of €3,868,637.5 to LetterOne. This decision has been mainly based on the contacts made and the underwriting proposals received by the Company.

All of the aforementioned transactions have been approved after the issuance of the relevant report by the Audit and Compliance Committee of the Company. The Board of Directors of the Company has also approved the abovementioned transactions. For such approval, the proprietary directors, which have been appointed by LetterOne, have abstained from deliberation of the relevant resolutions and have adhered to the vote of the independent directors, being all these transactions approved by unanimity using this same procedure. The Company believes that all these transactions have been entered into under market conditions and in the best corporate interest of the Company. As a consequence of all the abovementioned transactions executed by and between the Company and several companies within the LIHS group, DIA has certain dependency on its majority shareholder. For further information see "*Related Party Transactions*" and "*Plan of Distribution - Underwriting Commitment*".

MARKET AND INDUSTRY DATA

Certain of the market, market share, industry and certain other data contained in this Prospectus has been taken from, or based upon, industry reports and other sources named in the sections of this Prospectus entitled "*Business Description*" and "*Industry and Market Overview*". This information has been obtained from external sources including IGD, Alimarket, Kantar Worldpanel and MAPAMA, among others. Such information has been presented as at the most recently available dates. Certain information in this Prospectus is also based on proprietary research carried out on behalf of the Company by a leading strategy consulting firm.

Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. The Group believes that these industry publications, surveys and forecasts are reliable but the Group has not independently verified them and cannot guarantee their accuracy or completeness and certain of this information, including market studies, are frequently based on information and assumptions which may not be exact or appropriate, and their methodology is by nature forward-looking and speculative.

Where information contained in this Prospectus has been sourced from a third party, the Group and the Directors confirm that such information has been accurately reproduced and, so far as they are aware and have been able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information in this Prospectus has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

This Prospectus also contains estimates of market data and information derived therefrom which cannot be gathered from publications by market research institutions or any other independent sources. Such information is prepared by the Group based on third-party sources and our own internal estimates. While the Group believes that these estimates of our competitive position and market share are helpful in order to give investors a better understanding of our position within the industry in which the Group operates, in many cases there is no publicly available information supporting these estimates. Although the Group believes that its internal market observations are reliable, its own estimates are not reviewed or verified by any external sources. Accordingly, investors are cautioned not to place undue reliance on such estimates. Whilst the Group is not aware of any misstatements regarding the industry, market share or similar data presented in this Prospectus, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the heading "*Risk Factors*" in this Prospectus.

FORWARD- LOOKING STATEMENTS

This Prospectus contains forward-looking statements. These forward-looking statements include matters that are not historical facts, including the statements under the headings "*Summary*", "*Risk Factors*", "*Business Description*", "*Industry and Market Overview*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and elsewhere regarding future events or prospects. Statements containing the words "believe", "expect", "intend", "anticipate", "will", "target", "aim", "positioned", "project", "risk", "plan", "may", "estimate" or, in each case, their negative and words of similar meaning are forward-looking statements.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Group cautions you that forward-looking statements are not guarantees of future performance and that our actual financial condition, results of operations and cash flows, and the development of the industry in which the Group operates, may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if our financial condition, results of operations and cash flows, and the development of the industry in which the Group operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. According to article 1105 of the Spanish Civil Code, apart from those cases expressly mentioned in the law, and those in which the relevant obligation so declares it, no one shall be deemed liable for events which cannot be foreseen or which, being foreseen, are inevitable.

The various factors described under "*Risk Factors*" could impact, totally or partially, our ability to perform our obligations or to realize revenue in accordance with our expectations. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from those projected. Any forward-looking statements in this Prospectus reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. You should specifically consider the risks and other factors identified in this Prospectus, which could cause actual results to differ, before making an investment decision. Additional risks that the Company may currently deem immaterial or that are not presently known could also cause the forward-looking events discussed in this Prospectus not to occur. Readers should not place undue reliance on any forward-looking statements. An investment in the New Shares involves the assumption of several risks (see "*Risk Factors*" for a discussion of certain matters that investors should consider prior to making an investment in the New Shares) and obtaining a positive financial outcome or suffering a financial loss may depend significantly on several aspects which cannot be predicted.

These forward-looking statements speak only as of the date of this Prospectus. The Company undertakes no obligation to publicly update or review any forward-looking statement contained in this Prospectus, whether as a result of new information, future developments or otherwise.

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SUMMARY

Prepared in accordance with Article 7 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.

Introduction and warnings

This summary should be read as an introduction to this prospectus (the "**Prospectus**"). Any decision to invest in the preferential subscription rights and the new ordinary shares ("**New Shares**") of Distribuidora Internacional de Alimentación, S.A. (the "**Company**", "**DIA**" or the "**Issuer**" and, together with its subsidiaries, the "G**roup**") should be based on consideration of the Prospectus as a whole by the investor, including in particular the risk factors, and not just the summary. An investor could lose all or part of the invested capital.

Where a claim relating to the information contained in, or incorporated by reference into, this Prospectus is brought before a court, the plaintiff investor might, under Spanish law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Under Spanish law, civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or if it does not provide, when read together with other parts of the Prospectus, key information in order to aid investors when considering whether or not to invest in the preferential subscription rights and the New Shares.

A potential update or adjustment in the information or statements contained in this Prospectus as a result of the occurrence of any of the described risk factors shall not be considered as a mistake or an inaccuracy thereof or make such information misleading.

The Prospectus was approved and registered by the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the "**CNMV**") on October 25, 2019. Investors may contact the CNMV through its investor assistance service at the telephone number +34 900 535 015.

Key Information on the Issuer

Who is the issuer of the New Shares?

Name, domicile, legal form and brief description

The legal name of the Issuer is Distribuidora Internacional de Alimentación, S.A. The commercial name of the Issuer is "DIA". The Company is incorporated as a public limited company (*sociedad anónima*) in Spain under the Spanish Companies Act. It has its registered office at Las Rozas (Madrid), Parque Empresarial de Las Rozas, Edificio Tripark, calle Jacinto Benavente nº 2-A, Madrid, Spain and with phone number +34 91 398 54 00. The Company is incorporated for an unlimited term and its Legal Entity Identifier (LEI) code is 54930063C6K2TNFL6H10. The Company operates mainly in Spain, Portugal, Brazil and Argentina and is subject to their respective applicable laws.

DIA is the parent company of the "DIA Group". At June 30, 2019, the Group comprises 16 companies which are consolidated through the full consolidation method, 4 companies that are measured using the equity method and 1 company which is accounted for as a joint operation. DIA is not a holding company; it operates around half of its stores in Spain under the brands DIA Market, Maxi DIA, *DIA & Go* and *Clarel*.

DIA is a leading convenience grocery retailer with an average of 2.97 million tickets per day and over 22 million active members of its loyalty program worldwide in 2018. The Group is the Spanish grocery retailer with the largest network of stores in the country, the highest rate of penetration in small municipalities and the third-largest market share in Spain in 2019 (6.6%) (Source: Kantar Worldpanel). As at June 30, 2019, the Group operated 6,809 stores across Spain, Portugal, Brazil and Argentina and had 40,247 full-time employees. The Group is analysing its future strategy and is in the process of producing a new long-term business plan that will be built around six main pillars, which are part of a 5-year transformation plan. The Group's new long-term business plan is, at the date of this Prospectus, being drafted by the Company and will be finalised before December 31, 2019.

Share capital and principal shareholders

At the date of this Prospectus, the issued share capital of the Company amounts to €62,245,651.30 divided into a single series of 622,456,513 registered Shares in book-entry form, with a nominal value of €0.10 per share. However, the General Shareholders' Meeting of the Company has also approved the execution, immediately prior to the capital increase (the "**Offering**"), of a capital reduction to offset losses. After the implementation of the capital reduction, the Company will have a share capital of €6,224,565.13, comprising 622,456,513 shares, each being fully paid up. Therefore, assuming the full subscription of the Offering, DIA would have a share capital of €66,779,789.79, comprising 6,677,978,979 shares, each being fully paid up.

On February 5, 2019, L1R Invest1 Holdings S.à r.l. ("**LetterOne**"), which is part of the retail division of Letterone Investment Holdings S.A. ("**LIHS**"), announced a voluntary tender offer over 100% of the shares of the Company at a price of €0.67 per share (the "**Tender Offer**"). As a consequence of the successful settlement of the Tender Offer, LetterOne now holds a total of 434,220,476 shares representing 69.759% of the share capital of the Company.

The following table sets forth publicly available information with respect to the significant shareholders of the Company as of the date of this Prospectus:

Principal shareholder(s)	Voting rights (A)					Voting rights through financial instruments (B)		Total (A+B)	
	% Direct	% Indirect	% Total	Total no. of direct voting rights	Total no. of indirect voting rights	%Total	Total no. of voting rights through financial instruments	%	No. of voting rights
Letterone Investment Holdings S.A.	0.00	69.759	69.759	0	434,220,476	0.00	0	69.759	434,220,476
Grégorie Augustin Bontoux Halley	0.00	3.398	3.398	0	21,153,674	0.00	0	3.398	21,153,674
Total of voting rights owned by principal shareholder(s)	**0.00%**	**73.157%**	**73.157%**	**0**	**455,374,150**	**0.00**	**0**	**73.157**	**455,374,150**

LetterOne shall subscribe, through the capitalization of €418,554,999.60 of the PPLs (as defined below), the entirety of the First Tranche (as defined below). LetterOne may also subscribe additional shares in the Additional Allocation Period of the Second Tranche (as defined below). The maximum percentage of share capital which LetterOne could hold following the execution of the Offering is 96.65% (if no other person subscribed New Shares). The Company is, as of the date of this Prospectus, unaware of the intentions of Mr. Grégoire Augustin Bontoux Halley regarding its intention to subscribe any amount of New Shares in the Offering.

As at the date of this Prospectus, the key directors of the Company are the seven members of the Board of Directors: Mr. Stephan DuCharme (Chairman), Mr. Karl-Heinz Holland (the "**CEO**" or "**Chief Executive Officer**"), Mr. Michael Casey, Mr. Christian Couvreux, Mr. Sergio Dias, Mr. Jaime García-Legaz Ponce and Mr. José Wahnon Levy. The current Chief Executive Officer of DIA, Mr. Karl-Heinz Holland, was appointed in May 2019 and has previously worked at Lidl from 1991 to 2014.

As of the date of this Prospectus, Ernst & Young, S.L. is the appointed auditor of the Company.

What is the key financial information regarding the Company?

Key factors relating to the nature of the Issuer's current operations and principal activities

The Group is organized into business units and has four reporting segments based on geography: Spain, Portugal, Brazil and Argentina. As at June 30, 2019, Spain accounted for 60.3% of the Group's sales, with Portugal accounting for 8.4%, Argentina for 14.2% and Brazil for 17.0%. On a consolidated basis, for the semester ended June 30, 2019, the Group had sales of €3,444.5 million, a net loss of €418.7 million, negative consolidated Adjusted EBITDA of €55.6 million, consolidated EBITDA of €13.5 million and negative €566.2 million of total equity.

The table below shows a summary of the most relevant magnitudes of the Group's EBITDA and Adjusted EBITDA by segment for June 30, 2019 and June 30, 2018, which has been included for information purposes only and to supplement the alternative performance measures ("**APMs**") used by the Group on a recurring basis and described in this Prospectus.

	Spain		Portugal		Argentina		Brazil		DIA Group	
	('000,000)									
	June 2019	**June 2018**	**June 2019**	**June 2018**	**June 2019**	**June 2018**	**June 2019**	**June 2018**	**June 2019**	**June 2018**
Sales..	2,078.6	2,235.9	290.7	310.3	489.5	464.8	585.7	690.8	3,444.5	3,701.8
As a percentage of total sales	60.3%	60.4%	8.4%	8.4%	14.2%	12.6%	17.0%	18.7%	100.0%	100.0%
Adj. EBITDA..............................	18.1	149.6	3.2	12.9	5.8	14.0	(82.7)	29.5	(55.6)	206.0
EBITDA......................................	64.6	109.0	15.7	6.7	(3.5)	(1.9)	(63.3)	29.2	13.5	143.0
As a percentage of total EBITDA	*478.5%*	*76.2%*	*116.3%*	*4.7%*	*-25.9%*	*-1.3%*	*-468.9%*	*20.4%*	*100.0%*	*100.0%*
As a percentage of Sales	*3.1%*	*4.9%*	*5.4%*	*2.2%*	*-0.7%*	*-0.4%*	*-10.8%*	*4.2%*	*0.4%*	*3.9%*
Results from operating activities ..	(130.3)	29.7	(6.5)	(8.1)	(36.0)	(14.8)	(142.3)	8.3	(315.0)	15.1
Net Profit	(226.8)	(4.7)	(8.5)	(9.1)	(19.2)	(16.9)	(164.2)	1.1	(418.7)	(29.6)

EBITDA: Adjusted EBITDA + other cash items

Historical key financial information

This Prospectus includes the Group's audited consolidated annual accounts and related notes as of and for the year ended December 31, 2018 (which include the restated comparative information as of and for the years ended December 31, 2017 and 2016, as explained below) (the "**Audited 2018 Financial Statements**") and the Company's reviewed first semester accounts and related notes as of and for the semester ended June 30, 2019 (the "**Limited Reviewed H1 2019 Financial Statements**").

The Group's review of its estimated results for FY 2018, which was extended to all the foreign operating subsidiaries in addition to Spain (Portugal, Brazil and Argentina) and the consequent forensic investigations in Spain and Brazil revealed the existence of errors and irregular practices as a result of certain employees and members of management (including several former senior executives of the Group) overriding its established internal controls, which led to the restatement of comparative figures for FY 2017 and FY 2016, included in the Audited 2018 Financial Statements. The investigations in Spain and in Brazil are completed and the final reports were sent to the Anti-Corruption Prosecutor's Office (*Fiscalía Anticorrupción*).

Summary of Consolidated Income Statement

INCOME STATEMENT	**H1 2019**	**H1 2018(*1)**	**FY 2018**	**Restated FY 2017 (*2)**	**Restated FY 2016 (*2)**
Net Sales	3,444.5	3,701.8	7,288.8	8,217.7	8,262.9
YoY Revenue Growth (%	*-7.0%*	*N.A.*	*-11.3%*	*-0.5%*	*N.A.*
EBITDA	13.5	143.1	246.0	470.9	478.3
EBITDA Margin (%)	*0.4%*	*3.9%*	*3.4%*	*5.7%*	*5.8%*
Adjusted EBITDA	(55.6)	206.0	337.9	518.5	541.3
Adjusted EBITDA Margin (%)	*-1.6%*	*5.6%*	*4.6%*	*6.3%*	*6.6%*
Results from Operating Activities	(315.0)	15.1	(94.5)	218.0	237.6
Operating Margin (%)	*-9.1%*	*0.4%*	*-1.3%*	*2.7%*	*2.9%*
Net Profit / Loss	(418.7)	(29.6)	(352.6)	101.2	128.7
Net Margin (%)	*-12.2%*	*-0.8%*	*-4.8%*	*1.2%*	*1.6%*
Earnings Per Share	(0.7)	(0.1)	(0.6)	0.2	0.2

Summary of Consolidated Statement of Financial Position

BALANCE SHEET	**H1 2019**	**FY 2018**	**Restated FY 2017 (*2)**	**Restated FY 2016 (*2)**

Total Assets	3,511.2	3,271.8	3,740.4	3,802.8	
Total Equity	(566.2)	(166.1)	257.2	331.7	
Net Financial Debt	1,817.9	1,452.0	946.0	872.4	

Summary of Consolidated Statement of Cash Flows

CASH FLOW STATEMENT	H1 2019	H1 2018[*1]	FY 2018	Restated FY 2017 [*2]	Restated FY 2016 [*2]
Loss/profit before income tax	(424.1)	(7.5)	(167.2)	153.3	181.5
Adjustments to profit and loss	502.0	135.0	413.1	298.8	302.8
Adjustments to working capital	(99.3)	(356.0)	(386.7)	(81.2)	342.3
Net cash flows from/(used in) operating activities	**(21.5)**	**(228.5)**	**(140.8)**	**370.9**	**826.6**
Payments of property, plant and equipment	(112.3)	(183.6)	(322.7)	(262.2)	(333.4)
Other	13.2	16.6	64.0	28.6	2.1
Net cash flows used in investing activities	**(99.0)**	**(167.0)**	**(258.7)**	**(233.6)**	**(331.3)**
Amounts from financial liabilities	244.4	217.5	646.9	405.6	300.0
Other	(229.7)	(44.1)	(421.7)	(607.9)	(631.3)
Net cash flows from/(used in) financing activities	**14.6**	**173.4**	**225.1**	**(202.3)**	**(331.3)**

[*1] The income statement of the six-month period finishing June 30, 2019 is presented for comparative purposes together with the income statement as of June 30, 2018 which has been restated. The aforementioned restatement is mainly due to the hyperinflation in Argentina, as well as the consolidation of assets and liabilities of CDSI and the impact of irregularities and errors which were identified in the second half of 2018. Said irregularities are described in Note 2.3 of the Audited 2018 Financial Statements. Note that the *Clarel* business was still considered a continued activity as of June 30, 2018 and therefore no further restatement has been needed.

[*2] The consolidated income statement, the consolidated statement of financial position and the consolidated statement of cash flows dated as of December 31, 2017 and 2016 have been presented on the basis of the presentation included in the Audited 2018 Financial Statements due to the impact of correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments.

Financial debt and New Finance Arrangements

As of June 30, 2019 the Group had €2,629.9 million of total financial debt. Furthermore, as of September 30, 2019, the Group had €2,679.9 million of total financial debt. Finally, the total financial debt of the Group after the completion of the offering will amount to €2,187.7 million (all the figures include the impact of net debt IFRS 16).

On July 17, 2019, DIA entered into an agreement for the amendment and restatement of the preexisting finance arrangements (which were executed on December 31, 2018) with all the syndicated lenders of the Company's syndicated facilities for a total amount of €973.2 million (the "**Lenders**") (the "**New Finance Arrangements**"), of which €902.4 million correspond to the preexisting finance arrangements and €70.8 million correspond to a new super senior supplier tranche (the "**Supplier Tranche**") (including €9.7 million of the preexisting finance arrangements) made available to the Company by certain Lenders.

Under the terms of the New Finance Arrangements, the maturity dates of the facilities are as follows: (i) the maturity dates of all preexisting tranches of the syndicated facilities (€902.4 million) were extended until March 31, 2023, and (ii) the Supplier Tranche (€70.8 million) has an initial maturity of July 2020, with a possibility to two further extensions of one year each.

All conditions precedent for the effectiveness of the New Finance Arrangements were complied with on or before July 17, 2019. Although there are no conditions subsequent in the New Finance Arrangements, there are certain obligations whose non-compliance could trigger an event of default. The most relevant obligations are: (i) the Hive Down (as defined below) obligation, (ii) a minimum liquidity covenant, (ii) a leverage covenant, (iv) capex and restructuring costs covenants, and (v) the delivery of a business plan to the Lenders before December 31, 2019.

Additionally, the Group has pledged almost 100% of its assets to secure its obligations under the New Finance Arrangements.

Group financial debt

Following completion of the Offering	Total	1 year	2 years	3 years	4 years	5 years	more than 5 years
		Oct 19 - Sep 20	Oct 20 - Sep 21	Oct 21 - Sep 22	Oct 22 - Sep 23	Oct 23 - Sep 24	Oct 24- ....
				(€'000,000)			
Spain							
Debentures and Bonds	594.492	2.206	299.115		293.171		
Super Senior Supplier Facility (Revolving Credit Facility - RCF)	3.153	3.153					
Revolving Credit Facilities (RCF)	146.761				146.761		
Term Loan Facilities (TL)	377.269				377.269		
Credit Facilities - Syndicated Financiation	166.676				166.676		
Other bank Loans	22.505	15.005	7.500				
Mortgage loan	0.500	0.427	0.073				
Participative Loan	0.000						
Finance lease payables, Guarantees and others	43.631	12.317	7.897	5.468	4.273	1.747	11.929
Spain total	**1,354.986**	**33.108**	**314.585**	**5.468**	**988.150**	**1.747**	**11.929**
Credit Lines	26.070	17.770	8.300	0.000	0.000	0.000	0.000
Other bank Loans	99.593	44.510	55.083				
Finance lease payables, Guarantees and others	4.779	4.335	0.213	0.034	0.032	0.034	0.131
Countries	**130.442**	**66.615**	**63.596**	**0.034**	**0.032**	**0.034**	**0.131**
Total Financial Debt (excluding Debt IFRS 16)	**1,485.428**	**99.723**	**378.181**	**5.502**	**988.182**	**1.781**	**12.060**
Other Net Debt (IFRS16)	702.225	227.376	170.787	132.900	70.382	26.280	74.500
Total Financial Debt	**2,187.653**						

The group financial debt following the Offering only differs from the Group's financial debt as of September 30, 2019, in the "Participative Loan" (as stated in the chart above) granted by LetterOne, which will be capitalized or repaid with proceeds from the Offering.

Audit report on the historical financial information

In financial year 2016 and 2017, the former auditor stated that the annual accounts gave a true and fair view of the Company and no explanatory notes accompanied the consolidated financial statements. Notwithstanding the foregoing, the Audited 2018 Financial Statements included a material uncertainty regarding the capacity of DIA to continue as a going concern, due primarily to its deteriorated equity and financial position as at December 31, 2018.

For the first semester of 2019, the new auditor of the Company has performed a limited review of the condensed interim consolidated financial statements in which there are no qualifications (*salvedades*). In this limited review, the auditor underlines in Notes 1 and 2.4 of the accompanying explanatory notes the current status of the measures adopted by the General Shareholders' Meeting and the Board of Directors of the Company, as well as the management's assessment of said status, in relation to applying the principle of going concern, after considering the significant measures adopted by the Group to restore its equity and financial position. In this regard, the Board of Directors stated in said Note 2.4 that the actions taken in 2019, along with the commitment acquired by the majority shareholder to carry out a share capital increase, will ultimately enable the Group to continue as a going concern and achieve its long-term targets.

Working capital

Although the Group's working capital, calculated as current assets less current liabilities, excluding assets and liabilities held for sale, is negative as of June 30, 2019 in the amount of €577.6 million, the Group believes that the working capital it expects to generate over the next twelve months is sufficient to meet the Group's obligations, commitments and business needs during such period of time. In particular, the Company plans to improve its working capital by completing the Offering and by its entry into the New Finance Arrangements. In particular, as noted, the supplier tranche, which is made available under the New Finance Arrangements, will be used by the Company to manage its working capital requirements *vis-à-vis* the suppliers of the Group.

What are the risks that are specific to the Company?

Key information on the key risks that are specific to the Issuer or its industry

- Profitability risk and absence of an approved long-term business plan as of the date of the Prospectus. The Group is analysing its future strategy and is in the process of producing a new long-term business plan that will be finalised before December 31, 2019. In the first semester results, as of June 30, 2019, the Group recorded a net attributable loss of €418.7 million compared to a loss of €29.6 million in the same period in 2018, as a result of the strongly negative earnings impact related to the sharp sales decline of 7.0%, and one-off stock liquidation costs of €38.8 million. There was also an impairment of non-current assets of €11.6 million, losses on disposal of fixed assets of €51.6 million, impairment of trade debtors of €35.8 million, €40.3 million expenses mainly related to personnel restructuring, and an increase of finance expenses of €80.5 million. Total consolidated equity of the Group amounted negative €566.2 million as of June 30, 2019 (total consolidated equity of the Group following the Offering, assuming it is fully subscribed, will be negative €65.19 million; however, DIA's equity, the parent company of the Group, assuming full subscription of the Offering, will be positive €327.19 million). Furthermore, the profitability of the Group depends on the correct design and implementation of the Group's new business strategy, which may not deliver the targeted benefits. As of the date of registration of this Prospectus, the Group is continuing to develop its long-term business plan based on its transformation strategy.
- The Group may fail to comply with the refinancing conditions after the execution of the Offering, which would give rise to an event of default under the New Finance Arrangements, and therefore, the Group may be unable to continue as a going concern. The hive down is a complex intragroup restructuring process which will require the implementation of a significant number of steps and actions in different jurisdictions, also involving third parties (such as landlords, suppliers, Land and Commercial Registries, tax authorities etc.) (the "**Hive Down**"). The Hive Down has been approved by the General Shareholders' Meeting of the Company held on August 30, 2019. A failure by the Company to satisfy the first hive down milestone requirement (i.e., to transfer to certain subsidiaries indirectly owned by the Company, no later than December 31, 2019 (i) all real estate owned by the Company in Spain, (ii) certain commercial stores of the Company representing at least 58% of Restricted EBITDA (EBITDA after adding back all amounts provided for depreciation, amortization and impairment); and (iii) the Company's holdings in the Brazilian, Argentinean and Portuguese subsidiaries, to the extent viable from a legal, tax and regulatory standpoint) or to comply, among others, with its leverage, liquidity and capital expenditure covenants, would trigger an event of default under the New Finance Arrangements. The aforementioned transfer of assets, liabilities and contracts is subject to certain exceptions: (i) the bonds (European Medium Term Notes); (ii) certain assets, liabilities or contracts (i.e. those that (a) may not be transferred due to legal or contractual restrictions; (b) its transfer materially and adversely affects the business of the Company or its Group; (c) its transfer results in a cost for the Group (including taxes or losses of tax assets) which exceeds an aggregate amount of €5,000,000); and (iii) any property lease agreements the assignment or transfer of which entitles the lessor to increase the rent or terminate the lease agreement.
- There could be an incomplete subscription of €105,552,246.60 of the Second Tranche of the Offering, as a result of which the Company could face a cash shortfall in the medium to long term, as a result of which it may be unable to implement its future business plan. As a consequence of such cash shortfall, the Group could have to procure additional financing lines (up to €100 million, as permitted by the New Finance Arrangements), but access to financing lines may be limited.
- The Group is exposed to a variety of tax risks. In particular, the Group's parent company in Brazil ("**DIA Brazil**") received the result of the inspections carried out on the 2014 accounts, resulting in an updated debt of €102,295 thousand (BRL 445,094 thousand) relating to the different items of indirect federal taxes (i) PIS, and (ii) COFINS (both are federal contributions calculated based on a percentage over sales). However, based on reports drawn up by two legal firms, the Company has deemed the risk of loss of the items disputed in this appeal as remote/possible for the most part and has therefore only recorded a provision of €1,264 thousand (BRL 5,500 thousand) at June 30, 2019. Additionally, DIA Brazil received two notifications from the Brazilian tax authorities regarding the 2010 accounts, one for an updated amount of €16,519 thousand (BRL 71,874 thousand) in relation to the discrepancy regarding the tax on income from supplier discounts, and the other for omission of income from circulation of goods for an amount of €80,227 thousand (BRL 349,076 thousand). The Group's external legal advisors continue to deem the likelihood of an unfavorable outcome as remote and the Company has therefore made no provisions.
- The Group is subject to risks associated with its international markets and foreign currency volatility. The Group operates directly in four countries, Spain, Portugal, Brazil and Argentina, and in the semester ended June 30, 2019, it derived 31.2% of its revenues from sales outside of Spain and Portugal (14.2% from Argentina and 17.0% from Brazil). In the first six months of 2019, the BRL and the ARS fell 4.7% and 44.7% (Source: Bloomberg), respectively, against the euro compared to same period last year. As a result, the Group suffered a negative effect from foreign currency translation in sales of 6.5%, positive in EBITDA of 3.3% and positive 56.5% in net losses. Shareholders' equity suffered a positive effect from foreign currency translation of €4.6 million and additional positive €8.1 million for the application of IAS29 in hyperinflationary economies for the six months ended June 30, 2019. The Group's results of operations could be materially adversely affected if the euro strengthens against non-euro currencies and its protective strategies are not successful.
- The value of the Group's property, plant and equipment, goodwill, tangible assets and other intangible assets may further decline in the future. During year 2018 the Group recognized a total impairment loss on non-current assets of €79.9 million, impairment of trade debtors of €27.8, losses on disposal of fixed assets of €25.4 million and impairment of assets from discontinued operations of €37.7 million. As of June 30, 2019 the Group recognized a total impairment loss on non-current assets of €11.6 million, impairment of trade debtors of €35.8 million, losses on disposal of fixed assets of €51.6 million and impairment of assets from discontinued operations of €4.2 million. A significant further decline in the Group's expected future cash flows, a material change in interest rates or a significant adverse change in the business

climate resulting in slower growth may require the Group to reduce the value of goodwill and other intangible assets.

- A continued decline in the Group's operating profit and taxable income may impair its ability to realize the value of its deferred tax assets. Given the deterioration in the Group's financial performance during 2018, the Group applied an impairment of €160.3 million of assets for tax loss carryforwards with a recovery exceeding ten years and of €9.7 million of other deferred tax assets (total impairment of €170.5 million). As a result, deferred tax assets as of December 31, 2018 were €73.3 million, compared to €272.3 million as of December 31, 2017. As of June 30, 2019, deferred tax assets amounted €95.1 million. A significant decline in the Group's financial performance, or the failure to successfully execute the Group's future business plan, could negatively affect the results of the Group's assessment of the recoverability of its deferred tax assets and trigger the impairment of these assets.
- The Group will have indebtedness upon completion of the Offering, which may significantly restrict its operations. The Group's debt, the covenants in the New Finance Arrangements and outstanding Bonds could have important consequences for the Company. The Group will face very relevant maturities of its long-term debt in 2021 of €378.2 million (€300 million corresponding to the 2021 bonds) and between October 2022 to September 2023, €988.2 million (mainly corresponding to the 2023 bonds plus revolving credit facilities, term loans and credit facilities drawn down of the New Finance Arrangements). Additionally, the Group has €99.7 million of debt whose maturities mature before the end of September 2020 (mainly bilateral facilities with entities which are not a part of the New Finance Arrangements for a total amount of €59.5 million). A failure by the Group to repay, extend or refinance its maturities may lead the Group to face a cash shortfall as a result of which it may be unable to maintain its existing operations and continue as a going concern. Given the performance of the Company during the last year, the Company has a high leverage ratio in terms generated EBITDA. The Company faces operative restrictions such as capex limitations and additional leverage financing of €100 million.
- The principal shareholder of the Company has executed several related party transactions with the Company following the acquisition of a controlling stake by LetterOne as a result of the settlement of its tender offer on May 22, 2019. The Company and the following companies within the LIHS group have entered into the following related party transactions: (i) two profit participating loans granted by LetterOne to the Company, amounting to €490,000,000 of principal and €2,280,000 of interest as of September 30, 2019, (ii) a management services agreement entered into with L1 Retail (UK) LLP and L1 Retail (Jersey) LLP, by means of which the Company pays an annual fee of up to €5,000,000 in aggregate to the aforementioned companies, (iii) the TL Tranche Commitment Letter (as defined below), under which LetterOne commits to provide (or otherwise procure the provision by other party/ies) €200,000,000 to the Company at a 7% margin, and (iv) the commitment to subscribe an amount of up to €500,000,000 of the Offering, including underwriting up to €81,445,000.40 in the Second Tranche subject to the conditions thereof, under which the Company pays a €3,868,637.519 fee. This decision has been mainly based on the contacts made and the underwriting proposals received by the Company. All of the aforementioned transactions have been approved after the issuance of the relevant report by the Audit and Compliance Committee of the Company. The Board of Directors of the Company has also approved the abovementioned transactions. For such approval, the proprietary directors, which have been appointed by LetterOne, have abstained from deliberation of the relevant resolutions and have adhered to the vote of the independent directors, being all these transactions approved by unanimity using this same procedure. The Company believes that all these transactions have been entered into under market conditions and in the best corporate interest of the Company. As a consequence of all the abovementioned transactions executed by and between the Company and several companies within the LIHS group, DIA has certain dependency on its majority shareholder.
- Any failure, insufficiency or breakdown in the Group's internal controls over financial reporting could have a material adverse effect on the Group's business, operating results, financial condition or prospects. In the context of the Group's review of its profit outlook for the year ended December 31, 2018, which revealed the existence of irregular accounting practices in Spain and Brazil and led to the restatement of the Group's financial statements for the years ended December 31, 2017 and 2016 and an investigation by the Anti-Corruption Prosecutor's Office (*Fiscalía Anticorrupción*). These investigations could adversely affect the Group's business or lead to the commencement of legal proceedings against the Group, which could have a material adverse effect on the Group's business, operating results, financial condition or prospects.
- The Group's industry is highly competitive. The grocery retail industry is highly competitive both in Spain and internationally, and continues to be characterized by intense price competition, increasing fragmentation of retail formats and entry of non-traditional competitors (both physical and online). For the foregoing reasons, increased competition could cause a loss of market share and require the Group to change its growth strategy.

Key Information on the New Shares

What are the main features of the New Shares?

Type, currency, and class of security

New Shares in the First Tranche (as defined below) and New Shares in the Second Tranche (as defined below) will be of nominal value of €0.01 each with temporary ISIN number ES0126775040.

The ISIN number allocated to the current shares (the "**Shares**") is ES0126775032, and the New Shares will bear the same ISIN as the Shares upon completion of the Offering and admission to listing. The Shares are of the same class and the Company currently has no other class of shares. The New Shares will be denominated in euro and will rank *pari passu* with the Shares, including in respect of the right to receive dividends approved by the shareholders after the date on which ownership of such New Shares is registered in the book entry registries of the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.* ("**Iberclear**"). The Shares grant their owners the rights set forth in the bylaws and under the Spanish Capital Companies Act.

Dividend policy

The New Finance Arrangements restrict the ability of the Company to declare or pay any dividend or make any other payment or distribution on or in respect of its share capital, until the syndicated facilities have been repaid in full (which, under the New Finance Arrangements will be on March 31, 2023). The Company may only distribute dividends to its shareholders before the repayment in full of the syndicated facilities if it obtains the prior consent from Lenders whose commitments aggregate more than 75% of the total commitments. Any dividend distribution made without said prior consent will result in an event of default under the New Finance Arrangements.

Likewise, LetterOne commented in the prospectus of the tender offer that it did not believe that it was reasonable for the Company to distribute dividends in the next few years and would wait until the results of arising out of the implementation of the Company's new strategy were noticeable.

Where will the New Shares be traded?

The number of shares issued and admission to the Spanish Stock Exchanges

The Offering will be in respect of 6,055,522,466 New Shares at a subscription price of €0.10 per New Share (nominal amount of €0.01, plus premium of €0.09). The Company expects the New Shares issued in the Offering to start trading on the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges (the "**Spanish Stock Exchanges**") from, on or about December 2, 2019. The Company will communicate significant developments in the Offering via public regulatory information notices (*hecho relevante*).

The Shares are listed on the Spanish Stock Exchanges and are quoted through the Automated Quotation System (AQS (*Sistema de Interconexión Bursátil* or *Mercado Continuo*)) of the Spanish Stock Exchanges.

Competent Authority

This Prospectus has been approved by the CNMV on October 25, 2019. The CNMV is the competent authority in Spain on this Prospectus.

Investors can contact the CNMV through its investor helpline on +34 900 535 015.

What are the key risks that are attached to the New Shares?

Not applicable

What are the key risks that are specific to the New Shares?

Key information on the key risks that are specific to the New Shares

- The market price for the New Shares may decline below the subscription price and shareholders may not be able to sell their Shares and/or preferential subscription rights at a favorable price during or after the Offering. The sale of a significant number of Shares may impact their trading price.
- The Group's ability to pay dividends to its shareholders is uncertain and may be restricted. In particular, the New Finance Arrangements restrict the ability of the Company to pay any dividend until the syndicated facilities have been repaid in full (final maturity date is March 31, 2023). The only exception to such restriction would be if the Company obtains the prior consent from Lenders whose commitments aggregate more than 75% of the total commitments.
- The principal shareholder of the Company can exercise significant control over it, and its interests may conflict with those of other shareholders. LetterOne holds Shares representing 69.759% of DIA's share capital. As a result, LetterOne is in a position to influence the Company significantly or even control it, and its interests may conflict with those of other shareholders. The principal shareholder is a part of the retail division within LIHS, which, may carry out investments in other businesses within the retail industry, either competitors of the Company or not, as part of the investment strategy of LetterOne.
- Shareholders who do not acquire New Shares in the Subscription Offer will experience dilution in their ownership of the Group. If a shareholder does not take up the offer of New Shares under the Offering, for any reason, its proportionate ownership, voting interests and the percentage that their shares represent of the total share capital of the Group will be reduced accordingly suffering a dilution of 90.68% of its ownership of the Group (assuming a full subscription of the capital increase by the underwriter or third parties, the stake of the remaining shareholders, excluding significant shareholders and treasury shares, would amount to 2.48% of the share capital of the Company).

Key Information on the Admission

Under which conditions and timetable can I invest in the New Shares?

A description of the terms and conditions of the issue

LetterOne, as principal shareholder of the Company, granted two profit participating loans to the Company. The first profit participating loan was granted on May 29, 2019 for a principal amount of €40,000,000 (the "**First Profit Participating Loan**"). The second profit participating loan was granted on June 26, 2019 for a principal amount of €450,000,000 (the "**Second Profit Participating Loan**", which together with the First Profit Participating Loan are defined as the "**PPLs**"). The termination date for both PPLs is November 28, 2019.

On September 20, 2019 the Company and LetterOne signed a letter whereby they agreed that the PPLs, inasmuch as it was necessary for their capitalization, would automatically become due and payable on the date of their capitalization, in accordance with the terms and conditions set forth in this Prospectus.

On October 22, 2019 the Extraordinary General Shareholders' Meeting of the Company passed a resolution approving a share capital increase to raise the Company's equity in an amount of €605,552,246.60 through the issue of 6,055,522,466 New Shares at a subscription price of €0.10 per New Share

(i) First Tranche: capital increase to be executed by means of a capitalization of the credit rights that LetterOne holds against the Company under the Second Profit Participating Loan, by a nominal amount of €41,855,499.96 and an effective amount of €418,554,999.60, through the issue and putting into circulation of 4,185,549,996 new ordinary shares of €0.01 nominal value each, with a share premium of €0.09 per share. The amount of the first tranche (€418,554,999.60) is equivalent to the pro rata portion of the total amount of the capital increase which LetterOne would be entitled to subscribe considering its current stake in DIA (69.759%), had a single €600,000,000.00 capital increase fully payable in cash been implemented (the "**First Tranche**").

(ii) Second Tranche: capital increase to be carried out by means of cash contributions, with preferential subscription rights, and is addressed to all the shareholders of the Company other than LetterOne, that is, holders of 30.241% of the Company's share capital, by an amount of €18,699,724.70 through the issue and putting into circulation of 1,869,972,470 additional new ordinary shares of €0.01 nominal value each, with a share premium of €0.09 per share (the "**Second Tranche**").

    LetterOne has formally waived its preferential subscription right in the preferential subscription period of this Second Tranche (the "**Preferential Subscription Period**"), considering that its pro rata portion of the capital increase is already covered by the First Tranche. However, in case the Second Tranche is not fully subscribed during the preferential subscription period, LetterOne may request a maximum of 814,450,004 additional shares in the Additional Allocation Period or Discretionary Allocation Period of the Second Tranche (as defined below), which entails that its participation in the capital increase shall not exceed 5,000,000,000 shares (or €500,000,000). In case that LetterOne requests shares in the Additional Allocation Period or the Discretionary Allocation Period of the Second Tranche, the contribution shall be (a) first by capitalization of the PPLs (up to a maximum of €71,445,000.40), and (b) second by cash contributions (up to €10,000,000).

The First Tranche and the Second Tranche shall be jointly referred as the Offering.

Subject to the terms and conditions set out herein, the Company is granting, with regard to the Second Tranche, transferable subscription rights to holders of the Company's ordinary shares who acquired their Shares on or before October 29, 2019 (the expected date of publication of the Offering in the Spanish Commercial Registry Official Gazette (*Boletín Oficial del Registro Mercantil*) ("**BORME**")) and appear as shareholders of the Company in Iberclear on or before October 31, 2019 at 23:59 (the "**Eligible Shareholders**"). Each Share held by the Eligible Shareholders (other than LetterOne) entitles its holder to receive 10 Preferential Subscription Rights in the Second Tranche. The exercise of 1 Preferential Subscription Right entitles the relevant Eligible Shareholder to subscribe for 1 New Share in consideration for payment of a subscription price of €0.10 per New Share, which is referred to as the "**Subscription Price**".

The Subscription Price, which must be paid in euros, is €0.10 per New Share. The Subscription Price represents an implied discount of 22.0% on the theoretical ex rights price (TERP) (€0.1282 based on the Share's closing price of €0.41 as of October 22, 2019) a 75.6% discount to the market share price of October 22, 2019, 79.8% discount to the average market share price of the last quarter and a 82.4% discount to the average market share price of the last year.

The Offering, if all the New Shares are fully subscribed, will result in an increase of 6,055,522,466 issued Shares. The share capital of the Company will increase from 622,456,513 Shares to 6,677,978,979 Shares, corresponding to an increase of 972.84% after the execution of the Offering.

LetterOne committed to subscribe up to €500,000,000 of the Offering, which includes the underwriting of a maximum effective amount (nominal plus share premium) of €81,445,000.40 of the Second Tranche to the extent that the aggregate of the First Tranche and the amount subscribed by the rest of the Company's shareholders or by those investors who acquire preferential subscription rights after the finalization of the Preferential Subscription Period, the Additional Allocation Period and the Discretionary Allocation Period (as defined below) is less than €500,000,000 (the "**Underwriting Commitment**"). If LetterOne acquires New Shares in the Second Tranche, the Subscription Price for such New Share shall be satisfied (a) first by capitalization of the PPLs (up to a maximum of €71,445,000.40), and (b) second by cash contributions (up to €10,000,000).

On October 24, 2019, the Company entered into the Underwriting Commitment, governed by Spanish law, with LetterOne as the underwriter. In addition, Banco Bilbao

Vizcaya Argentaria, S.A., is acting as Agent Bank (the "**Agent Bank**"), with respect to the New Shares of the Offering.

LetterOne will receive a fee of €3,868,637.519 as consideration in exchange for the Underwriting Commitment.

Subscription of New Shares in the Second Tranche

(i) The Preferential Subscription Period will commence on the first calendar day following the publication of the Offering in the BORME and will last up to and including the 15th calendar day thereafter. During the Preferential Subscription Period, Eligible Shareholders (not including LetterOne) will be able to sell all or part of their Preferential Subscription Rights or, alternatively, to subscribe, in whole or in part, for New Shares in the Second Tranche, subject to any applicable restrictions on transfer described in this Prospectus, while other investors may acquire Preferential Subscription Rights in the market in the required proportion and subscribe for the corresponding New Shares in the Second Tranche. Both Eligible Shareholders and other investors that acquire Preferential Subscription Rights and exercise their Preferential Subscription Rights, in whole or in part, may also subscribe for additional New Shares during the additional allocation period, which is expected to take place by no later than November 21, 2019 (the "**Additional Allocation Period**"), as described in this Prospectus. For the avoidance of doubt, LetterOne shall be considered to have exercised its Preferential Subscription Rights by subscribing the First Tranche, as it equals to the Preferential Subscription Rights corresponding to LetterOne in the Offering.

(ii) Preferential Subscription Rights not exercised within the Preferential Subscription Period will expire without value. Assuming the New Shares are fully subscribed, they will represent approximately 972.84% of the Company's issued and paid-up share capital at the date the share capital reduction is registered with the Commercial Registry of Madrid a and approximately 90.68% of the Company's issued and paid-up share capital after the execution of the Offering.

(iii) Any New Shares in the Second Tranche that are not subscribed for during the Preferential Subscription Period or the Additional Allocation Period may then be offered to Eligible Shareholders (including for the avoidance of doubt LetterOne) or to qualified investors showing interest in acquiring New Shares in the Second Tranche during a discretionary allocation period which is expected to begin at any time after the end of the Additional Allocation Period and end no later than 16:00 p.m. CET on November 22, 2019 (the "**Discretionary Allocation Period**").

(iv) LetterOne shall be entitled to subscribe New Shares in the Second Tranche, either in the Additional Allocation Period or in the Discretionary Allocation Period, first by capitalization of the PPLs and secondly by cash contributions.

(v) New Shares in the Second Tranche that remain unsubscribed after such Discretionary Allocation Period will, subject to the terms and limitations of the Underwriting Commitment, be subscribed by LetterOne as underwriter of the Offering (the "**Underwriter**") at the Subscription Price.

Expected timetable

The summary timetable set forth below lists certain important dates relating to the Offering:

Principal event	**On or about**
Commencement of the Preferential Subscription Period and the period to request New Shares to be allocated (if applicable) during the Additional Allocation Period(1)	October 30, 2019
End of the Preferential Subscription Period and the period to request New Shares to be allocated (if applicable) during the Additional Allocation Period	November 13, 2019
Additional Allocation Period (if applicable)	November 21, 2019
Commencement of the Discretionary Allocation Period (if applicable)	November 21, 2019
End of the Discretionary Allocation Period (if applicable)	November 22, 2019
Admission to listing and trading of the New Shares by the CNMV and the Spanish Stock Exchanges	November 28, 2019
Expected commencement of trading of the New Shares on the Spanish Stock Exchanges	December 2, 2019

Note:

(1) The registration of the capital reduction public deed with the Commercial Registry shall be a condition to the commencement of the Preferential Subscription Period and the trading of the Preferential Subscription Rights. The registration of the capital reduction will be announced by means of a regulatory information notice (*hecho relevante*).

Estimated expenses charged to the investor by the Issuer

Not applicable. No expenses will be charged to any investor by the Company in respect of the Offering.

Why is the Prospectus being produced?

Reasons for the issue, use of proceeds

The Offering is being undertaken within the context of a number of measures that the Group has implemented and/or is seeking to implement (or, as the case may be, has commenced the implementation thereof).

The net proceeds of the Offering, which is expected to be €181,308 thousand, will be used, in order of preference (i) to repay PPLs provided by LetterOne, in the event that the PPLs are not fully capitalized as a result of the Offering (a maximum of €71,445 thousand); (ii) to pay financial expenses for advancing funds under the PPLs, which as of September 30, 2019, amounted to €2.28 million; and (iii) to fund other corporate expenses to implement the Group's new business plan developed under DIA's transformation strategy. In the event of a full subscription of the Second Tranche by Eligible Shareholders (other than LetterOne), the outstanding amount of the PPLs (any amounts not capitalized) shall be repaid with such net proceeds. In the event of the aforementioned full subscription of the Second Tranche, after full repayment of the PPLs, financial interests and legal and financial expenses, the Company would receive €107,581 thousand in cash, which shall be principally destined to finance the design and implementation of the future business plan of the Company. In the event the Offering is not fully subscribed, but LetterOne subscribes an additional €71,445 thousand in the Second Tranche (either in the Additional or Discretionary Allocation Period or as part of its Underwriting Commitment), the entire nominal value of the PPLs shall also be capitalized and LetterOne would contribute further €10 million in cash. The total amount of the PPLs has been used by the Company to repay the bonds maturing in July 2019 and to fund the Company's liquidity needs.

Dilution

Following the completion of the Offering assuming that (i) all offered New Shares will be subscribed for and issued, (ii) the Eligible Shareholders choose to transfer their Preferential Subscription Rights to third parties and not use those for subscribing to any New Shares, (iii) such third parties will use the Preferential Subscription Rights to subscribe for the New Shares, the shareholdings in the Company prior to the Offering will be diluted by up to 90.68% as a result of the Offering.

GLOSSARY OF TECHNICAL TERMS

Active members	Customers who have used the loyalty card at least once in the relevant year
App/digital application	Downloadable program for mobile devices
Banners	The specific stores operating under a single format
Capillarity	The density/amount of stores in one geographic area
Cash & carry	A retail format in which goods are sold directly from a wholesaler to the customer
Central Warehouse	Warehouses that cover low-moving items i.e. these warehouses do not include perishable items
ClubDIA	The Group's large loyalty card program
CO2 emissions	Carbon dioxide emitted into the air and atmosphere
CO-CO	Operational model in which the Group operates stores directly and holds ownership of the corresponding property rights, lease agreement or surface rights
CO-FO	Franchise operational model in which the stores are operated by third parties pursuant to a franchise agreement but the Group owns the corresponding property rights
Convenience	The relative ease of accessing the Group's stores based on proximity and capillarity
e-commerce	Retail operated through internet channels
EDI system	Electronic Data Interchange system which allows entities to send information electronically
Flow Warehouse	The Group's multi-temperature warehouses which handle articles of greater turnover and fresh products, generally within a distance of less than 70km from PoS
FO-FO	Franchise operational model in which the stores are operated by third parties pursuant to a franchise agreement, where the corresponding ownership of the property right, lease agreement or surface right is held by the franchisee
Footprint	The Group's relative presence in a particular market or area
Franchise	A DIA affiliated store operated by a third party

	under the CO-FO or FO-FO model
GDPR..	The General Data Protection Regulation 2016/679
Household Penetration......................................	The share of consumers that shopped in a certain retailer during the last year, being a reliable indicator of the grocer's capillarity
Hypermarket..	A type of store format that offers an expansive retail facility carrying a wide range of products under one roof, including full groceries lines and general merchandise
ICDC Services..	ICDC Services, S.à r.l.
Loyalty card..	The card given to customers who are part of the Club DIA loyalty program
Market penetration	The extent to which a product or brand is recognized and bought by customers in a particular market
Market share..	The portion of a market controlled by a particular company or product
Megatrucks	Trucks just over 25 meters long which allow up to 60 tons of freight to be transported in a single trip
National brands	Non-private brand products in the Group's product offering
Next Meal	A type of shopping mission concentrated in high-density areas and characterized by customers looking for proximity and convenience when shopping for their dinner that night or food for the next few days
On the Go	A type of shopping mission characterized by shoppers who seek fresh, healthy and ready-to-go-food such as coffee, juice, sandwiches, fast food and ready-to-eat meals in convenient and innovative environments
PoS	Point of Sale
Private Label..	DIA brand products
Proximity..	The closeness of DIA stores to the communities they serve
SAP GRC	Tool for Governance, Risk and Compliance implemented by the Group, using the Process Control Module, in all countries in which the Group operates
Share of wallet	A marketing tool which measures how much an average consumer spends at each metric used to calculate the percentage of a customer's spending

	for a type of product that goes to a particular retailer
Shopping mission	The main purpose for shopping i.e. stock-up, next meal, and on-the-go
SKUs	Stock Keeping Unit is a distinct type of item for sale that allows it to be tracked for inventory purposes
Social Media Networks	An online platform which people use to build social networks or social relations with other people, such as YouTube, Facebook, Twitter, and Instagram
Stock-up	A type of shopping mission which is characterized by customers shopping to fill the cupboard with products across various categories, mainly packaged, cleaning, and personal hygiene products
Supermarket	type of a self-service store format that offers a wide variety of food, beverages and household products, organized into sections and shelves
Organized retailers	Central retail entities that own or franchise a chain of stores and/or store formats
Specialized/non-organized retailers	Stand-alone businesses that caters to one specific retail market

RISK FACTORS

An investment in the Preferential Subscription Rights and New Shares is subject to a number of risks. Accordingly, investors and prospective investors should carefully consider all of the information set out in this Prospectus including, in particular, the risks described below, prior to making an investment in such securities. The Group's business, financial condition, results of operations and prospects could be materially and adversely affected by any of the risks described below. In such cases, the market price of the Preferential Rights or Shares may decline, and investors may lose all or part of their investment.

The risks below are all those which the Group is aware of as at the date of this Prospectus and which it currently believes may materially affect the Group. These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. The risks set out in this section are based on information known at the date of this Prospectus. Additional risks and uncertainties that are not presently known to the Group, or which it currently deems immaterial, may exist or become material and could adversely and materially affect the Company and/or the Group. This Prospectus also contains estimates that involve risks and uncertainties. The Group's results may differ significantly from those previously estimated as a result of certain factors, including the risks which it faces, as described below. The selected sequence of the risk factors mentioned below represents neither a statement about the probability of the risks' realization nor an assessment of the extent of the economic effects or the importance of the risks.

Risk Factors relating to the Group's Financial Situation

1. Profitability risk and absence of an approved long-term business plan as of the date of the Prospectus

In the first semester results, as of June 30, 2019, the Group recorded a net attributable loss of €418.7 million compared to a loss of €29.6 million during the same period in 2018. This increase in losses is due primarily to the strongly negative earnings impact related to the sharp sales decline of 7.0% and also to the exceptional one-off effects of €88.8 million (see items (ii)(b), (iv) and (vii) below) registered in the period in connection with the different measures implemented to set the right basis for the long-term turnaround of the Company, such as closure of poorly performing stores, which the Company expects will translate into visible positive effects on sales and profitability only in the medium to long-term, if at all, as explained further in this Prospectus. As of June 30, 2019, total consolidated equity of the Group amounted negative €566.2 million. After the Offering, assuming it is fully subscribed, total consolidated equity of the Group will be negative €65.19 million. Despite that, even after full subscription of the Offering, the consolidated equity of the Group will be negative, the Group complies with the provisions of the Spanish Companies Act, not being under a dissolution cause. The dissolution cause rules apply individually to each of the companies of the Group and not to the consolidated group as a whole. In this regard, DIA, as parent company of the Group, will not be under dissolution cause, as DIA's equity, assuming full subscription of the Offering will amount to positive €327.19 million.This decrease was primarily attributable to, among other things:

(i) The sharp sales deterioration caused by extraordinary out-of-stock levels and business disruption context described above.

(ii) The closure process of poorly-performing stores which has affected a total of 663 stores in the first semester of 2019 (mostly in Spain and Brazil). These 663 disposals mainly translated into: (a) the write-off of related assets of €51.6 million; and (b) the recognition of one-off provisions in respect of doubtful accounts receivables from related franchisees of €27.8 million. These stores generated a negative EBITDA of €33.5 million during the first half 2019.

(iii) A strong de-franchising process (non-profitable franchised stores becoming directly operated by the Group), which has affected a total of 222 stores during the first semester of 2019 (mostly in Spain and Brazil), resulting in higher labor and Opex (due to expenses), and the recognition of additional provisions on related accounts receivables.

(iv) An initial commercial assortment rationalization process carried out in all regions resulting in a meaningful reduction SKUs reduction. This initiative led to recognizing significant losses (especially in Brazil) related to the corresponding stock liquidation (impacting cost of goods sold) of €38.8 million of one-off expenses.

(v) 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 owners for €10.8 million affecting restructuring costs.

(vi) Other substantial extraordinary and one-off items such as:

- o 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 by €40.3 million.
- o 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 Shareholder's Meeting (including financial and corporate advice, auditors, forensic services, legal advice and strategy consultants), impacting restructuring costs for €12.6 million and financial results by €23.2 million. In addition, finance expenses increased in €35.2 million due to the new application of IFRS 16 in 2019. On top of that, the higher amounts of average financial net debt held during the period and its substantially higher cost translated into €16.5 million higher interest financial costs. Other finance expenses increased in €5.6 million. Total increase of finance expenses was therefore €80.5 million.
- o The repurchase by DIA of 50% of Finandia, S.A. ("**Finandia**") which triggered the recognition of losses impacting financial results by €12.5 million.

(vii) 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 for a total amount of €22.2 million mainly in Brazil (€16.5 million). The aforementioned "write-offs and others" correspond to: (a) legal provisions for an amount of €9.1 million, (b) dismissals for an amount of €6.8 million, (c) extra maintenance and other for an amount of €5.3 million, and (d) other for an amount of €1.0 million. These items are not included in other concepts explained above.

For a discussion of the Group's financial performance, see "*Management Discussion and Analysis of Financial Condition and Results of Operations*".

Additionally, as of the date of registration of this Prospectus, the Group continues developing its long-term business plan, which will set forth the guidelines of the new strategy of the Group and which will be the basis to assess the long-term recoverability of its assets. The Group's successful design and implementation of the future business plan depends largely on its design and implementation by its senior management team and Board of Directors, most of whom have been recently appointed.

The design and implementation the future business plan is a complex exercise involving the simultaneous execution of numerous initiatives that may pose significant operational challenges. There can be no assurance that the Group's strategy and targets under the new business plan will be fully realized, that they will be achieved within the targeted time frame, or at all or that the associated implementation costs will not be exceeded.

Moreover, a failure by the Company to finish developing and deliver the future business plan to the Lenders prior to December 31, 2019 could trigger an event of default under the New Finance Arrangements and result in a cross-default under the Bonds.

2. ***The Group may fail to comply with the refinancing conditions after the execution of the Offering, which would give rise to an event of default under the New Finance Arrangements, and therefore, the Group may be unable to continue as a going concern***

On July 17, 2019, DIA entered into the New Finance Arrangements with its Lenders, amending and restating the Preexisting Finance Arrangements by extending the maturity dates of all pre-existing tranches of the syndicated facilities (€902.4 million) until March 31, 2023 (the remaining amount up to €912,113 thousand was relocated as part of the Supplier Tranche, as defined below) and securing a new financial facility for an amount of €70.8 million from said Lenders (the "**Supplier Tranche**"). The New Finance Arrangements include certain conditions with which the Company may fail to comply.

First, in the context of the negotiation of the New Finance Arrangements, the Company has been required to enhance the security package of the New Finance Arrangements by means of the Hive Down of assets, liabilities and contracts to certain subsidiaries. In particular, in order to implement the Hive Down:

(i) the Company is required to incorporate and/or acquire certain non-operating subsidiaries in Spain and Luxembourg, described in the New Finance Arrangements as Intermediate LuxCo 1, Intermediate LuxCo 2, Lux HoldCo, Spain Lux Interco, Brazil Lux Interco, Portugal Lux Interco, Argentina Lux Interco (the "**Luxembourg Intermediate Companies**") and Spain DebtCo (currently named DIA Finance, S.L.) (together the "**Intermediate Companies**");

(ii) the Company is required under the New Finance Arrangements to transfer its business, assets, liabilities and contracts to certain subsidiaries indirectly owned by the Company. Such transfer does not include the transfer of:

 (a) the Bonds (European Medium Term Notes) currently issued by the Company;

 (b) any assets, liabilities or contractual relationships which may not be transferred due to legal or contractual restrictions;

 (c) any assets, liabilities or contracts the transfer of which materially and adversely affects the business of the Company or the Group;

 (d) any assets, liabilities or contracts the transfer of which results in a cost for the Group (including taxes or losses of tax assets) which exceeds an aggregate amount of €5,000,000 (in the event that such cap is exceeded the Company and the Lenders shall enter into good faith discussions with a view to identifying ways to minimize such costs and to agreeing the relevant assets, liabilities and contractual relationships which will be transferred as part of the Hive Down); and

 (e) any property lease agreements the assignment or transfer of which entitles the lessor to increase the rent or terminate the lease agreement.

(iii) Spain DebtCo and Spain OpCo will become additional borrowers under the New Finance Arrangements; and

(iv) the Company is required under the New Finance Arrangements to grant guarantees over the shares, bank accounts and receivables of the subsidiaries directly or indirectly owned by the Company that will participate in the Hive Down, in order to secure the New Finance Arrangements.

In particular, as a first milestone, the Company is required under the New Finance Arrangements to transfer to certain subsidiaries indirectly owned by the Company, no later than December 31, 2019 and subject to the above exceptions (the "**First Hive Down Milestone**"):

(i) all real estate owned by the Company in Spain;

(ii) certain commercial stores of the Company representing at least 58% of Restricted EBITDA (EBITDA after adding back all amounts provided for depreciation, amortization and impairment); and

(iii) the Company's holdings in the Brazilian, Argentinean and Portuguese subsidiaries, to the extent viable from a legal, tax and regulatory standpoint.

In addition to the transfer of assets, liabilities and contracts, it is envisaged in the New Finance Arrangements that the Company shall, on or before December 31, 2019, transfer its syndicated bank debt to Spain DebtCo and Spain OpCo.

The Hive Down has been approved by the General Shareholders' Meeting of the Company held on August 30, 2019. For further detail regarding the actions which have been executed by the Company in connection with the Hive Down and the actions to be executed following the First Hive Down Milestone, see "*Description of Certain Financing Arrangements*".

The Company considers that it should be able to implement the Hive Down in accordance with the requirements of the New Finance Arrangements. Notwithstanding the foregoing, the Hive Down is a complex intragroup restructuring process which will require the implementation of a significant number of steps and actions in different jurisdictions, also involving third parties (such as landlords, suppliers, Land and Commercial Registries, tax authorities etc.), which need to be taken in a coordinated manner and within a limited timeframe pursuant to the New Finance Arrangements (in particular, the First Hive Down Milestone must be achieved no later than December 31, 2019).

In addition to the above, a failure by the Company to comply with the following relevant obligations foreseen under the New Finance Arrangements, among others, could also result in an event of default: (i) a minimum liquidity covenant set at €30 million in cash and cash equivalents (less any trapped cash) to apply until December 31, 2020, to be tested quarterly on a 12-month look forward basis, commencing from December 31, 2019 (ii) a leverage covenant, from December 31, 2020, set at levels including 35% headroom to the Restated Total Net Debt/Restated EBITDA ratio established in the future business plan of the Company, to be tested semi-annually, and (iii) capex and restructuring costs covenants fixed at 112.5% and 120%, respectively of the aggregate amounts of capex and restructuring costs included in the new business plan of the Company. For further details see "*Description of Certain Financing Arrangements*".

A failure by the Company to satisfy any of the aforementioned obligations would trigger an event of default under the New Finance Arrangements and result in a cross-default under the remaining outstanding Bonds. Following any such event of default or cross-default, the Lenders or bondholders (as applicable) would be entitled to demand the immediate repayment in full of any amounts outstanding under the relevant New Finance Arrangements (principal of €973,219,190 plus interest), and the 2021 bonds (principal of €300 million plus interest) and the 2023 bonds (principal of €300 million plus interest). Under these circumstances, the Group may face a cash shortfall as a result of which it may be unable to maintain its existing operations and continue as a going concern.

In addition, the New Finance Arrangements state that the Company shall use its best endeavours to raise, at least, €600 million in the share capital increase. Likewise, under the New Finance Arrangements LetterOne has committed to subscribe up to €500 million, as further stated in this Prospectus and subject to the conditions of the Underwriting Commitment. Any amount between €500 and €605 million would not be an event of default, nor require the prior consent of the banks.

3. There could be an incomplete subscription of €105,552,246.60 of the Second Tranche of the Offering, as a result of which the Company could face a cash shortfall in the medium to long term and be unable to implement its future business plan

Under the New Finance Arrangements, the Company committed to implement a share capital increase before December 31, 2019. In this regard, under the New Finance Arrangements, the Company undertook to use its best endeavours to raise, at least, €600,000,000 (nominal value plus share premium) in the aforementioned share capital increase. The New Finance Arrangements also state that up to €500,000,000 of such share capital increase is to be subscribed by LetterOne. As further explained in "*The Offering*", in order to round the exchange ratio, said share capital increase which is intended to be completed by means of this Offering was finally adjusted to a total effective amount of €605,552,246.60.

As explained in further detail in the "*The Offering*", LetterOne shall fully subscribe the €418,554,999.60 million First Tranche of the Offering, through the capitalization of part of the Second Profit Participating Loan. Additionally, on October 24, 2019, the Company entered into an underwriting commitment governed by Spanish law with LetterOne as underwriter with respect to the New Shares (the "**Underwriting Commitment**"). In said Underwriting Commitment, LetterOne committed to subscribe up to €500,000,000 of the Offering, which includes the underwriting of a maximum effective amount (nominal plus share premium) of €81,445,000.40 of the Second Tranche to the extent that the aggregate of the First Tranche and the amount subscribed by the rest of the Company's shareholders or by those investors who acquire preferential subscription rights after the finalization of the Preferential Subscription Period, the Additional Allocation Period and the Discretionary Allocation Period is less than €500,000,000. Therefore, in the event that no New Shares are subscribed during the Second Tranche (i.e. during the Preferential Subscription Period, the Additional Allocation Period or the Discretionary Allocation Period), the Underwriting Commitment would be triggered and the Second Tranche would be closed with 814,450,004 New Shares. Consequently, in such scenario, the Company would raise a maximum total amount of €81,445,000.40 in the Second Tranche which, together with the €418,554,999.60 raised in the First Tranche, will imply an incomplete subscription of a maximum of €105,552,246.60.

In the event of an incomplete subscription of the Offering, the Company's liquidity position would be undermined, which could result in the Company having to procure additional financing lines to cover the unsubscribed amount of the Offering. The New Finance Arrangements allow for the Company to procure additional financing lines of up to the difference between the funds raised in the capital increase and €600 million (therefore of up to €100 million). Furthermore, in the event that the Company has not raised at least, €600,000,000 –that is the amount contemplated under the New Finance Arrangements for the Offering– on or before January 17, 2020, the margin of the Supplier Tranche shall step up from 5.5% per annum to a 7.0% per annum, which would be the applicable margin for each of the years until the maturity of the original term (or its further extensions). In such an event, and taking into account the deterioration of the Company's results in past financial years and the Company's current credit rating (Caa2 by Moody's and CCC by S&P, both with negative perspective), the Company's capacity to effectively access other financing alternatives may be very limited. If that were the case, the Company believes that its capacity to access other may face a cash shortfall in the medium to long term which could affect its ability to implement its future business plan.

4. The Group is exposed to a variety of tax risks

The Group is subject to corporate income tax, value added tax, payroll taxes and social security taxes and, in certain countries, to local taxes on income or assets. The estimated net result of its business is based on tax rates which are currently applicable as well as current legislation, jurisprudence, regulations and interpretations by local tax authorities. Any changes in applicable tax laws may adversely impact the after-tax profit.

The application of tax laws, rules and regulations to the Group's business is subject to interpretation by the competent tax authorities. The Group relies on generally available interpretations of tax laws and regulations in the jurisdictions in which it operates, and it believes that it is in material compliance with applicable tax laws. However, there can be no assurance that tax authorities may not take the view that the Group's interpretations are not accurate. Similarly, the Group may, from time to time, effect certain changes in the way it organizes and conducts its business operations to enhance efficient management of its business, the tax consequences of which may be viewed by the tax authorities of the relevant jurisdictions differently from how they are viewed by the Group. Although currently there is no evidence of such different view, reassessments by tax authorities, increasing tax expenses for past periods and triggering penalties and interest for the underpayment of taxes, are nevertheless possible.

On January 29, 2019, the Group's parent company in Brazil ("**DIA Brazil**") received the result of the inspections carried out on the 2014 accounts, resulting in an updated debt of €102,295 thousand (BRL 445,094 thousand) relating to the different items of indirect federal taxes Program of Social Integration ("**PIS**") and Contribution for the Financing of Social Security ("**COFINS**"), which are calculated based on a percentage of sales. Approximately 30% of the amount of the ruling corresponds to the impact on PIS and COFINS taxes of the discrepancy regarding the income from supplier discounts, which had already been raised in a previous inspection. The Company has appealed this ruling through administrative proceedings and, if necessary, will file a court appeal, since it considers that there are sufficient grounds to obtain a favorable outcome. Based on reports drawn up by two legal firms, the Company has deemed the risk of loss of the items disputed in this appeal as remote/possible in the most part and has therefore only recorded a provision of €1,264 thousand (BRL 5,500 thousand) at June 30, 2019.

Additionally, DIA Brazil received two notifications from the Brazilian tax authorities regarding the 2010 accounts, one for an updated amount of €16,519 thousand (BRL 71,874 thousand) in relation to the discrepancy regarding the tax on income from supplier discounts, and the other for omission of income from circulation of goods for an updated amount of €80,227 thousand (BRL 349,076 thousand).

In relation to the first issue (regarding tax on income from supplier discounts), an unfavorable decision was passed down in the administrative proceedings and the Company filed a court appeal in 2016. As of the date of this Prospectus, the Company has no further information about the court appeal filed before the administrative court of first instance in 2016. However, based on reports from external lawyers, the Company considers that there are sufficient grounds to secure a ruling in favour of DIA Brazil.

In relation to the second issue (on circulation of goods), the administrative proceedings resulted in an unfavorable ruling, which was subsequently appealed. As a result, the administrative court of second instance (CARF), recognized deficiencies in the inspection process and ordered another inspection, which concluded in June 2019 with a favorable ruling for DIA Brazil. The administrative court of second instance (CARF) must now analyse the conclusions of the new inspection.

The Group's external legal advisors continue to deem the likelihood of an unfavorable outcome as remote and the Company has therefore made no provisions as of December 31, 2018 and as of June 30, 2019 for these two issues.

5. *The Group is subject to risks associated with its international markets and foreign currency volatility*

The Group operates directly in four countries, Spain, Portugal, Brazil and Argentina, and in the semester ended June 30, 2019, it derived 31.2% of its revenues from sales outside of Spain and Portugal (14.2% from Argentina and 17.0% from Brazil). Some of the Group's operations are conducted in countries where economic growth has slowed, such as Brazil; or where economies have suffered economic, social and/or political instability or hyperinflation; or where the ability to repatriate funds has been significantly delayed or impaired in recent years, such as Argentina. Current government economic and fiscal policies in these economies, including stimulus measures and currency exchange rates and controls, may not be sustainable and, as a result, the Group's sales or profits related to those countries may decline. As such, the Group's operations in international markets requires significant resources and management attention and subjects it to political, economic and regulatory risks. These include:

- consumer preferences and local market conditions;
- competition from established companies;

- the impact of local tax, zoning, land use and environmental rules and regulations on the Group's ability to build or acquire new facilities;
- reputational damage;
- developing food and safety standards;
- changes in laws and policies affecting trade and investment;
- increases in the cost of foreign labor and international transportation and freight;
- the instability of foreign economies and governments;
- lack of developed infrastructure;
- inflation (including hyperinflation) or recession;
- devaluations or fluctuations in the value of currencies;
- reduced protection of intellectual property rights in some countries;
- expropriation of assets or forced relocations of operations; and
- adverse changes in policies, including monetary, tax and/or lending policies.

Any of the aforementioned risks associated with operating internationally could have a material adverse effect on the Group's business, operating results, financial condition and prospects.

As a result of the Group's international operations, a substantial portion of the Group's expenses and revenues are incurred in foreign currency. As noted above, in the semester ended June 30, 2019, 31.2% of the Group's sales originated outside the euro area.

In its consolidated annual accounts, the Group translates local currency financial results into euro based on average exchange rates prevailing during a reporting period or the exchange rate as at the end of that period. During times of a strong euro or weak local currencies in the jurisdictions in which the Group operates, at a constant level of business, the Group's reported revenues and earnings would be reduced because the local currency would translate into fewer euros.

In addition to currency translation risks, the Group also incurs currency transaction risk whenever it enters into a purchase or a sales transaction or indebtedness transaction using a different currency from the currency in which it records revenues. Given the recent volatility of exchange rates, the Group may be unable to manage its currency transaction and/or translation risks effectively, and volatility in currency exchange rates may have a material adverse effect on the Group's business, operating results, financial condition or prospects. In 2018, for example, Latin American currencies sharply depreciated, with the Brazilian real ("**BRL**") and the Argentinean peso ("**ARS**") falling 16.2% and 40.3%, respectively, against the euro (Source: Bloomberg). As a result, the Group suffered a negative effect from foreign currency translation in sales of 18.7% (at a constant rated would have increased a 7.4% instead of a decrease of 11.3% suffered in the period) and a positive effect in EBITDA of 25.5% (would have decreased a 73.3% at a constant rate compared to a 47.8% suffered in the period) and positive 12.1% in net losses (at a constant rate would be negative €364.9 million compared to the negative €352.6 million registered in the period) for the year ended December 31, 2018.

Argentina's economy was considered hyperinflationary in 2018 and under adoption of IAS29, the Group has chosen to recognize translation differences generated up to January 1, 2018 against reserves. No translation differences have been generated since the adoption of this standard.

The net impact of foreign exchange in the Group's consolidated equity position as of December 31, 2018 amounted to positive €37.8 million. In relation to the income statement, the impact of losses related to foreign currency transactions was negative €10.6 million and the gain from net monetary position due to

IAS 29 was positive €67.5 million, which mainly derived from trade suppliers, which were higher than trade receivables.

The variation that would have arisen in cumulative translation differences in financial year 2018 if the BRL had presented an appreciation or depreciation of 10% would have been +/- 25.56%. The variation that would have arisen in reserves if the ARS had presented an appreciation or depreciation of 10% would have been +/- 16.76%, respectively. See "*Management Discussion and Analysis of Financial Condition and Results of Operations— Quantitative and Qualitative Disclosure about Market Risk—Currency Risk*". As of June 30, 2019, the variation would have been +/- 32.16% for the BRL and +/- 14.33% for the ARS.

In the first six months of 2019, the BRL and the ARS fell 4.7% and 44.7%, respectively, against the euro compared to same period last year (Source: Bloomberg). As a result, the Group suffered a negative effect from foreign currency translation in sales of 6.5% (at a constant rate it would have decreased a 0.5%, instead of the 7.0% decreases suffered in the period), positive in EBITDA of 3.3% (at a constant rate it would have decreased a 93.5%, instead of a 90.2% decrease suffered in the period) and positive 56.5% in net losses (at a constant rate would be negative €435.4 million compared to the negative €418.7 million registered in the period) for the six months ended June 30, 2019. The impact in foreign currency transactions was negative €0.4 million and the gain from net monetary position was €36.1 million in the six-month period ending on June 30, 2019. In addition, the impact of currency translation differences in the Group's consolidated equity position was positive €4.6 million related to Brazil. In addition, the reserves were impacted by positive €8.1 million due to the adjustment for hyperinflation in Argentina.

The Group has entered into and expects to continue to enter into various hedging and other arrangements in an effort to protect against adverse changes in the non-euro exchange markets and attempt to minimize potential material adverse effects. However, these hedging and other arrangements may be unsuccessful in protecting against these risks and the Group may be unable to enter into such arrangements in the future on commercially acceptable terms or at all. The Group's results of operations could be materially adversely affected if the euro strengthens against non-euro currencies and its protective strategies are not successful.

6. *The value of the Group's property, plant and equipment, goodwill, tangible assets and other intangible assets may further decline in the future*

As a result of the impairment test, for the year ended December 31, 2018, the Group recognized a total impairment loss on non-current assets of €79.9 million, of which €66.5 million related to property, plant and equipment, €11.8 million related to goodwill and €1.7 million related to intangible assets.

Also, in December 2018 the Company adjusted the carrying amount of the *Clarel* business assets to their fair value less selling costs, totaling €37.7 million in losses net of taxes of discontinued operations. As a result of the above, the total impairment losses related to assets recognized in financial year 2018 amounted to €117.6 million.

In the semester ended June 30, 2019 the Group recognized a total impairment loss on non-current assets of €11.6 million, of which €5.6 million related to property, plant and equipment, €5.8 million related to goodwill and €0.1 million related to intangible assets. The Company estimates that during second half of year 2019 it may close approximately 150 to 200 stores.

In relation to *Cash & Carry*, in the first half of 2019 an impairment of €4.2 million has been recorded in the assets of the *Cash & Carry* business (losses net of taxes of discontinued operations) based on forecasted sale liquidation estimates for the second half of 2019.

A significant further decline in the Group's expected future cash flows, a material change in interest rates or a significant adverse change in the business climate resulting in slower growth may require the Group to reduce the value of goodwill and other intangible assets. For example, a decrease of 100 bps in the average growth of sales rate in the year ended December 31, 2018 would have increased the impairment charge by €16.3 million. Similarly, a decrease of 20 bps in the Group's commercial margin would have increased the impairment charge by €2.1 million, an increase in the discount rate of 100 bps would have increased the impairment charge by €4.6 million and a decrease in the perpetual growth rate of 20 bps would have increased the impairment charge by €7.0 million.

The Group cannot provide assurance that it will not be required to record any impairment losses in the future. Further impairment would be needed, in the context of the Group's divestment of assets that have been classified as discontinued operations in the Audited 2018 Financial Statements and Limited Reviewed H1 2019 Financial Statements ending June 30, 2019, if the final selling price less cost to sell is lower than the book value of the assets.

7. *A continued decline in the Group's operating profit and taxable income may impair its ability to realize the value of its deferred tax assets*

The Group is required by accounting rules to periodically assess its deferred tax assets for impairment and recognize an impairment loss or valuation charge, if necessary. In performing these assessments, the Group uses its historical financial performance to determine whether it has potential impairments or valuation concerns and as evidence to support its assumptions about future financial performance.

As at December 31, 2017, the Group had recoverable deferred tax assets that exceeded a recoverable period of ten years, which the Company believed to be reasonable based on the Group's profit history. However, given the deterioration in the Group's financial performance during 2018, the Group applied an impairment of €160.3 million of assets for tax loss carryforwards with a recovery exceeding ten years and of €9.7 million of other deferred tax assets (total impairment of €170.5 million). As a result, deferred tax assets as of December 31, 2018 were €73.3 million, compared to €272.3 million as of December 31, 2017.

As of June 30, 2019, deferred tax assets amounted €95.1 million.

Notwithstanding the impairment applied in 2018, the Group continues to have significant deferred tax assets related to loss carryforwards. The realization of such loss carryforwards and other deferred tax assets depends on the timing and amount of taxable income earned by the Group in the future. A significant decline in the Group's financial performance, or the failure to successfully execute the Group's future business plan, could negatively affect the results of the Group's assessment of the recoverability of its deferred tax assets and trigger the impairment of these assets. As explained, at the date of registration of this Prospectus, the Group is still working on the design of its new long-term business plan, which is expected to be approved by the Board of Directors before December 31, 2019 and to be the basis to assess the long-term recoverability of its assets.

Impairment or valuation charges taken against deferred tax assets could be material and could have a material adverse impact on the Group's business, results of operations, financial condition and prospects. See "*Management's Discussion and Analysis of Financial Performance and Results of Operation - Critical Accounting Policies and Estimates*".

8. *The Group will have indebtedness upon completion of the Offering, which may significantly restrict its operations*

As of 30 June, 2019, the Group had a net financial debt (excluding IFRS 16) amounting to €1,817,887 thousand[1]. Furthermore, as of 30 September, 2019, the Group had a net financial debt (excluding IFRS 16) amounting to €1,854,432 thousand. Following the completion of the Offering, the Group will have a net financial debt (excluding IFRS 16) of €1,254,569 thousand. The Group's debt and the covenants in

[1] Excluding IFRS 16 impact of €689.3 million. The IFRS 16 is excluded due to the fact that the IFRS 16 debt is not a granted financing facility. This amount corresponds with the leases payments of the previous years and it was accounted in that manner (as lease payments).

the New Finance Arrangements and outstanding Bonds could have important consequences, including, but not limited to:

- increasing the Group's vulnerability to general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of the Group's cash flow from operations to the payment of principal and interest on its indebtedness;
- limiting its ability to obtain additional financing to fund future working capital, capital expenditures, business development or other general corporate requirements (with the exceptions of the permitted additional financing of €400 million to refinance the bonds maturing in 2021 and the additional permitted financing of up to €100 million in the event of an incomplete subscription of the capital increase);
- increasing the cost of borrowing under any future credit facilities;
- making it more difficult for the Group to pay dividends;
- limiting the Group's ability to incur further indebtedness (and grant security in relation thereto) or invest in or dispose of assets;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business and in the grocery retail industry; and
- placing the Group at a competitive disadvantage compared to less leveraged competitors.

Any of these and other consequences (including any defaults or events of default under the Group's indebtedness) could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In particular, the Group will face very relevant maturities of its long-term debt in 2021 (€300 million corresponding to the 2021 bonds) and between October 2022 to September 2023, €988,182 thousand, mainly corresponding to the 2023 bonds plus the Revolving Credit Facilities, Term Loans and Credit Facilities drawn down of the New Finance Arrangements and a failure by the Group to repay, extend or refinance its maturities may lead the Group to face a cash shortfall, as a result of which it may be unable to maintain its existing operations and continue as a going concern.

In the context of the New Finance Arrangements, the Company and LetterOne entered into the TL Tranche Commitmment Letter (as defined below), pursuant to which LetterOne commits to provide (or otherwise procure the provision by other party/ies) the TL Tranche (as defined below) in an aggregate principal amount of €200,000,000. In the event that LetterOne fails to comply with its commitment under the TL Tranche Commitment Letter, a drawstop event would occur on the roll over of the existing loans of the New Finance Arrangements (including the Supplier Tranche), amounting to a maximum of €603 million, which would cause a potential negative impact in its liquidity profile.

Additionally, the Group will face relevant maturities of its short-term debt (before the end of September 2020) for an amount of €99,723 thousand. A failure by the Group to repay, extend or refinance its maturities may lead the Group to face a cash shortfall as a result of which it may be unable to maintain its existing operations and continue as a going concern.

In addition, the Group has pledged almost 100% of its assets to secure its obligations under the New Finance Arrangements. The Group's obligations under the New Finance Arrangements are secured by pledges over the equity interests owned by certain members of the Group, mortgages over real estate properties, mortgages over certain intellectual property rights, intercompany loans under which the Company is the borrower, pledges over the centralized banks accounts of the Company and certain of its subsidiaries. The Company will pledge the shares in each of the Intermediate Companies and the rest of its subsidiaries pursuant to the Hive Down. Therefore, the Group's rights and the rights of any other of its creditors to participate in any distribution of assets upon liquidation, reorganization, dissolution or winding up will be subject to the prior claims of the Lenders. Similarly, the rights of the Group's shareholders will be subject to satisfaction of the claims of the Lenders and other creditors.

9. The principal shareholder of the Company has executed several related party transactions with the Company

The Company and several companies within the LIHS group, have executed a number of related party transactions following the acquisition of a controlling stake by LetterOne as a result of the settlement of its Tender Offer (as defined below). In particular the Company and the following companies within the LIHS group have entered into the following related party transactions:

- First Profit Participating Loan and Second Profit Participating Loan – entered into with LetterOne on May 29, 2019 and June 26, 2019, respectively, and for a principal amount of €40,000,000 and €450,000,000, respectively. Both PPLs were granted for any uses within the corporate purpose or activity of the Company, and, mainly, to assist the liquidity needs of the Company, and their repayment date is November 28, 2019. The annual interest amounts to 0.25% (First Profit Participating Loan) and 2.80% (Second Profit Participating Loan) of the Company's group average monthly sales in accordance with the latest available consolidated management accounts of the Company, up to a maximum of 2% per annum of the amounts borrowed. The total amount of interest accrued under the PPLs as of September 30, 2019 is €2.28 million, and until their maturity the total amount of interests is expected to be a total 3.89 million.

- Management services agreement – entered into on June 12, 2019 between the Company and L1 Retail (UK) LLP and L1 Retail (Jersey) LLP, two companies within the LIHS group. L1 Retail (UK) LLP and L1 Retail (Jersey) LLP are companies within an international investment firm with proven world-class retailing and retail transformation expertise. In this regard, the management services agreement is aimed at benefitting DIA from their experience in the retail industry and by providing consultancy and advisory services in order to help to improve DIA's performance. In exchange of the services rendered, DIA has agreed to pay up to €416,666.66 per month, which amounts to up to €5,000,000 per year. This agreement has an indefinite duration and may be terminated by a mutual agreement of the parties, by means of a 6-month prior notice by either party or by DIA if LetterOne ceases to be a controlling shareholder of DIA.

- TL Tranche Commitment Letter – entered into on July 17, 2019 between the Company and LetterOne, pursuant to which LetterOne commits to provide (or otherwise procure the provision by other party/ies) the TL Tranche in an aggregate principal amount of €200,000,000 with a margin set at 7%.

- Underwriting Commitment – entered into on October 24, 2019 between the Company and LetterOne, whereby in exchange for committing to subscribe up to €500,000,000 of the Offering, including underwriting up to €81,445,000.40 in the Second Tranche subject to the conditions thereof, the Company agrees to pay a fee of €3,868,637.5 to LetterOne. This decision has been mainly based on the contacts made and the underwriting proposals received by the Company. For further information see "*Related Party Transactions*" and "*Plan of Distribution - Underwriting Commitment*".

All of the aforementioned transactions have been approved after the issuance of the relevant report by the Audit and Compliance Committee of the Company. The Board of Directors of the Company has also approved the abovementioned transactions. For such approval, the proprietary directors, which have been appointed by LetterOne, have abstained from deliberation of the relevant resolutions and have adhered to the vote of the independent directors, being all these transactions approved by unanimity using this same procedure. The Company believes that all these transactions have been entered into under market conditions and in the best corporate interest of the Company.

As a consequence of all the abovementioned transactions executed by and between the Company and several companies within the LIHS group, DIA has certain dependency on its majority shareholder.

10. Any failure, insufficiency or breakdown in the Group's internal controls over financial reporting could have a material adverse effect on the Group's business, operating results, financial condition or prospects

In the context of the Group's review of its profit outlook for the year ended December 31, 2018, which revealed the existence of irregular accounting practices in Spain and Brazil and which led to the restatement of the Group's financial statements for the years ended December 31, 2017 and 2016, the Group appointed a firm of forensic advisors to carry out an investigation to establish the causes of such irregularities and to identify the persons responsible. The investigations, both in Spain and in Brazil, are complete and the final reports were sent to the Anti-Corruption Prosecutor's Office (*Fiscalía Anticorrupción*). These investigations could adversely affect the Group's business or lead to the commencement of legal proceedings against the Group, which could have a material adverse effect on the Group's business, operating results, financial condition or prospects.

On October 22, 2019, the Company was notified that the *Audiencia Nacional* had declined its jurisdiction over a lawsuit filed by a group of minority shareholders against the Company and its past directors regarding the 2017 annual accounts. The Company is unaware, as of the date of this Prospectus, of any additional information regarding this lawsuit, or of the possibility of the minority shareholders filing a lawsuit in a different court.

Following the investigations, the external forensic advisors concluded that the Group's internal control systems are diligent and such irregular accounting practices occurred as a result of certain employees' and management's (including several former senior executives of the Group) override of internal controls, without the Board of Directors being aware of these. As of the date of this Prospectus, the employees and management that, according to the investigation, and based on their level of responsibility, may have participated in the irregular practices are no longer employed by the Group nor hold any position within the Group. For more information regarding the causes of the restatement, see "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Key Factors Affecting Comparability of Results—Restatement of comparative figures for FY 2017 and FY 2016*".

The Group intends to review its internal control systems, and where necessary, implement changes to reinforce such systems. However, internal control systems are subject to inherent limitations, including, among other things, the potential for circumvention of controls or human error. In fact, the Group's internal control over financial reporting did not detect or prevent the accounting errors and irregularities resulting in the restatement referred to above; notwithstanding the Group beliefs that their internal control systems are adequate and diligent, they may not detect or prevent future misstatements in the Group's reported financial statements. Further, the Group's internal control over financial reporting is subject to the risk that controls may become inadequate in the future because of changes in internal or external conditions or new accounting requirements.

Any failure, insufficiency or breakdown in the Group's internal control over financial reporting, or any failure to implement required new or improved controls, or any difficulties related to their implementation within the Group could inhibit the Group's ability to accurately monitor or report its financial condition, results of operations or cash flows, which could have a material adverse effect on the Group's business, operating results, financial condition or prospects.

11. The Group's success depends substantially on the value of its brand and reputation

The Group's success is substantially dependent upon its ability to maintain and enhance the value of its brand, improve customer loyalty and forge a positive relationship with its franchisees and suppliers.

The Group believes that it has built a solid reputation as a food retailer, franchisor, socially responsible corporation and employer, and believes that its continued success depends on its ability to preserve, grow and leverage the value of its brand. Brand value is based largely on perceptions of subjective qualities, and even isolated incidents can erode trust and confidence, particularly if they result in adverse publicity, governmental investigations or litigation, which can negatively impact these perceptions and the Group's business.

Some of these incidents may relate to the quality of the Group's private label products, unreliable or low-quality customer service, poorly kept stores, the loss and unauthorized disclosure of personal information, the way the Group manages its relationships with franchisees and suppliers and the Group's growth strategy. Other incidents that could be damaging to the Group's brand may arise from events, some of which are beyond its control, such as: (i) actions taken (or not taken) by the Group or one or more franchisees or their employees relating to health, safety, welfare or otherwise; (ii) data security breaches or fraudulent activities associated with the Group's or its franchisees' electronic payment systems; (iii) litigation and legal claims; (iv) regulatory claims; (v) financial misconduct; (vi) third-party misappropriation, dilution or infringement of the Group's intellectual property; and (vii) illegal activity targeted at the Group or others.

Consumer demand for the Group's products and services, and the value of its brand could diminish significantly if any such incidents erode consumer confidence in the Group or its products or services, including its private label, which would likely result in fewer sales. This is especially relevant, as the Group's private label brands are present in all the countries in which it operates and represent a high percentage of total sales, accounting for 42.83% of the Group's total sales, 48.08% of total sales in Spain, 48.72% in Portugal, 29.83% in Brazil and 40.50% in Argentina for the semester ended June 30, 2019. In addition, the Group consistently exports private label products internationally to over 30 countries in which it does not have a physical presence. As at June 30, 2019, the Group had approximately 6,660 private label products.

In addition to the above, a lack of improvement of the Company´s credit rating (Standard and Poor's CCC (negative outlook) and Moody's Caa1 (negative outlook)) may harm the overall perception of commercial and financial creditors of the Company.

12. Labor disputes, employee redundancies and layoffs could adversely affect the Group

A considerable amount of the Group's operating costs is attributable to labor costs and, therefore, its financial performance is greatly influenced by increases in wage and benefit costs, including pension and health care costs.

A majority of the Group's 40,247 full-time employees as of June 30, 2019 are represented by unions and are working under agreements that are subject to annual salary negotiations. The Group's business could be affected adversely by union disputes and strikes or work stoppages by its employees in connection with negotiations of new labor agreements or during other periods for other reasons, including layoffs that could generate severance costs. Any future work stoppage or slowdown could, depending on the affected operations and the length of the work stoppage or slowdown have a material adverse effect on the Group's business, operating results, financial condition or prospects.

Moreover, the Group could be adversely affected by labor disruptions involving unrelated parties that may provide goods or services to the Group, including the employees of franchisees, partner companies and private label suppliers. Strikes and other labor disruptions at any of the Group operations could adversely affect the Group's business, operating results, financial condition or prospects.

In addition to the above, the Group's labor costs and the operating restrictions under which it operates could increase as a result of changes in labor laws and regulations. Also, on February 8, 2019, the Group announced the initiation of a collective dismissal process in DIA and in Twins Alimentación, S.A. The personnel expenses related to this process have been fully accrued as of June 30, 2019. As of September 2019, 1,419 employees had been laid-off and 4 employees are pending to be laid-off.

In addition to the above, on September 13, 2019 the Company launched a collective dismissal process in its subsidiary, El Árbol Group, mainly related to the expected closing of *Max Descuento* stores and two *La Plaza de DIA* stores located in Madrid and could affect a maximum of 210 employees fully provisioned as of September 30, 2019.

Also, as of September 2019, 313 stores have been closed in Brazil (44 CO-CO stores and 269 franchises), with the consequent dismissal of 259 employees of the CO-CO stores.

Overall, as of June 30, 2019, €40,290 thousand of restructuring costs were recognized as personnel costs in the Group for the total estimated costs related to the collective dismissal approved and other indemnifications in Spain and in other countries.

13. The Group is exposed to a variety of risks associated with its franchised stores

The Group operates its stores either directly or under a franchise scheme. Under the Group's franchise model, stores are operated by third parties pursuant to a franchise agreement whereby the corresponding ownership of the property right, lease agreement or surface right is held by the franchisee ("**FO-FO**", *Franchise Owned – Franchise Operated*) or the Group ("**CO-FO**", *Company Owned – Franchise Operated*). As of June 30, 2019 approximately 3,190 of the Group's stores operated under franchise agreements, representing 46.8% of the Group's worldwide store network at that date. Sales related to franchises at Group level amount to 34.8%.

The Group's franchise business model exposes it to a number of risks, any one of which may impact the revenues collected from its franchisees, may harm the goodwill associated with the DIA brand, and may otherwise have a material adverse effect on the Group. While the Group's franchisee revenues are not concentrated among one or a small number of franchisees, the success of the Group's business is significantly affected by its ability to maintain contractual relationships with profitable franchisees.

In any event, if the Group intends to carry out a significant change of format (such as a DIA store being transformed into a *DIA & Go* store), the consent of the franchisee is required, since such changes to the store's format requires an amendment of the franchise agreement. Minor changes in the store, such as a change of minor furniture, would not require amendments to the franchise agreements.

14. The Group may not timely anticipate, gauge and effectively react to market trends or consumer preferences, which could negatively affect its relationship with customers, demand for its products and services, market share and the growth of its business

To remain competitive, the Group must constantly and accurately anticipate short-term, long-term and seasonal trends in consumer demand, availability of merchandise, the related impact on the demand for existing products and the competitive environment. In particular, its store offerings must be constantly adapted to respond to shifts in consumer preferences due to factors such as, over shorter periods, competition in promotional activities and seasonality, and, over longer periods, economic conditions and consumer trends. The Group must also anticipate longer-term trends in consumer buying habits, such as consumer demand for greater convenience. The success of its business depends in part on its ability to compete in terms of price architecture, assortment and quality of products, customer experience, online and digital channels, quality of its private label offering, convenience and the speed and cost of shipping. The Group may be unable to continue to successfully identify or effectively respond to market trends or consumer preferences, which could negatively affect its relationship with its customers and demand for the products and services it sells, which could have a material adverse effect on the Group's business, operating results, financial condition or prospects.

15. Failure to obtain, retain, and/or refurbish suitable store sites could adversely affect the Group

As a leading proximity grocery retailer, the Group monitors its geographical footprint on an ongoing basis to identify locations where it would be desirable to open a new store. The Group's ability to obtain sites for new stores is dependent on identifying and entering into leases on commercially reasonable terms for properties that are suitable for its needs. As of June 30, 2019, the Group owned 152 of its stores, and held

7,221 operating leases for its stores and warehouses. The average length of the Group's leases is between 20 and 30 years. See "*Business–Real Estate*". There are 1,081 store leases that are set to expire before June 30, 2022, representing 15.16% of the store leases. If the Group fails to identify suitable sites and enter into leases on a timely basis for any reason, including as a result of competition from other companies seeking similar sites, the Group's competitive position as a proximity grocery retailer and results of operations could be adversely affected. Similarly, failure by the Group to renew existing leases on commercially reasonable terms or at all could have a material adverse effect on the Group's business, operating results, financial condition or prospects.

If under its new business plan, DIA decides that a large volume of store refurbishments will take place between 2020 and 2021, the related stores will be closed during such refurbishments and therefore unable to generate revenue. The loss in operating cash flows will be accompanied by an increase in capital expenditures, which the Group intends to finance through a combination of debt and cash. While the refurbishment work for each store is expected to last between two and four weeks, there can be no guarantee that there will not be any delays or unexpected costs associated with remodeling and renovating those stores, which may impact the Group's liquidity and financial condition.

16. Concentration of the business in certain countries and regions increases the potential for significant losses

The Group's main market is Spain, where it generated 60.3% of its sales in the semester ended June 30, 2019. As a result, any adverse impact of an economic, political, social or other nature in Spain could adversely affect a significant part of the Group's business. As a result of this concentration, the Group's business is more exposed to regional risks than the operations of its more geographically diversified competitors and is vulnerable to economic downturns in Spain. Any unforeseen events or circumstances that adversely affect the areas in which the Group's stores are located or from which the Group obtains products in Spain, could have a material adverse effect on the Group's business, operating results, financial condition or prospects.

These factors include, among other things, changes in demographics, population, employee bases and economic conditions, wage increases, severe weather conditions, power outages and other catastrophic occurrences. Such conditions may result in reduced customer traffic and spending in the Group's stores, physical damage to its stores, loss of inventory, closure of one or more stores, inadequate work force, temporary disruption in the supply of products, delays in the delivery of goods to the Group's stores and a reduction in the availability of products in the Group's stores. Any of these factors may disrupt the Group's business, which could have a material adverse effect on the Group's business, operating results, financial condition or prospects.

In particular, the Group could be adversely affected by events such as the floods which occurred in the south-east of Spain in the month of October 2019. Such natural disasters could affect the normal operation of stores and warehouses in said areas, as well as cause damages to the stores and warehouses and the products in those stores and warehouses, something which, in turn, could have a material adverse effect on the Group's business, operating results, financial condition or prospects.

Likewise, the Group could be adversely affected by political events in Catalonia. There is uncertainty regarding the outcome of political and social tensions in Catalonia, which could result in volatile capital markets and other financing conditions in Spain or otherwise adversely affect the environment in which the Group operates in Catalonia and the rest of Spain, any of which could have a material adverse effect on the Group's business, operating results, financial condition or prospects.

The Group also has a concentration of stores in the Sao Paulo and Buenos Aires regions of Brazil and Argentina. As a result, any unforeseen events or circumstances that adversely affect the areas in which the Group's stores are located or from which the Group obtains products in Brazil and Argentina, could have a material adverse effect on the Group's business, operating results, financial condition or prospects.

17. *Current and future accounting pronouncements and other financial reporting standards might negatively impact the Group's financial results.*

The International Accounting Standards Board ("**IASB**") or other regulatory bodies periodically introduce modifications to financial accounting and reporting standards under which the Group prepares its consolidated annual accounts. A number of new accounting standards and amendments and interpretations to existing standards became effective for periods beginning on or after January 1, 2019, including IFRS 16 "Leases" and IFRIC 23 "Uncertainty over income tax treatments". As of June 30, 2019 the implementation of IFRIC 23 has not had a material effect on the Group's business, operating results, financial condition or prospects.

With regard to IFRS 16, the Group leases a substantial part of its facilities, the majority of which have been classified as operating leases. Up to December 31, 2018 these leases were recorded off-balance sheet with the associated rent being recorded as operating expenses in the Group's consolidated income statement. According to the new leasing accounting standard all leases are to be recognized on the balance sheet of the lessee (save for limited exceptions for short-term and low value leases). Accordingly, regardless of economic ownership of the leased asset, the lessee must capitalize a right of use for the asset and recognize a corresponding liability in the amount of the present value of the binding lease payments. The Group, as of June 30, 2019, increased its right of use assets by €702.8 million, of which €673.7 million related to the application of IFRS 16. Real estate lease liabilities increased by €719.9 million, of which €689.3 million related to IFRS 16 and the remaining €30.6 million relate to finance leases existing prior to the implementation of IFRS 16. The net profits before tax suffered a negative impact of €10.0 million for the six-month period ended June 30, 2019 (estimated €20.0 million annualized) as a result of the application of IFRS 16 (positive impact in rentals of €163.0 million positively affecting EBITDA, negative impact for increased amortization of €143.2 million, negative impact in financial expenses of €35.3 million and other positive impacts of €5.5 million). Note that for the calculation of financial ratios the IFRS 16 impact is excluded from the Net Financial Debt amount.

Regarding sale & leaseback transactions, the required assessment of the sale transactions in light of IFRS 15 – "*Revenue from contracts with customers*"– may impact significantly in the future accounting of these types of transactions. With the publication of IFRS 16 in January 2016 the IASB decided that the mandatory application date of the new lease accounting standard would be for annual periods beginning on or after January 1, 2019. The implementation of this new standard may have a material effect on the results of operations and financial condition of the Group by delaying recognition of revenue from sale and leaseback transactions. However, as of June 30, 2019, the income recognized related to sale and leaseback transactions was only €0.7 million since the Company is not performing this type of transactions and, therefore, the impact is not material. Other income associated with such transactions for financial year 2018 and financial year 2017, amounted to €28.1 million and €31.2 million, respectively.

Risk Factors relating to the Group's Industry

18. *The Group's industry is highly competitive*

The grocery retail industry is highly competitive both in Spain and internationally, and continues to be characterized by intense price competition, increasing fragmentation of retail formats, entry of non-traditional competitors (both physical and online), such as large discount department stores that also sell a complete line of groceries, club and warehouse stores, specialty supermarkets, drug stores, convenience stores and restaurants, and market consolidation. Moreover, competition in this industry may increase as a result of relatively limited barriers to entry. In particular, the proximity business format in which the Group's business is concentrated is subject to strong competitive pressure. Furthermore, some of the Group's competitors have greater financial resources and could use these financial resources to take measures, such as altering product mix, reducing prices and offering home/in-store fulfilment of online ordering, which could adversely affect the Group's competitive position.

Further, over the last several decades, the grocery retail and foodservice industries have undergone significant changes. Companies such as Lidl, Mercadona and Aldi in Spain have developed lower cost structures than conventional grocers to provide their customers with a business proposition based on convenience and proximity. There is no guarantee that companies will not adopt similar practices in the other markets in which the Group operates. In addition, wholesale outlets offer an additional low-cost option in the markets they serve. To maintain and grow its market share in its competitive industry, the Group may be pressured to lower its prices, which would require it to achieve additional cost savings to offset these reductions. Furthermore, the Group may be unable to change its cost structure and pricing practices rapidly enough to successfully compete in that environment or at all.

Several underlying consumer and sociodemographic trends, including health awareness and food intolerances, are increasing the demand for fresh and healthy products, in particular, in the Spanish grocery retail market. Specifically, the Group believes that in Spain three out of the top four and six out of the top eight product categories by importance for consumers when choosing a retailer are related to fresh products. To compete and meet customer demand, the Group has made significant changes to its current product offering to include more fresh products across its store network. There can be no assurance that the Group's changes to its product lines will successfully meet the shifting trends in consumer preferences.

19. The Group's operations are subject to economic conditions that impact consumer spending

The Group's results of operations are sensitive to changes in overall economic conditions that impact consumer spending, including discretionary spending. Future economic conditions such as employment levels, business conditions, interest rates, energy and fuel costs and tax rates could reduce consumer spending or change consumer purchasing habits. While there has been a trend toward lower unemployment and fuel prices in recent periods which have contributed to a better economic climate, there is uncertainty about the continued strength of the economy. If the economy in the jurisdictions in which the Group operates weakens, or if fuel prices increase, consumers may reduce consumer spending. A reduction in the level of consumer spending could cause customers to purchase lower margin items or to shift spending to lower priced competitors.

In addition, consumers' perception or uncertainty related to the economic recovery and future fuel prices could also dampen overall consumer confidence and reduce demand for the Group's product offerings. Both inflation and deflation affect the Group's business. Food deflation could reduce sales growth and earnings, while food inflation could reduce gross profit margins.

Emerging markets are particularly susceptible to a series of risks that are less common in developed economies, which could have an adverse effect on the Group (including risks of macroeconomic instability, potential currency devaluation, political and social instability, and lack of legal certainty). Additionally, in Spain, Brazil and Argentina, GDP projections evidence a risk of stagnation, as 2020 projections evidence a decrease in GDP growth in comparison with 2019. See "*Industry and market overview*".

In Argentina, for example, average food deflation in the first semester of 2019 amounted to -1.4% (Source: Several Argentinian consulting firms and banks). Notwithstanding the foregoing, average food inflation amounted to (i) 2.7% in Portugal for the first semester of 2019 (Source: Bank of Portugal); (ii) 1.4% in Spain for the first quarter of 2019 (Source: INE); and (iii) 0.3% in Brazil for the first quarter of 2019 (Source: Government of Brazil). Decreases in food and commodity prices could negatively impact sales growth, consumer demand, operating margins and earnings if the Group's competitors react by lowering their retail pricing. Similarly, Argentina's economy experienced a hyperinflationary environment in 2018 and a depreciation of its currency, which materially affected the Group's results of operation. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Comparability of Results—Hyperinflation in Argentina*".

The Group is unable to predict if the economy will improve, the rate at which the economy may improve, the direction of fuel prices or if deflationary trends will occur. If the economy does not continue to improve or if it weakens, fuel prices increase or deflationary trends continue, there could be a material adverse effect on the Group's business, operating results, financial condition or prospects.

20. Increased commodity prices may impact profitability

Many of the Group's private label and national brand products include ingredients such as wheat, corn, oils, milk, sugar, proteins, cocoa and other commodities. Commodity prices worldwide have been volatile. While commodity price inputs do not typically represent the substantial majority of the Group's product costs, any increase in commodity prices may cause suppliers to seek price increases from the Group. Although the Group is typically able to mitigate supplier efforts to increase prices, it may be unable to continue to do so, either in whole or in part. In the event it is unable to continue mitigating potential supplier price increases, it may in turn consider raising its prices, and its customers may reduce their purchases at the Group's stores or purchase less profitable products. In certain circumstances, however, if the price increase is too high, the Group may not be able to pass it on to consumers. The Group's profitability may be impacted through increased costs, which may impact gross margins, or through reduced revenue as a result of a decline in the number and average size of customer transactions. Both may have a material adverse effect on the Group's business, operating results, financial condition or prospects.

Risks Factors relating to the Offering, the Preferential Subscription Rights and the New Shares

21. *The market price for the New Shares may decline below the Subscription Price and shareholders may not be able to sell their Shares and/or Preferential Subscription Rights at a favorable price during or after the Offering. The sale of a significant number of Shares may impact their trading price*

The Offering will be in respect of 6,055,522,466 New Shares at a Subscription Price of €0.10 (nominal plus share premium) per New Share, which represents a discount of 22.0% on the theoretical ex rights price ("**TERP**") (€0.1282 based on the Share's closing price of €0.41 as of October 22, 2019) a 79.8% discount to the average market share price of the last quarter and a 82.4% discount to the average market share price of the last year. As a result, the Offering may result in a decline of the trading price of the Shares. Further, given that the trading price of the Preferential Subscription Rights depends on the price of the Shares, a significant decline in the public market trading price of the Shares would negatively affect the trading price of the Preferential Subscription Rights. In addition, there can be no assurance that the public market trading price of the Shares will not decline below the Subscription Price following such holders' exercise of their Preferential Subscription Rights. Should this occur, such holders will have committed to buy the New Shares at a price above the prevailing market price of the Company's Shares, and such holders will suffer an immediate unrealized loss as a result. In addition, there can be no assurance that, following the exercise of such Preferential Subscription Rights, holders of Preferential Subscription Rights will be able to sell their New Shares at a price equal to or greater than the Subscription Price. None of the principal shareholders have made a lock-up commitment.

After the implementation of the capital reduction, which would be followed by the Offering, DIA would have a share capital of €6,224,565.13, comprising 622,456,513 Shares, each being fully paid up. Immediately after it, the Offering will be implemented. Assuming the full subscription of the Offering, DIA would have a share capital of €66,779,789.79, comprising 6,677,978,979 Shares, each being fully paid up. The foregoing means that new shares imply an increase of 972.84% with respect to the current number of shares.

In addition to the above, the Group's share price experienced a sharp decline during 2018, which has continued in 2019. The market price of the New Shares (including the rights to subscribe for such New Shares) could also be subject to significant fluctuations due to a change in sentiment in the market regarding these securities. The factors which may affect the Group's share price, and the price of the New Shares, include (but are not limited to):

- the Group's expected and actual performance and the performance of the industries in which it operates;
- regulatory changes affecting the Group's operations;
- speculation on the Group's ability to deliver on its future business plan and its cost reduction plan;
- the addition and departure of members of the Board of Directors and replacement of or change in management;
- divergence in financial results from stock market expectations;
- future issues of Shares, or large purchases or sales of Shares in the market; and
- announcements of changes in the Group's credit rating.

In addition, stock markets have from time to time experienced significant price and volume fluctuations that have affected the market price of securities, which may be unrelated to a given company's operating performance and prospects. Shareholder litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. Moreover, any decline in the market price of the Shares might also make it more difficult for the Group to raise equity in the future.

Any of these events could result in a decline in the market price of the Shares or the New Shares (including the rights to subscribe for such New Shares).

22. ***The Group's ability to pay dividends to its shareholders is uncertain and may be restricted***

The New Finance Arrangements restrict the ability of the Company to declare or pay any dividend or make any other payment or distribution on or in respect of its share capital, until the syndicated facilities have been repaid in full (which, under the New Finance Arrangements will be on March 31, 2023). The Company may only distribute dividends to its shareholders before the repayment in full of the syndicated facilities if it obtains the prior consent from Lenders whose commitments aggregate more than 75% of the total commitments. Any dividend distribution made without said prior consent will result in an event of default under the New Finance Arrangements.

Likewise, LetterOne commented in the prospectus of the voluntary tender offer that it is not reasonable for the Company to distribute dividends in the next few years (a specific timeline was not specified), especially in 2019, given the FY 2018 results of the Company, and would wait until the results arising out of the implementation of the Company's new strategy were noticeable before making any further decision as to the distribution of dividends.

In addition, LetterOne made no commitment to maintain the former dividend policy of the Company after settlement of the voluntary tender offer. The dividend policy of the Company will be determined by its Board of Directors, in the best interests of the Company, and will depend on future cash flow levels as well as financing, liquidity and investment needs, amongst other things.

Such payment of dividends to the Company by its subsidiaries is subject to certain restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries. The ability of these subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities and make dividend payments to its shareholders are subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws, amortization of goodwill and covenants in some of the Company's debt facilities.

For further detail see "*Dividend and Dividend Policy*".

23. *The principal shareholder of the Company can exercise significant control over it, and its interests may conflict with those of other Shareholders*

As of the date of this Prospectus, the Company's controlling shareholder, LetterOne, holds Shares representing 69.76% of DIA's share capital after the results of the voluntary tender offer launched over 100% of the Shares. As a result, the principal shareholder of the Company is in a controlling position through its ability to influence or determine the outcome of votes at the General Shareholders' Meetings regarding, among other things, the appointment and dismissal of the members of the Board of Directors, and other actions requiring approval by ordinary resolution, simple majority or qualified majority vote of the shareholders under Spanish law. The interests of the principal shareholder of the Company may conflict with those of other shareholders. In addition, the principal Shareholder of the Company may in the future hold interests in other businesses that are, or may become, the competitors of the Company.

Moreover, the principal Shareholder is a member of the Letterone Investment Holdings S.A. ("**LIHS**") group of companies (the "**LIHS Group**"), which is an international investment business headquartered in Luxembourg. The principal shareholder is a part of the retail division within LIHS, which may carry out investments in other businesses within the retail industry, either competitors of the Company or not, as part of the investment strategy of LetterOne. In particular, together with its 69.76% stake in DIA, LIHS's retail portfolio is formed by Holland & Barrett, which is Europe's largest health and wellness retail chain, which was acquired in its entirety on August 31, 2017 for an estimated amount of GBP 1,770 million. The products offered by Holland & Barrett differ largely from the products offered by DIA. Holland & Barrett is focused on the sale of health and wellness products, and is only present in Spain through three stores and not present in Portugal, Brazil or Argentina.

24. *Shareholders who do not acquire New Shares in the Subscription Offer will experience dilution in their ownership of the Group*

If an Eligible Shareholder does not take up the offer of New Shares under the Offering, either because the Eligible Shareholder is in the United States or another jurisdiction where their participation is restricted for legal, regulatory and other reasons or because the Eligible Shareholder does not respond to the Offering by November 13, 2019 the expected latest time and date for the exercise of that Eligible Shareholder's Preferential Subscription Rights, and that Eligible Shareholder's Preferential Subscription Rights to subscribe for New Shares lapse, the Eligible Shareholder's proportionate ownership and voting interests as well as the percentage that their shares will represent of the total share capital of the Group will be reduced accordingly. Even if an Eligible Shareholder elects to sell unexercised Preferential Subscription Rights, or such Preferential Subscription Rights are sold on their behalf, the consideration the Eligible Shareholder receives may not be sufficient to compensate them fully for the dilution of their percentage ownership of the Group's share capital that may be caused as a result of the Offering.

To the extent that Eligible Shareholders do not exercise their rights to subscribe for New Shares, their proportionate ownership and voting interest in the Shares of the Group (upon the issue of New Shares) will, accordingly, be reduced, and the percentage that their existing Shares represent of the Group's increased share capital after the issue of New Shares will accordingly be reduced. As a result of this, such Eligible Shareholders would suffer a dilution of 90.68% of the share capital prior to the capital increase. For additional information, see "*Dilution*".

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Statements

This Prospectus includes the Group's audited consolidated annual accounts and related notes as of and for the year ended December 31, 2018 (which include the restated comparative information as of and for the years ended December 31, 2017 and 2016, as explained below) (the "**Audited 2018 Financial Statements**").

This Prospectus incorporates by reference the English translations of the Group's previously reported audited consolidated annual accounts and related notes thereto as of and for each of the years ended December 31, 2017 and 2016 (which are free translations from the originals in Spanish) (the "**Audited 2017 and 2016 Financial Statements**"). The Audited 2017 and 2016 Financial Statements do not reflect any adjustments related to the restatements described in "*Restatements of comparative figures for FY 2017 and FY 2016*" below, therefore the Audited 2017 and 2016 Financial Statements are not restated and should not be relied upon.

The Group's Audited 2018 Financial Statements and the Audited 2017 and 2016 Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("**IFRS**") and other provisions of the financial reporting framework applicable in Spain. In this Prospectus, references to a particular "Fiscal Year" or "FY" refer to the year ended on December 31 of that year.

The Audited 2018 Financial Statements have been audited by KPMG Auditores, S.L. ("**KPMG**"), who issued an unqualified opinion. The audit report covering the Audited 2018 Financial Statements contains an explanatory paragraph that states that the Company's losses from operations and net capital deficiency indicate a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern.

This Prospectus incorporates by reference the English translation of the Group's limited reviewed results for the semester ended June 30, 2019 (the "**Limited Reviewed H1 2019 Financial Statements**"). On March 20, 2019 Ernst & Young S.L. ("**EY**") was appointed as auditor of the consolidated annual accounts of the Company and its Group for 2019, 2020 and 2021. EY performed a limited review of H1 2019 financial statements.

This Prospectus incorporates by reference the Company's individual balance sheet for the semester ended June 30, 2019 (the "**Audited H1 2019 Individual Balance Sheet**") which has been audited by EY.

The Audited 2018 Financial Statements, which include the restated comparative information as of and for the years ended December 31, 2017 and December 31, 2016, and the Audited 2017 and 2016 Financial Statements, Limited Reviewed H1 2019 Financial Statements and Audited H1 2019 Individual Balance Sheet included and incorporated by reference, respectively, into this Prospectus are available on the Group's website (www.diacorporate.com/es/accionistas-e-inversores/informacion-financiera/) and, except for the Audited H1 2019 Individual Balance Sheet, on the CNMV's website (www.cnmv.es). Other information contained on the Group's website is not incorporated by reference into this Prospectus and should not be considered to be a part of this Prospectus, and you should not rely on any such other information in making a decision whether to purchase the Shares.

Presentation of Financial Information

During the last quarter of FY 2018 the Group undertook a review of its estimated results for FY 2018. The initial focus of the review was the Group's business in Spain, but the scope was subsequently expanded to also include its foreign operating subsidiaries (Portugal, Brazil and Argentina). The findings of this review and the investigations that followed, identified irregular practices and errors, as described herein, and were publicly communicated through various regulatory information notices (*hechos relevantes*) filed with the CNMV between October 2018 and December 2018. The review identified errors and irregularities caused by certain employees' and management's (including several former senior executives of the Group) override of internal controls. The errors and irregularities along with a reduction of the Group's profit outlook for FY 2018 led to the restatements described in "*Restatements of comparative figures for FY 2017 and FY 2016*". As a result of this review, the Group carried out impairment tests for non-current assets and assessed the recoverability of its deferred tax assets, as described in more detail below.

Due to this restatement, the comparative information for FY 2017 and FY 2016 in this Prospectus has been derived and extracted from the financial information included the Audited 2018 Financial Statements. For further information, see Note 1.1 to the Audited 2018 Financial Statements.

The income statement of the six-month period finishing June 30, 2019 is presented for comparative purposes together with the income statement as of June 30, 2018 which has been restated. The aforementioned restatement is mainly due to the hyperinflation in Argentina, as well as the consolidation of CDSI and the impact of irregularities and errors which were identified in the second half of 2018. Said irregularities are described in Note 2.3 of the 2018 consolidated annual accounts. Note that *Clarel* business was still considered a continued activity as of June 30, 2018 and therefore no further restatement has been needed.

The impact of the irregularities and errors identified in the second half of 2018 was published in the Consolidated Director's Report of 2018. The irregularities and errors increased €4,146 thousand the sales and decreased €20,435 thousand; €19,098 thousand and €32,314 thousand the results from operating activities, the losses before tax and the net losses, respectively, respect the amounts that were published in the H1 2018 financial statements of the Company, that were subject to a limited revision by the auditors of the Group.

Restatements of comparative figures for FY 2017 and FY 2016

Corrections of errors and irregularities

The Group's review of its estimated results for FY 2018, which was extended to all the foreign operating subsidiaries in addition to Spain (Portugal, Brazil and Argentina) and the consequent forensic investigations in Spain and Brazil revealed the existence of errors and irregular practices as a result of certain employees and members of management (including several former senior executives of the Group) overriding its established internal controls, which led to the restatement of comparative figures for FY 2017 and FY 2016, included in the Audited 2018 Financial Statements. The investigations in Spain and in Brazil are complete, for further information see "*Risk Factors - Any failure, insufficiency or breakdown in the Group's internal controls over financial reporting could have a material adverse effect on the Group's business, operating results, financial condition or prospects - The Group is exposed to a variety of tax risks*".

As a consequence of the identified irregularities and the investigation, the Group, under the advice of its attorneys, adopted and will continue to adopt the disciplinary and legal measures that are appropriate against irregular conducts or behaviors, in accordance with the Group's compliance policies and the applicable legislation. Although Group management considers that adequate and diligent internal control systems are in place. However, as noted above, irregularities caused by management override of internal controls were identified by management. This is an indicator that the control systems contain weaknesses related, among others, to the management override of controls, and therefore, the Group will proceed to review and, where appropriate, implement additional internal policies and procedures with the aim of further strengthening its internal controls.

Disciplinary measures have been taken according to the levels of responsibility and the degree of knowledge of the managers and the employees involved in the performance of the irregular accounting practices, and the Company has undertaken and will undertake whatever legal actions are deemed appropriate, following the assessment of facts by the Company's legal advisors. As of today, the individuals that, according to the investigation, may be responsible in the carrying out of irregular practices no longer provide services nor hold positions in the Company.

The total impact in equity of such restatement amounted to €68.3 million as of December 31, 2017. The table below provides a breakdown of the effect of the restatement on equity (after taxes) for FY 2017 (see notes 2.3 and 14.4 to the Audited 2018 Financial Statements) and for FY 2016 (see Appendix 1 to the Audited 2018 Financial Statements).

	P&L effect in 2017	**P&L effect in 2016**	**Reserves effect in 2016**	**Total**
		(€ million)		
Total	**(7.8)**	**(45.1)**	**(15.4)**	**(68.3)**

Irregularities and errors, which are detected in Spain and Brazil, involved the following accounting practices in FY 2017 (for a detail of the following adjustments for FY 2016, see Appendix I to the Audited 2018 Financial Statements):

Suppliers trade discounts. The Group irregularly overestimated trade discounts to be received from suppliers. The resulting effects of the adjustment were (i) a negative impact on the consolidated income statement for FY 2017 of €33.4 million in the line item of "*Goods and other consumables used*", (ii) an increase in "*Trade and other payables*" of €52.6 million as of December 31, 2017, (iii) a decrease in "*Trade debtors and other accounts receivables*" of €15.4 million as of December 31, 2017 and (iv) a decrease in "*Reserves*" of €34.6 million as of December 31, 2017. The total impact on "Total Equity" was €68.0 million as of December 31, 2017.

Invoices pending receipt (purchases). The Group recorded invoices pending receipt from suppliers in the wrong accounting period. The resulting effect of the adjustment, which primarily resulted from irregular practices, was (i) an increase of €3.9 million in "*Goods and other consumables used*" in FY 2017 consolidated income statement, (ii) an increase of €28.5 million in "*Trade and other payables*" as of December 31, 2017 and a decrease of €24.6 million in "*Reserves*" as of December 31, 2017. The total impact on "Total Equity" was €28.5 million as of December 31, 2017.

Invoices pending receipt (fixed assets). The Group irregularly recorded invoices to be received from fixed-assets suppliers in the wrong accounting period. The resulting effect of the adjustment was an increase of €29 million in "*Property, Plant & Equipment*" as of December 31, 2017 and an increase of €0.8 million in "*Other intangible assets*" as of December 31, 2017. These adjustments, related to Spain and Brazil, had almost no effect on equity since the potential effect on depreciation in FY 2017 and FY 2016 were not considered to be significant as the investments were made at the end of the year and their depreciation started on January 1 of the following year.

ICMS Tax in Brazil. The ICMS is the tax on the Circulation of Goods and Services of Brazil, equivalent to VAT in other jurisdictions. In March 2017 the Supreme Court's judgement of October 2016 was ratified, enabling the companies to recover part of the tax paid. In 2017 the subsidiary recognized an asset receivable with the Brazilian Treasury. However, the calculation was reviewed in 2018 and a higher amount was recognized in respect of the asset recoverable. This latest income should have been recognized in 2017 when the subsidiary learned of the possibility of recognizing this asset and when it was able to estimate the amount and not in 2018, year in which this increase was mistakenly recognized. This effect has entailed a decrease in the consolidated income statement for 2017 in "*Merchandise and other consumables used*" amounting to €29.6 million and an increase in the consolidated statement of financial position in "*Other non-current tax assets*" for the same amount.

Judicial deposits in Brazil. The Group's subsidiary in Brazil adjusted the carrying amount of its judicial deposits in FY 2017 to account for the financial impact of the ICMS exclusion from its PIS and COFINS contributions (both are federal contributions calculated based on a percentage over sales). The main impacts of this adjustment were an increase of €8.9 million in "*Other non-current financial assets*" as of December 31, 2017 and an increase of €7.6 million in "*Finance income*".

Provisions and others (Spain). The Group recorded certain provisions in the wrong accounting periods. The effect of the corresponding adjustments was a negative impact of €3.9 million on the FY 2017 consolidated income statement and €17.2 million for FY 2016. These effects correspond to adjustments to reflect the correct allocation of losses due to stock-outs, the correct allocation of the Group's revenue accruals due to supplier loyalty, the correct allocation of amounts accrued due to loyalty coupons paid to franchisees, the correct accounting treatment of the redemption of offers to franchises (these costs, derived from the Group's commercial discount policy, are completely assumed by the Group and thus said costs are compensated to the franchisee), the increase in the initial estimates of the provision for the accrual of variable remuneration and the allocation to the correct period of accruals of other provisions estimated.

Provisions and others (Brazil). The Group recorded certain provisions in the wrong accounting periods. The effect of the corresponding adjustments was a negative impact of €5.6 million on the FY 2017 consolidated income statement and €2.0 million for FY 2016. These adjustments reflect various items related to the adequate assignment of the accruals of overheads for which no provision had been made, the increase in the initial estimates of provisions for Social Security and indemnity expenses arising with respect to personnel and the correction to direct sales in FY 2017.

Tax effect of adjustments in Spain and Brazil. The tax effect of these adjustments in the FY 2017 consolidated income statement decreased "*Income tax"* expense by €3 million and increased "*Reserves*" by €20.9 million as of December 31, 2017. As a result of these adjustments, "*Deferred tax assets*" increased by €17.4 million as of December 31, 2017 and "*Current income tax assets and liabilities*" decreased by a net amount of €0.2 million as of December 31, 2017. The tax effects of the adjustments have been treated as deferred tax assets and not as a reduction in current tax liabilities.

In addition to the adjustments made in connection with the Group's Spain and Brazil operations, the Group's Portuguese subsidiary recognized an adjustment corresponding to an error related to the derecognition of a receivable associated with the food tax generated in prior years. The Group estimated that its recovery is unlikely and that it was erroneously recognized in prior years. The adjustment has entailed (i) a reduction of €4.2 million in "*Current tax assets*" as of December 31, 2017, (ii) an increase of €0.9 million in "*Deferred tax assets*" as of December 31, 2017, (iii) a reduction of €2.6 million in "*Reserves*" as of December 31, 2017 and (iv) a negative impact in the consolidated income statement for FY 2017 €0.6 million.

For additional information, including a reconciliation table showing the restatement adjustments, please see Notes 2.3 and 14.4 to the Audited 2018 Financial Statements.

Non-Current Assets Held for Sale and Discontinued Operations

Cash & Carry (Max Descuento) and Clarel

During FY 2018, following its decision to divest certain non-core businesses, the Group classified in its Audited 2018 Financial Statements the businesses of *Clarel* and *Cash & Carry* as non-current assets held for sale in accordance with IFRS 5 "*Non-Current Assets Held for Sale and Discontinued Operations*". As a result of the foregoing, all assets related to the business of *Clarel* and *Cash & Carry* were classified under the heading ''*Non-current assets held for sale*'' in its consolidated statement of financial position as of December 31, 2018 and were measured at the lower of their book value and their fair value less cost to sell. The book value of the liabilities related to such businesses has been classified under the heading "*Liabilities directly associated with non-current assets held for sale*" on the consolidated statement of financial position.

The Group classified the results of operations for *Clarel* and *Cash & Carry* for FY 2018, which amounted to losses of €49.2 million (includes an impairment loss of €37.7 million) and €6.5 million, respectively, under a single heading, ''*Losses net of taxes of discontinued operations*'' in its Audited 2018 Financial Statements. The comparative financial information for FY 2017, which amounted to a profit of €1.7 million and a loss of €2.4 million, respectively, related to these businesses, as well as for the year ended

December 31, 2016, which amounted to a profit of €5.9 million and a profit of €1.4 million, respectively are presented in Appendix 1 to the Audited 2018 Financial Statements. The cash flows of the *Clarel* and *Cash & Carry* operations are presented as discontinued operations in the cash flow information for FY 2018, FY 2017 and FY 2016.

Regarding *Clarel*, in the first half of 2019 the Company decided to reverse its classification as held for sale, recording the *Clarel* business as of June 30, 2019 in the consolidated statements of financial position and as continued activities in the consolidated income statement, in line with the nature thereof, committing to remodeling this business. As of June 30, 2018 the *Clarel* business was still recorded as a continued business and therefore no restatement has been needed for comparative purposes in relation to *Clarel*.

In relation to *Cash & Carry* the Group expects to finalize the sale or liquidation during year 2019. In the first half of 2019 an impairment of €14.8 million (including €4.2 million of impairment of assets, €5.0 million for liabilities related to closing of stores and €5.6 million for stock liquidation and others) has been recorded for the *Cash & Carry* business based on forecasted sale liquidation estimates for the second half of 2019.

As of today, 4 out of 30 *Cash & Carry* stores have been divested and no profit has been obtained.

China business

The Group started to explore alternatives for the sale of its business in China in the first quarter of 2017. Following this decision, it classified in its audited consolidated annual accounts for FY 2017 the assets and liabilities of DIA Tian Management Consulting Service & Co. Ltd. and Shanghai DIA Retail Co. Ltd. as "*Non-Current Assets Held for Sale*" and "*Liabilities Held for Sale*" and the corresponding results of operations for FY 2017, including comparative financial information for FY 2016, as discontinued operations in accordance with IFRS 5 "*Non-Current Assets Held for Sale and Discontinued Operations*".

The Group sold its business in China on August 10, 2018 for one euro. This sale entitled the Group to derecognize net liabilities amounting to €10.6 million and currency translation differences amounting to negative €2.9 million, and to record a gain on the sale in the amount of €7.7 million. The results of operations of the Group's business in China up to the date of sale, (a loss of €5,729 thousand in FY 2018 and a loss of €10,819 thousand in FY 2017), and the corresponding gain on its sale, (€7,731 thousand in FY 2018), have been classified under the heading ''*Losses net of taxes of discontinued operations*'' in the Audited 2018 Financial Statements.

Finandia

During the last quarter of FY 2017 the Group decided to explore alternatives for a strategic alliance or partial divestiture for its financial services subsidiary, Finandia, S.A. ("**Finandia**"). The assets and liabilities of Finandia were classified as "*Non-current assets held for sale*" and "*Liabilities directly associated with non-current assets held for sale*" in the Group's consolidated statement of financial position as of December 31, 2017. However, the criteria of IFRS 5 "*Non-Current Assets Held for Sale and Discontinued Operations*" were not met to classify these operations as discontinued operations on the consolidated income statement for the year ended December 31, 2017. On February 20, 2018 the Group signed a strategic alliance with CaixaBank Consumer Finance, E.F.C., S.A.U. pursuant to which it sold 50% of the shares of Finandia to CaixaBank Consumer Finance, E.F.C., S.A.U. on June 28, 2018 for an amount of €9.3 million. As a result of the sale, the Group recorded in its consolidated income statement for FY 2018 a gain of €4.2 million under the heading "*Profit on the sale of subsidiaries*". In addition, as a consequence of the loss of control, the remaining shareholding in Finandia has been remeasured at fair value, recognizing a gain from remeasurement of €5 million under the same heading.

For additional information see Note 13 to the Audited 2018 Financial Statements.

However, on May 17, 2019, CaixaBank Consumer Finance, E.F.C., S.A.U. notified DIA that it had exercised its put right arising out of the change of control in DIA following the Tender Offer. On July 19, 2019 the Company and CaixaBank Consumer Finance, E.F.C., S.A.U. entered into a share purchase agreement whereby the Company acquired 50% of the shares of Finandia from CaixaBank Consumer Finance, E.F.C., S.A.U. for a price of €7,573,127. The execution of the share purchase agreement was subject to the execution of a share capital reduction, which was approved by the General Shareholders' Meeting of Finandia on July 19, 2019. The share capital reduction was a return of contributions to shareholders amounting to €3,500,000, with each of the Company and CaixaBank Consumer Finance, E.F.C., S.A.U. receiving €1,500,000. The share capital reduction, and therefore the transfer of shares, was executed on September 24, 2019. As of June 30, 2019 the Group has provisioned a loss of €12.5 million for the impact of this transaction.

Joint Arrangement in CD Supply Innovation, S.L.

On December 4, 2017, the Group formed CD Supply Innovation, S.L. (CDSI) in conjunction with Tevir, S.A., a subsidiary of the Casino Group, which started its operations on December 15, 2017. The purpose of this agreement was to manage the "own brand" product supply chain and generate synergies in relation to suppliers, logistics and quality control. As a result of the analysis carried out at the inception of the agreement, CDSI was deemed a joint venture and accounted for using the equity method.

During 2018, based on the economic reality of the transactions carried out by CDSI, including the segregation by CDSI of its operations with each one of the venturers, and the plan to terminate the joint agreement in the near future, the Group reclassified CDSI as a joint operation. As a result, the Group included €40 million of inventories, €17 million of cash and cash equivalents, and €13 million of debt in its consolidated statement of financial position as of December 31, 2018.

For the purpose of comparability of FY 2018 and FY 2017 financial figures, the Group adjusted the figures as of and for the year ended December 31, 2017. As a result of this adjustment, inventories increased by €44 million, cash and cash equivalents increased by €19 million and financial debt increased by €65 million as of December 31, 2017.

For additional information, see Notes 1.2, 2.3 and 2.11 to the Audited 2018 Financial Statements.

Non-current assets impairment test results

As a result of the review of its estimated results for FY 2018, the Group performed impairment tests on its property, plant and equipment and intangible assets and goodwill associated to its stores in Spain, Portugal, Brazil and Argentina, in accordance with the business plan that was formally approved by the Board of Directors on January 30, 2019.

The recoverable amount of these assets was determined on the basis of fair value calculations by discounting future cash flows, which requires the use of market participant assumptions using projected cash flows. As of June 30, 2019, 323 stores have been closed in Spain, 12 in Portugal, 297 in Brazil and 31 in Argentina. These stores generated negative EBITDA of €33.5 million during the six first months of 2019. Any future closing and/or sales of stores will depend on the new business plan, which is expected to be approved at the end of 2019. The carrying amount of the assets relating to the stores identified for sale or closure, and which also give rise to negative cash flows, was impaired since their selling value could not be estimated through the impairment test.

As a result of the impairment test, for the year ended December 31, 2018, the Group recognized a total impairment loss of €79.9 million, of which €66.5 million related to property, plant and equipment, €11.8 million related to goodwill and €1.7 million related to intangible assets.

Furthermore, the review of the Group's estimated results for FY 2018 also reduced the estimated generation of taxable profits that supported the recovery of its deferred tax assets. As a consequence, the Group recorded an impairment of €170.5 million of tax loss carryforwards related to the Company (52%), Twins (13%) and El Árbol Group (35%) and a reversal of €9.7 million related to other temporary differences. The total impact of the impairment amounting to €180.2 million.

Also, in December 2018 the Company adjusted the carrying amount of the *Clarel* business assets to their fair value less selling costs totaling €37.7 million.

As a result of the above, the total impairment losses recognized in FY 2018 amounted to €297.8 million.

For additional information see Notes 5.1, 6.1 and 17 to the Audited 2018 Financial Statements.

Furthermore, for the semester ended June 30, 2019 the Group recognized a total impairment loss of €11.6 million, of which €5.6 million related to property, plant and equipment, €5.8 million related to goodwill and €0.1 million related to intangible assets. The Company estimates that during second half of year 2019 it may close approximately 150 to 200 stores.

In relation to *Cash & Carry*, in the first half of 2019 an impairment of €4.2 million has been recorded in the assets of the *Cash & Carry* business (losses net of taxes of discontinued operations) based on forecasted sale liquidation estimates for the second half of 2019.

As stated above, at year end, with additional information and under a more normalized business environment, as part of its normal closing procedures, DIA will prepare an updated long-term business plan for the Group, which will be the basis to assess the long-term recoverability of its assets.

Change in reporting segments

In FY 2018 the Group reorganized its segmental division for reporting purposes to align with its organizational structure and to bring it in line with its new understanding of the business pursuant to the Group's new strategic plans.

Prior to FY 2018, the Group reported its results under two segments, Iberia (which included operations in Spain, Portugal and Switzerland) and Emerging Countries (which included operations in Brazil, Argentina, Paraguay and China). The Group's new reporting segmentation is based on the following four segments: (i) Spain (which includes its operations in Switzerland), (ii) Portugal, (iii) Brazil and (iv) Argentina (which includes its operations in Paraguay). The results of operations of the Group's business in China were reported as discontinued operations in FY 2018 and FY 2017, until the sale of such business on August 10, 2018.

The Group's Audited 2018 Financial Statements included in this Prospectus reflect the Group's new segment reporting structure for FY 2018 and the comparative historical segmental financial information for FY 2017 has been presented to give effect to the new segment presentation. In addition, Appendix 1 to the Audited 2018 Financial Statements includes supplemental financial information for FY 2016 based on the new segmental presentation.

Comparisons of the Group's sales and Adjusted EBITDA on a segmental level between FY 2018, FY2017 and FY 2016 included in this Prospectus are made on the basis of the new segment reporting structure using the financial information for such fiscal years contained in the Audited 2018 Financial Statements. In addition, EBITDA by segment has been included for information purposes only and to supplement the APMs regularly used by the Group and described in this Prospectus.

For additional information see Note 4 to the Audited 2018 Financial Statements.

Non-IFRS Financial Measures and APMs

This Prospectus contains certain non-IFRS financial measures, which are not liquidity or performance measures under IFRS, and which the Group considers to be alternative performance measures ("**APMs**"). These APMs are prepared in addition to the figures that are prepared in accordance with IFRS. The Group uses APMs to provide additional information about the underlying performance of the activity and financial position of the Group. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to IFRS. Such measures include Gross sales under banner, Commercial margin, Adjusted EBITDA, Adjusted EBITDA Margin, Net Financial Debt.

Such APMs are non-IFRS financial measures and have not been audited or reviewed and are not recognized measures of financial performance or liquidity under IFRS. These non-IFRS financial measures may not be indicative of the Group's historical results, nor are such measures meant to be predictive of the Group's future results. These measures may not be comparable to measures used by other companies under the same or similar names and, as a result, they may not be comparable to similar metrics calculated by the Group's peers. Accordingly, undue reliance should not be placed on the non-IFRS financial measures contained in this Prospectus and they should not be considered as a substitute for financial measures computed in accordance with IFRS.

Each of the non-IFRS financial measures presented as APMs is defined below:

- *Gross Sales under banner* represents total turnover value obtained in stores, including indirect taxes (sales receipt value) in all the Group's stores, both owned and franchised, as well as online sales and other sales.
- *Commercial margin* represents sales and other income less goods and other consumables used.
- *Adjusted EBITDA* represents net profit or loss for the year after adding back losses net of taxes of discontinued operations; income tax; profit/(losses) of companies accounted for using the equity method; gain from net monetary position; net financial expenses; depreciation and amortization; impairment of non-current assets, and losses on disposal of fixed assets, and adjusted for certain "other cash elements" (as explained below), as discussed in "*Selected Financial and Operating Information—Non-IFRS Financial Information and APMs*".

However, in the first half of 2019 the Company has updated the definition of Adjusted EBITDA to exclude the effect of IAS 29 (also restated in first half 2018 calculation due to regulation requirements) and IFRS 16. The Company has changed the criteria of calculation to include as ordinary operational expenses or revenues – to be more conservative- those related to store remodeling and closings, long-term incentive programs (LTIP), and write-offs of account receivables related to franchisees. See Note 3 – "*Information on Operating Segments*" in the Limited Reviewed H1 2019 Financial Statements. The Company has not reexpresed the Adjusted EBITDA calculation for first half 2018 to reflect the criteria changes explained above (except for IAS29 changes) due to the complexity involved in segregating the expenses related to store remodelings and closings from the expenses related to store operations incurred in the period of time from when the decision is taken to close a store to its definitive closure.

- *Adjusted EBITDA Margin* represents Adjusted EBITDA divided by Sales.
- *Net Financial Debt* represents the sum of non-current borrowings and current borrowings, less cash and cash equivalents.
- *Adjusted EBITDA* ratio represents Net Financial Debt divided by Proforma Adjusted EBITDA.

"Other cash elements" are adjusted for years 2016, 2017 and 2018 to better reflect the underlying performance of the Group and include:

- Expenses related to store remodeling: operating expenses (staff costs and operational expenses) borne by the Group during temporary store closures while the stores undergo refurbishment and are not generating revenue (excluded for year 2019).
- Expenses related to the transfer of own stores to franchisees: expenses mainly related to employee severance costs when transferring stores (excluded for year 2019).
- Store closure expenses: expenses related to store operating expenses incurred in the period of time from when the decision is taken to close a store to its definitive closure as well as the expenses related to store closures such as redundancies and penalties (expenses incurred in the

period of time from when the decision is taken to close a store to its definitive closure are excluded for year 2019).

- Warehouse closure expenses: these expenses relate to the costs connected with the closing of a warehouse such as employee severances and penalties.
- Expenses related to efficiency processes: expenses mainly related to severance costs resulting from productivity improvement processes at stores and warehouses due to the roll-out of automation processes or process re-engineering at warehouses and / or stores, the reduction in overhead costs at the regional or national level and expenses related to new technologies training. In all cases, the aim is to enhance productivity and adapt the cost structure in response to the negative performance of sales.
- Other special expenses: these expenses relate to non-underlying events affecting the ongoing course of business such as the transport strike in Brazil, consulting expenses, refinancing expenses and capital gains amongst others.
- Gains from the sale of fixed assets corresponding to the proceeds on sale and leaseback contracts for certain warehouses and stores (excluded for year 2019).
- Expenses relating to share based payments transactions (excluded for year 2019).

For reconciliations of the APMs to the nearest corresponding IFRS measure in the Audited 2018 Financial Statements, see "*Selected Financial and Operating Information—Non-IFRS Financial Information and APMs*".

The Group believes that the APMs contained in this Prospectus comply with the "European Securities and Markets Authority Guidelines on Alternative Performance Measures" published in June 2015 and the "Q&A on Alternative Performance Measures Guidelines" published in October 2017 (the "**ESMA Guidelines**") especially as it relates to the reasons for their use and to the reconciliation to the most directly reconcilable item presented in the Audited 2018 financial statements.

In its discussion of operating results, the Group has excluded the impact of fluctuations in foreign currency exchange rates by providing and explaining changes in constant currency, which is a non-IFRS financial measure. The Group believes that changes in constant currency provide valuable supplemental information regarding its results of operations. The Group calculates changes in constant currency by converting its current period local currency financial information using the prior period foreign currency average exchange rates and comparing these adjusted amounts to its prior period reported results. This calculation may differ from similarly titled measures used by other companies and, as a result, they may not be comparable to similar metrics calculated by the Group's peers. Accordingly, the changes in constant currency are not meant to substitute for changes in recorded amounts presented in conformity with IFRS nor should such amounts be considered in isolation.

In its discussion of operating results, the Group also presents like-for-like sales growth under banner ("**Like-for-Like Sales**"), which is a non-IFRS financial measure. The Group believes it provides valuable supplemental information regarding its results of operations. The Group calculates Like-for-Like Sales growth under banner as the growth rate of Gross sales under banner at constant currency of the stores that have been operating for more than 13 months under the same conditions. This calculation may differ from similarly titled measures used by other companies, and as a result, they may not be comparable to similar metrics calculated by the Group's peers. Accordingly, the changes in Like-for-Like Sales growth under banner are not meant to be a substitute for changes in recorded amounts presented in conformity with IFRS nor should such amounts be considered in isolation.

The Group also discusses the impact of IAS 29, which requires financial statements of an entity with a functional currency that is hyperinflationary to be restated for the changes in the general pricing power of the functional currency, in its discussion of operating results as it believes that it provides valuable supplemental information regarding its results of operations.

Currency References

Unless otherwise indicated or otherwise required by the context, all references in this Prospectus to "euro", "€", "EUR" or "eurocent" are to the lawful currency of the participating Member States, including Spain, in the third stage of European Economic and Monetary Union of the Treaty establishing the European Community, as amended from time to time and all references to "U.S. dollars", "dollars", "U.S.$", "USD" or "$" are to the lawful currency of the United States of America.

Rounding

Some financial information in this Prospectus has been rounded. As a result of this rounding, figures shown as totals in this Prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them. In addition, certain percentages presented in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

RESPONSIBILITY STATEMENT

This Prospectus, including the financial information included herein, complies with the Prospectus Rules for providing information with regard to the Company, the New Shares and the Preferential Subscription Rights.

Mr. Enrique Weickert, acting in the name and on behalf of the Company in his capacity as Chief Financial Officer of the Company and duly empowered pursuant to the resolutions approved by the shareholders of the Company acting at its Extraordinary General Meeting of Shareholders held on October 22, 2019 and subsequently, on the same date, duly empowered by the Board of Directors, accepts responsibility for the information contained in this Prospectus.

To the best of his knowledge, Mr. Enrique Weickert states that:

(i) the information contained in this Prospectus is as of the date of this Prospectus in accordance with the facts and contains no omissions likely to affect its import.

(ii) the information sourced from a third party has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Prospectus contains information sourced from, amongst others, IGD, Alimarket, Kantar Worldpanel, Kantar Worldpanel "Informe clientele DIA", MAPAMA, Observatorio Cetelem, Nielsel, Planet Retail, PlanetRetail RNG, Bloomberg, Instituto Nacional de Estadística (INE), Banco de España (BdE), Franchise Direct, Franchise Direct 2018, Associação Brasileira de Supermercados (Abras), Banco Central de la República Argentina, International Monetary Fund, Focus Economics, Banco de Portugal, The Economist Intelligence Unit, The Organisation for Economic Co-operation and Development (OECD), Organización Consumidores y Usuarios, Universidad Torcuato di Tella, Asociación de Empresas de Gran Consumo (AECOC), Instituto Nacional de Estadística y Censos de la República Argentina (INDEC), Euromonitor, GFK, Sociedad Española de Patología Digestiva, Statista and Prodware.

Additionally to the above, Mr. Enrique Weickert states that:

(i) this Prospectus has been approved by the CNMV, as competent authority under Regulation (EU) 2017/1129;

(ii) the CNMV only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129;

(iii) such approval should not be considered as an endorsement of the issuer that is the subject of this Prospectus.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFERING STATISTICS

Expected timetable of principal events

Principal event	**On or about**
General Shareholders' Meeting resolution approving the capital increase and the Offering	October 22, 2019
Board of Directors' resolution executing and setting the terms of the capital increase and the Offering	October 22, 2019
Filing of regulatory information notice (*hecho relevante*) announcing the Offering	October 22, 2019
Signing of the Underwriting Commitment	October 24, 2019
Approval of this Prospectus by the CNMV	October 25, 2019
Filing of regulatory information notice (*hecho relevante*) announcing the registration of the Prospectus with the CNMV and the signing of the Underwriting Commitment	October 25, 2019
Announcement of the Offering in the BORME and last trading date of Shares "with rights"	October 29, 2019
Commencement of the Preferential Subscription Period and the period to request New Shares to be allocated (if applicable) during the Additional Allocation Period(1)	October 30, 2019
First date of the Shares without rights (ex-date) and first date of trading of the Preferential Subscription Rights	October 30, 2019
Record Date (the date on which those persons or entities registered in Iberclear as shareholders become Eligible Shareholders)	October 31, 2019
Payment date of the Preferential Subscription Rights by Iberclear or registration of the Preferential Subscription Rights	November 1, 2019
End of trading of the Preferential Subscription Rights	November 13, 2019
End of the Preferential Subscription Period and the period to request New Shares to be allocated (if applicable) during the Additional Allocation Period	November 13, 2019
Additional Allocation Period (if applicable)	November 21, 2019
Filing of regulatory information notice announcing results of the Preferential Subscription Period and Additional Allocation Period (if applicable)	November 21, 2019
Commencement of the Discretionary Allocation Period (if applicable)	November 21, 2019
End of the Discretionary Allocation Period (if applicable)	November 22, 2019
Filing of regulatory information notice (*hecho relevante*) announcing results of the Offering and number of New Shares subscribed for in each period	November 22, 2019
Payment by the Participant Entities to the Agent Bank of the New Shares subscribed for during the Preferential Subscription Period, Additional Allocation Period and Discretionary Allocation Period(if applicable)	November 22, 2019
Approval of the resolution regarding the capital increase to be closed and executed	November 25, 2019
Execution of the notarized deed of capital increase before a public notary	November 25, 2019
Registration with the Commercial Registry of the notarized deed of capital increase	November 27, 2019
Filing of regulatory information notice (*hecho relevante*) announcing registration of notarized deed of capital increase with the Commercial Registry	November 27, 2019
Registration of the New Shares with Iberclear	November 27, 2019
Admission to listing and trading of the New Shares by the CNMV and the Spanish Stock Exchanges	November 28, 2019
Filing of regulatory information notice announcing the admission to listing of the New Shares	November 28, 2019
Expected commencement of trading of the New Shares on the Spanish Stock Exchanges	December 2, 2019

Offering statistics

Subscription Price (per New Share)	€0.10
Total number of New Shares	6,055,522,466
Gross proceeds of the Offering	605,552,246.60
Estimated total fees and expenses of the Offering	€5,688,637.51
Estimated Net Proceeds of the Offering [2]	€599,863,609.1
Underwriting Commitment commissions	€3,868,637.519
Estimated fees for Placement Entity commissions	€1,150,000
Estimated fees for legal advisors, Commercial Registry, Notary Public, Agent Bank	€500,000
Estimated fees for CNMV, Iberclear and Spanish Stock Exchanges[3]	€170,000

Notes:

(2) The registration of the capital reduction public deed with the Commercial Registry shall be a condition to the commencement of the Preferential Subscription Period and the trading of the Preferential Subscription Rights. The registration of the capital reduction will be announced by means of a regulatory information notice (*hecho relevante*).

(3) The Net Proceeds are expected to be determined and announced through the publication of a regulatory information notice (*hecho relevante*) on November 22, 2019 once the Offering is concluded.

(4) Based on the issued share capital of the Company immediately following completion of the Offering and the Subscription Price of €0.10 per New Share assuming full subscription of the Offering.

USE OF PROCEEDS AND REASONS FOR THE OFFERING

The Group expects to receive gross proceeds from the Offering of €605,552,246.60 (assuming full subscription of the New Shares). The maximum estimated expenses payable by the Group in relation to the Offering (excluding value added tax, to be added when applicable) amount to approximately €11.82 million.

The net proceeds of the Offering (net of Offering expenses) will be used, in order of preference (i) to repay the profit participating loans provided by LetterOne, in the event that the PPLs are not fully capitalized as a result of the Offering; (ii) to pay financial expenses for advancing funds under the PPLs, which as of September 30, 2019, amounted to €2.28 million; and (iii) to fund other corporate expenses to implement the Group's new business plan developed under DIA's transformation strategy.

In the event of a full subscription of the Second Tranche by Eligible Shareholders, the outstanding amount of the PPLs (any amounts not capitalized) shall be repaid with such net proceeds, which would amount to approximately €181,308 thousand. In the event of LetterOne subscribing an additional €71,445,000.40 in the Second Tranche (either in the Additional Allocation Period or as part of its Underwriting Commitment), the entire nominal value of the PPLs shall be capitalized. The total amount of the PPLs has been used by the Company to (i) repay the bonds maturing in July 2019 and (ii) to fund the Company's liquidity needs.

In the event the Offering is not fully subscribed, but LetterOne subscribes an additional €71,445 thousand in the Second Tranche (either in the Additional Allocation Period or as part of its Underwriting Commitment) so that the total proceeds of the capital increase is of €500,000 thousand, the entire nominal value of the PPLs shall also be capitalized and LetterOne would contribute €10,000 thousand in cash. After payment of estimated transaction costs and interests the Company would have a net cash inflow of €2,029 thousand.

In this regard, the Offering dovetails with the global agreement reached with the Group's main financial creditors, which not only allows the Company to restore its net positive equity position, but also enables a financial and capital structure that is at the same time robust, sustainable and stable. It is a share capital increase that has the explicit support of the Group's main financial creditors and which, if carried out within the usual deadlines for this type of transactions, is expected to fund the Group's financial needs in the short and medium-term.

By applying the net proceeds of the Offering in the manner contemplated in this Prospectus, the Directors believe that the proceeds obtained from the Offering will strengthen the Group's statement of financial position (including the liquidity position of the Group) and enable the Group to continue as a going concern, while reducing its net debt, improving its credit risk perception in the market and among rating agencies and, eventually, easing access to capital markets in the future, while supporting the implementation of the strategic plan. All of the foregoing are essential to the future success of the Group.

For additional information, see "*Risk Factors—Risks relating to the Group's Financial Situation—*".

DILUTION

The Eligible Shareholders will receive Preferential Subscription Rights to subscribe for New Shares in the Second Tranche and, thus, if they exercise such rights in full, they will suffer no dilution of their holdings of DIA's share capital as a result of the Offering.

Eligible Shareholders who do not subscribe for New Shares in the percentage to which their Preferential Subscription Rights entitle them and do not participate in the Additional Allocation Period or Discretionary Allocation Period, and further assuming that the New Shares were entirely subscribed for by investors other than the Eligible Shareholders, or by LetterOne, the holdings of the Eligible Shareholders, excluding significant shareholders, would represent approximately 2.48% of the total number of the Shares following the Offering, which would represent a dilution in ownership percentage of approximately 90.68%.

The table below sets forth the increase in the number of the Shares as a result of the Offering.

	Prior to the Offering		**Following Completion of the Offering**	
Number of Shares outstanding prior to the Offering	622,456,513	100%	622,456,513	9.32%
Number of New Shares issued in the Offering	—	—	6,055,522,466	90.68%
Total Number of Shares	**622,456,513**	**100%**	**6,677,978,979**	**100%**

The Issuer may decide to carry out additional issuances of shares or to issue convertible securities in the future. If a share capital increase is effected, Shareholders could be diluted were they not to exercise their preferential subscription rights or if such share capital increase excluded preferential subscription rights for existing Shareholders in accordance with Spanish law.

DIVIDENDS AND DIVIDEND POLICY

Dividend Policy

Holders of the Company's Shares will be entitled to receive future dividends and in respect of any subsequent period, provided dividends are declared.

In April 20, 2018, the Company distributed an aggregate dividend of €110,324,548.28 against the net profit attributable to the Company for the financial year ended December 31, 2017 and voluntary reserves. In April 27, 2017, the General Shareholders' Meeting approved a dividend charged to the Company's profit of the financial year ended December 31, 2016 of an aggregate amount of €128,535,257.13. In 2016, the General Shareholders' Meeting approved a dividend charged to the Company's profit of the financial year ended December 31, 2015 of an aggregate amount of €122,211,094.

The former Board of Directors of DIA filed with the CNMV, on October 15, 2018, a relevant fact (*hecho relevante*) announcing the suspension of the dividend policy for financial year 2019. At the time of the Tender Offer, LetterOne stated that they agreed with that suspension and that it did not believe it will be reasonable for DIA to distribute dividends in the next few years, especially in 2019 given the 2018 financial results of DIA, and would wait until the results of its six-pillar plan were noticeable before making any further decision as to the distribution of dividends. In the Tender Offer prospectus LetterOne did not specify the number of years it would take before a dividend distribution in DIA.

The New Finance Arrangements restrict the ability of the Company to declare or pay any dividend or make any other payment or distribution on or in respect of its share capital, until the syndicated facilities have been repaid in full (which, under the New Finance Arrangements will be on March 31, 2023). The Company may only distribute dividends to its shareholders before the repayment in full of the syndicated facilities if it obtains the prior consent from Lenders whose commitments aggregate more than 75% of the total commitments. Any dividend distribution made without said prior consent will result in an event of default under the New Finance Arrangements. See sub-section "*Dividend Policy*" of "*What are the main features of the New Shares?*"; "*Risks that are specific to the New Shares—The Group's ability to pay dividends to its shareholders is uncertain and may be restricted*" and "*Description of Certain Financing Arrangements*".

In any event, the Company's ability to distribute dividends depends on a number of circumstances and factors including, but not limited to, the amount of net profit attributable to the Company in any financial year, amortization of goodwill of annual 10% over gross value of goodwill, any limitations on the distribution of dividends included in the Company's financing agreements, and the Company's growth strategy. The amortization expense of goodwill in DIA amounted to €7,143 thousand as of December 31, 2018 and the amortization expense of goodwill in standalone financial statements of the rest of the Spanish subsidiaries amounted to €10,850 thousand as of December 31, 2018 (Grupo El Árbol Distribución y Supermercados, S.A. and DIA E-Shopping, S.L.). The net book value of goodwill in DIA amounted to €35,689 thousand as of December 31, 2018; and €70,951 thousand in the standalone financial statements of the rest of the Spanish subsidiaries as of December 31, 2018.

At consolidated Group level, goodwill is mainly generated in the acquisition of business combinations and its net book value amounted €503.6 million as of December 31, 2018. Goodwill is not subject to amortization and is tested annually for impairment.

Furthermore, any dividend policy that the Company may choose to implement, and the amounts of any dividend payments, must be approved by the general shareholders' meeting upon proposal from the Board of Directors.

The conditions under which the Company may declare dividends in accordance with Spanish law and the Company's bylaws are described under "*Description of Share Capital—Dividend and liquidation rights*". Any dividends paid in the future will be subject to tax under Spanish law. See "*Taxation—Spanish Tax*

Considerations". Spanish law requires companies incorporated in Spain to contribute at least 10% of their net income each year to a legal reserve until the balance of such reserve is equivalent to at least 20% of the respective company's issued share capital. A company's legal reserve is not available for distribution to its shareholders except upon such company's liquidation. As of June 30, 2019, the Company had distributable reserves (voluntary reserves) amounting to €4,817,568.48, although the General Shareholders' Meeting has approved to offset part of the existing losses carried forward against those reserves, which will result in the Company's distributable reserves being €0.

Dividend Payments Per Share for Each Fiscal Year Corresponding to the Historical Financial Information

The following table sets forth the dividend per Share paid in 2016, 2017 and 2018:

	2016	2017	2018
Gross Dividend Per Share (in €)	0.20	0.21	0.18
Pay-out ratio(*) (in percentage)..	49.3	60.8	57.6

(*) These figures have been calculated according to the average number of shares (excluding treasury shares), which were 611,885,181 shares for 2018, 613,179,559 shares for 2017 and 625,945,797 shares for 2016, respectively 2017 and 2018 have been calculated based on restated Underlying Net Profit.

Entitlement of Shares to Dividends

The New Shares will be eligible to receive declared dividends, if any, after the date on which ownership of the New Shares is registered in the book-entry registries of Iberclear, which is expected to take place on or about November 27, 2019 for New Shares subscribed during the Preferential Subscription Period, the Additional Allocation Period or the Discretionary Allocation Period.

Other Information Relating to Dividends

Any dividends will be paid in euros. Dividends are declared and paid pro rata according to the number of Shares held. Dividends declared but not yet paid do not bear interest. Dividends paid on the Shares are subject to deduction of Spanish withholding tax. Dividends may only be paid out of profits or distributable reserves if the value of DIA's net equity (*patrimonio neto*) is not, and as a result of the proposed distribution would not be, less than DIA's share capital. In addition, the payment of dividends is subject to other regulatory requirements and restrictions, including but not limited to the amortization of goodwill.

The Company's ability to distribute dividends depends on a number of circumstances and factors including, but not limited to, the amount of net profit attributable to the Company in any financial year, amortization of goodwill of annual 10% over gross value of goodwill, any limitations on the distribution of dividends included in the Company's financing agreements, and the Company's growth strategy. The amortization expense of goodwill in DIA amounted to €7,143 thousand as of December 31, 2018 and the amortization expense of goodwill in the standalone financial statements of the rest of the Spanish subsidiaries amounted to €10,850 thousand as of December 31, 2018 (Grupo El Árbol Distribución y Supermercados, S.A. and DIA E-Shopping, S.L.). The net book value of goodwill in DIA amounted to €35,689 thousand as of December 31, 2018 and €70,951 thousand in the standalone financial statements of the rest of the Spanish subsidiaries as of December 31, 2018.

At consolidated Group level, goodwill is mainly generated in the acquisition of business combinations and its net book value amounted €503.6 million as of December 31, 2018. Goodwill is not subject to amortization and is tested annually for impairment.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the Company's capitalization and indebtedness as at June 30, 2019, derived from the Limited Reviewed H1 2019 Financial Statements to give effect to the capital reduction, the Offering, the application of the net proceeds thereof and the effects of the New Finance Arrangements. See "*Use of Proceeds*".

(*In thousands of €*)	**As at September 30, 2019**	**Adjustment for capital reduction(1)**	**Adjustments for the Offering (2)**	**Adjustments for use of proceeds (3)**	**As adjusted for capital reduction, Offering and use of proceeds**
Liquidity					
Cash and cash equivalents	123,278		181,308	(73,727)	230,859
Total liquidity	**123,278**		**181,308**	**(73,727)**	**230,859**
Debt					
Non-current borrowings	1,860,554		-	-	1,860,554
Current borrowings	819,381		(418,555)	(73,727)	327,099
Total financial debt (A)	**2,679,935**		**(418,555)**	**(73,727)**	**2,187,653**
Net financial debt	**2,556,657**		**(599,863)**	**-**	**1,956,794**
Equity					
Capital	62,246	(56,021)	60,555	-	66,780
Reserves	(149,414)	56,021	539,308	-	445,915
Own shares	(7,252)	-	-	-	(7,252)
Other own equity instruments	4,397	-	-	-	4,397
Net losses for the period	(504,341)	-	-	-	(504,341)
Translation differences	(70,690)	-	-	-	(70,690)
Value adjustments due to cash flow hedges	-		-	-	-
Total equity (B)	**(665,054)**		**599,863**	**-**	**(65,191) (4) (5)**
Total capitalization (A+B)	**2,014,881**		**181,308**	**(73,727)**	**2,122,462**

(*) Debt as of September 30, 2019 includes IFRS 16 impact of €474,849 thousand in Non-current borrowings and €227,376 thousand in Current borrowings

(1) This adjustment reflects a capital reduction against Reserves of €56,021 thousand.

(2) This adjustment reflects the capital increase proposed of €605,552 thousand relating to the Offering, net of €5,689 thousand of estimated costs, which are to be capitalized, relating to the Offering. LetterOne's share of €418,555 thousand to be funded through partial capitalization of the PPLs. The remaining €181,308 thousand (net of estimated cost) to be funded in cash.

(3) Proceeds of the Offering will be used to repay the outstanding amounts of the PPLs provided by LetterOne for a total amount of €73,727 thousand (including principal and interest). The remaining proceeds of €107,581 thousand will be used, among others, to finance the design and implementation of the future business plan and general corporate needs and projects of the Group required for the development of its operations.

(4) Despite that, even after full subscription of the Offering, the consolidated equity of the Group will be negative €65,191 thousand, the Group complies with the provisions of the Spanish Companies Act, not being under a dissolution cause. This is due to the dissolution cause rules, which apply individually to each of the companies of the Group and not to the consolidated group as a whole. In this regard, DIA, as parent company of the Group, is not under dissolution cause. DIA's total shareholder's equity as of September 30, 2019 was negative €272,672 thousand. After full subscription of the Offering, DIA's equity would amount to positive €327,191 thousand.

(5) In the event that the Offering is not fully subscribed, and €500 million are raised, (i) the consolidated equity of the Group would amount negative €170,743; and (ii) DIA's equity would amount positive €221,639 thousand. As stated above, the Group will still comply with the provisions of the Spanish Companies Act.

The table above should be read in conjunction with the Limited Reviewed H1 Financial Statements included elsewhere in this Prospectus. Please also refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*". Actual amounts may vary from estimated amounts depending on several factors, including differences from the Group's estimated expenses with respect to the Offering, fluctuations in cash on hand between June 30, 2019 and the date of this Prospectus, and fluctuations in applicable exchange rates.

Working capital

Although the Group's working capital, calculated as current assets less current liabilities, excluding assets and liabilities held for sale, is negative as of June 30, 2019 in the amount of €577,578 thousand, the Group believes that the working capital it expects to generate over the next twelve months is sufficient to meet the Groups' obligations, commitments and business needs during such period of time. In particular, the Company plans to improve its working capital by completing the Offering and by its entry into the New Finance Arrangements. In particular, as noted, the Supplier Tranche, which is made available under the New Finance Arrangements, will be used by the Company to manage its working capital requirements vis-à-vis the suppliers of the Group.

No significant change

Save as disclosed in sections "*Recent Developments*" and "*Description of Certain Financing Arrangements*" of this Prospectus, there has been no significant change in the financial position or results of operations of the Group since June 30, 2019, the date to which the last limited reviewed financial information of the Group was prepared by auditors.

INDUSTRY AND MARKET OVERVIEW

The information presented in this section is derived from external sources including IGD, Alimarket, Kantar Worldpanel and MAPAMA, among others. Such information has been presented as at the most recently available dates. Certain information in this section is also based on proprietary research carried out on behalf of the Company by a leading strategy consulting firm. For more information, see "Market and Industry Data".

This section provides an overview of the grocery retail industry in the main markets in which the Group operates (Spain, Portugal, Brazil and Argentina). With the majority of the Group's store network is located in Spain (c. 64.2% as of June 30, 2019), the main focus of this section is on the domestic market. Additional specific comments on the other three markets are provided, when relevant, at the end of this section. The data in this section is latest available for each of the sources, as of the time of initial filing of the Prospectus.

<u>Grocery retail market in Spain</u>

1. Macroeconomic background[2]

After a period of economic crisis in 2012 and 2013, the Spanish economy recovered with steady real GDP growth averaging c. 2.7% between 2014 and 2018, based on data from Instituto Nacional de Estadística (INE, Spanish statistical bureau) as presented in the below table. This growth trend was supported by uplift in consumer spending, reduced unemployment and strong exports growth, all of which contributed towards improvement on structural weaknesses of the Spanish economy which manifested during the 2012-2013 crisis.

Evolution of key macroeconomic indicators in Spain (2011-2018)

	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Nominal GDP (€B)	1,070	1,040	1,026	1,038	1,081	1,119	1,166	1,207
Real GDP growth (%)	*(1.0%)*	*(2.9%)*	*(1.7%)*	*1.4%*	*3.4%*	*3.3%*	*3.0%*	*2.5%*
Consumer spending (€B)	608	601	588	598	615	632	658	685
Consumer spending growth (%)	*0.0%*	*(1.3%)*	*(2.1%)*	*1.7%*	*2.8%*	*2.8%*	*4.2%*	*4.0%*
Exports (€B)	310	319	330	340	356	370	400	414
Exports growth (%)	*12.2%*	*3.1%*	*3.5%*	*2.7%*	*4.9%*	*4.0%*	*8.0%*	*3.5%*
Unemployment rate (%)	21.3%	24.8%	25.7%	23.7%	21.2%	18.9%	16.4%	14.5%
Public debt	599	711	789	870	917	951	996	1,032
Public debt as % of GDP (%)	*56.0%*	*68.4%*	*76.9%*	*83.9%*	*84.8%*	*85.0%*	*85.4%*	*85.5%*

Source: INE

Projections by Banco de España (BdE, the Central Bank of Spain) indicate expectations of continued economic growth at real GDP growth rates ranging between 2.2% and 1.7% from 2019 to 2021.[3]

[2] INE (Instituto Nacional de Estadística), BdE (Banco de España)

[3] BdE (Banco de España)

Future projections of GDP growth in Spain (2019e-2021e)

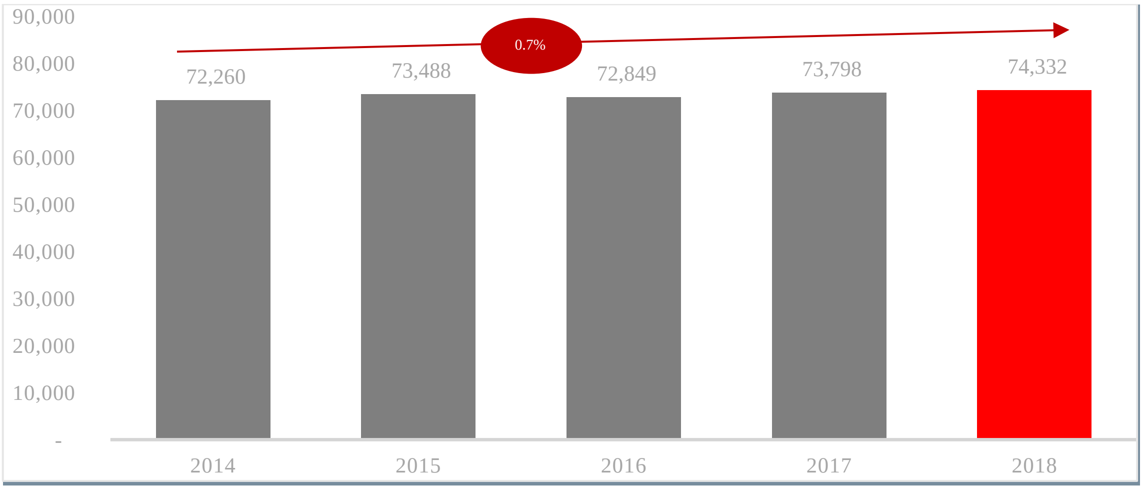
	2019e	2020e	2021e
Real GDP growth (%)	*2.2%*	*1.9%*	*1.7%*

Source: Banco de España

2. Market overview

The Spanish grocery retail market has experienced moderate growth over the last years, moving from €72.3B in 2014 to €74.3B in 2018 (implying a 0.7% CAGR)[4]. Additionally, for the first six months of 2019, the Spanish grocery retail market gross sales amounted to €34.57B, which implies €74.6B gross sales in the 12-month period since such date (June 30, 2018 to June 30, 2019).

Evolution of the Spanish grocery retail market (gross sales evolution 2014-2018)

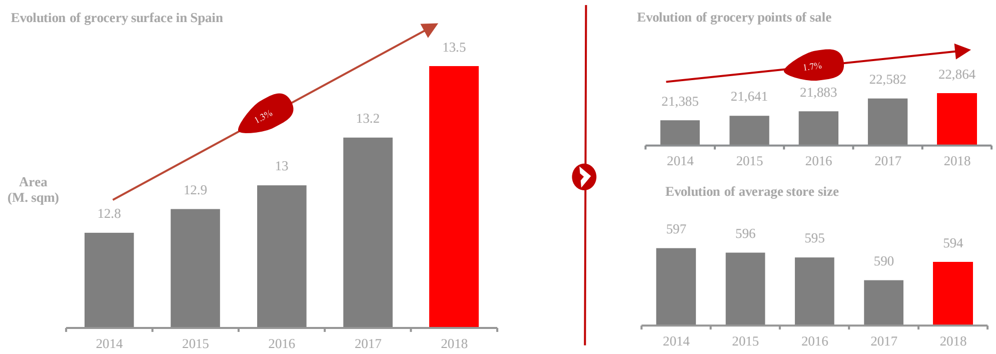


Note: arrow bubble refers to CAGR for the respective period
Source: Kantar Worldpanel

The growth in grocery retail sales has been accompanied by an increase in grocery surface during the last years (1.3% CAGR between 2014 and 2018, reaching a total of 13.5M square meters). This has been primarily driven by an increase in the number of grocery points of sale (PoS) in the country, which grew at 1.7% CAGR in the same period, reaching a total of 22.8k PoS in 2018. The average store size has remained relatively flat (~594 square meters per store)[5].

[4] Kantar Worldpanel
[5] Alimarket

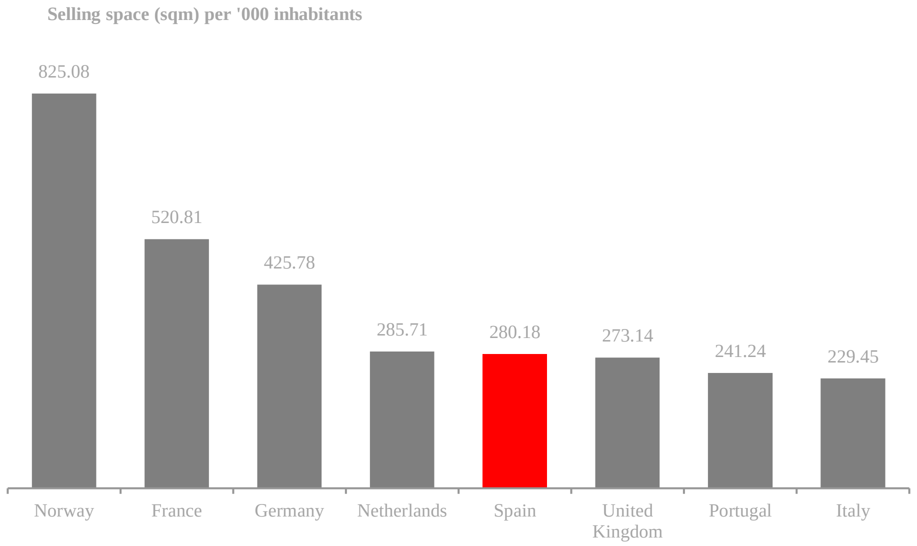
Evolution of grocery surface, points of sale and average store size in Spain (2014-2018)



Note: arrow bubbles refer to CAGRs for the respective period
Source: Kantar Worldpanel

Based on relative density of grocery retail space (measured as amount of selling space over number of inhabitants), Spain's grocery retail network has additional room for growth when compared with other European markets. With 280 square meters of grocery selling space per thousand inhabitants as of 2018, the Spanish network density is slightly higher than in the United Kingdom, Portugal or Italy (with 273 sqm/'000 inhabitants, 241 sqm/'000 inhabitants and 229 sqm/'000 inhabitants respectively) but significantly lower than in other European countries like Norway or France (with 825 and 521 sqm/'000 inhabitants, respectively)[6].

Benchmark of grocery retail selling space per '000 inhabitants in Western Europe (2018)



Source: IGD (square meters) and Naciones Unidas ('000 inhabitants).

3. Main channels, store formats and shopping missions

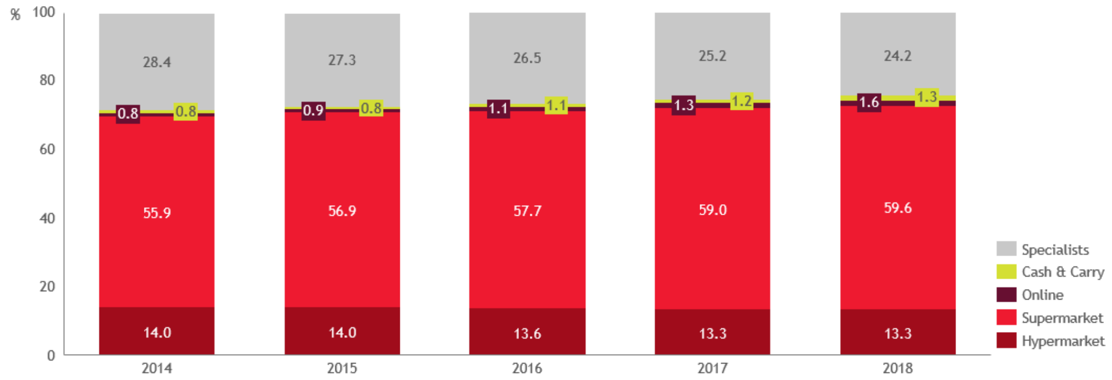
The grocery retail market in Spain is composed of two major segments: organized/modern retailers and non-organized/specialized retailers.

[6] IGD (square meters) and Naciones Unidas ('000 inhabitants).

(1) *Organized or modern retailers* are usually chain stores, owned or franchised by a parent entity, which typically sell various categories of food and non-food items through different channels (offline and online). These retailers held a share of 76% (by value) in Spain in 2018[7].

(2) *Non-organized or specialized retailers* tend to be stand-alone businesses focusing on a single or small group of categories (e.g. butcher and fishmonger, shops, bakeries fruit & vegetable markets). These retailers held a share of 24% (by value) in Spain in 2018.[8]

Evolution of value share in the Spanish grocery retail market by segment (2014-2018)



Source: Kantar Worldpanel

In addition to the above, as of June 30, 2019, hypermarkets represented a 13.5% of value share in the Spanish grocery retail market, supermarkets a 59.7%, specialists a 23.7%, online a 1.7% and cash & carry a 1.3%[9].

4. Shopping missions

Each grocery retail format serves different shopping purposes (or "missions") for Spanish consumers. Overall, 3 main shopping purposes can be identified in the Spanish grocery market (both organized and specialized):[10]

- *"Stock up"*: large volume shopping for groceries to be consumed over several days (56% share of overall shopping missions in Spain, according to the market survey conducted as part of the primary research).[11] For such shopping missions, the key customer needs are value (i.e. a balance of good price and quality) and variety. Large supermarkets and hypermarkets with extensive breadth and depth in assortment are best positioned to succeed in attracting customers in this mission, with price advantage creating a strong incentive for customers.

- "*Next Meal*": small volume shopping for groceries to be consumed usually the same or next day (34% share of overall shopping missions in Spain). In this mission, customers tend to look for a convenient experience. For grocery retailers to succeed in meeting demand for "Next Meal" occasions, they typically need to provide minimum breadth ranges in most categories with deeper assortment in convenience products. Given the higher shopping frequency of this mission, customers tend to look more for geographical proximity, with stores catering to immediately

[7] Kantar Worldpanel

[8] Kantar Worldpanel

[9] Kantar Worldpanel

[10] Primary research (survey to +1500 consumers on shopping behaviors and attitudes), supported by Nielsen Global Consumer Survey on shopping needs and missions of traditional trade

[11] Primary research (survey to +1500 consumers on shopping behaviours and attitudes), supported by Nielsen Global Consumer Survey on shopping needs and missions of traditional trade

surrounding residential areas. Specialized retailers also play a strong role in this mission by offering a high-quality assortment within fresh product categories.

- "*On-The-Go*": purchasing of specific grocery products for immediate consumption. In this mission, customers seek ready-to-go food available in most convenient locations such as high traffic urban centers. Hence, small and centrally located stores are best positioned to attract customers with "on-the-go" needs. Such stores typically carry highly limited assortment focused on convenience products like snacks, bottled beverages and ready meals.

While "on-the-go" and "next meal" missions form a relatively small value share of all shopping occasions, they are expected to grow at a higher rate than "stock up" missions due to consumer trends favoring convenience, as discussed further below[12].

5. Main consumer trends

The analysis and data summarised in this section have been mainly prepared based on primary research on Spanish grocery retail conducted by a leading strategy consulting firm engaged by the Company in 2018. This research included, inter alia, a market survey with over 1,500 respondents. This survey was designed to understand the shopping missions and attitudes of Spanish grocery consumers, including main drivers of choice, perception of private label and brand advocacy.

In recent years, four key supply and demand trends have influenced the development of the Spanish grocery retail market:

(1) Relevance of convenience and on-the-go formats

(2) High preference for quality fresh and healthy offering

(3) Rise of private label

(4) Demand for personalized and digitized shopping experiences

(1) Relevance of convenience and on-the-go formats

The increasing time constraints of consumers, among other factors, are shaping current eating habits. 53% of Spanish consumers have declared that they do not have enough time to shop for groceries and 38% that they spend less time shopping today than 5 years ago[13]. As a result, consumption of on-the-go meals is rising: sales of ready meals in grocery stores have grown 8.8% between 2017 and 2018[14].Furthermore, various quick eating solutions, such as take-away, home-delivery or ready-made food have proliferated, forcing retailers to include similar products (such as ready-made salads, sandwiches, snacks) in their assortment.

In addition to modifying assortment grocery retailers in Spain are increasing their network of convenience stores and investing in further development of their digital capabilities, resulting in high growth observed in respective channels as per data presented above.

(2) High preference for quality fresh and healthy offering

Several underlying consumer and sociodemographic trends are increasing the demand for fresh and healthy products. In the Spanish grocery retail market, three out of the top four and six out of the top eight product categories by importance for consumers when choosing a retailer are related to fresh products[15].

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[12] Primary research (survey to +1500 consumers on shopping behaviours and attitudes), supported by Nielsen Global Consumer Survey on shopping needs and missions of traditional trade

[13] Observatorio Cetelem

[14] Nielsen

[15] Primary research (survey to +1500 consumers on shopping behaviors and attitudes)

Importance of product categories in selection of retailer for consumers (2018)

Importance of categories in selection of retailer	**Share of respondents**	**Type**
Fruit & veggies	16.6%	Fresh
Fresh meat	15.4%	Fresh
Packaged food	12.0%	Non-fresh
Fresh fish	11.0%	Fresh
Dairy & Eggs	8.4%	Fresh
Charcuterie & cheese	8.2%	Non-fresh
Bread & pastry	7.6%	Fresh
Drinks	5.3%	Non-fresh
Home Care	4.8%	Non-food
Frozen	4.1%	Non-fresh

Source: Primary research (survey to +1500 consumers on shopping behaviors and attitudes)

In addition, increase in health awareness, proliferation of obesity and rising incidence of food intolerances are further factors leading to an overall preference for quality fresh and healthy offering, both in Spain and globally. In a recent global consumer survey[16], 74% of respondents admit that they like to follow a healthy diet, 69% indicate preference for buying local and proximity fresh products instead of imported products, and 54% prefer buying low-salt products. Excessive weight and obesity awareness, as well as food allergies further necessitate healthy eating habits and lifestyle. In Spain, 18.2% of men and 16.7% of women suffered from obesity in 2017[17].

In response to this trend, organized grocery retailers have started to adapt their offerings to cater to these needs, gaining significant market share at the expense of traditional specialized players and becoming market leaders in related categories. The share of organized retail in fresh product sales has decreased from 44.8% to 42.9% between 2014 and 2018[18]. Nevertheless, modern retailers have significant opportunity to gain further share in fresh and healthy products at the expense of specialized players.

Evolution of fresh sales share by channel (2014-2018)

Sales volume by channel (%)	**2014**	**2015**	**2016**	**2017**	**2018**
Rest of retailers	69.2%	67.8%	66.2%	64.4%	63.6%
Specialized retailers	30.8%	32.2%	33.8%	35.6%	36.4%

Source: MAPAMA

[16] Kantar Worldpanel

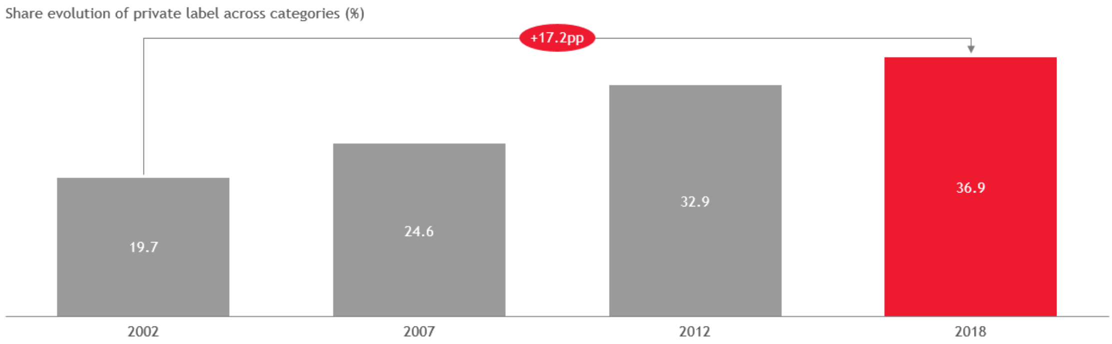
[17] INE

[18] MAPAMA

(3) Rise of private label

The Spanish grocery market has experienced strong growth in private label penetration (measured as share of private label products over total grocery sales), increasing from 19.7% in 2002 to 36.9% in 2018[19]and evidencing growing consumer demand for value for money[20].

Evolution of private label penetration in Spain (2002-2018)



Note: arrow bubble refers to percentage point growth for the respective period
Source: Kantar Worldpanel

In addition to the above, as of June 30, 2019, private label penetration in Spain is 36.7% (Source: Kantar Worldpanel).

(4) Demand for personalized and digitized shopping experiences[21]

Increasing "digitalization" of consumer lifestyle allows retailers across categories to use digital channels as a lever to transform consumer interaction, and, beyond that, to re-engineer the entire business model, extending customer interactions outside of in-store experience (including pre and post shopping) and reshaping the role of the physical store within their ecosystem.

Consumers increasingly begin their shopping journey online, gathering information about products in social media, reading reviews from other users, interacting through messaging apps, etc. This is the first critical touchpoint for retailers, who need to attract customers through media content, personalized promotions and other methods.

Once the decision to shop is made, the actual purchase is made offline or, increasingly, online. With increasing availability of assortment for online delivery, role of the physical store is evolving from its current function of a storage space to a service center with a differentiating customer experience, a collection point of online orders and, in some instances, even a production center (e.g. with on-site bakery). These in-store discovery and shopping experiences are enabled and enhanced by mobile integration, augmented reality, digital signage, and other emerging retail technologies, as best encapsulated by the nascent Amazon Go and 7 Eleven's "X Stores". Such "grocery stores of the future" have minimum staffing requirements and completely eliminate checkout through use of cameras, sensors and artificial intelligence.

In addition to augmenting offline experiences, online channels are increasingly gaining relevance as key touchpoints for consumers. Online grocery is expected to keep growing, especially considering low level of online channel penetration in Spanish grocery relative to other markets. As of 2018, the share of online

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[19] Kantar Worldpanel

[20] Primary research (survey of >1500 consumers on shopping behaviors and attitudes) conducted by a leading strategy consulting company for the Company

[21] Alimarket (tendencias en la distribución 2018) and Nielsen (the digital consumer jouney in the western Europe grocery)

channel in Spanish grocery retail is still 5 times lower than in the UK, 4 times lower than in the US and 13 times lower than in China.[22]

Retail customers increasingly expect a seamless experience with no difference between online and offline interactions throughout the whole shopping journey. Retailers who have successfully integrated both of these elements in their proposition are referred to as omni-channel players (e.g. in Spain, Click & Collect options are currently offered by 48% of retailers, while 40% offer home delivery after offline in-store purchases).[23] The migration of experiences online, and digitalization of offline allow such retailers to valorize data gathered from customer interactions by providing valuable insights into consumptions trends, optimizing purchasing and logistics and personalizing offers, thereby further enhancing overall customer experience.

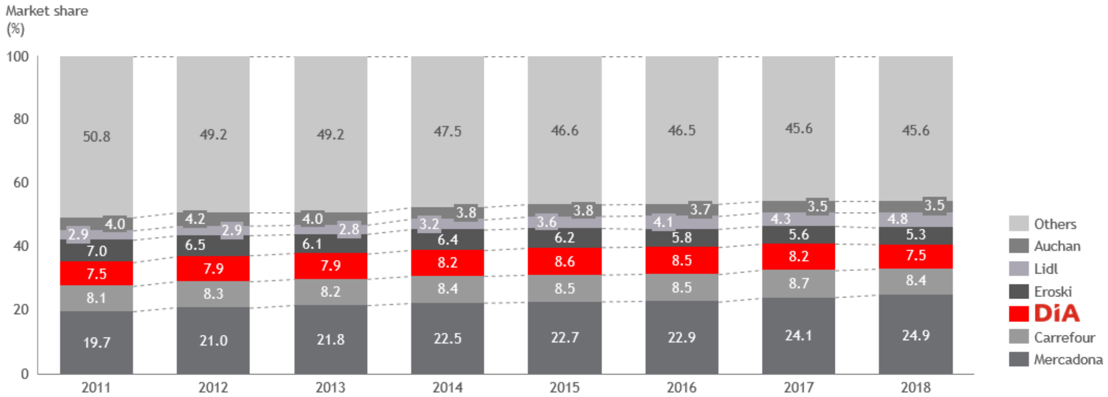
6. Competitive landscape

Overview of key competitors

The organized segment of the Spanish grocery retail market is composed of domestic and international players. The top 5 retailers by value market share in 2018 were: Mercadona (24.9%), Carrefour (8.4%), DIA (7.5%), Eroski (5.3%) and Lidl (4.8%)[24]. Since 2011, only Alcampo lost its position in the top 5 to Lidl in 2016. In this period (2011-2018), Mercadona has experienced the highest growth in terms of market share (+5.2pp), followed by Lidl (+1.9pp)[25].

In 2018, the top 5 retailers represented 50.9% of overall sales in the organized segment, compared to an average of 61% across selected European countries. Markets such as Germany, UK or France are more concentrated, with share of the top 5 players reaching 80.7%, 65.0% and 64.1% respectively)[26].

Evolution of value shares in the organized segment of the Spanish grocery retail market (2011-2018)



Source: Kantar Worldpanel

As of June 30, 2019, the top 5 retailers represented 51.9% of the overall sales in the organized segment. The top 5 retailers by value market share are: Mercadona (26.1%), Carrefour (8.7%), DIA (6.6%), Lidl (5.6%) and Eroski (4.9%). The next retailer by value market share is Auchan, which represents 3.5% of

[22] Nielsen

[23] Prodware, Grado de desarrollo de la omnicanalidad en el sector retail (2018)

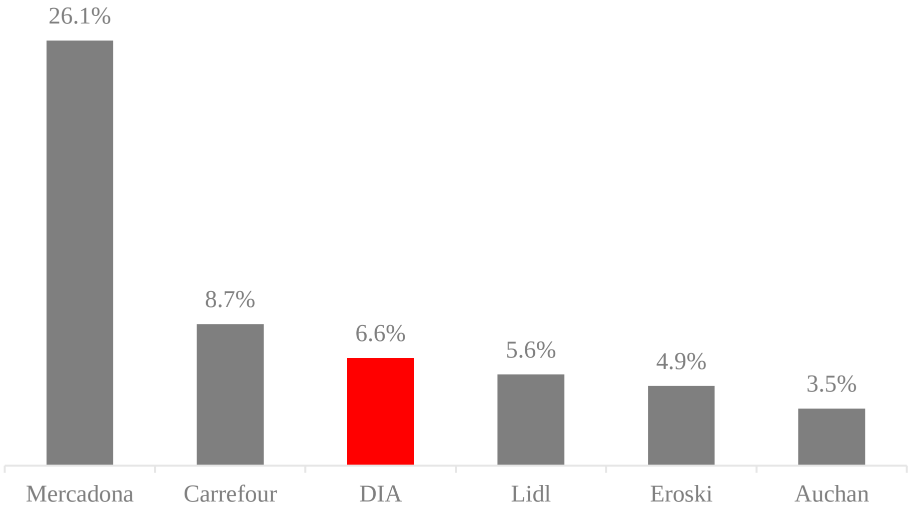
[24] Kantar Worldpanel

[25] Kantar Worldpanel

[26] PlanetRetail RNG *(selected countries include: Sweden, Austria, Norway, Germany, Belgium, Ireland, Switzerland, Netherlands, Denmark, Finland, Portugal, UK, France, Czech Republic, Spain, Hungary, Poland, Romania, Greece, Russia, Italy, Ukraine and Turkey)*

the overall sales in the organized segment[27]. The rest of retailers represent 44.6% of the total market share.

Market share in the Spanish grocery retail market (June 30, 2019)



In terms of market share by selling space in the first semester of 2019, Mercadona leads the organized segment with 26% of total space. DIA is second with 17% and Carrefour is third with 13%[28]. In addition, by channel, Mercadona is leading in non-convenience supermarkets (24%), Carrefour is leading in hypermarkets (48%) and DIA is leading in convenience stores (23%)[29].

Store network and franchise models[30]

Among the leading retailers in Spain in terms of market share[31], DIA has the largest store network in the market with 3,476 PoS as at June 30, 2019, followed by Mercadona with 1,628 PoS and Eroski with 1,321 PoS.[32]

[27] Kantar Worldpanel

[28] Alimarket

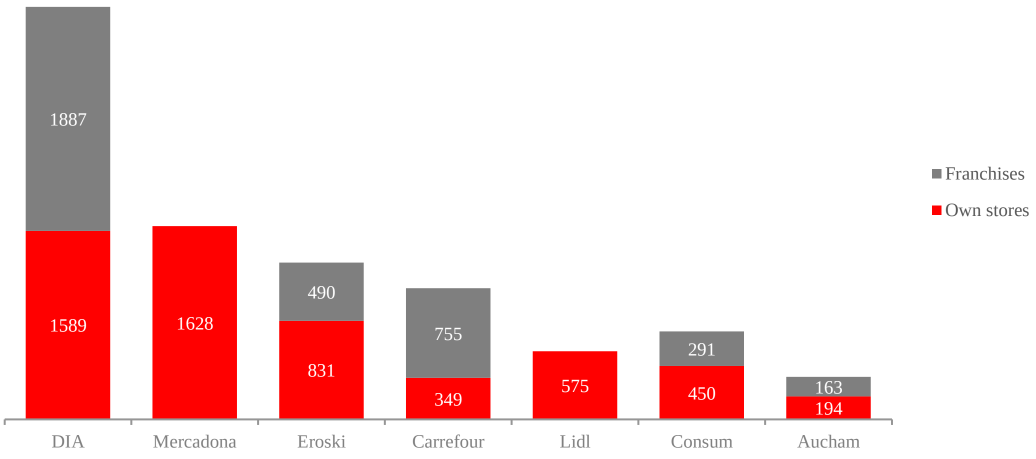
[29] Alimarket (year 2018)

[30] Alimarket

[31] This includes retailers with a value market share larger than 3.5%

[32] Alimarket

Points of sale split by own stores and franchisees for major retailers in Spain (June 30, 2019)



Source: Alimarket

The chart above represents the most updated points of sale split by own stores and franchisees for major retailers in Spain as at June 30, 2019. Franchise models have been one of the main drivers of PoS growth in the Spanish grocery retail market, with overall CAGR of 9.7% between 2014 and 2018 across both supermarket and hypermarket formats. Using this lever, most of the major retailers have increased their footprint under franchising models over the past years. DIA is the largest franchisor among major grocery retailers in the Spanish market[33].

Evolution of franchise network of major retailers in Spain (2014-June 30, 2019)[34]

Franchise brand	**2014**	**2015**	**2016**	**2017**	**2018**	**H1 2019**	**PoS var.**
DIA	1,620	1,925	2,042	2,023	1,912	1,887	+267
Eroski	448	437	438	447	473	490	+42
Carrefour	193	250	300	329	717	755	+562
Auchan[35]	-	143	169	171	175	163	+20
Total	2,261	2,755	2,970	2,970	3,277	3,295	1,034

Source: Kantar Worldpanel (years 2014-2018); Alimarket for H1 2019

Household penetration[36]

As consumers generally shop in more than one grocery location or retailer throughout the year, household penetration represents the share of consumers who shopped with a certain retailer over the course of a year and serves as a reliable indicator of a grocery retailers "capillarity", i.e. availability of stores at various locations.

[33] This includes retailers with a value market share larger than 3.5%

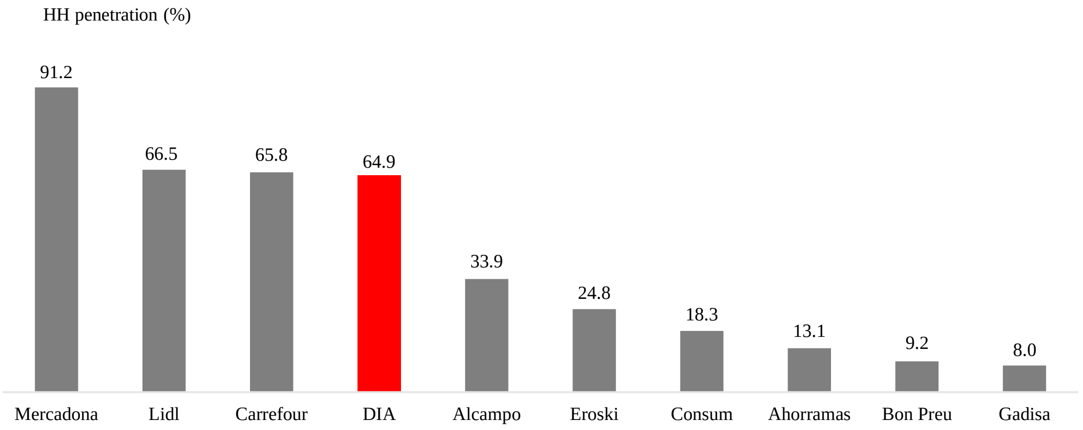
[34] This includes retailers with a value market share larger than 3.5%

[35] Data for Auchan not available in 2014 Alimarket report. CAGR for 2015-2018

[36] Kantar Worldpanel

Mercadona is the industry leader in household penetration with 91.2%, followed by Lidl with 66.5%, Carrefour with 65.8%, DIA with 64.9% and Alcampo with 33.9%. The rest of grocery retailers in the industry have significantly lower levels of penetration.

Benchmark of household penetration across Spanish grocery retailers (2018)



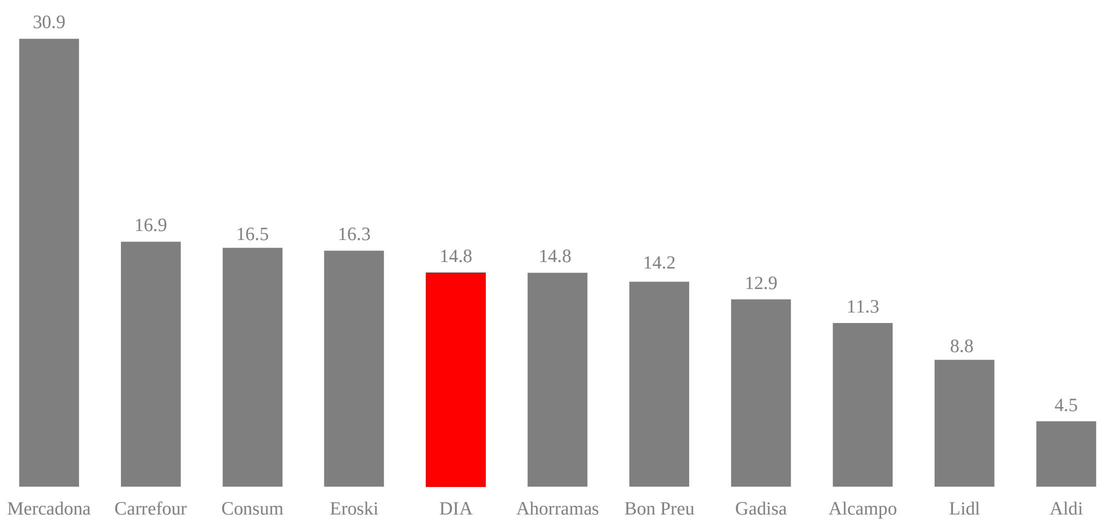
Source: Kantar Worldpanel

Share of wallet[37]

Share of wallet represents how much an average consumer spends (in euro terms) at each retailer, throughout the year and is another metric representing relative strength of grocery brands. In Spain, Mercadona is the industry leader in share of wallet, taking on average 30.9% of a consumer's spend. DIA also has a large portion of the average Spanish consumer wallet's, with 14.8% share. The majority of players in the market have smaller shares ranging from 4% to 14%.

These data indicate a high degree of overlap in consumers' share of wallet, which presents an opportunity to improve consumer loyalty and drive future growth.

Share of wallet across Spanish grocery retailers (June 30, 2019)



[37] Kantar Worldpanel

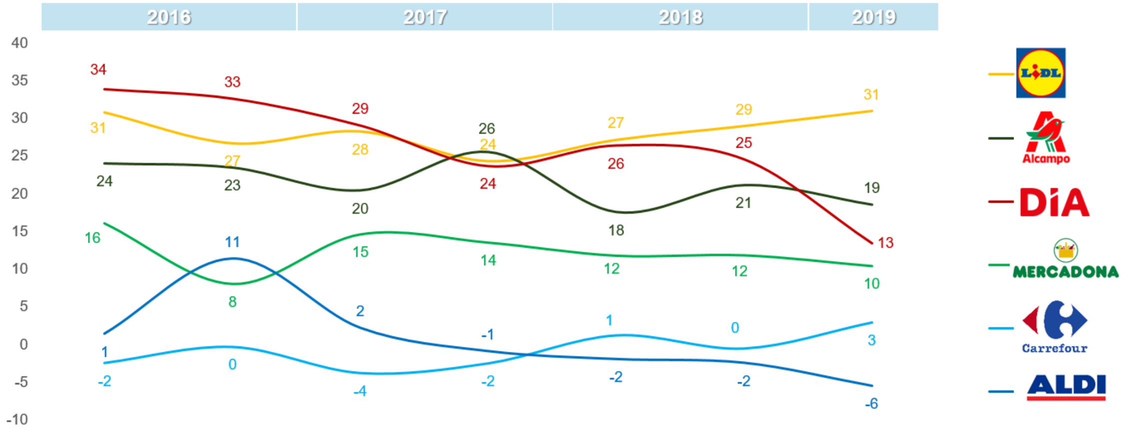
Source: Kantar Worldpanel

Price perception

Price perception is key to competition in grocery retail as it is one of the primary drivers (besides convenience and quality of products) of store traffic, purchase frequency and customer loyalty.

Lidl ranks first among grocery retailers in Spain in terms of price perception, followed by Alcampo and DIA, who had historically led this indicator. Leading discounters focus on maintaining strong price perception to attract customers.

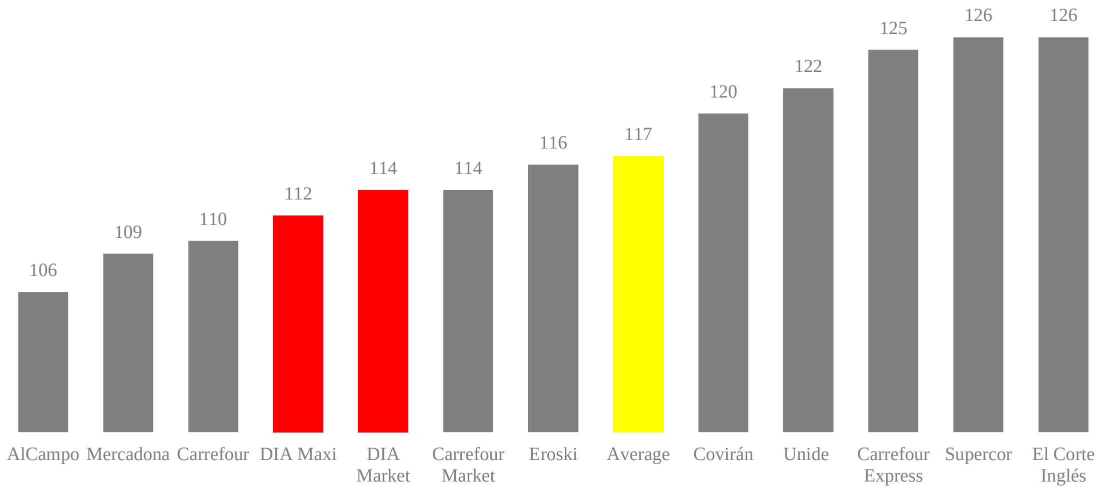
Evolution of price image index of key Spanish grocery retailers (January 2016- June 2019)



Source: Kantar Worldpanel

In convenience category in particular, DIA Market (the Company's main convenience banner) holds the leading price position with an index of 114, above all other convenience competitors such as Covirán (120) or Carrefour Express (125)[38].

Price index of main grocery banners calculated by OCU comparing a basic product basket across all different banners (October 2018)



Source: Organización Consumidores y Usuarios

[38] Organización Consumidores y Usuarios. Price Index is calculated by comparing a basic basket of 242 products across different supermarket banners in the country. The combination of the cheapest banners receives an index of 100 and the rest of stores are calculated according to that base (e.g. an index of 120 corresponds to a store 20% more expensive than the base).

Grocery retail market in other markets of Company's operation

In addition to its domestic market in Spain, DIA conducts business in other geographies accounting for c.57% of its total store network (excl. *Clarel*) as of June 30, 2019 and c.64% (incl. *Clarel*) as of June 30, 2019. More specifically, the Group has built strong operations in Portugal, Brazil and Argentina, with a similar business model relying on convenience, price and franchising.

1. Macroeconomic background

Evolution of key macroeconomic indicators (2011-2018)

	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Nominal GDP (€B)								
Portugal	225	199	207	211	183	189	201	218
Brazil	2,400	2,262	2,269	2,253	1,653	1,648	1,884	1,714
Argentina	486	501	506	483	546	511	590	476
Nominal GDP (Local currency)								
Portugal (B€)	225	199	207	211	183	189	201	218
Brazil (B BRL)	4,041	4,119	4,243	4,264	4,113	3,970	4,009	4,053
Argentina (B ARS)	711	703	720	702	721	708	729	711
Exchange rate (LCU:USD)[39]								
Portugal	0.72	0.78	0.75	0.75	0.90	0.90	0.89	0.84
Brazil	1.67	1.95	2.16	2.35	3.33	3.49	3.19	3.68
Argentina	4.11	4.54	5.46	8.08	9.23	14.76	16.56	29.26
Real GDP growth (%)								
Portugal	(1.8%)	(4.0%)	(1.1%)	0.9%	1.8%	1.9%	2.8%	9%
Brazil	4.0%	1.9%	3.0%	0.5%	(3.5%)	(3.3%)	1.1%	1.1%
Argentina	6.0%	(1.0%)	2.4%	(2.5%)	2.7%	(1.8%)	2.9%	(2.5%)
Inflation (%)								
Portugal	4%	3%	0%	0%	1%	1%	2%	1%
Brazil	7%	5%	6%	6%	9%	9%	3%	38%
Argentina	24%	25%	23%	38%	27%	41%	27%	48%
Consumer Confidence Index								
Portugal	97.3	97.1	97.6	100.1	100.9	100.9	102.2	101.04
Brazil	102.2	102.7	113.3	103.4	81.6	73.1	83.4	84.9
Argentina	102.1	84.2	85.6	74.2	99.2	82.1	82.8	37.7

Note: CCI shown as an average of monthly indicators for each year

Source: The Economist Intelligence Unit for all GDP, exchange rate and inflation data; Instituto Brasileño de Geografía y Estadística (IBGE) and Instituto Nacional de Estadística y Censos (INDEC) in Brazil and Portugal; Universidad Torcuato di Tella for CCI data in Argentina

[39] Average exchange rate per year

Portugal

After a period of economic crisis between 2011 and 2013, Portugal recovered with a steady real GDP CAGR of 2.3% between 2016 and 2018. In 2017, the country exceeded European Commission economic forecasts with real GDP growth of 2.8%, the strongest level since 2000. In 2018 it has decreased to 2.1% and current projections of FMI and Banco de Portugal to 2019 are 1.7%.[40] This growth has been supported by significant rebound in foreign investment, continued improvement in private spending and strong exports growth.

Projections by Banco do Portugal (Central bank of Portugal) indicate expectations of continued economic growing at a stable rate, with real GDP rates between 1.6% and 1.7% annually.[41]

Future projections of GDP growth in Portugal (2019-2021e)

	2019e	**2020e**	**2021e**
Real GDP growth (%)	*1.7%*	*1.6%*	*1.6%*

Source: Banco de Portugal & International Monetary Fund ("*Fondo Monetario Internacional*")

Brazil

Brazil suffered an economic crisis over the past two years, which resulted in negative real GDP growth of (3.5%) in 2015 and (3.3%) in 2016.[42] The economy, however, began to recover in 2017 with 1.1% real GDP growth rate, given an improved agriculture sector that boosted the country's recovery from the recession. Brazil is expected to extend this positive trend, with real GDP estimated to increase between 0.82% and 2.50% annually[43], buoyed by stronger private consumption and investment.

Future projections of GDP growth in Brazil (2019-2021e)

	2019e	**2020e**	**2021e**
Real GDP growth (%)	*0.82%*	*2.10%*	*2.50%*

Source: Focus Economics

Argentina

Over the past ten years, Argentina has experienced cycles of economic instability. The annual variation in real GDP growth rates has fluctuated between positive and negative values, deepening uncertainty in the country.[44] The economy, however, is expected to recover after 2019 and follow a more stable trajectory over the next years, with GDP growing at a real rate of 1.9% - 2.5% annually.[45]

Future projections of GDP growth in Argentina (2019-2021e)

	2019e	**2020e**	**2021e**
Real GDP growth (%)	*-1.40%*	*1.90%*	*2.5%*

Source: Banco Central de la República Argentina

[40] The Economist Intelligence Unit and Banco de Portugal & FMI
[41] Banco de Portugal
[42] The Economist Intelligence Unit
[43] Focus Economics
[44] The Economist Intelligence Unit
[45] Banco Central de la República Argentina

2. Market overview

The below table and chart summarize key data on grocery retail market dynamics in Portugal, Brazil and Argentina.

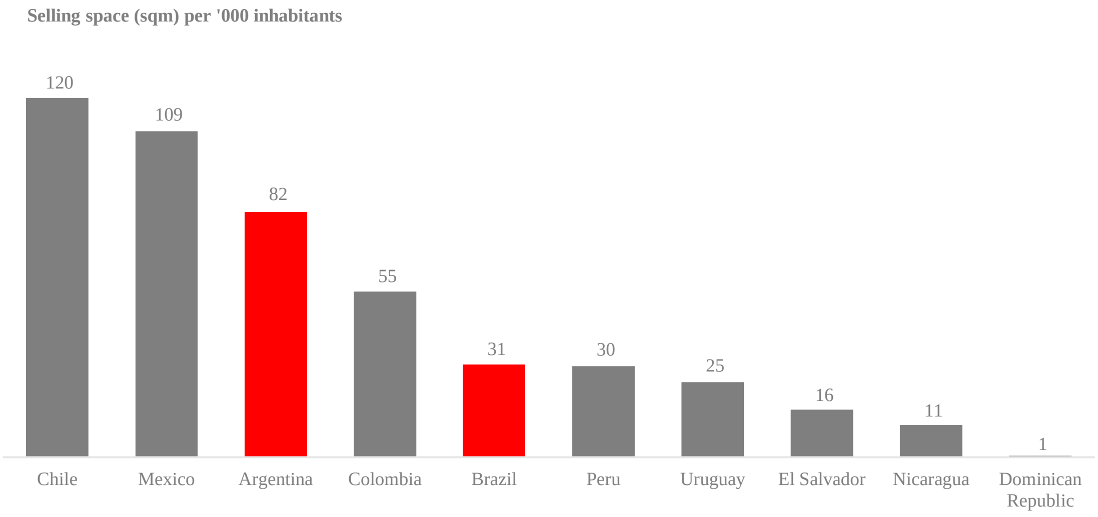
Evolution of grocery retail market indicators (2011-2018)

	2014	2015	2016	2017	2018
Grocery retail market size (B€)					
Portugal	13.19	13.57	14.00	14.49	15.03
Brazil	114.19	93.48	90.28	97.98	80.00
Argentina	11.04	14.21	10.58	10.79	7.13
Grocery retail market size (LCU)[46]					
Portugal (B€)	13.19	13.57	14.00	14.49	15.03
Brazil (B BRL)	357.13	345.57	348.69	353.20	356
Argentina (B ARS)	119.450	146.187	173.697	202.324	244.18
Grocery retail surface (M sqm)					
Portugal	2.38	2.47	2.47	2.53	2.61
Brazil	3.04	3.20	3.38	3.42	3.30
Argentina	3.14	3.22	3.23	3.32	3.59
Grocery retail PoS (#)					
Portugal	2,360	2,460	2,561	2,648	2,750
Brazil	3,088	3,277	3,434	3,545	3,765
Argentina	2,167	2,327	2,367	2,437	2,319

Source: IGD

[46] Conversion from local currencies (BRL, ARS) to euros based on The Economist Intelligence Unit average yearly exchange rate for the period (LCU:USD, EUR:USD)

Benchmark of organized grocery retail selling space per ‘000 inhabitants across Latin American countries (2018)



Source: IGD

Portugal

The grocery retail market in Portugal has shown the best dynamics and potential among all geographies where DIA operates. While the Portuguese grocery retail market remained flat in value terms between 2008 and 2015, it grew between 2015 and 2018, reaching €15B in market size with a 3.5% CAGR[47] during that period. The market is expected to continue growing at a similar pace, up to €16.4B in 2022[48], as the country begins to follow a more sustainable growth model based on strong exports, investments and private spending.

Growth in market value has been accompanied by an increase in the number of grocery stores and total surface (3.9% CAGR and 2.3% CAGR respectively between 2014 and 2018)[49]. In terms of network density, Portugal has a slightly lower penetration rate than the Spanish market (241 sqm per ‘000 inhabitants vs. 280 for Spain)[50], indicating potential for further growth.

In terms of store formats, supermarkets are the largest format with a 45% value share in 2018, representing an increase of 2 percentage points over the last 4 years. Hypermarkets have the second largest share of 28%, but have experienced a decrease of 2 percentage points since 2015 while cash & carry, has remained flat at a 9% value share.[51]

[47] IGD

[48] IGD

[49] IGD

[50] IGD

[51] IGD

Evolution of market share (by value) of main organized grocery retail formats in Portugal (2014-2018)

	2014	**2015**	**2016**	**2017**	**2018**	**Difference**
Supermarkets	43%	44%	44%	45%	45%	2 p.p.
Convenience stores	1%	1%	1%	1%	2%	1 p.p.
Hypermarkets	31%	30%	29%	29%	28%	-3 p.p.
Cash & carry	9%	9%	9%	9%	9%	0.0 p.p.
Discount	17%	16%	16%	16%	17%	0.0 p.p.

Source: IGD

In terms of store network, supermarkets are both the predominant format and the most dynamic (1,060 PoS), and a CAGR of 4.9% in 2014-2018. Within the supermarket format, convenience stores have driven most of the overall growth with 9.7% CAGR between 2014 and 2018. Hypermarkets are the third largest format (100 PoS), followed by cash & carry (52 PoS).[52]

Evolution of number of outlets in organized grocery retail formats in Portugal (2014-2018)

	2014	**2015**	**2016**	**2017**	**2018**	**CAGR**
Supermarkets	876	913	964	1,024	1,060	4.9%
Convenience stores	460	534	594	605	666	9.7%
Hypermarkets	102	109	100	99	100	(0.5%)
Cash & carry	51	51	52	53	52	0.5%

Source: IGD

Brazil

The Brazilian grocery retail market has increased in 2017 and 2018 by 2.6% with a total market value in 2018 of BRL 249 billion (€56.1 billion)[53]. Over 2018-2021, the Brazilian market is expected to recover in real terms at a 1.87% CAGR.[54]

In terms of overall grocery surface and total number of points of sale within the organized retail segment, both grew between 2014 and 2018. Total selling area reached 8M sqm in 2018 after growing at 1.1% CAGR since 2014, while the number of PoS peaked at 3,765 PoS in 2018 after growing at 5.1% CAGR since 2014.[55] In terms of network density, Brazil has a much smaller organized retail base per capita than other Latin American countries, with 39 sqm of grocery selling space per '000 inhabitants[56] compared to 127 sqm average selling space in Mexico, indicating potential for further growth.

Within the organized segment, Brazil's landscape of retail formats has also experienced significant change over the past years. Although supermarkets are the leading format by value, they have increasingly lost share to cash & carry formats, decreasing share from 40% in 2014 to 32% in 2018. Unlike in other markets where the Group operates, cash & carry has strong presence in Brazil, being the third largest and the only growing format over the past four years, with value share increasing from 18% in 2014 to 26% in 2018.

[52] IGD
[53] IGD
[54] IGD
[55] IGD
[56] IGD

Supermarkets are the second largest format despite no increase in value share over 2014-2018.

Evolution of market share (by value) of organized grocery retail formats in Brazil (2014-2018)

	2014	2015	2016	2017	2018	Difference
Hypermarkets	40%	38%	36%	34%	32%	(8 p.p.)
Cash & carry	18%	19%	22%	24%	26%	8 p.p.
Supermarkets	34%	34%	35%	34%	34%	0 p.p.
Convenience stores	0%	0%	0%	0%	0%	0 p.p.
Discount	8%	8%	8%	8%	7%	(1 p.p.)

Source: IGD

In terms of number of outlets, supermarkets have a 34% share of the total retail network (1,483 PoS), followed by hypermarkets with 32% (448 PoS) and cash & carry with 26% share (284 PoS). Within the supermarkets format, convenience stores are increasing significantly in terms of footprint, with 134% CAGR between 2014 and 2018.[57]

Evolution of number of outlets in organized grocery retail formats in Brazil (2014-2018)

	2014	2015	2016	2017	2018	CAGR
Supermarkets	1,411	1,449	1,442	1,440	1,483	1.3%
Convenience stores	4	21	70	119	120	134.0%
Hypermarkets	461	465	467	446	448	(0.7%)
Discount	978	1,103	1,203	1,266	1,430	10.0%
Cash & carry	234	239	252	274	284	5.0%

Source: IGD

Argentina

Grocery retail sales in Argentina grew at 1% CAGR between 2009 and 2015, when due to political instability and abandonment of price controls real food consumption decreased. As a result, sales in grocery retail decreased at a 20.6% CAGR between 2015 and 2018 (from €14.2B to €7.1B) taking account the process of great depreciation of the local money during this period[58].

In terms of grocery surface within organized retail, Argentina has grown both in total grocery surface and in number of outlets. While the total selling area grew at a 2.1% CAGR between 2014 and 2018 (reaching a total of 3.3M sqm in 2018), the number of PoS grew at a 3.8% CAGR during the same period (reaching 2,319 PoS in 2018).[59] The higher growth rate of the number of PoS compared to overall grocery surface indicates that most of the footprint growth was driven by small store formats, mainly supermarkets and convenience stores. In terms of network density, Argentina presents the third most penetrated country in South America, with 82 square meters of grocery selling space per '000 inhabitants, which is however significantly below 120 and 109 square meters of grocery selling space per '000 inhabitants in Chile and Mexico, respectively.[60]

[57] IGD

[58] Nielsen

[59] IGD

[60] IGD

Hypermarkets dominate the organized segment in terms of sales, with 39% in value share in 2018. Supermarkets remain the second largest format with value share of 37% in 2018.

Cash & carry has a value share of 5%, representing a slight decrease of 1 percentage point since 2014[61].

Evolution of market share (by value) of organized grocery retail formats in Argentina (2014-2018)

	2014	2015	2016	2017	2018	Difference
Hypermarkets	42%	41%	39%	38%	39%	(3 p.p.)
Supermarkets	37%	37%	37%	38%	37%	0 p.p.
Discount	13%	14%	16%	17%	16%	3 p.p.
Cash & carry	6%	6%	6%	5%	5%	(1 p.p.)
Convenience	2%	2%	2%	2%	3%	1 p.p.

Source: IGD

In terms of store network, hypermarkets are the predominant format, with 39% of the total number of organized retail outlets in the country in 2018 (2,319 PoS, 3.8% CAGR vs. 2014). Convenience stores represent 3% of the overall store base in the country, having grown at 10.7% CAGR over 2014-2018. These are followed by supermarkets (37% share, 244 PoS, 5.0% CAGR vs. 2014) and cash & carry (5% share, 23 PoS, 2.3% CAGR vs. 2014).

Evolution of number of outlets in organized grocery retail formats in Argentina (2014-2018)

	2014	2015	2016	2017	2018	CAGR
Supermarkets	613	639	647	620	607	(0.2%)
Convenience stores	375	392	407	414	404	1.9%
Hypermarkets	201	209	218	237	244	5.0%
Discount	791	918	941	998	1,041	7.1
Cash & carry	21	22	22	22	23	2.3%

Source: IGD

3. Competitive landscape

Portugal

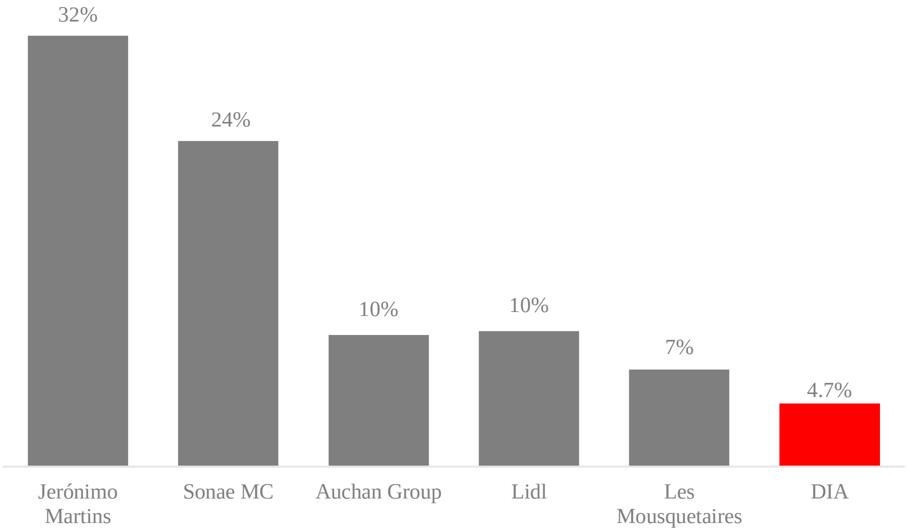
The organized segment of the Portuguese grocery market is more consolidated than in other markets where DIA operates (with 84% of market share by value concentrated in the top 5 retailers)[62], but still not at the level of the most consolidated markets in Europe. Competitive landscape in Portugal is mostly defined by Jerónimo Martins (32% value share in 2018) and Sonae MC (25% value share in 2018). Lidl, Auchan and Les Mousquetaires occupy the other top 5 positions in the organized retail market, with value shares of 10%, 10% and 8% respectively. Minipreço, the banner under which DIA operates in Portugal, has consistently occupied the sixth position in the market, with a value share of 5.3% in 2018.[63] The position of the largest six players has remained unchanged since 2014, with no major share gains / losses during this period.

[61] IGD

[62] IGD

[63] IGD

Market share (by value) of the largest organized grocery retailers in Portugal (2018)



Source: IGD

In terms of store network, Sonae MC occupies the leading position with a total of 581 stores, while Minipreço (DIA) is the second largest convenience player in the country with 546 points of sale. Jerónimo Martins occupies the third position with 474 outlets, followed by Covirán SCA (335 stores) and Lidl (335 stores).[64]

Brazil

The Brazilian organized grocery retail market is dominated by international players. The largest organized retailers by value market share are: Casino (32% French retailer operating under banners like Extra or Pão de Açúcar), Walmart (20%, US retailer operating primarily under the Walmart Supercenter banner), Carrefour (8%, French retailer operating primarily under Atacadão and Carrefour banners), Makro South America (8%), Cencosud (5%, Chilean retailer operating under banners such as Bretas or G. Barbosa) and DIA (3.3%, operating under the same banner).[65]

Table: Evolution of market share (by value) of the largest organized grocery retailers in Brazil (2014-2018)

	2014	**2015**	**2016**	**2017**	**2018**	**Difference**
Casino Group	27%	28%	28%	28%	32%	4.57 p.p.
Walmart Brasil	0%	0%	0%	0%	20%	19.82 p.p.
Carrefour Group	12%	11%	10%	9%	8%	(4.22 p.p.)
Makro South America	8%	8%	8%	8%	8%	0.16 p.p.
Cencosud	7%	6%	6%	6%	5%	(1.60 p.p.)
DIA	4%	4%	5%	5%	4%	0.23 p.p.
SDB Comércio de Alimentos Ltda	2%	3%	3%	4%	4%	1.44 p.p.
Super Muffato	3%	3%	4%	4%	4%	0.72 p.p.

Source: IGD

[64] IGD

[65] IGD

It is important to note that the organized grocery retail market is not homogenous across Brazil, as certain regional players have strong brand penetration in areas like Porto Alegre (e.g. BIG as the highest brand awareness) or Salvador (e.g. Bom Preco and Atakarejo enjoy the highest brand awareness).

In terms of store network, the Group has the largest footprint in the Brazilian market, with 1,275 outlets (400 PoS more than the second largest competitor, Casino, with 897 PoS).

Table: Distribution of PoS by top organized grocery retailers in Brazil and store format (2018)

	Convenience	Discount	Hypermarkets	Supermarkets	Cash & carry	Total
Dia	-	1,275	-	-	-	1,275
Casino	-	-	108	649	140	897
Walmart	-	155	134	128	70	487
Carrefour	120	-	100	49	-	269
Cencosud	-	-	73	129	-	202

Source: IGD

Argentina

Among the largest organized retailers, DIA has been the top player which has outperformed the rest in 2014-2018. DIA achieved a 3.28% CAGR in sales between 2014 and 2018 and increased its value share by 3 percentage points over that period, while Cencosud and Walmart lost a significant share (Cencosud lost (2.92) percentage points and Walmart (2.22)).[66]

Evolution of market share (in sales) of leading organized grocery retailers in Argentina (2014-2018)

	2014	2015	2016	2017	2018	Difference
Carrefour	24%	24%	24%	24%	24%	0.16
Cencosud	24%	24%	22%	22%	21%	(2.92)
Dia	12%	13%	15%	15%	15%	3.28
Coto	15%	16%	14%	14%	14%	(1.02)
La Anónima	8%	8%	11%	12%	12%	3.44
Walmart	7%	7%	6%	5%	5%	(2.22)
Makro South America	6%	6%	6%	5%	5%	(1.25)
Casino Group	3%	3%	2%	2%	3%	0.52

Source: IGD

DIA benefits from the largest store network in Argentina with 980 PoS. DIA's store network has 397 PoS more than the next largest competitor (Carrefour, with 583 PoS) and has 591 PoS more than the third largest player (Cencosud, with 339 PoS).[67]

[66] IGD

[67] IGD

Distribution of PoS by leading organized grocery retailers in Argentina and store format (2018)

	Convenience	Discount	Hypermarkets	Supermarkets	Cash & carry	Total
Dia	-	980	-	-	-	980
Carrefour	396	-	89	98	-	583
Cencosud	-	-	74	265	-	339
La Anónima	-	-	-	167	-	167
Coto	8	-	35	77	-	120

Source: IGD

BUSINESS DESCRIPTION

You should read the following commentary together with the sections entitled "Risk Factors", "Presentation of Financial and Other Information", "Industry Overview", "Reasons for the Offering", "Selected Financial and Operating Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and the related notes thereto included in or incorporated by reference in this Prospectus.

Overview

Distribuidora Internacional de Alimentación S.A. (the "**Company**", and together with its subsidiaries, the "**Group**" or "**DIA**") is a leading convenience grocery retailer with an average of 2.97 million tickets per day and over 22 million active members worldwide as of August 2019. Based in Madrid, Spain, and listed on the Spanish Stock Exchanges, the Group is the Spanish grocery retailer with the largest network of stores in the country, the highest rate of penetration in small municipalities and the third-largest market share in Spain in 2019 (Source: Kantar Worldpanel). As at June 30, 2019, the Group operated 6,809 stores across Spain, Portugal, Brazil and Argentina (including franchised stores and *Clarel* and excluding *Max Descuento*) and had approximately 40,247 full-time employees. As of June 30, 2019, *Clarel* stores represented 1,279 of the Group's stores.

The Group operates grocery retail stores under the convenience model through its network, which it manages directly or under franchise agreements. As at December 31, 2018, 57.6% of stores were franchises, making the Group the largest Spanish grocery retail franchiser among main competitors, the second-largest franchiser in the European food sector and a top 25 franchiser worldwide (Source: Franchise Direct 2018; Kantar Worldpanel). As at June 30, 2019, 46.8% of the stores were franchises.

The stores operated by the Group fall generally into three formats, with minor regional variations and an overall focus on convenience: *DIA*, *La Plaza de DIA* and *DIA & Go*. The *DIA* format is present across all four jurisdictions in which the Group operates, with stores located near to customers in cities, suburban towns and smaller villages. The *La Plaza de DIA* format is only available in urban areas across Spain with a focus on fresh and premium products. *DIA & Go*, the newest format introduced in 2018, is located in high-density urban areas in Spain, Portugal and Brazil and caters to high convenience, "on-the-go" shoppers. All three formats are designed to service all major shopping missions with a tailored, customer-centric approach.

The Group's product offering includes food and non-food products. In the semester ended June 30, 2019, food products accounted for 83.49% of the Group's sales. As part of a focused effort to enhance its fresh food offering, the Group is introducing meat, fish and deli counters in a selected number of stores, and packed fresh products in all of its stores. The Group is dedicated to increasing the area dedicated to bakery, fruits and vegetables and offering on-the-go food. It has also increased the assortment, variety and frequency of delivery of fresh products across its store network. Fresh food accounted for 15.8% of the Group's sales in the semester ended June 30, 2019, compared to 17.4% in 2018 (restated) and 15.7% in 2017 (restated).

The products offered by the Group are sold under the Group's own private label and national brands. As of June 30, 2019, private label products accounted for 42.83% of sales, and were sourced primarily from local suppliers. The Group has more than 30 years' experience in private label development and its current private label offering includes 6,660 SKUs.

The Group is organized into business units and has four reporting segments based on geography: Spain, Portugal, Brazil and Argentina. As at December 31, 2018, Spain accounted for 58.7% of the Group's sales, with Portugal accounting for 8.6%, Brazil for 19.3% and Argentina for 13.3%. In addition, as at June 30, 2019, Spain accounted for 58.84% of the Group's sales, with Portugal accounting for 8.87%, Brazil for 16.03% and Argentina for 16.26%. On a consolidated basis, (i) for the year ended December 31, 2018, the Group had sales of €7,288.8 million, a net loss of €352.6 million, consolidated Adjusted EBITDA of €337.9 million and consolidated EBITDA of €246 million; and (ii) for the semester ended June 30, 2019, the Group had sales of €3,444.5 million, a net loss of €418.7 million, negative consolidated Adjusted EBITDA of €55.6 million, consolidated EBITDA of €13.5 million and negative €566.2 million of total equity. See "*Selected Financial and Operating Information—Non-IFRS Financial Measures and APMs*".

The Group's business model is underpinned by a time-tested supply chain system. The Group operates its own fully-integrated logistics system based around 35 warehouses that match the Group's geographic footprint across its primary jurisdictions, with a total aggregate storage space of approximately 711,441m^2 as at June 30, 2019 and the support of third-party transportation companies. See "*—Operations—Logistics*".

The Group has a large loyalty card program, "ClubDIA", with over 22 million active members as at August 2019, which also allows the Group gain valuable insight into customer purchasing patterns and preferences. The Group believes that it can leverage this program to redesign its operational processes, including optimizing its supply chain, as well as creating personalized offers to customers based on their shopping behavior through the use of advanced analytics.

Upon completion of the Offering, the Group intends to implement a new business plan designed to turn around the Group's results of operations with the aim of ensuring the viability of its business and improving its profitability in the medium-term.

History of the Group

The Company opened its first store in the Saconia neighborhood of Madrid in 1979, thereby introducing the discount store model into the Spanish food retail market. In 1984, the Group launched its characteristic white-and-red corporate image and became the first Spanish company to commercialize private label products. In 1989, the Group refined its business model by granting individual entrepreneurs the opportunity to manage an increasingly recognized and strongly-positioned "DIA" brand in the marketplace through a franchise scheme.

Between 1990 and 1992, the Group grew through targeted acquisitions of Spanish supermarket chains, thus becoming a nationwide market player with over 1,000 stores throughout Spain by 1992. The Group started its international expansion with the opening of its first stores in Portugal in 1993, where it operates under the Minipreço banner. It subsequently entered other countries, consolidating its significant current presence in Latin America through Argentina and Brazil.

As the Group continued the expansion of its local and international store network in the early 2000s, it launched "ClubDIA" in Spain in 1998, the first loyalty program in the Spanish retail market, which offered members access to exclusive savings, discounts and promotions.

In 1999, the Group was acquired by the French group, Carrefour. This transaction brought together both companies until 2011, when the Group was spun off and listed on the Spanish Stock Exchanges. During this 12-year period, the Group's continued international expansion reflected the strategy and priorities of the wider Carrefour conglomerate. Following the spin-off, the Group re-focused its attention on its core markets in Iberia and Latin America by disposing of its operations in Turkey (2013), France (2014), and, more recently, China (2018), while building up its network throughout Spain and Portugal. Between 2014 and 2015, the Group acquired El Árbol and an additional 144 stores from the Eroski Group. These acquisitions culminated in the development of a new store model, *La Plaza de DIA*, a premium convenience supermarket that offers meat, deli, and fish counters, as well as a wider assortment of fresh food products.

The Group's organic growth in recent years and its increased focus on proximity and convenience has been accompanied by the gradual digitalization of its operations. This initiative began in 2012 with the launch of an online sales website intended to support and complement the Group's extensive store footprint.

As of the date of this Prospectus, the Group is in the process of disposing of its *Max Descuento* operations in order to concentrate the Group's activities on its core markets and use the proceeds from such disposals to implement the future business plan.

Business Strengths

The Group's convenience focus allows it to exploit favorable consumption trends

As at June 30, 2019, the Group had a leading network of 6,809 stores across Spain, Portugal, Brazil and Argentina (including franchised stores and excluding *Max Descuento*). As a result of its convenience model, the Group's stores are located in close proximity to customers and enjoy high capillarity in urban areas. This places the Group in an ideal position to benefit from current market trends in customer grocery store selection. Specifically, approximately 63% of respondents in a 2017 study indicated that proximity, convenience and ease were the most important factors in choosing a grocery store, an increase of 18% compared to 2010 (Source: Observatorio Cetelem, Consumo Europa 2017; MAPAMA; Kantar Worldpanel). This increase can be explained by time constraints faced by shoppers. According to this study, 38% of respondents indicated that they spend less time shopping than they did five years ago, 38% that they work more than ever, and 53% that they do not have enough time. The Group believes that its large number of stores and their density in urban areas is likely to continue to benefit from this customer trend for the foreseeable future.

The Group's convenience model is further bolstered by its ability to recognize and adapt to customer demand and to effectively mobilize resources to develop, launch and scale store formats that meet the evolving needs of customers. This is exemplified by the varied successful formats the Group has developed over the last three years. The Group designed and launched the *La Plaza de DIA* store format in 2016 with a strong focus on fresh products. This format has been highly successful with fresh products representing 33.58%, 35.5% and 33.8% of total sales in the semester ended June 30, 2019 and years ended December 31, 2018 and 2017 (restated), respectively. At the Group level, the share of fresh products accounted for 15.8%, 17.4%, 15.7% and 14.3% of total sales for each of the semester ended June 30, 2019, and the years ended 2018, 2017 (restated) and 2016 (restated), respectively. See "*Selected Financial and Operating Information—Non-IFRS Financial Measures and APMs*".

The Group's unparalleled scale in Spain gives it a unique level of access to customers

As a result of its scale in Spain, the Group benefits from a unique level of access to customers. With 4,369 stores in Spain as of June 30, 2019, the Group had the largest convenience store network in the country, with a presence in all provinces of the peninsula and the Balearic Islands, and more than 2.13 times as many stores in Spain as its closest competitor, Mercadona, as at June 30, 2019 (Source: DIA Group and IGD). In addition the Group believes that it has the highest surface share among all its competitors in small villages and municipalities and that it enjoys a strong brand association with proximity and convenience.

The Group benefits from a large, loyal and data-rich customer base

The Group believes that it has one of the largest and most prominent loyalty card programs in food retail as at June 30, 2019. The Group's ClubDIA loyalty program, which was established over 21 years ago, had over 22 million active members as at June 30, 2019. The scale of this program enhances its positive effect on sales. As at June 30, 2019, 71.8% of sales were made using the ClubDIA loyalty card and the average basket size of a customer using the loyalty program in a purchase was 100.54% higher than the basket size of a customer that did not. This program is further supported by regular customer satisfaction surveys, which enables the Group to establish a continuous communication channel with its customers and obtain valuable feedback.

Another key benefit of the ClubDIA loyalty program, aside from its positive effect on sales, is that it provides the Group with information about its customers' preferences, tastes and shopping habits. Through big data integration and the use of sophisticated analytics, the Group believes that it will be able to use this data to add more value to loyal customers by personalizing services, coupons and promotions. As a preliminary step in 2018, the Group developed a digital application and has positively impacted sales. According to the Group's estimates, sales using this application in 2018 were characterized by approximately 32% higher average ticket size (value of the average purchase), 32% higher average unit per customer (average volume of purchase), 73% higher average spend by customer, and 31% higher frequency shopping per month.

The Group's franchise model is a true differentiator of its business that enables it to deliver high store returns and industry-leading margins

The Group's asset-light franchise model has allowed the Group to scale its operations and enhance its capillarity and recognition in a cost-efficient way, saving the Group time and resources while boosting store returns and margins and allowing for great flexibility in both management and operation.

The Group has 30 years of experience with, and achieved a high level of recognition for, its franchise business model. As at December 31, 2018, the Group was the largest Spanish grocery retail franchiser among main competitors, the second-largest franchiser in the European food sector and a top 25 franchiser worldwide (Source: Franchise Direct 2018; Kantar Worldpanel). As at June 30, 2019, franchises represented approximately 46.8% of the Group's store network and were a key differentiator of its business.

The Group's flexible asset-light model is central to its ability to expand the geographic footprint of its store network on a cost-efficient basis. Its ability to seize on the market trends favoring proximity and convenience by deploying a large network of convenience stores is easier to implement using franchises than through stores owned or leased by the Group. Moreover, CO-FO stores, which represented approximately 46.8% of total stores as at June 30, 2019, are (as at December 31, 2018) 3% to 5% more profitable than stores operated directly by the Group under the CO-CO model (both in terms of individual profitability and by their contribution to the Group) and tend to have a positive impact on the Group's bottom line. The Group's (loss)/profit margin, which is calculated as net losses for the period divided by sales, for the years ended December 31, 2018, 2017 (restated) and 2016 (restated) was (4.8%), 1.2% and 1.6%, respectively. For the same periods, the Group's Adjusted EBITDA margin was 4.6%, 6.3% and 6.6%, respectively. See "*Selected Financial and Operating Information—Non-IFRS Financial Measures and APMs*". An additional benefit of this model is that the Group retains the flexibility to convert CO-FOs into CO-COs without store closures, and vice-versa, within less than 2.5 months.

This ability to expand its network through franchises provides the Group with proximity to customers in both cities and smaller municipalities. As at December 31, 2018, 43% of franchises were located in towns with less than 10,000 inhabitants, compared to 17% of the Group's CO-COs. As a result of this proximity, the Group enjoys greater depth of insight into customers' preferences and needs by geographic location. Feedback on the demand, performance and quality of products offered locally is regularly transmitted to the Group by the franchisees, allowing for swift and flexible adaptation of the product offering in a specific region to optimize customer satisfaction and sales.

An additional benefit of the Group's franchise model is that it creates incentives that favor a high commitment to customer satisfaction. Stores operated by franchisees, who are directly invested in the success of the store, tend to develop and nurture a close relationship with their customers.

The Group has developed a range of private label products with over 6,660 SKUs

The Group was the first company to introduce private label products in Spain over 40 years ago. Through its extensive history, and experience, the Group has developed a unique capability to successfully create and bring to market thousands of private label products of which 6,660 were part of the offering as at June 30, 2019. For the past two years, the Group has introduced approximately 320 new product lines each year and expects to introduce over 400 new SKUs in 2019. The success of its private label products, which in 2018 were the second-most sold in Spain (Source: Kantar Worldpanel) and accounted for 35.48% of total sales for the semester ended June 30, 2019, relies on the Group's ability to identify customer needs and design, arrange production and market products that successfully meet those needs in a timely and cost-efficient manner. As a result, customers often select the Group's private label products over the national brand alternatives. During 2018, for example, the rotation of private label canned fish products was 25 times that of the national brand alternatives, while the rotation of beer and cheese products was 8 times and 3 times that of national brands, respectively. Customer preference for the Group's private label products is also due to the relationship between quality and price. The Group can develop high-quality private label products and offer them at competitive prices because of the volume the Group sells, its long expertise and the strong relationship it has with suppliers and savings resulting from reduced marketing and advertising expenses.

The Group has developed logistics capabilities designed to support the largest store network in Spain and supply a large convenience store network

The Group has developed and operates an effective and resilient logistics system, the scale and complexity of which allows it to support and supply both the largest store network in Spain and a large cross-border convenience store network with an increasing focus on fresh food.

The Group has historically strong relationships with suppliers

The Group benefits from relationships with suppliers which it has developed over the many years it has been active in the grocery retail industry. Suppliers are attracted to the Group's high market penetration and relatively small range of products, which gives their products relatively more visibility than other retailers. As a result of these strong relationships, the Group has been able to obtain favorable commercial agreements from suppliers whilst maintaining a long-term arrangement with them. The Group believes that the nature and quality of these relationships are an ideal starting point for its planned reduction of product ranges and rationalization of store assortment. As a result of these efforts, the Group believes it will enjoy the benefits derived from a smaller range of better quality, customer-centric products, while its continuing suppliers will benefit from higher purchase volumes and an ever-closer relationship with the Group.

Business Strategy

As of the date of registration of this Prospectus, the Group does not have a business plan in place. Pursuant to the New Finance Arrangements, DIA will approve a business plan, which it is developing based on DIA's transformation strategy, prior to December 31, 2019. Following the settlement of the Tender Offer, the Company's new Board of Directors and management are producing and implementing a new business plan for the Group, which will set forth the guidelines of the new strategy of the Group and be the basis to assess the long-term recoverability of its assets. Pursuant to the New Finance Arrangements, DIA must approve the new business plan prior to December 31, 2019.

In summary, DIA's transformation strategy is based on a six-pillar plan intended to achieve the transformation of the Group and which are consistent with the principles and criteria that were anticipated by LetterOne in the Tender Offer prospectus. As of today, there are no set objectives related to each of the principles and criteria exposed below.

The six-pillar of DIA's transformation strategy are as follows:

Recruit New Leadership & Develop Existing Talent

New leadership team to steer the Company to the next level: Following LetterOne's Tender Offer, the Board of Directors of DIA has been overhauled by means of the resignation of all Board members other than Jaime García-Legaz and the appointment of six new members (Stephan DuCharme, Sergio Dias, Karl-Heinz Holland, Michael Casey, José Wahnon Levy and Christian Couvreux). Furthermore, a new leadership team led by CEO Karl-Heinz Holland, aims to steer the Company through the execution of a new business plan. Said business plan will therefore be managed by experienced retailers with already successful experiences in retail transformation and retail turnarounds in their careers, see "*Board of Directors and Management – Directors*". Furthermore, the refreshed Board of Directors has a new approach for performance tracking and finance oversight. Overall, the new business plan has the objective of implementing a new management structure and a new leadership culture, principally focused on responsibility and performance-orientation along with the necessary sense of urgency.

Attract and develop talent with modern retail expertise and secure uncompromising leadership attitude: The Company plans to further develop its existing talent, as well as attract new retail professionals to join the organization. The majority shareholder, LetterOne, will use its extensive network of modern food retailing specialists to engage the right caliber of professionals with confirmed experience in executing transformation and with leadership attitude. The new Board of Directors is currently evaluating and assessing the current personnel of the Company, focusing on identifying talented and valuable individuals within the organization. Once the Board of Directors has carried out its internal review of the Company, it intends to bring in new additions at all company levels, focusing on the commercial, expansion, real estate management, operations and supply chain teams.

New Real Estate strategy

Improve sales densities and traffic: Under DIA's transformation strategy, the Company will intend to improve its' sales densities, which in turn will help maximise its EBITDA margin.

Active management of store locations and formats: The Company will reassess its network of stores and implement active management of store locations by store format that aims to maximize store traffic. Modern retailers, particularly food and convenience retailers that develop the business with light assets (fittings and equipment), constantly close and reopen stores, adapting themselves to customers' needs and competition, and, under DIA's transformation strategy, the Company will try to act in the same manner. The fundamental basis of the six-pillar plan is to make sure the Company renews itself with sales growth and the regaining of market share.

Maximize EBITDA profitability through investment in store estate: Under the new business plan, the Company expects to invest in the existing store estate, particularly in Spain where a thorough program of refurbishment is required. The Company's store estate investment approach integrates the needs of current and future customers, store format and use of technology.

New commercial value proposition

Private label offering and fresh food: The new business plan will focus on customers' needs, in order to improve conversion and development. This pillar of the plan is the implementation of a new commercial value proposition based on freshness, quality and value for money, capitalizing on the Company's unique proximity position and network to support and stimulate traffic and daily visits. The Board of Directors will work with the Company's commercial team to develop a new customer-centric assortment where fresh food and private label will be pivotal. Core principles of the new commercial offer include the rationalisation of the assortment of dry goods, the development of an outstanding private label offering and the aim to become a market leader in fresh food.

New and collaborative relationship with suppliers: Under the new business plan, the Company would also foster a new and collaborative relationship with suppliers to create symbiotic and enduring partnerships with a shared focus on achieving long-term growth rather than short-term margin targets.

Optimisation of store formats: Under the future business plan, the new commercial value proposition would be supported by the optimisation of the store formats, completing the 360º approach of the Company's new retail formula.

Reset pricing and promotions

Value for money pricing strategy and new loyalty program: The Company's objective would be to intensely improve its price perception by implementing a value-for-money approach as opposed to the current high-low pricing strategy. At the same time, the Company's loyalty program will be further developed beyond its current basic discount couponing.

New promotion strategy to improve price perception: The Company will intend to change the promotions strategy to ensure that it has the right level of promotions, with the goals of driving traffic and creating customer loyalty. In practical terms, the number of promotions would be reduced and repurposed to effectively address consumers' needs.

Retail operations execution

Improve customer experience: Under DIA's transformation strategy, retail execution would be key to improving customer satisfaction and loyalty, regardless of the stores being owned or franchised. Store operations and processes efficiency will be driven to support the store network and improve customer experience.

Efficient organization and management with new Operational Excellence Programme: The new business plan will intend to develop the Company's talent and build an efficient organization and management culture through a new Operational Excellence Programme (the "**OEP**"). The OEP will focus the entire organization on store efficiency and ultimately customer experience excellence. As part of this OEP, the Company would increase the support to high-performing franchisees while looking for new partners, in order to solidify the franchise model through long-term, financially balanced and solid partnerships.

Investment in brand and marketing

New brand and improved marketing: As the first five pillars of the future business plan come together, the Company will intend to revamp the DIA brand. The format refresh would become a platform for the new branding statement of the Company.

Business and Geographical Segments

The table below indicates the percentage of total sales of the Group for the years ended December 31, 2018, 2017 and 2016:

	2018	% of sales	2017 (Restated)	% of sales	2016 (Restated)	% of sales
			(€m)			
Spain	4,280.5	58.7%	4,441.9	54.1%	4,672.1	56.5%
Portugal	628.6	8.7%	663.1	8.1%	669.3	8.1%
Brazil	1,409.1	19.3%	1,721.1	20.9%	1,610.5	19.5%
Argentina	970.6	13.3%	1,391.6	16.9%	1,311.0	15.9%
TOTAL	**7,288.8**	**100.0%**	**8,217.7**	**100.0%**	**8,262.9**	**100.0%**

The table below sets forth the Group's EBITDA and Adjusted EBITDA by segment for 2016, 2017 and 2018, which has been included for information purposes and to supplement the APMs used by the Group on a recurring basis and described in this Prospectus.

	Spain			Portugal			Argentina			Brazil			DIA GROUP		
	2018	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Sales	4,280.5	4,441.9	4,672.1	628.6	663.1	669.3	970.6	1,391.6	1,311.0	1,409.1	1,721.1	1,610.5	7,288.8	8,217.7	8,262.9
As a percentage of total	*58.7%*	*54.1%*	*56.5%*	*8.6%*	*8.1%*	*8.1%*	*13.3%*	*16.9%*	*15.9%*	*19.3%*	*20.9%*	*19.5%*	*100.0%*	*100.0%*	*100.0%*

	Spain			Portugal			Argentina			Brazil			DIA GROUP		
	2018	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
sales															
Adj. EBITDA...	251.0	346.9	387.1	30.1	42.2	45.3	2.8	58.9	59.1	54.0	70.5	49.8	337.9	518.5	541.3
EBITDA...	169.1	294.0	338.4	20.3	40.5	39.3	5.7	57.9	56.7	51.0	78.6	44.1	246.1	471.0	478.5
As a percentage of EBITDA	*68.7%*	*62.4%*	*70.7%*	*8.2%*	*8.6%*	*8.2%*	*2.3%*	*12.3 %*	*11.8%*	*20.7%*	*16.7%*	*9.2%*	*100.0%*	*100.0%*	*100.0%*
As a percentage of sales	*4.0%*	*6.6%*	*7.2%*	*3.2%*	*6.1%*	*5.9%*	*0.6%*	*4.2%*	*4.3%*	*3.6%*	*4.6%*	*2.7%*	*3.4%*	*5.7%*	*5.8%*
Results from operating activities ...	(50.5)	136.4	181.3	(16.5)	13.4	8.3	(33.8)	34.0	35.9	6.2	34.2	12.0	(94.5)	218.0	237.6
Net Profit	(321.5)	93.4	129.6	(13.6)	9.8	5.9	(8.5)	(0.7)	2.7	(5.6)	20.1	6.3	(352.6)	101.2	128.7

For more information on a discussion of EBITDA and Adjusted EBITDA by segment for the years ended December 31, 2016, 2017 and 2018, see "*Selected Financial and Operating Information—Non-IFRS Financial Information and APMs*".

The table below indicates the percentage of total sales of the Group for the semesters ended June 30, 2019 and 2018:

	H1 2019	**% of sales**	**H1 2018**	**% of sales**
Spain	2,078.6	60.35%	2,235.9	60.40%
Portugal	290.7	8.44%	310.3	8.38%
Brazil	585.7	17.00%	690.8	18.66%
Argentina	489.5	14.21%	464.8	12.56%
TOTAL	**3,444.5**	**100.00%**	**3,701.80**	**100.00%**

The table below sets forth the Group's EBITDA and Adjusted EBITDA for semesters ended June 30 2018 and 2019, which has been included for information purposes and to supplement the APMs used by the Group on a recurring basis and described in this Prospectus.

	Spain		Portugal		Argentina		Brazil		DIA GROUP	
	June 2019	**June 2018**	**June 2019**	**June 2018**	**June 2019**	**June 2018**	**June 2019**	**June 2018**	**June 2019**	**June 2018**
Sales.........	2,078.6	2,235.9	290.7	310.3	489.5	464.8	585.7	690.8	3,444.5	3,701.8
As a percentage of total sales	*60.3%*	*60.4%*	*8.4%*	*8.4%*	*14.2%*	*12.6%*	*17.0%*	*18.7%*	*100.0%*	*100.0%*
Adj. EBITDA...	18.1	149.6	3.2	12.9	5.8	14.0	(82.7)	29.5	(55.6)	206.0
EBITDA...	64.6	109.0	15.7	6.7	(3.5)	(1.9)	(63.3)	29.2	13.5	143.0
As a percentage of EBITDA	*478.5%*	*76.2%*	*116.3%*	*4.7%*	*-25.9%*	*-1.3%*	*-468.9%*	*20.4%*	*100.0%*	*100.0%*
As a percentage of sales	*3.1%*	*4.9%*	*5.4%*	*2.2%*	*-0.7%*	*-0.4%*	*-10.8%*	*4.2%*	*0.4%*	*3.9%*
Results from operating activities ...	(130.3)	29.7	(6.5)	(8.1)	(36.0)	(14.8)	(142.3)	8.3	(315.0)	15.1
Net Profit	(226.8)	(4.7)	(8.5)	(9.1)	(19.2)	(16.9)	(164.2)	1.1	(418.7)	(29.6)

Spain

Overview

The Spanish grocery retail market is relatively flat, but it is expected to grow approximately 1% annually in the short-term. However, growth in the number of stores and total surface area in the last ten years has rendered it an increasingly competitive market where customers demand proximity and convenience, as well as a fresher product mix at competitive prices. Once in the store, consumers in Spain tend to choose the cheapest brand, which has led to a rapid penetration of private label products in the Spanish grocery market, which accounted for 34.4% of market value in 2017. Private label penetration rates vary across categories, with home care products accounting for approximately 47.7% of market share and packaged foods for 34.2% in 2018 (Source: Kantar WorldPanel). For more information see, "*Industry and Market Overview –Spanish Market"*.

The Group is the third largest grocery retailer in Spain with 7.5% of market share in 2018 (Source: Kantar Worldpanel), driven by large household penetration (64.9%). In addition, the Group has the highest surface share among all competitors in small villages where it is able to leverage its franchise model. The Group also had the largest store network in the market in 2018 (Source: Alimarket; Company data for DIA).

The table below sets out key metrics regarding the Group's business and performance in Spain for the semester ended June 30, 2019, and years 2018, 2017 and 2016:

Spain	H1 - 2019	H1 - 2018	2018	2017 (Restated)	2016 (Restated)
Sales (€ m)	2,078.6	2,235.9	4,280.5	4,441.9	4,672.1
Number of employees (yearly average)	24,410	23,929	26,693	26,035	25,484
Profit/(loss) for the period (€ m)	(226.8)	(4.7)	(321.5)	93.4	129.6
Profit/(loss) margin for the period (%)	*-10.9%*	*-0.2%*	*-7.5%*	*2.1%*	*2.8%*
EBITDA	64.6	109.0	169.1	294.0	338.4
Adjusted EBITDA (€ m)(1)	18.1	149.6	251.0	346.9	387.1
Adjusted EBITDA margin(1) (%)	*0.9%*	*6.7%*	*5.9%*	*7.8%*	*8.3%*

(1) For more information see: *"Selected Financial and Operating Information—Non-IFRS Financial Information and APMs*".

Store Network

As at June 30, 2019, the Group had the broadest store network in Spain with 4,369 stores (including *Clarel*), of which 42.6% were franchises.

During 2018, there were 62 new openings, 85 closures and 150 stores converted from CO-CO to CO-FO. As of June 30, 2019, there were 6 new openings (and 2 additional *Clarel* store openings, amounting to 8 new openings in Spain) and 319 closures (and 4 additional *Clarel* store closures) and 222 stores converted from CO-CO to CO-FO.

Store Format

The Group has four store formats in Spain with varying characteristics but a unified focus on, fresh offering and convenience through its capillarity and proximity format:

(i) *DIA*. This store format operates under two different banners: DIA Market and DIA Maxi.

(a) *DIA Market.* These stores are primarily located in cities and are part of the most widespread format in the Group's entire store network. With 1,986 stores as at June 30, 2019, DIA Market stores present customers with a wide choice of high quality products at good value.

As at December 31, 2018, DIA Market stores had an average area in Spain of 341m^2. In terms of product offering, in 2018, private label sales in DIA Market stores represented 49.3% of total sales and fresh products accounted for 19.8% of total sales, an increase from 18.3% in 2017 (restated) and 16.5% in 2016 (restated), in line with the Group's increased focus on fresh food.

(b) *DIA Maxi*. These stores are similar to DIA Market stores, but with a parking lot and usually located in suburban areas. The Group had 604 such stores as at June 30, 2019.

As at December 31, 2018, DIA Maxi stores had an average area in Spain of 750m^2. In terms of product offering, in 2018, private label sales in DIA Maxi stores represented 51.2% of total sales and fresh products accounted for 21.6% of total sales, an increase from 19.6% in 2017 (restated) and 18.9% in 2016 (restated).

(ii) *La Plaza de DIA*. *La Plaza de DIA* is a premium supermarket concept based on the convenience model with a strong focus on fresh products. As at June 30, 2019, the Group had 273 stores.

As at December 31, 2018 the *La Plaza de DIA* stores had an average area in Spain of 781m². In terms of product offering, in 2018, private label sales accounted for 30.9% of total sales and fresh products accounted for 34.4% of total sales.

(iii) *DIA & Go*. This store format was launched in 2018 under a high-convenience model that focuses on packaged food, fresh and ready-to-eat. As at June 30, 2019, the Group had 96 stores.

As at December 31, 2018 the *DIA & Go* stores had an average area in Spain of 386m². In terms of product offering, in 2018, private label sales accounted for 39.7% of total sales and fresh products accounted for 27.8% of total sales.

(iv) *Clarel*. *Clarel* is a new store concept whose target is to become the benchmark neighborhood store for shoppers looking to buy beauty, household and personal care items. As at June 30, 2019, Spain had 1,208 *Clarel* stores.

As at June 30, 2019 the *Clarel* stores had an average area in Spain of 167.4m² (including only the sales area of the stores).

In addition to the above, *Max Descuento* (*Cash & Carry*) is the last store format, which the Group expects to sale or liquidate during year 2019. For further information see "*Non-Current Assets Held for Sale and Discontinued Operations*".

Operating Model

Spain	**H1 2019**	**2018**	**2017**
Number of stores	**4,369(*)**	**3,474**	**3,497**
CO-CO	**2,506**	**1,603**	**1,473**
CO-FO / FOFO	**1,863**	**1,871**	**2,024**

(*) H1 2019 includes 1,208 *Clarel* stores in Spain, which they were not included in FY 2018. In FY 2018, Spain had 1,200 *Clarel* stores.

Spain(*1)	**H1 2019**	**2018**	**2017**
Number of stores	**3,161(*2)**	**3,474(*3)**	**3,497**

(*1) Chart without including *Clarel* stores in Spain for H1 2019, FY 2018 and FY 2017.

(*2) To calculate this number, please note that 1,208 *Clarel* stores shall be deducted to the 4,369 stores in H1 2019 (including *Clarel* stores).

(*3) To calculate this number, please note that (i) the 319 closures in Spain (without taking into account the 4 *Clarel* stores closed in H1 2019) shall be added to the 3,161 stores in H1 2019; and (ii) the 6 new openings in Spain during H1 2019 (without taking into account the 2 *Clarel* stores openings) shall be deducted to the 3,480 number resulting from the addition of the 319 closures to the 3,169 stores. All of the foregoing, amounts to 3,474 stores.

Product Offering

As at December 31, 2018, the Group's product offering included 2,346 different brands (Dia, Delicious, Vital, AS, Bonté, Baby Smile, Junior Smile and Basic and approximately 3,157 private label SKUs. During year 2018, private label products accounted for 46.6% of total sales, 11.5% of which were non-food products and 88.5% food products. National brand fresh products represented 7.6% of total sales

Loyalty Program

The Group operates a loyalty program, “ClubDIA”, which grants exclusive discounts and promotions to card-holders. As at June 30, 2019, the Group had approximately 7.45 million active ClubDIA loyalty cards in Spain and 67.3% of total sales in Spain in 2018 were made using the loyalty card.

Logistics and Suppliers

As at June 30, 2019, the Group had 21 warehouses strategically located throughout Spain, and approximately 1,358 suppliers for its Spanish store network. For the semester ended June 30, 2019, Spain’s largest 20 suppliers accounted for 30.0% of the purchase volume in euros in Spain.

The table below lists the Group’s warehouses located in Spain as at June 30, 2019, identifying their type, the number of stores they serve, number of daily packages, fleet trucks flow and surface area:

Warehouse	Type	Stores served	Daily Packages	Fleet trucks flow	Surface (m^2)
Getafe	Flow	250	124,966	55	32,323
Mejorada	Flow	218	84,581	35	18,477
Sabadell	Flow	361	101,763	55	30,729
Manises	Crossdocking	53	13,556	23	16,200
Dos Hermanas	Flow	205	71,683	35	30,625
Antequera	Flow	146	64,799	29	18,020
Orihuela	Flow	190	66,909	30	18,500
Mérida	Flow	199	68,339	39	17,450
Arroyomolinos	Flow	205	84,113	34	18,172
El Puerto	Flow	95	37,818	16	18,335
Almería	Crossdocking	50	24,200	18	9,010
Villanueva	Flow	272	85,908	68	28,456
Villanubla	Flow	174	84,842	54	20,700
Santiago	Flow	192	50,096	34	23,000
Miranda	Flow	188	73,926	47	21,720
Jaén	Flow	147	60,938	38	17,670
Granada	Crossdocking	94	35,528	26	16,000
León	Crossdocking	56	22,950	13	7,500
Azuqueca	Central	3,486	90,380	44	28,750
Almunia	Flow + Central SCH	1,755	48,707	12	14,176
Torredembarra	Flow	633	30,724	23	9,533

Portugal

Overview

The Group operates in Portugal under the Minipreço banner and was the sixth largest grocery retailer in the country with 5.3% of market share in 2018 (Source: IGD).

The table below sets out key metrics regarding the Group’s business and performance in Portugal for the semester ended on June 30, 2019 and the years ended December 31, 2018, 2017 and 2016:

Portugal	2019-H1	2018 – H1	2018	2017 (Restated)	2016 (Restated)
Sales (€ m)..	290.7	310.3	628.6	663.1	669.3
Number of employees (yearly average).............................	3,476	3,481	3,424	3,761	3,772
Profit/(loss) for the period (€ m)	(8.5)	(9.1)	(13.6)	9.8	5.9
Profit/(loss) margin for the period (%).................................	*-2.9%*	*-2.9%*	*-2.2%*	*1.5%*	*0.9%*
EBITDA..	15.7	6.7	20.3	40.5	39.3

Adjusted EBITDA (€ m)[(1)]	3.2	12.9	30.1	42.2	45.3
Adjusted EBITDA margin (%)[(1)]	*1.1%*	*4.2%*	*4.8%*	*6.4%*	*6.8%*

[(1)] For more information see: "*Selected Financial and Operating Information—Non-IFRS Financial Information and APMs*".

Store Network

In Portugal, the Group operates under the "Minipreço" name and logo. The Group's Portuguese stores are located primarily in the two most densely-populated areas in Portugal around Lisbon and Porto, representing 45% of the total store network and from where the Group's activity in Portugal is administered. The Group's presence, however, spans across the entire Portuguese territory with 592 stores as at June 30, 2019, of which 49.8% were franchises.

During 2018, there were 12 new openings, 26 closures and 61 stores converted from CO-CO to CO-FO. As of June 30, 2019, 1 new opening, 12 closures and 11 stores converted from CO-CO to CO-FO.

Store Format

The Group has three store formats in Portugal that track closely the store formats in Spain.

(i) *Minipreço*. This format operates under three different banners: Minipreço Market and Minipreço Family.

  (a) *Minipreço Market*. These stores are the Portuguese equivalent of DIA Market stores in Spain in that they present customers with a wide choice of high quality products at good value, are primarily focused on the stock-up mission and are located in cities. As at June 30, 2019, the Group had 411 stores.

  As at December 31, 2018, Minipreço Market stores had an average area of 299m^2. In terms of product offering, in 2018, private label sales in Minipreço Market stores accounted for 46.9% of total sales and fresh products accounted for 20.1% of total sales.

  (b) *Minipreço Family*. These stores are the Portuguese equivalent of DIA Maxi stores in Spain in that they are predominantly located in suburban areas. As at June 30, 2019, the Group had 110 stores.

  As at December 31, 2018, Minipreço Family stores had an average area of 757m^2. In terms of product offering, in 2018, private label sales in Minipreço Family stores accounted for 44.0% of total sales and fresh products accounted for 22.6% of total sales.

(ii) *Minipreço Express and Minipreço Barrio*. These high-convenience stores are the Portuguese equivalent of *DIA & Go* stores in Spain. As at June 30, 2019, the Group had 71 stores.

As at December 31, 2018, Minipreço Express and Minipreço Barrio had an average area of 363m^2, in cities and large towns. In terms of product offering, in 2018, private label sales in Minipreço Express and Minipreço Barrio stores accounted for 46.2% of total sales and fresh products accounted for 25.6% of total sales. The Minipreço Barrio stores are located in more residential areas where the customers are more loyal than in the Minipreço Express stores, located in more touristic areas.

(iii) *Clarel*. *Clarel* is a new store concept whose target is to become the benchmark neighborhood store for shoppers looking to buy beauty, household and personal care items. As at June 30, 2019, Portugal had 71 *Clarel* stores.

Operating Model

Portugal	H1 2019(*)	2018	2017
Number of stores	**592**	**532**	**559**
CO-CO	**297**	**223**	**262**
CO-FO / FOFO	**295**	**309**	**297**

(*) H1 2019 includes 71 *Clarel* stores in Portugal, which they were not included in FY 2018. In FY 2018, Portugal also had 71 *Clarel* stores.

Portugal	H1 2019(*)	2018	2017
Number of stores	**521**	**532**	**559**

(*) Chart without including *Clarel* stores in Portugal for H1 2019, FY 2018 and FY 2017.

Product Offering

As at December 31, 2018, the Group's product offering included 979 different brands and approximately 1,461 private label SKUs. During year 2018, private label products accounted for 51% of total sales which represent a private label penetration rate above the market average, 16.1% of which were non-food products and 83.9% food products. National brand fresh products represented 20.6% of total sales.

Loyalty Program

As at June 30, 2019, the Group had over 1.5 million active loyalty cards in Portugal and 65.7% of total sales in the country in 2018 were made using the loyalty card.

Logistics and Suppliers

As at June 30, 2019, the Group had three warehouses in Portugal, with a total surface area of approximately 75,635m^2, and approximately 697 suppliers for its Portuguese store network. For the semester ended June 30, 2019, Portugal's largest 20 suppliers accounted for 37.57% of the purchase volume in euros in Portugal.

The table below lists the Group's warehouses located in Portugal as at June 30, 2019, identifying their type, the number of stores they serve, number of daily packages, fleet trucks flow and surface area.

Warehouse	Type	Stores served	Daily packages	Fleet trucks flow	Surface (m^2)
201 – Alverca	Flow	252	107,097	60	25,110
203 – Valongo	Flow	191	80,527	38	24,627
206 – Torres Novas	Flow+Central	637	56,115	28	25,898

Brazil

Overview

Brazil suffered an economic recession between 2015 and 2017, which negatively impacted consumer confidence and general consumption levels. The Brazilian grocery channel distribution has also experienced significant changes, with hypermarkets and supermarkets losing share to cash & carry, but convenience models remain relevant for daily and weekly purchases (Source: Planet Retail).

Specialized retailers currently have a strong presence in Brazil but have been and are expected to continue losing share to organized retailers.

The table below sets out key metrics regarding the Group's business and performance in Brazil for the semester ended June 30, 2019 and the years ended December 31, 2018, 2017 and 2016:

Brazil	H1 2019	H1 2018	2018	2017 (Restated)	2016 (Restated)
Sales (€ m)	585.7	690.8	1,409.1	1,721.1	1,610.5
Number of employees (yearly average)	8,358	7,935	7,874	7,986	7,118
Profit/(loss) for the period (€ m)	(164.2)	1.1	(5.6)	20.1	6.3
Profit/(loss) margin for the period (%)	*-28.0%*	*0.2%*	*-0.4%*	*1.2%*	*0.4%*
EBITDA	(63.3)	29.2	51.0	78.6	44.1
Adjusted EBITDA (€ m)[(1)]	(82.7)	29.5	54.0	70.5	49.8
Adjusted EBITDA margin (%)[(1)]	*-14.1%*	*4.3%*	*3.8%*	*4.1%*	*3.1%*

(1) For more information see: "*Selected Financial and Operating Information—Non-IFRS Financial Information and APMs*".

Store Network

The Group has consistently expanded its geographic footprint in Brazil since the opening of its first store in 2001 in São Paulo. It expanded to Ribeirão Preto in 2007, to Porto Alegre in 2011, Minas Gerais in 2013 and Bahía in 2014.

During 2018, there were 157 new openings, 100 closures and 95 stores converted from CO-CO to CO-FO. As of June 30, 2019 there were 23 new openings, 297 closures and 52 stores converted from CO-CO to CO-FO.

As at June 30, 2019, the Group had a total of 898 stores in Brazil, of which 43.0% were franchises. The Group's stores are primarily concentrated in the city of São Paulo where the Group enjoys strong capillarity.

Store Format

The Group has three store formats in Brazil, inspired by the corresponding Spanish and Portuguese store formats:

(i) *DIA.* This format operates under two banners: DIA Market and DIA Maxi.

(a) *DIA Market*. As at June 30, 2019, the Group had 588 stores.

As at December 31, 2018, DIA Market stores had an average area of 374m^2. In terms of product offering, in 2018, private label sales in DIA Market stores accounted for 30.4% of total sales and fresh products accounted for 7.6% of total sales. DIA Market stores are located in city centers, have parking lots and also incorporate next meal offerings.

(b) *DIA Maxi*. As at June 30, 2019, the Group had 304 stores.

As at December 31, 2018, DIA Maxi stores had an average area of 580m^2. In terms of product offering, in 2018, private label sales in DIA Maxi stores accounted for 27.3% of total sales and fresh products accounted for 8.9% of total sales. DIA Maxi stores are located primarily in suburban areas.

(ii) *Meu DIA:* These stores are the Brazilian equivalent of *DIA & Go* stores in Spain. As at June 30, 2019, the Group had 6 stores.

As at December 31, 2018, Meu DIA had an average area of 283m². In terms of product offering, in 2018, private label sales in Meu DIA stores accounted for 20.1% of total sales and fresh products accounted for 17.9% of total sales.

Operating Model

Brazil	H1 2019	2018	2017
Number of stores	**898**	**1,172**	**1,115**
CO-CO	**512**	**486**	**424**
CO-FO / FOFO	**386**	**686**	**761**

As at December 31, 2018, 62% of stores in São Paulo were franchises, compared to 33.9% in Rio Grande, 40% in Minas Gerais and 100% in Bahia.

Product Offering

As at December 31, 2018, the Group's product offering included 982 different brands and approximately 877 private label SKUs. During 2018, the Group's private label sales accounted for over 30.4% of the Group's total private label sales in Brazil, 20.8% of which were non-food products and 79.36% food products of which 7.1% were fresh. National brand fresh products represented 6.16% of total sales.

Loyalty Program

As at June 30, 2019, the Group had over 8 million active loyalty cards in Brazil.

Logistics and Suppliers

As of June 30, 2019 the Group had seven warehouses in Brazil, and approximately 592 suppliers for its Brazilian store network. For semester ended June 30, 2019, Brazil's largest 20 suppliers accounted for 45% of the purchase volume in euros in Brazil.

The table below lists the Group's warehouses located in Brazil as at June 30, 2019, identifying their type, the number of stores they serve, number of daily packages, fleet trucks flow and surface area:

Warehouse	Type	Stores served	Daily Packages	Fleet trucks flow	Surface (m^2)
Anhanguera	Flow	207	92,000	61	23,220
Americana	Flow	171	82,000	48	25,032
Ribeirao Preto	Flow	95	42,000	24	16,280
Contagem	Flow	81	27,000	19	22,566
Mauá	Flow	240	112,000	68	24,848
Nova Santa Rita	Flow	90	30,000	20	26,824

Argentina

Overview

Argentina is a volatile market with high inflation and strong currency devaluation, which negatively affects consumer purchasing power and confidence. High nominal rates and uncertainty about real rates makes financing challenging, impacting the ability of companies to finance growth. Moreover, the rise of informal players has modified the competitive landscape such that informal players are relevant competitors in the proximity market. Similar to Brazil, the organized market is dominated by international players and the Group is one of two of the largest players who have outperformed their competitors from 2014-2017 (Source: Planet Retail). As of June 30, 2019 the Group has the largest store network in Argentina with 950 points of sale.

The Group has established a successful business model in the country, primarily concentrated in and around Buenos Aires, where it is considered the number one grocery store brand in Argentina. During 2018, sales grew by 32.6% in local currency and including IAS 29, and the number of stores increased steadily, further strengthening the Group's high capillarity around Buenos Aires, where 86% of its stores are located. As a result, sales density and profitability tend to be higher in and around the city of Buenos Aires, where the Group also enjoys brand awareness and lower logistics costs.

The table below sets out key metrics regarding the Group's business and performance in Argentina for the semester ended June 30, 2019 and the years ended December 31, 2018, 2017 and 2016:

Argentina	**H1 2019**	**H1 2018**	**2018**	**2017 (Restated)**	**2016 (Restated)**
Sales (€ m)	489.5	464.8	970.6	1,391.6	1,311.0
Number of employees (yearly average)	4,001	4,139	4,163	4,301	4,404
Profit/(loss) for the period (€ m)	(19.2)	(16.9)	(8.5)	(0.7)	2.7
Profit/(loss) margin for the period (%)	*-3.9%*	*-3.6%*	*-0.9%*	*-0.1%*	*0.2%*
EBITDA	(3.5)	(1.9)	5.7	57.9	56.7
Adjusted EBITDA (€ m)(1)	5.8	14.0	2.8	58.9	59.1
Adjusted EBITDA margin (%)(1)	*1.2%*	*3.0%*	*0.3%*	*4.2%*	*4.5%*

(1) For more information see: "*Selected Financial and Operating Information—Non-IFRS Financial Information and APMs*".

Store Network

The Group opened its first Latin American store in Argentina in 1997. As at June 30, 2019, the Group had a total of 950 stores in Argentina, of which 68% were franchises.

During 2018, there were 94 new openings, 45 closures and 69 stores converted from CO-CO to CO-FO. As of June 30, 2019, there were 2 new openings, 31 closures and 5 stores converted from CO-CO to CO-FO.

Store Format

The Group has one store format, DIA, operating under two banners in Argentina inspired by the corresponding Spanish store format.

(i) *DIA Market*. These stores present customers with a wide choice of high quality products at good value, are primarily focused on the stock-up mission and are located around city centers. As at June 30, 2019, the Group had 832 stores.

As at December 31, 2018, DIA Market stores had an average area of 219m^2. In terms of product offering, in 2018, private label sales in DIA Market stores accounted for 40.1% of total sales and fresh products accounted for 5.7% of total sales.

(ii) *DIA Maxi*. As at June 30, 2019, the Group had 118 stores.

As at December 31, 2018, DIA Maxi stores had an average area of 642m^2. In terms of product offering, in 2018, private label sales in DIA Maxi stores accounted for 27.3% of total sales and fresh products accounted for 8.9% of total sales. These stores are normally larger than DIA Market stores and located in suburban areas.

Operating Model

Argentina	H1 2019	2018	2017
Number of stores	**950**	**953**	**930**
CO-CO	**304**	**298**	**303**
CO-FO / FOFO	**646**	**655**	**627**

Product Offering

In 2018, the Group's product offering included 771 different brands and approximately 906 private label SKUs. During that year, private label products accounted for 39% of total sales, 17.2% of which were non-food products and 82.8% food products of which 6.19% were fresh.

Loyalty Program

As at June 30, 2019, the Group had 4.93 million active loyalty cards in Argentina.

Logistics and Suppliers

As of June 30, 2018, the Group had five warehouses in Argentina, and approximately 455 suppliers for its Argentinian store network. For the semester ended June 30, 2019, Argentina's largest 20 suppliers accounted for 45% of the purchase volume in euros in Argentina.

The table below lists the Group's warehouses located in Argentina as at June 30, 2018, identifying their type, the number of stores they serve, number of daily packages, fleet trucks flow and surface area:

Warehouse	Type	Stores served	Daily Packages	Fleet trucks flow	Surface (m^2)
Vicente Lopez	Flow	343	86,753	56	17,600
Burzaco	Flow	246	85,800	56	19,730
Parana	Flow	100	35,382	24	20,364
Tortuguitas	Flow	204	78,353	56	24,996
Tortuguitas CTL	Central	-	32,726	26	

Stores

As at the date of this Prospectus, the Group has an extensive network of 6,809 stores that it operates under three different formats designed to provide shoppers with a broad range of products according to their shopping needs and preferences. The DIA format is operated under three main banners in Spain: DIA Market and DIA Maxi, with minor variations in the other regions in which the Group operates. The other two formats are *La Plaza de DIA*, which is only available in Spain, and *DIA & Go*, which has regional variations in the jurisdictions in which the Group operates. The Group intended to close underperforming stores during 2019, and, as of June 30, 2019, 663 stores have already been closed. Of said stores, (i) 323 were located in Spain; (ii) 12 in Portugal; (iii) 297 in Brazil; and (iv) 31 in Argentina. For further information see "*Non-current assets impairment test results*".

In addition to the above, around 230 franchised stores are expected to be closed for the second semester of 2019 and year 2020. For further information see "*Risk Factors - The value of the Group's property, plant and equipment, goodwill, tangible assets and other intangible assets may further decline in the future*".

DIA / Minipreço

The Group's DIA/Minipreço store format is subdivided into the following sub-formats: DIA Market, which is primarily located in urban areas, and DIA Maxi, which is primarily located in suburban areas.

DIA Market / Minipreço

DIA Market is DIA's neighborhood store format based on a convenience model. These stores are generally located in close proximity to customers and are highly adaptable to meet the specific needs of local demand. DIA Market stores in Spain have an average surface area of 341m^2 and offer a selection of approximately 2,800 products at competitive prices as at December 31, 2018. Red is the predominant color for the exterior of DIA Market stores, with glass façades that allow natural light in to brighten the interior. In addition, all the stores have a LED screen that displays daily specials and information about the establishment.

DIA Market is the most widespread format in the Group's entire retail network and it is constantly being renewed and adapted to customers' needs. Minipreço Market is the equivalent of DIA Market in Portugal. Together, as at June 30, 2019, there were 3,823 stores primarily located in Spain, Argentina, Brazil and Portugal representing 56.16% of total stores. In order to enhance the customer shopping experience, DIA Market stores have expanded the range of products offered in line with daily shopping needs. In addition to the traditional offering of packaged foods and household products, DIA Markets have deepened its offering in fresh produce, meat, fish, frozen foods, deli, bakery and dairy products and have incorporated a dedicated space for hygiene, cosmetic and perfumery products.

DIA Maxi / Minipreço Family

DIA Maxi stores in Spain have an average surface area of 750m^2. As at December 31, 2018, DIA Maxi offers a selection of approximately 3,500 products. To supplement their product offering, DIA Maxi stores offer items such as rotisserie chicken, along with a large fresh section to emphasize the Group's commitment to fresh food products in line with general customer preferences. Many of these stores, particularly in Spain and Portugal, include fresh fish, meat and deli counters.

Minipreço Family is the equivalent of DIA Maxi in Portugal. Together, as at June 30, 2019, there were 1,136 DIA Maxi stores primarily located in Spain, Brazil, Portugal and Argentina representing 16.68% of total stores.

La Plaza de DIA

La Plaza de DIA is a premium supermarket concept based on the convenience model with a strong focus on fresh food. This store format has an average surface area of 700 to 800m^2 and offers a selection of approximately 7,500 products, including a wide range of packaged foods, fresh goods and assisted counters for fish, deli and meat. The Group's private-labels, such as Dia, Delicious, Vital, Bonté, Basic and AS, are prominently displayed in *La Plaza de DIA* format stores. As at June 30, 2019, there were 273 establishments scattered across Spain. This number includes stores that were previously operated under the *El Árbol* banner and that were transformed into *La Plaza de DIA* establishments between 2015 and 2017.

In addition to its product offering, *La Plaza de DIA* offers a 2% discount to large families (*familias numerosas*) and an online shopping platform through Amazon Prime Now in Madrid, Barcelona and Valencia with delivery within 2 hours.

DIA & Go / Minipreço Express / Meu DIA

The Group launched a new store model in Spain in 2018 called *DIA & Go*. This store format has an average surface area of 386 m^2 and offers a selection of approximately 3,800 products, including a wide range of packaged foods, fresh goods and take-away options. *DIA & Go* has a sleek, modern design and logo that targets young urban shoppers. *DIA & Go* is present in Madrid, Bilbao, Jaen, Valencia, Seville, Zaragoza, Barcelona, Salamanca, Valladolid, Leon, Logroño, Gijón, Burgos, and Huesca. As of June 30, 2019, there are 96 *DIA & Go* stores in Spain.

DIA & Go offers a different product range compared to typical DIA stores including coffee and tea, fresh orange juice, take-away food combination options consisting of sandwiches, drinks, and appetizers, rotisserie chicken and assortments of baked breads and pastries. These locations also offer fresh produce and charcuterie. *DIA & Go*'s high convenience proposition caters to convenience, "on-the-go" and "next-meal" shoppers.

The Minipreço Express banner was launched in 2017 in Portugal and is similarly based on the concept of high convenience. More than 40 stores in this traditional convenience format have been remodeled in the last two years to place a greater emphasis on fresh food along with meat and deli counters, a cafeteria, takeaway areas and roast chicken stands.

Minipreço Express stores are located in densely-populated urban areas. These new stores, which also changed their original green color to yellow, offer juicing machines (where customers can prepare their own juice), instant coffee machines, hot soup dispensers, an area with takeaway food, fridges with cold drinks, and a greater presence of the Delicious gourmet product range and regional Portuguese products. The equivalent of these stores in more residential neighborhoods is Minipreço Barrio.

The Meu DIA banner was launched in 2018 in Brazil and is the equivalent of Minipreço Express and *DIA & Go* in that market.

Clarel

Clarel is a new store concept designed to become the benchmark neighborhood store for shoppers looking to buy health, beauty, household and personal care items. *Clarel* is the fruit of the acquisition of the Schlecker stores in Spain and Portugal. These stores are in the process of being refurbished and rebranded. The *Clarel* store image is more modern and more neighborhood in feel.

Clarel is present in Spain and Portugal, and, as of June 30, 2019, there are 1,279 *Clarel* stores.

Stock-Up

"Stock-Up" is characterized by customers shopping to fill the cupboard with products across various categories, mainly packaged, cleaning, and personal hygiene products. Stock-Up shoppers look for good quality private label products at low prices and promotions to fulfill most of their shopping needs in a single trip to the store. While the Group's current strengths are in Stock-Up, its intention is to remain relevant in this mission through DIA Maxi but focus its efforts on the other two missions given their growth potential and the low level of shopper engagement associated with the Stock-Up mission which is largely seen as a chore.

Next Meal

The "Next Meal" mission is concentrated in high-density areas and characterized by customers looking for proximity and convenience when shopping for their dinner that night or food for the next few days. Their focus is therefore on quality, variety and price, with a strong preference for fresh and ready-to-eat products. These customers also look for a modern and innovative environment with which they can build a connection.

On-the-Go

At the extreme opposite of the shopping planning spectrum from Stock-Up, the "On-the-Go" mission is characterized by shoppers who seek fresh, healthy and ready-to-go-food such as coffee, juice, sandwiches, fast food and ready-to-eat meals in convenient and innovative environments. This particular mission is growing fast, and the Group intends to capitalize on this growth and build on the success of its *DIA & Go* format to incubate and capture future market share. It plans to achieve this by expanding the network of *DIA & Go* stores but retaining certain flexibility to adapt its format, offering and image to the specific location it serves.

Product Offering

Food and Non-food products

The Group targets a broad range of customers by offering a variety of food and non-food products with excellent quality at different price points. The Group's food product offering includes, but is not limited to: produce, pre-packaged foods, grocery, meat and poultry, seafood, cured-meats and baked goods. Its non-food offering includes a range of household, hygiene and beauty products. In the semester ended June 30, 2019, food products accounted for 83.49% of the Group's sales.

The Group's goal is to offer a wide range of products from which customers can choose, considering their tastes, values, or needs. To this end, the shelves in the Group's physical and virtual stores are increasingly stocked with gluten-free, lactose-free, organic and Fair-Trade products, along with healthy and gourmet items. In addition, as part of its current focus on fresh products as a key differentiator, the Group is in the process of increasing the assortment and prominence of fresh products in its stores.

The Group's four most popular product categories in 2018 were sweet food products, beverages, savory foods (e.g. snacks) and refrigerated goods. This selection of product categories is common to all segments of the Group, with sweet food products being the most popular one in all four jurisdictions.

In addition to its traditional product offering, the Group has developed a selection of food solutions that it markets through its store network. These solutions include ready-to-eat meals, such as salads, on-the-go food, rotisserie chicken and grilled ribs, as well as coffee and orange juice self-service stations. The most popular fresh products in 2018 were hot bread, bananas, potatoes, sliced products, tomatoes and whitefish.

Private Label

The Group's product offering of food and non-food products is carried out through a combination of own private label and national brands. The Group's private label brands are present in all the countries in which it operates and represent a high percentage of total sales across the board, accounting for 42.83% of the Group's total sales, 48.08% of total sales in Spain, 48.72% in Portugal, 29.83% in Brazil and 40.50% in Argentina for the semester ended June 30, 2019. In addition, as at June 30, 2019, the Group had over 6,660 different products under the following private label brands:

DIA. This has been the Group's traditional brand for over 30 years. With over 4,417 items, it encompasses all the mass-consumption product categories.

Bonté. This brand specializes in personal care products and perfumes. It includes more than 700 items.

Delicious. This is the Group's premium label with the highest added value for the Group. It includes approximately 250 items.

Basic Cosmetics. This is the make-up and decorative cosmetics brand. It includes approximately 230 items.

BabySmile and JuniorSmile. This brand specializes in baby and child care products. It includes more than 110 items.

As. This brand specializes in pet care and pet food. It includes more than 110 items.

Vital. This is the most recent brand developed by the Group. It specializes in healthy nutrition and includes more than 130 items.

In order to simplify its relationship with private label suppliers and engage directly with them without intermediaries, the Group and Casino have decided to terminate their CD Supply Innovation joint venture, which was established in 2017 in order to arrange the purchase of their respective private label products directly with suppliers. As a consequence, CD Supply Innovation will be liquidated.

National Brands

In 2018, the Group offered approximately 7,500 different national brand products across its store network, which it sourced primarily from local suppliers. During the same year, national brands accounted for 58% of total sales.

The Group has negotiated its international services with main national brand suppliers through ICDC Services, the joint venture created in conjunction with Casino Group in 2015 in Switzerland. In order to give more value to these services, the Group joined the new generation Horizon International Service platform in 2018. This new joint venture set up by Auchan, Metro, Casino and the Group was created on February 15, 2019 and negotiates on behalf of its shareholders, on international services with main national brands suppliers.

Purchase payments financing

The Group supports some of the purchases made at its Spanish stores by providing credit to customers through its loyalty ClubDIA card through Finandia, S.A. As at December 31, 2018, the Group had approximately 55,017 active ClubDIA loyalty cards that used the purchase payment financing service. The payments made through Finandia during the year ended December 31, 2018 were €64.9 million, representing 2.5% of DIA Spain's in store and online sales.

Cash withdrawals at Stores

The Group offers customers the ability to withdraw cash in-store with their mobile phones. This service has been available since 2016 across the Spanish store network in partnership with ING Bank for customers who make purchases in the stores. Pursuant to this service, customers are able to withdraw between €20 and €150 per transaction and up to €1,000 per month through an ING mobile app called Twyp Cash.

Money Transfers

The Group offers customers the ability to wire money from the Group's stores. This service has been available since 2017 across 2,641 stores in Spain in partnership with Ria Money Transfer.

Operations

Store Operating Models

The Group operates stores using two different management models. Under the first model, the Group operates stores directly and holds ownership of the corresponding property rights, lease agreement or surface rights. This model is also known as "*Company Owned – Company Operated*" or "*CO-CO*". Under the second model, however, stores are operated by third parties pursuant to a franchise agreement whereby the corresponding ownership of the property right, lease agreement or surface right is held by the franchisee ("FO-FO", *Franchise Owned – Franchise Operated)* or the Group *(*"CO-FO", *Company Owned – Franchise Operated*).

CO-CO

CO-CO is the Group's historic management model and, therefore, the most widely used across the Group's store network. As at June 30, 2019, 53.15% of all stores were organized under this model. The CO-CO model is strongly established in areas characterized by a high potential of sales to end consumers and a high concentration of competitors. "DIA Maxi" stores for the most part operate under this "CO-CO" model, due to their large size, high sales potential and management complexity. The total percentage of sales attributable to stores operated under the CO-CO model was 65.2% for the semester ended June 30, 2019.

CO-FO and FO-FO

The Group considers the franchise scheme as a fundamental pillar of its business model, as it allows it to consistently and swiftly expand its store network and operate the stores with a deep knowledge of each local market and a customer-centric focus. As at June 30, 2019, the Group was the third largest supermarket company in Spain by market share (Source: Kantar Worldpanel) and the largest franchiser in the country (Source: Kantar Worldpanel). The Group has also been ranked among the top 25 franchising companies in the world, according to the international consultancy Franchise Direct's 2018 Ranking, which focuses on parameters such as innovation capacity, number of stores, support provided to partners, and environmental policies, among others.

Although the franchise scheme has grown steadily over the last five years through a combination of new store openings and transfer of stores previously managed by the Group under the CO-CO model, this trend has been reversed during the year 2019 due to an increase in the percentage of stores managed under the CO-CO model. As at June 30, 2019, the Group had 3,190 franchised stores, accounting for 46.85% of the total store network.

By region, during the first semester of 2019, franchises accounted for 42.64% of all stores in Spain, 49.83% in Portugal, 42.98% in Brazil and 68.00% in Argentina.

The table below indicates the evolution of the number of stores by management model in each of the countries where the Group was present as at June 30 2019, December 31, 2018 and 2017, and the variation on the previous year:

	H1 2019[1]				VAR	2018				VAR	2017			
	CO-CO	**CO-FO**	**FO-FO**	**Total**	**Total**	**CO-CO**	**CO-FO**	**FO-FO**	**Total**	**Total**	**CO-CO**	**CO-FO**	**FO-FO**	**Total**
Spain	1,480	1,254	427	**3,161**	-9%	1,603	1,401	470	**3,474**	-1%	1,473	1,488	536	**3,497**
Portugal	226	211	84	**592**	-2%	223	224	85	**532**	-5%	262	187	110	**559**
Brazil...........	512	318	68	**898**	-23%	486	403	283	**1,172**	5%	424	367	324	**1,115**
Argentina......	304	405	241	**950**	0%	298	405	250	**953**	5%	303	363	245	**911**
Paraguay.......	0	0	0	0	0	0	0	26	**26**	37%	0	0	19	**19**
TOTAL[3].....	**2,522**	**2,188**	**820**	**5,601[1]**	-10%[1]	**2,610**	**2,434**	**1,113**	**6,157**	**1%**	**2,462**	**2,405**	**1,234**	**6,101**

[1] H1 2019 figures of the chart above do not include *Clarel* stores, as they were not included in the Audited 2018 Financial Statements, and, therefore, not included in FY 2018 and 2017 in the chart above.

<u>Franchise Agreement</u>

The Group uses standard franchise agreements for its "CO-FO" and "FO-FO" management models with similar provisions, including geographical exclusivity and non-compete clauses, minimum orders (a determined annual volume with a certain assortment), required funding, bank guarantees and monetary obligations such as royalties and upfront fees. These agreements have minimum terms of one year for CO-FOs and two years for FO-FOs.

The Group's franchise model allows the Group to obtain profits from the percentage of sales and from the difference between the acquisition price of products and the transfer price at which such products are sold to franchisees; additionally, the Group also obtains revenues from the fees charged to the franchisees for the know-how, brand assignment and other services provided. The arrangement provides for recommended price ranges that franchisees cannot exceed. The cost of publicity and promotions are covered by the Group in order for the franchisees' profit not to be affected.

<u>"CO-FO" Model</u>

As at June 30, 2019, 39.06% of the total number of Group stores were managed under the CO-FO model. This model is attractive to franchisees because the Group assumes responsibility for fitting out the premises, making all the relevant investments and acquiring all the necessary equipment. Following their establishment, these stores are transferred to the franchisee for management and operation. This model also provides benefits to the Group, because it transfers the bulk of operating costs such as personnel, shrinkage, security and general expenses to the franchisee, but retains a portion of the revenues and the ownership of a potentially strategic point of sale.

<u>"FO-FO" model</u>

As at June 30, 2019, 14.64% of the total number of Group stores were managed under the FO-FO model. All personnel and operating costs, including establishment opening and improvement costs (investments), are borne by the franchisee and, as such, do not affect either the profits or statement of financial position of the Group.

Operation of franchise scheme

The Group has an International Franchise Office responsible for promoting the development of franchises in all countries and the establishment of the strategic objectives and their implementation in those countries. In addition, local management in each country is responsible for controlling the franchises operating within its territory. In particular, local management in each country is responsible for selecting candidates to become franchisees, maintaining the relationship and controlling the legal, commercial and financial risks of each franchise.

In this regard, the Group actively supports the franchisee in the set up and operation of the business. In particular, it assists franchisees with the following activities:

- *Analyze financing resources and needs*: preparation of a complete viability study, market studies, financing plan, provisional operating account and cash plan;
- *Search for premises*: assistance in finding the best premises for the franchisee;
- *Remodeling and equipping premises*: for any construction or remodeling the franchisee has technical assistance from the Group; and
- *Ongoing advice and assistance* after store opening.

Upon being selected, each franchisee must attend and complete a training program delivered by the Group regarding management of a DIA franchise business.

Monitoring and Compliance

The Group carries out various types of inspections to certify that franchisees are complying with all applicable standards. Store supervisors visit stores within their territory at least once per week and fill out a report form with a checklist. The franchisee is notified of any deficiencies found in the course of these visits and an action plan is put in place to resolve them. Store standards are also maintained through monthly internal audits. The audit reports are shared with the directors of each sales center and with the corresponding operational department in order to establish a plan to address any deficiency and improve results. Finally, every regional center has a franchise analyst tasked with periodically reviewing key operational and financial data of franchises to certify that they are operating adequately and in compliance with the Group's applicable standards. Issues at this stage are escalated to the store supervisor and retail manager for their resolution.

<u>Guarantees</u>

As part of its franchise policy, the Group provides financial support to its franchise network in the form of credits for among others, their initial investment (i.e. initial stock purchase). The business agreements with franchisees are secured by guarantees provided by franchisees for the benefit of the Group. The guarantees amounted to €99.6 million as at December 31, 2018, compared to €106.4 million as at December 31, 2017 (restated). The Group's total net exposure to franchises in the year ended December 31, 2018 was €106.4 million (compared to €106.2 million as at December 31, 2017). This figure corresponds to the difference between the guarantees and the credit of €206.1 million (€212.6 million as at December 31, 2017) that the Group has against the franchisees.

As of June 30, 2019, the guarantees amounted to €98.9 million and the net exposure to franchises amounted €86.3 million, a decrease of 13.3% compared to December 31, 2018.

This credit risk is highly diversified among the 2,789 franchisees who operated the 3,190 franchised stores as at June 30, 2019.

Franchisee support programs.

The Group has established several support programs for franchisees to develop a closer relationship with them, resources to meet their specific needs and contribute to their success based on the franchisee segmentation. The focus of these programs is to improve the communication between franchisees and the Group. With this goal in mind, the Group established the Franchise Portal, an online platform where entrepreneurs can access databases of their own and comparative information and can use the message servicing system to contact the Group directly.

The Franchise Portal is used by franchisees in conjunction with regular discussion forums under the series "Franchise Week" and existing local attention programs, such as "*Atención al Socio Estratégico*" in Spain, "*El Defensor del Franquiciado*" in Argentina and "*DIA te escuta*" in Portugal. Moreover, all of the countries in which the Group operates publish a newsletter with important information about the Group. These countries also organize an Integration Day with franchisees.

The "DIA Academy" is a professional training school in Argentina to provide guidance to aspiring entrepreneurs on how to run a business. In 2017, Brazil set up the "DIA Experts Committee" with a group of franchisees. The aim of this initiative is to share issues, ideas, and suggestions on which it can subsequently implement improvement plans.

From an operational perspective, regional centers in Spain have been supplied with a franchise analyst for their team, in charge of providing franchisees with financial and economic advice, which allows such franchisees to leverage the profitability of their business. There is also a logistics contact person who deals with all order requests and any other logistics issues faced by franchisees. Although the Group does not have a formal commitment to assist franchisees, it has a financing committee that analyzes cases where franchisees are undergoing financial difficulties to determine whether and how to assist them.

Suppliers

The Group has extensive and well-developed sourcing and supply arrangements for all its products, which it sources from a mixture of dedicated private label suppliers and national brand suppliers around the world. Suppliers range in size from large multinational groups, to national suppliers and small local suppliers.

The Group has a worldwide network of approximately 3,095 suppliers as at June 30, 2019.

As at June 30, 2019, in Spain (i) the largest supplier accounted for 4% of the total purchase volume in euros; (ii) the top 3 suppliers accounted for 9%; (iii) the top 10 accounted for 21%; and (iv) the top 20 suppliers accounted for 30%.

As at June 30, 2019, in Portugal (i) the largest supplier accounted for 5% of the total purchase volume in euros; (ii) the top 3 suppliers accounted for 12%; (iii) the top 10 accounted for 26%; and (iv) the top 20 suppliers accounted for 38%.

As at June 30, 2019, in Brazil (i) the largest supplier accounted for 6% of the total purchase volume; (ii) the top 3 suppliers accounted for 15%; (iii) the top 10 accounted for 30%; and (iv) the top 20 suppliers accounted for 45%.

As at June 30, 2019, in Argentina (i) the largest supplier accounted for 6% of the total purchase volume in euros; (ii) the top 3 suppliers accounted for 14%; (iii) the top 10 accounted for 32%; and (iv) the top 20 suppliers accounted for 45%.

As at June 30, 2019, 91% of suppliers in Spain were local suppliers, compared to 56.7% in Portugal, 99% in Brazil, and 95% in Argentina. The result is a large and diversified supplier base.

The Group typically selects a range of different suppliers for each product category in order to be able to negotiate competitive prices. When selecting a supplier, the Group generally prefers suppliers that have their own production, internationally recognized quality certificates, registered trademarks, the capacity to supply seven days a week and relevant experience of more than one year. Generally, prices of products are negotiated on an annual basis, however this process varies greatly depending on the specific product and seasonality, particularly for fresh products where the renegotiation can be on a monthly or weekly basis. The Group typically enters into standard supply contracts and makes payments in accordance with the standards established by each country according to the legislation in force.

Logistics

The Group has developed an effective logistics network, which enables it to operate across a wide geographic area. The Group manages all its key logistical operations in-house, while outsourcing transportation operations to third-party providers.

Warehouses and Distribution

As at June 30, 2019, the Group operated 35 warehouses with a combined surface of approximately 711,441m^2. The standard warehouse has a surface area of 22,000m^2, can accommodate a stock of between eight and eleven days of sales of products and is designed to maintain each kind of product under optimum conditions.

The table below sets out the number of warehouses and logistics surface area by segment as at June 30, 2019:

Country	Warehouses	Surface Area (m^2)
Spain	**21**	**415,346**
Portugal	3	75,635
Brazil	6	138,770
Argentina	**5**	**81,690**
TOTAL GROUP	**35**	**711,441**

The Group's warehouses operate as centralized distribution bases for deliveries to the stores and employ modern automated warehousing management systems. The Group operates three types of warehouses: "Flow", "Crossdocking" and "Central".

Under the Group's centralized product flow, supplies are delivered to the Group's various warehouses and are subsequently delivered by truck directly to the stores. Flow warehouses are multi-temperature warehouses that handle articles of greater turnover and fresh. Because of their high turnover these warehouses are located close to the stores they serve, usually within a distance of less than 70km. Central warehouses, in contrast, cover low-moving items, which allows the Group to optimize stock levels. The use of warehouses as distribution centers can result in swifter supply of merchandise to the Group's stores, as merchandise from multiple suppliers can be shipped in a single truck to the relevant stores, increasing delivery frequency while minimizing cost by ensuring full truck-loads. In addition, crossdocking is a practice in logistics of unloading materials from an incoming semi-trailer truck or railroad car and loading these materials directly into outbound trucks, trailers, or rail cars, with little or no storage in between.

In order for products to be accepted from the supplier, in particular fresh products, they must satisfy temperature, expiration date and general appearance checks. There is constant monitoring of the cold chain from receipt of the product at the warehouse to delivery to the store. Each warehouse has specific areas based on the storage temperature of each product. This is the case for refrigerated and frozen products, fruits and vegetables and flow-through products such as just-in-time chicken and meat.

The Group's supply chain is run using an innovative logistics system that links its 35 warehouses with a wide and dispersed network of stores across Spain, Portugal, Brazil and Argentina. These warehouses use innovative systems, such as radio frequency voice-directed warehousing to prepare orders and boost efficiency, as well as Automated Store Order (APT2) and Warehouse Management System software to guarantee product availability and obtain real-time information on individual SKUs that are handled and stored, respectively. In addition, all data exchange with suppliers is done via an EDI system, to optimize the process from order to delivery and invoice.

Transportation

The Group delivers its products from the warehouses to the stores by truck. Third-party transportation companies engaged by the Group operate under an autonomous structure, deliver merchandise using multi-temperature trucks, which simultaneously transport fresh, frozen, dry and 0+ temperature products, thus speeding up deliveries, reducing transportation costs and CO2 emissions, and simplifying the delivery process for stores, as they only receive a single truck with all the merchandise.

The Group enters into standard contracts that generally have a maximum duration of seven years with delivery companies as well as specific agreements related to the use of each truck. The agreements contain performance incentives relating to quality and reliability. The performance, price and selection of these service providers are periodically reviewed to ensure a high level of delivery service at minimum cost, usually on an annual basis or otherwise depending on specific circumstances such as increases in oil prices.

In line with this drive for innovation and constant improvement in service, in 2016 the Group began to test articulated vehicles just over 25 meters long, known as “Megatrucks”, which allow up to 60 tons of freight to be transported in a single trip.

Marketing

The Group’s marketing and advertising is targeted to customers and franchisees, both existing and prospective.

Marketing to Customers

Loyalty program

As at March 2019, the “ClubDIA” loyalty program offers members access to over 250 exclusively-priced products, discount coupons and the option to make weekly or monthly payments. This successful loyalty program, the first of its kind in Spain, has over 22 million members, across Spain, Portugal, Argentina and Brazil. This loyalty program was developed exclusively by the Group, introduced first in Spain in 1998 and then progressively introduced into Portugal in 2000, Argentina in 2006, and Brazil in 2015. As at December 31, 2018, approximately 75% of the Group’s sales were made through its loyalty program.

Under the ClubDIA card program, customers who sign up at the store are given a free loyalty card and two key ring cards, each of which contains the same bar code on the reverse, so that members of the same household are identified by a single code. By presenting any of these cards at the cash register, customers can enjoy a basic discount program covering approximately 250 products that would otherwise not be available to non-members. The discount varies from 10% to 50% of the non-discounted price, and the products involved are regularly updated to reflect customers’ preferences.

A key benefit of the ClubDIA card program is that it allows the Group to evaluate by means of advanced analytics the preferences of its customers and observe their shopping behavior. This process involves the construction of a customer data base, which the Group then uses to develop a personalized marketing program, categorizing its customers on the basis of their purchasing profiles and offering personalized discount coupons on a wide variety of products. These discounts apply to both own-brand products and supplier brand products, whether or not they are products typically purchased by the customer. These discounts vary widely as they are typically calculated by percentage, (normally within a range of 10% to 50%) and also depend on the type of customer and purchasing history, which takes into account the total volume of purchases and the categories of products purchased among other things. Promotions and discounts are generally financed by the Group and/or the suppliers depending on the particular promotion or campaign.

The Group believes that its loyalty program is useful in formulating cost-effective sales plans with its suppliers, developing a program of individualized marketing, determining where to open new stores and how to increase footfall by store. It also has the advantage that the program's coupon discounts are majority-funded by suppliers, for whom it is a cost-efficient marketing tool.

The table below sets out the number of ClubDIA cards per country and the percentage contribution of sales attributed to such cards by country for the semester ended June 30, 2019 and years ended December 31, 2017 and 2018:

	H1 2019		**2018**		**2017**	
	Number of cards (million)	**Percentage of sales (%)**	**Number of cards (million)**	**Percentage of sales (%) (restated)**	**Number of cards (million)**	**Percentage of sales (%) (restated)**
Spain	7.45	64.9	7.73	67.3	7.92	67.9
Portugal	1.58	65.7	1.57	65.7	1.61	64.6
Argentina	4.93	91.3	4.79	92.4	4.49	91.2
Brazil	8.49	83.3	8.64	86.7	7.05	83.7
TOTAL	22.45	71.8	22.73	73.6	21.07	74

Customer Satisfaction

The Group connects to its customers through two channels: (i) the request channel, whereby customers who are members of ClubDIA are asked to take part in a quick survey about their shopping experiences; and (ii) the voluntary channel, whereby any customer who so wishes can fill in the survey on the Group's commercial website or on the mobile application. The issues covered in these surveys mainly relate to the shopping experience, with issues such as customer service, the evaluation of slogans such as "Customer Journey", the assortment, and store maintenance. In 2017, the Group introduced new functionalities into its customer feedback systems, thus obtaining more precise knowledge about consumers' needs and faster response times from the different areas of the Group.

Social media

In order to ensure direct and streamlined communication with its customers, the Group uses social media networks for both the Group's commercial and corporate operations. In all the countries in which the Group operates, it has a presence on the most widely used platforms, including Facebook, Twitter, Instagram and YouTube. The Group's presence is kept active to provide up-to-date communication on issues relating to offers, customer service and new products. As at June 30, 2019, the Group had a user community of more than 22.4 million users across its network.

Marketing to Franchisees

The Group has developed and focused on three pillars of engagement in order to promote a positive experience among franchisees as key strategic partners of the Group.

(1) The first pillar focuses on developing and reinforcing the DIA franchisor brand in the market in an effort to strengthen the global brand overall as well as the positive perception of the franchise network.

(2) The second pillar seeks to improve the relationships between the Group and franchisees as an important step in adequately and efficiently addressing operational requirements and improving daily work productivity. This involves encouraging internal communications through which the Group

measures franchisee satisfaction via annual surveys and the use of incentives such as best franchisee rewards.

(3) The third pillar concerns the authentic integration of DIA employees in the overall community of the Group. The Group seeks to raise the awareness of employees with regards to the practices and values of the Group to encourage greater commitment to these aspects of DIA culture.

The Group closely monitors its franchisee relationship through conducting annual surveys prepared by Nielsen, an independent consultant. This survey asks franchisees, confidentially and anonymously, aspects they would improve and those they are most satisfied with. In 2017, the sixth edition of this survey was carried out and 65% of franchisees took part. Approximately 54% of those surveyed said that they would go through the franchise experience again, and among franchisees in Argentina, this figure was 62%. Approximately 31% of the franchisees surveyed would consider or planned to open a franchise in the future, while more than 52% would recommend a franchise to another person. Attributes rated highly by franchisees include the quality of the DIA brand, as well advertising, offers and promotions, and the ClubDIA/Minipreço loyalty program.

Corporate Social responsibility

The Group has implemented a Corporate Social Responsibility Policy to ensure that laws and regulations are respected, that the Group is in good faith compliance with its obligations and contracts, and that the Group uses best practices in the sectors in which the Group carries out its activity.

The Group's Corporate Social Responsibility ("**CSR**") Policy establishes the framework applied by DIA at the corporate level in order to meet its commitments in the following fields:

- Responsible management through compliance with the best practices of Corporate Governance and the establishment of a framework based on ethics, transparency and efficient risk management;
- Commitment to the people and groups it works with, including employment generation, development of the franchise, supplier agreements, collaboration on social programs and humanitarian aid and creating value for shareholders and society;
- Provide franchisees the knowledge and the right tools to efficiently manage their business;
- Offer its consumers better quality and price solutions for their food needs and consumer products based on a single undertaking on the market in terms of quality and price; and
- Innovate its daily operations and logistics to reduce energy consumption, limit the environmental footprint of its logistics activities, and properly manage its emissions, consumption and waste.

Given the high level of penetration of its store network in the neighborhoods and towns in the countries in which it operates, the Group feels the obligation to position itself and support certain social causes that are important for its customers and partners. Accordingly, every year, in partnership with various non-profit entities and associations, it implements a series of social initiatives through its own CSR policy, through which it clearly and transparently sets out the procedures for these partnerships.

During 2018, the Group focused on its social projects and working to ensure that food reached the largest number of people possible. Moreover, in Spain, the Group has historically promoted awareness of the fight against rare diseases that mainly affect children, and it has sponsored the Spanish Basketball Federation. Pursuant to this sponsorship, the several projects related to the causes that the Group identifies with the most have been launched: promoting sports, gender equality, and support for the most vulnerable children. In turn, Argentina, Brazil and Portugal have invested in various social awareness programs, both for employees and customers worldwide.

Information Technology

The Group's administration responsibilities, namely procurement, finance, information services, technical and human resources, are managed on a Group-wide basis through its main information systems such as SAP as ERP system, Qlik for Business Intelligence and Analytics projects, Salesforce as CRM system, Google Suite as productivity tools, HR-Access for Human Resources and a number of other systems.

In addition to the core systems and their back-office functionality, the Group has developed several technological initiatives, which include the analysis of customer shopping data, the digitalization of points of sale, the optimization of the supply chain, and the development of the Group's online shopping capabilities.

Digitalization of Points of Sale

The Group is currently working on a project to digitalize the point of sale ("**PoS**") systems at its stores in Spain. This is a new IT system that allows the Group to centralize its back-office tasks related to the management of its stores (stock control, orders, etc.). In order to implement this project, the Group has integrated a new architecture into its centralized systems, acting as a platform from which to process all the information, not only in a centralized way, but in real time. It also developed an Android application in Spain to improve store and inventory management through the use of Artificial Intelligence. This project was launched as beta in 2017 and was tested until 2018; the program has been rolled out in 2019. As of June 30, 2019 950 PoS have been digitalized and, the Company expects, the program to be completed in 2020.

Supply Chain Optimization

In 2016, the Group implemented a mobile application to improve transport services that allows real-time follow-up of the deliveries made. This application permits the daily monitoring of the transport activity to ensure maximum efficiency of deliveries to the store in a timely manner, ensuring the delivery of the goods in optimum condition. The store manager is informed in real time of the state of the shipment, which achieves a more efficient planning of the resources by both the stores and the warehouse. The project started in Argentina and then was implemented in Spain and Portugal in 2017.

In 2018, as part of the digital transformation of the Group, a new mobile application has been implemented for the management of the warehouses. The application provides for more agile daily task performance in real time. All the functionalities offered by this application allow for greater efficiency in accomplishing tasks with a further reduction in errors. As a result, use of this app has led to greater productivity among management, who are able to carry out tasks and delegate easily with greater simplification due to increased access to information.

Automation and Robotics

In 2018 the Group started using Robotic Process Automation technology. This technology enables the automation of repeatable business processes and lower complexity tasks currently undertaken, especially by back office teams, to achieve operational efficiency. This technology is currently used for the automatization of processes both in the office setting and in logistics operations.

Intellectual Property

Trademarks

As at the date of this Prospectus, the Group owns the rights to all its brands, which are registered with the appropriate authorities in Spain, the EU and other relevant countries. The Group considers its trademarks and other intellectual property rights to be valuable assets and takes appropriate action to protect and will, when necessary, enforce them.

Health and Safety

Employee safety

The Group is aware of the importance of health and safety at work for all employees and collaborating third parties. It therefore promotes a safe and healthy working environment in all areas of the organization, through commitments such as (i) compliance with prevailing legislation, safety regulations established by the Group, and best practices in health and safety; (ii) reduction in the rate of accidents through implementation, development, and improvement of necessary prevention measures throughout the organization and all stages of the value chain; (iii) promoting a culture of prevention and awareness through constant training and promotion of health and safety; and (iv) diligent monitoring of workplace risks.

In each of the countries in which the Group operates, training is provided such that the Group can guarantee all of its employees have been trained in occupational health and safety. In 2018 in Brazil, the Group launched a training program for store managers on the prevention of occupational risks and in total, more than 2,454 employees participated (including warehouse workers), with over 108,220 hours of training given. In Portugal, the Group also offered courses with 1,698 employees taking part. The courses, which included over 54,210 hours of training, covered areas such as load ergonomics, fire safety, ergonomics, first aid, and prevention of occupational risks.

Across the entire Group, the number of hours lost due to work-related accidents was relatively low given the nature of the work in stores and warehouses. Accordingly, the Group has integrated procedures into its Global Prevention Plan to detect the repercussions of working conditions on employees' health and identifying employees who are particularly exposed to such risks in order to adapt their workplaces to the needs of each person.

Quality control

The Group places significant importance in maintaining the quality and safety of its products to satisfy the expectations of its customers. The Group's corporate Food Quality and Safety Policy aims to generate a climate of confidence among its customers through a system that scrupulously examines product quality and safety controls to guarantee the proper production, processing, and management of all products.

The purpose of the Group's Food Quality and Safety Policy is to establish principles and practices to meet the following commitments such as (i) creating trust in consumers by supplying safe, quality products that comply with current law in each region throughout all phases of the supply chain; (ii) guaranteeing adequate production conditions and certifying suppliers by requiring market-standard audits; (iii) utilizing the annual control plan to ensure quality and safety; and (iv) offering consumers complete and transparent labelling information.

As a pre-requisite to product validation, private label products and corresponding suppliers are evaluated by the Group in terms of quality and safety. This process consists of conducting systematic quality audits at suppliers' production centers. Moreover, the Group ensures that private label products undergo consumer tasting in accordance with regulation UNE-EN ISO 8589:2010 which enables the Group to evaluate organoleptic characteristics of the products. To date, 3,668 panels have been carried out. The Group's Control Program allows it to ensure compliance with the quality requirements for products manufactured for the Group's brands.

As at December 31, 2018, the Group had a total of 41 in-house laboratories that conducted internal analyses as part of its control program. The Group works with approved external laboratories where additional analyses are carried out in addition to the internal checks. Finally, the Group's Quality Control Department carries out ongoing checks and periodical audits of warehouses and stores, where they supervise and evaluate aspects such as tidiness and cleanliness, the management of expired products, and the cold chain, guaranteeing compliance with the defined standards. As at the date of this Prospectus there are no material open files with health and consumer authorities.

Environment

The Group's commitment to the environment is defined in its Environmental Policy. This policy includes the general principles that govern the management and planning of the Group's activity, as well as the Group's objectives.

The integration of the efficiency and sustainability criteria is the basis on which the main commitments are established and consist of (i) complying with existing regulations to promote the responsible use of resources; (ii) developing eco-design criteria for products and packaging; (iii) prioritizing waste prevention and identifying opportunities for improvement; and (iv) encouraging staff to take an active role in these commitments.

The Group has set up an Environmental Management system designed to generate continuous improvement and minimize the environmental impact of the Group's activity.

In 2016, the Group obtained an A- score in the Carbon Disclosure Project (CDP), and is one of the leading Spanish companies in terms of initiatives to reduce emissions and mitigate climate change, as well as transparency in the publication of its results. In 2017 and 2018, the Group maintained this score and was among the 6% of companies with the highest score which exceeded the worldwide and Spanish sector average score for the distribution sector (both received a C score).

Eco-efficiency

The Group has been working for over a decade to introduce energy efficiency systems in stores and in its logistic operations. In 2017, the Group implemented several energy improvement projects in their stores and warehouses including efforts to close cold cabinets in the stores in Brazil, use electronic valves in Argentina and use more efficient fans in Portugal and Spain. In total, these improvements saved 60,000 tons of carbon dioxide in 2018. With these sustainable measures implemented in stores and warehouses, the Group has generated an accumulated energy savings of up to 25% compared to previous systems, which equates to a reduction of 20 tons of CO_2 emissions released into the atmosphere for each store. These environmental changes have led to the prevention of more than 1,300 tons of CO_2 being released into the atmosphere for the year ended December 31, 2018.

The Group's commitment goes further and includes a target of an additional 20% reduction in energy consumption over the next five years. This is a Lean & Green objective, an interprofessional European initiative over whose Commission the Group presides. As part of this initiative, the Group must present an action plan with initiatives to reduce emissions.

In terms of carbon footprint (scopes 1 and 2), the Group has improved, with 60,000 tons of carbon emissions reduced in 2018, i.e. 8%. This improvement is due to eco-efficiency measures developed during the year. Some of the most relevant measures are set forth below:

(a) Installing doors in refrigerator section walls:

Work is ongoing throughout all regions to install doors in refrigerator sections. These doors keep temperatures in the chilled cabinets steady and reduce the electricity consumption of equipment by up to 20%. This improvement is expected to be rolled out to all own-store equipment in the coming years.

(b) Reducing emissions attributable to the refrigeration systems:

Replacing the gases in refrigeration rooms and equipment with other more environmentally friendly gases is still one of the main areas of work to be done to cut down on the Group's carbon footprint. In Spain and Portugal, the improvements associated with replacing gases improved CO_2 emissions by over 30% in 2018.

(c) Logistics optimization:

Within the framework of the Lean & Green project, the Group has added the objective of reducing greenhouse gases generated by logistics operations in Spain by 20% within a 5-year period. The plan established to achieve this, the implementation and performance of which will be audited by an independent third party and which is already underway, includes completely renewing the fleet, providing drivers with training in efficient driving, and increasing night-time unloading to avoid the hours of heavier traffic congestion. These and other measures should enable the reduction target set for 2022 in Spain to be met.

Waste management

Proper waste management has become increasingly important in the day-to-day running of the Group's environmental department. The Group has invested in more training for store and warehouse staff focused on strengthening procedures used for the separation of waste.

As a result of this initiative, in 2018 the Group managed to reduce waste by 1.35 tons, (1% less than 122,832 tons in 2018 which in turn was 6.7% less than in 2016).

In 2018, non-hazardous waste decreased by more than 1,300 tons with respect to 2017 (122,832 tons compared to 124,183 tons). In the case of hazardous waste, the reduction has been a little over 7 tons (10% above 2017 figures).

Risk Management

Risk monitoring and management systems

The Group has used the COSO III methodology (Enterprise Risk Management) as a reference for the risk management system, where a systematic and detailed approach is undertaken with the aim of identifying events, assessing, prioritizing and responding to risks related to the achievement of the Group's strategy and business objectives.

The Company's Management (Executive Committee), Board of Directors and Audit and Compliance Committee (CAC) are responsible for the design and proper functioning of the Risk Management Model (RMM):

(a) The Board of Directors is responsible for approving the Enterprise Risk Management Policy and the Executive Committee is responsible for establishing risk appetite which is ultimately approved by the Board of Directors.

(b) DIA Management (the Executive Committee) is responsible of the design, implementation and establishment of the strategy, culture, people, processes and technology that make up the Risk Management Model.

(c) The Audit and Compliance Committee is responsible for monitoring and periodic reviews of the effectiveness of DIA Internal Control procedures, Internal Audit and Risk Management Systems, and verifying the adequacy and completeness of them.

In order to manage the RMM, the Group has established a Risk Committee and has designated a Risk Coordinator for each country as well as at the corporate level. The Risk Coordinator communicates and coordinates meetings, collects information and prepares the minutes of each Committee. The Corporate Risk Coordinator (CRC) in addition to the previous responsibilities, acts as country interlocutor at the corporate level and reporting to the CAC. The Risk Committee is composed by the Risk Coordinator and the person responsible for each of the functional lines (Area Directors). The Area Director is responsible for preventing and managing risks appropriately, as well as adequately implementing the necessary mechanisms in order to minimize the impact of a risk as much as possible. The Risk Committee evaluates the overall process of risk managing and assesses the need for new or different controls and response mechanisms.

The main Risk Committee responsibilities include company context (external and internal) and new project analysis, establishing recommendations for the development and/or continuation of specific action plans, and the execution of permanent risk monitoring of those identified through the risk map (particularly risks that could impact the Group's strategy, customers, franchises and suppliers).

DIA Internal Audit Department assesses the overall functioning of the risk monitoring and management system, the performance of the management bodies and the effectiveness of the monitoring activities established, and reports to the Audit and Compliance Committee.

Internal Control System over Financial Information (Sistemas de Control Interno sobre la Información Financiera ("SCIIF"))

The Board of Directors is responsible for the existence and maintenance of an adequate and effective Internal Control System over Financial Information ("**SCIIF**"). For this purpose, Article 5 of the Regulation of the Board of Directors of DIA establishes that one of the non-delegable powers of this body is "the policy for control and management of risk, including fiscal risks, and the supervision of information and control systems, identifying the principal risks of the Company and organizing the appropriate internal control and reporting systems".

The Group's SCIIF management team is responsible for the design, implementation and functioning of the SCIIF as well as the promotion of its awareness among company employees by ensuring all levels of the organization are conscious of the monitoring requirements, both in the formal documentation of the processes comprising SCIIF and the implementation of the action plans undertaken.

SAP GRC (Governance, Risk and Compliance) has been implemented by the Group, through the Process Control Module, in all countries in which the Group operates nowadays. The objective of implementing this tool is to establish a reliable, centralized and continuously upgraded self-assessment and monitoring process for the Group's internal financial information. Relevant employees have received internal training on their liabilities under SCIIF requirements.

The Group has appointed SCIIF delegates in each country who support the Group in the development of the annual work plan and report to the department responsible for SCIIF at the corporate level. Annually, this department reviews and validates all the self-assessment tasks performed by the owners of the key controls identified in the documentation associated with SCIIF to verify the reliability of the financial information published by the Group.

The Audit and Compliance Committee is responsible for SCIIF and performs continuous monitoring and follow-up tasks with the support of the Internal Audit department responsible for SCIIF.

There are three organizational levels within the Group compliance model.

The first is a strict regulatory body which focuses on good governance by maintaining compliance with statutes and regulations (including an ethical code) of the Group governing bodies. The Group also has a Whistleblowing Channel (via e-mail and post) at the corporate and country levels designed to clarify questions of interpretation and investigate and resolve possible breaches of the ethical code.

The second organizational level is a system of internal controls and risk management that focuses on developing practices for the design and maintenance of an internal control system aimed at providing reasonable assurance regarding the reliability of regulated financial information including identifying fraud or risks of error on the basis of the COSO framework (Committee of Sponsoring Organizations for the Commission of the Treadway).

The third organizational level is focused on fraud prevention and detection of misconduct. Crime prevention, anti-fraud and anti-corruption programs are used to create and spread a professional and ethical culture among the Group employees. In addition to the previous programs, there is an Ethics Committee at the corporate and country levels.

The Group identified internal control deficiencies, including a deficiency caused by management-override of internal controls which resulted in accounting and financial reporting errors as well as irregular conducts and behaviours carried out by certain employees and management.

Therefore, the Group will proceed to review and, where appropriate, implement additional internal policies and procedures with the aim of further strengthening its internal controls.

Disposals

In April 2018, the Group entered into an agreement with the Chinese group Suning in relation to the sale of 100% of the shares of the Chinese entities Shanghai Dia Retail Co. Ltd and DIA (Shanghai) Management Consulting Services Co. Ltd. This transaction marked the exit of the Group from the Chinese market and heralded a new strategy of divestments aimed at turning around the Group's trading performance and focusing on core markets and activities.

The effective implementation of the future business plan may see further disposals of assets and business lines as part of its restructuring strategy, which may include its non-Spanish operations. These disposals, which currently include 663 stores in first half of 2019 (mostly in Spain and Brazil). Additionally, the Company went through a strong de-franchising process, by means of which non-profitable franchised stores become directly operated by the Group, that affected a total of 222 stores and the closing of non-strategic activities (Bahia and Mini Preço in Brazil, E-shopping in Spain) which ultimately translated into: the write-off of related assets of €51.6 million, an impact in restructuring costs for the handover of the leases of €8.8 million and the recognition of one-off provisions in respect of doubtful accounts receivables from related franchisees of €27.8 million. These disposals are intended to concentrate the Group's activities on its core markets and use the proceeds from such disposals to implement the future business plan. For further information see "*Sharp sales deterioration and one-off effects during first half 2019".*

For the year ended December 31, 2018, *Clarel*'s Adjusted EBITDA, net losses and sales were €11.3 million, €49.2 million and €288.8 million, respectively. At the end of financial year 2018, DIA's intention was to dispose *Clarel*. However, after the Tender Offer was successfully settled, DIA decided to continue supporting this business line and reverse its classification as held for sale, recording the *Clarel* business as of June 30, 2019 in the consolidated statements of financial position and as continued activities in the consolidated income statement, in line with the nature thereof, committing to remodeling this business. For this purpose, in September 2019, DIA appointed a new Chief Executive Officer for *Clarel*, Paul Berg. For further information, see "*Senior Management*".

During the year ended December 31, 2018, *Max Descuento* recorded negative Adjusted EBITDA of €8.2 million, net losses of €6.5 million and sales of €95.9 million. See "*Selected Financial and Operating Information—Non-IFRS Financial Measures and APMs*".

Real Estate

As of June 30, 2019, the Group had 7,221 operating leases in place and owned 152 stores for a total value of approximately €125.3 million. In general terms, the operating leases on stores only establish the payment of a fixed monthly charge which is reviewed annually in line with and index linked to the rate of inflation. Lease contracts generally do not include clauses establishing variable amounts such as turnover-based fees, or contingent rent amounts. There are 1,081 store leases that are set to expire until June 30, 2022, 15.16% of the store leases.

Leases on warehouses generally have the same characteristics as the stores.

During the years ended December 31, 2018, 2017 and 2016 sale and leaseback contracts were signed for certain warehouses and stores with terms of between 20 and 30 years and a minimum tie-in period of between two and twelve years.

Details of the main operating lease contracts in force at June 30, 2019 are as follows:

2019					
Warehouse	**Country**	**Minimum date for lease finalization**	**Warehouse**	**Country**	**Minimum date for lease finalization**
Getafe	Spain	2026	Almería	Spain	2019
Mallén	Spain	2023	Salamanca	Spain	2019
Manises[(*)]	Spain	2019	Valongo	Portugal	2028
Mejorada del Campo	Spain	2024	Torres Nova	Portugal	2028
Miranda	Spain	2019	Alverca	Portugal	2028
Orihuela	Spain	2023	Anhanghera	Brazil	2019
Sabadell	Spain	2029	Americana	Brazil	2019
San Antonio[(*)]	Spain	2023			
Villanubla	Spain	2019	Porto Alegre	Brazil	2019
Villanueva de Gállego	Spain	2030	Ribéirao Preto	Brazil	2019
Dos Hermanas	Spain	2027	Bélo Horizonte	Brazil	2019
Azuqueca	Spain	2020	Mauá	Brazil	2021
Granda Siero	Spain	2020	Nova Santa Rita	Brazil	2020
			Avellaneda	Argentina	2023

*To be closed in 2019.

Date 2019 refers to the minimum period in which there is a commitment of permanence in the warehouse and the minimum period to compensate the owner in case of early termination of the agreement.

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

As of June 30, 2019, the Group has disposed of three stores in Argentina, which has resulted in a gain of 0.75 million. In 2018 the Group disposed of three warehouses and 88 stores in Argentina, Brazil, Spain and Portugal, which resulted in a gain of €28.1 million. In 2017, the Group recorded a gain of €31.2 million in connection with the disposal one warehouse and 52 stores, and a gain of €16.5 million in connection with the disposal of 22 stores in 2016.

Employees

As at June 30, 2019, the Group had a workforce of 40,247 full-time employees across its operating segments in Spain, Portugal, Brazil and Argentina. This number does not include the employees of franchised stores, which the Group does not consider its employees. The following table sets out the geographical breakdown of the Group's employees for H1 2019 and years ended 2018, 2017 and 2016.

	H1 2019	2018	2017	2016
Spain	26,723	26,693	26,031	26,601
Portugal	3,554	3,564	3,646	3,899
Brazil	7,459	8,922	8,393	8,198
Argentina	4,207	4,501	4,539	4,755
Others (China, Paraguay and Switzerland)	2	3	737	1,032

Total	41,945(*)	43,683	43,346	44,485

(*) Being 40,247 of them full-time employees.

In 2019, 86.8% of all of the Group's employment contracts were permanent, compared to 88.9% in 2018, 89.7% in 2017 and 88.7% in 2016, while the remaining 13.2% were temporary contracts compared to 11.1% in 2018, 10.3% in 2017 and 11.3% in 2016. Of the Group's permanent employee contracts, 74.1% of the employee worked in stores in 2019, compared to 73.6% in 2018, 73.7% in 2017 and 72.29% in 2016. 13.1% of employees worked in warehouses in 2019, compared to 13.1% in 2018, 13.6% in 2017 and 14.6% in 2016, and 12.8% worked in the Group's corporate offices in 2019 compared to 13.3% in 2018, 12.7% in 2017 and 13.5% in 2016. This workforce is complemented by people working for the Group on different employment contracts, such as the logistics distributors and the purchasing area, which outsourced some of its tasks in 2017. In the quarter ended June 30, 2019, the average employee turnover was 5.5% and the average employee seniority was 10.45 years in Spain.

As at June 30, 2019, 100% of the Group's employees were protected by a collective bargain agreement (except for Argentina, where only 68% of employees were part of such type of agreement), either at the Group level in the case of Spain, or at the sector level in the cases of Portugal, Brazil and Argentina. As of the date of this Prospectus, the Group, has 1,035 trade union representatives in Spain.

On February 8, 2019, the Group announced the initiation of a collective dismissal process in DIA and in Twins Alimentación, S.A. The personnel expenses related to this process have been fully accrued as of June 30, 2019. As of September 2019, 1,419 employees had been laid-off and 4 employees are pending to be laid-off.

In addition to the above, on September 13, 2019 the Company launched a collective dismissal process in its subsidiary, El Árbol Group, mainly related to the expected closing of *Max Descuento* stores and two *La Plaza de DIA* stores located in Madrid and could affect a maximum of 210 employees fully provisioned as of September 30, 2019.

Also, as of September 2019, 313 stores have been closed in Brazil (44 CO-CO stores and 269 franchises), with the consequent dismissal of 259 employees of the CO-CO stores.

Overall, as of June 30, 2019, €40,290 thousand of restructuring costs were recognized as personnel costs in the Group for the total estimated costs related to the collective dismissal approved and other indemnifications in Spain and in other countries.

Legal Proceedings

At any given time, the Group may be a party to litigation or be subject to non-litigated claims arising out of the normal operations of its business. As of the date of this Prospectus the material legal proceedings outstanding are summarized below and they all refer to civil, criminal and tax-related disputes in which the Company is involved.

Tax Proceedings in Brazil

On January 29, 2019, DIA Brazil received the result of the inspections carried out on the 2014 accounts, resulting in an updated debt of €102,295 thousand (BRL 445,094 thousand) relating to the different items of indirect federal taxes PIS and COFINS, which are calculated based on a percentage of sales. Approximately 30% of the amount of the ruling corresponds to the impact on PIS and COFINS taxes of the discrepancy regarding the income from supplier discounts, which had already been raised in a previous inspection. The Company has appealed this ruling through administrative proceedings and, if necessary, will file a court appeal, since it considers that there are sufficient grounds to obtain a favorable outcome. Based on reports drawn up by two legal firms, the Company has deemed the risk of loss of the items disputed in this appeal as remote/possible in the most part and has therefore only recorded a provision of €1,264 thousand (BRL 5,500 thousand) at June 30, 2019.

Additionally, DIA Brazil received two notifications from the Brazilian tax authorities regarding the 2010 accounts, one for an updated amount of €16,519 thousand (BRL 71,874 thousand) in relation to the discrepancy regarding the tax on income from supplier discounts, and the other for omission of income from circulation of goods for an updated amount of €80,227 thousand (BRL 349,076 thousand).

In relation to the first issue (regarding tax on income from supplier discounts), an unfavorable decision was passed down in the administrative proceedings and the Company filed a court appeal in 2016. As of the date of this Prospectus, the Company has no further information about the court appeal filed before the administrative court of first instance in 2016. However, based on reports from external lawyers, the Company considers that there are sufficient grounds to secure a ruling in favour of DIA Brazil.

In relation to the second issue (on circulation of goods), the administrative proceedings resulted in an unfavorable ruling, which was subsequently appealed. As a result, the administrative court of second instance (CARF), recognized deficiencies in the inspection process and ordered another inspection, which concluded in June 2019 with a favorable ruling for DIA Brazil. The administrative court of second instance (CARF) must now analyse the conclusions of the new inspection.

The Group’s external legal advisors continue to deem the likelihood of an unfavorable outcome as remote and the Company has therefore made no provisions as of December 31, 2018 and as of June 30, 2019 for these two issues.

Arbitration Proceedings

In June 2018, the Company submitted a request for arbitration under the Civil and Commercial Arbitration Court of Spain (“**CIMA**”) against Eroski and Cecosa (collectively, the “**Eroski Group**”) in relation to the Red Libra Trading Services, S.L. joint venture between the Company and the Eroski Group (the “**Red Libra Joint Venture**”). The Company argues that the Eroski Group’s decision to unilaterally withdraw from the Red Libra Joint Venture agreements was an act of bad faith. Specifically, the Company believed that the Eroski Group failed to fulfill its contractual obligations through its unilateral withdrawal and thus must compensate DIA for damages incurred as a result of its conduct. The Company has estimated its damages to amount to €40 million. In July 2018, the Eroski Group submitted a counterclaim to the Company’s request for arbitration. The Eroski Group claims a breach of contract by DIA in relation to the Red Libra Joint Venture agreements. The Eroski Group has estimated its damages to amount to €59.8 million. At the date of the Prospectus, the arbitration proceeding with Eroski Group is at an early stage and the reciprocal accusations of breach of contract, the level of risk and economic consequences for the parties is yet to be determined. However, DIA’s directors do not consider probable to have negative consequences for the Group and in any event, they expect that any consequences, if any, will be positive for the Group. In this regard, they have not recognized contingent assets for this matter.

Administrative Proceedings

On 2016, Information and Food Control Agency (*Agencia de Información y Control Alimentarios (AICA)*) initiated sanctions proceedings against the Company for alleged serious infringements described in Law 12/2013, of August 2, of actions to improve functioning of the food supply chain. On March 13, 2017 the General Secretary for Agriculture and Food of the Ministry of Agriculture and Fishing, Food and Environment (*Secretario General de Agricultura y Alimentación del Ministerio de Agricultura y Pesca, Alimentación y Medio Ambiente*) issued a resolution imposing sanctions of €6.8 million on the Company for serious infringements regarding food procurement (the “**Resolution**”). The Company has appealed the Resolution first through administrative proceedings and subsequently through legal proceedings. On February 18, 2019 the *Audiencia Nacional* declared the proceedings to be concluded, pending the assignation for ruling when appropriate. At the date hereof, these legal proceedings have not been settled.

Legal proceedings in Argentina

In December 2018, the Directorate of Social Security Resources of Argentina (*Dirección de los Recursos de la Seguridad Social*), which is dependent on the Federal Tax Administration (*Administración Federal de Ingresos Públicos*), filed a complaint before the Economic Criminal Court (*Fuero Penal Económico*) against DIA Argentina S.A. and the persons responsible, on account of alleged tax evasion. The Economic Criminal Court (*Fuero Penal Económico*) questions if the franchisees are real employers, given their lack of solvency.

In this line, according to the Economic Criminal Court's (*Fuero Penal Económico*) hypothesis, the franchisees are effectively employees of the Company and therefore the debts that they maintain with that organization could be claimed against DIA Argentina S.A. This initial hypothesis has ostensibly diminished due to (i) the positive legal antecedents of the Company, and (ii) the understanding of the Federal Tax Administration (*Administración Federal de Ingresos Públicos*) regarding the business and its franchises. The Federal Tax Administration (*Administración Federal de Ingresos Públicos*) is claiming ARS 20 million from the Company (which amounts to, approximately, €300 thousand as of October 18, 2019).

In addition to the proceeding above, on February 18, 2019, DIA Argentina S.A. was formally involved in the investigation running against Mutual Association of Argentine Entrepreneurs (*Asociación Mutual Argentina de Emprendedores*) ("**AMEA**"), in a criminal economic court proceeding. This proceeding is in a preliminary investigation stage. On July 16, 2019 DIA Argentina S.A. was formally accused of participating in allegedly unauthorized financial intermediation leading by AMEA, since DIA Argentina S.A. has a commercial relationship with this association. That resolution was appealed and is still pending. In case it is confirmed, a collegiate tribunal will be in charge of the proceeding.

If DIA Argentina S.A. is finally convicted, the court could fine DIA Argentina S.A. in an amount between two and eight times the total amount of the transactions entered into with AMEA during the relevant period of time (AR$ 630,000,000, which as of October 23, 2019 is equivalent to €9,605,600.94).

Irregular accounting practices in Spain and Brazil

In the context of the Group's review of its profit outlook for the year ended December 31, 2018, which revealed the existence of irregular accounting practices in Spain and Brazil and which led to the restatement of the Group's financial statements for the years ended December 31, 2017 and 2016, the Group appointed a firm of forensic advisors to carry out an investigation to establish the causes of such irregularities and to identify the persons responsible. The investigations, both in Spain and in Brazil, are complete and the final reports were sent to the Anti-Corruption Prosecutor's Office (*Fiscalía Anticorrupción*). The resolution by the Anti-Corruption Prosecutor's Office (*Fiscalía Anticorrupción*) and the relevant court of the matters revealed by these internal investigations could adversely affect the Group's business or lead to the commencement of legal proceedings against the Group, which could have a material adverse effect on the Group's business, operating results, financial condition or prospects.

On February 8, 2019 DIA filed a complaint regarding the irregular accounting practices with the Anti-Corruption Prosecutor's Office (*Fiscalía Anticorrupción*), which has initiated investigative proceedings under number 6/2009. Since that date, the Anti-Corruption Prosecutor's Office (*Fiscalía Anticorrupción*) has made several requests for complementary information, the last one the month of October 2019, which, as of the date of this Prospectus, has not yet been answered by DIA.

Audiencia Nacional

On October 22, 2019, the Company was notified that the *Audiencia Nacional* had declined its jurisdiction over a lawsuit filed by a group of minority shareholders against the Company and its past directors regarding the 2017 annual accounts. The Company is unaware, as of the date of this Prospectus, of any additional information regarding this lawsuit, or of the possibility of the minority shareholders filing a lawsuit in a different court.

Legal proceeding related to the acquisition by LetterOne of its stake in DIA

During the last few days prior to the date of this Prospectus, the Company has become aware of information published in the media regarding an investigation launched by the *Audiencia Nacional* related to the acquisition by LetterOne of its stake in the Company. The Company is unaware of any further information regarding this proceeding and has not received any notification related to this matter, although the Company believes that this proceeding could create volatility in the price of the shares of the Company.

Selected Financial and Operating Information

The following tables present the selected consolidated financial information of the Group (i) for the years ended December 31, 2018, 2017 and 2016, as restated as described in "*Presentation of Financial and Other Information – Restatements of comparative figures for FY 2017and FY 2016*"; and (ii) for the semesters ended June 30, 2019 and 2018. The selected consolidated financial information set forth below has been derived from, and should be read together with the Limited Reviewed H1 2019 Financial Statements and the Audited 2018 Financial Statements included in this Prospectus.

In addition, the selected financial and unaudited operating information set out below is a summary only. It may not contain all the information that is important to prospective investors and, accordingly, prospective investors should read this Prospectus in its entirety, including "*Presentation of Financial and Other Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Risks Factors*".

Historical results for any prior period are not necessarily indicative of results expected in any future period.

Consolidated Income Statement

The table below shows the Group's consolidated income statement data for the semesters ended June 30, 2019 and 2018.

	June 2019	**June 2018**
	(€ '000)	
Sales	3,444,514	3,701,836
Other income	39,778	75,212
Profit on disposal of subsidiaries	-	-
Total Income	**3,484,292**	**3,777,048**
Goods and other consumables used	(2,787,504)	(2,894,710)
Personnel expenses	(428,167)	(406,441)
Operating expenses	(219,398)	(322,789)
Depreciation and amortization	(265,274)	(119,010)
Impairment of non-current assets	(11,594)	(3,275)
Impairment of trade debtors	(35,756)	(10,025)
Losses on disposals of fixed assets	(51,602)	(5,684)
Results from operating activities	**(315,003)**	**15,114**
Finance income	5,096	5,768
Finance expenses	(116,889)	(36,380)
Gain from net monetary position	36,113	17,771
Profit/(Losses) of companies accounted for using the equity method	(12,717)	(96)
(Losses)/Profit before tax from continuing operations	**(403,400)**	**2,177**
Income tax	5,448	(23,769)
(Losses)/Profit after tax from continuing operations	(397,952)	(21,592)
Losses net of taxes of discontinued operations	(20,723)	(8,026)
Net (Losses)/Profit	**(418,675)**	**(29,618)**
Attributed to:		
Equity holders of DIA	-418,675	-29,618
Non-controlling interests	0	-135
Basic and diluted earnings per share, in euros:		
(Losses)/Profit from continuing operations	(0.65)	(0.04)
Losses on discontinued operations	(0.03)	(0.01)
(Losses)/Profit for the period	(0.68)	(0.05)

The table below shows the Group's consolidated income statement data for the years ended December 31, 2018, 2017 and 2016.

	Fiscal Year		
	2018	Restated 2017(*)	Restated 2016(*)
		(€ '000)	
Sales	7,288,825	8,217,670	8,262,867
Other income	134,531	153,075	123,402
Profit on disposal of subsidiaries	9,265	–	–
Total Income	**7,432,621**	**8,370,745**	**8,386,269**
Goods and other consumables used	(5,817,011)	(6,520,434)	(6,521,517)
Personnel expenses	(713,370)	(743,470)	(780,145)
Operating expenses	(628,429)	(614,611)	(600,252)
Depreciation and amortization	(235,206)	(223,719)	(217,787)
Impairment of non-current assets	(79,937)	(12,053)	(12,701)
Impairment of trade debtors	(27,795)	(21,277)	(5,846)
Losses on disposals of fixed assets	(25,414)	(17,214)	(10,437)
Results from operating activities	**(94,541)**	**217,967**	**237,584**
Finance income	6,480	12,197	11,693
Finance expenses	(90,205)	(65,687)	(61,783)
Gain from net monetary position	67,505	–	–
Profit/(Losses) of companies accounted for using the equity method	(1,183)	194	93
(Losses)/Profit before tax from continuing operations	**(111,944)**	**164,671**	**187,587**
Income tax	(186,924)	(52,013)	(50,267)
(Losses)/Profit after tax from continuing operations	**(298,868)**	**112,658**	**137,320**
Losses net of taxes of discontinued operations	(53,719)	(11,490)	(8,546)
Net (Losses)/Profit	**(352,587)**	**101,168**	**128,774**
Attributed to:			
Equity holders of DIA	(352,587)	101,208	128,816
Non-controlling interests	–	(40)	(42)
Basic and diluted earnings per share, in euros:			
(Losses)/Profit from continuing operations	(0.48)	0.18	0.22
Losses on discontinued operations	(0.09)	(0.02)	(0.01)
(Losses)/Profit for the period	(0.58)	0.16	0.21

* The consolidated income statement data for FY 2017 and FY 2016 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of the correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "*Presentation of Financial and Other Information—Financial Information*".

Consolidated Statement of Financial Position

The table below shows the Group's consolidated statement of financial position as of June 30, 2019, and December 31, 2018, 2017 and 2016:

	As of June 30	As of December 31		
	2019	2018	Restated 2017(*)	Restated 2016(*)
Assets			*(€ '000)*	
Non-current assets				
Property, plant and equipment	1,187,174	1,268,600	1,410,739	1,492,476
Rights of use	702,776	-	-	-
Goodwill	496,705	492,765	553,129	557,818
Other intangible assets	45,067	47,297	43,492	37,560
Investments accounted for using the equity method	3,368	9,182	380	185
Trade and other receivables	58,862	63,306	73,084	69,345
Other non-current financial assets	67,665	74,056	80,296	59,996
Non-current tax assets	55,081	43,888	33,248	–
Consumer loans from financial activities	-	–	–	401
Deferred tax assets	95,143	73,346	272,349	287,004
Non-current assets	**2,711,841**	**2,072,440**	**2,466,717**	**2,504,785**
Current assets				
Inventories	490,970	531,664	609,004	665,792
Trade and other receivables	111,552	192,278	198,791	162,426

	As of June 30	As of December 31		
	2019	2018	Restated 2017[(*)]	Restated 2016[(*)]
Consumer loans from financial activities	-	20	1,070	6,220
Current tax assets	41,883	38,030	57,847	67,760
Current income tax assets	11,761	10,143	3,525	11,988
Other current financial assets	7,590	11,302	9,896	12,375
Other assets	9,522	7,355	7,387	8,140
Cash and cash equivalents	122,693	239,843	346,516	363,266
Non-current assets held for sale	3,392	168,738	39,604	–
Current assets	**799,363**	**1,199,373**	**1,273,640**	**1,297,967**
Total assets	**3,511,204**	**3,271,813**	**3,740,357**	**3,802,752**
Equity and Liabilities				
Equity				
Capital	62,246	62,246	62,246	62,246
Reserves	(138,033)	246,701	244,256	245,915
Own shares	(7,252)	(55,861)	(60,359)	(66,571)
Other own equity instruments	4,270	6,820	10,773	21,013
Net (losses)/profit for the period	(418,675)	(352,587)	101,208	128,816
Translation differences	(68,763)	(73,394)	(100,777)	(59,773)
Value adjustments due to cash flow hedges	(2)	13	(55)	92
Equity attributable to equity holders of DIA	**(566,209)**	**(166,062)**	**257,292**	**331,738**
Non-controlling interests	-	–	(100)	(60)
Total equity	**(566,209)**	**(166,062)**	**257,192**	**331,678**
Non-current liabilities				
Non-current borrowings	1,240,373	919,070	961,945	1,062,273
Provisions	56,601	45,908	44,057	46,779
Other non-current financial liabilities	205	2,291	2,491	2,785
Deferred tax liabilities	17,596	–	2,206	–
Non-current liabilities	**1,314,775**	**967,269**	**1,010,699**	**1,111,837**
Current liabilities				
Current borrowings	1,389,547	772,354	330,013	173,375
Trade and other payables	1,180,100	1,442,496	1,785,186	1,920,597
Current tax liabilities	67,115	74,338	89,927	86,281
Current income tax liabilities	-	664	7,571	13,810
Other current financial liabilities	120,841	157,647	207,657	165,174
Liabilities directly associated with non-current assets held for sale	5,035	23,107	52,112	–
Current liabilities	**2,762,638**	**2,470,606**	**2,472,466**	**2,359,237**
Total equity and liabilities	**3,511,204**	**3,271,813**	**3,740,357**	**3,802,752**

* The consolidated statement of financial position data as of December 31, 2017 and 2016 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in “Presentation of Financial and Other Information—Financial Information”.

Consolidated Statement of Cash Flows Data

The table below summarizes the Group’s consolidated statement of cash flows data for the semesters ended June 30, 2019 and 2018.

	June 2019	June 2018
Operating activities		
Loss/profit before tax from continuing operations	(403,400)	2,177
Loss before tax from discontinued operations	(20,723)	(9,632)
Loss/profit before income tax	(424,123)	(7,455)
Adjustments to profit and loss	501,977	134,984
Amortization and depreciation	265,274	119,010
Impairment of non-current assets	11,594	3,275
Impairment of trade debtors	35,756	10,025
Losses on disposal of non-current assets	51,602	5,684
Gains on disposal of fixed assets	-	(14,109)
Profit on the sale of subsidiaries	-	-

	June 2019	June 2018
Finance income	(5,096)	(5,768)
Finance expenses	116,889	36,380
Changes of provisions and grants	8,267	(1,737)
Other adjustments of discontinued operations	-	1,691
Other adjustments to profit and loss	4,974	(19,563)
Share of profit/loss of companies accounted for using the equity method net of dividends	12,717	96
Adjustments to working capital	(99,329)	(356,040)
Changes in trade and other receivables	51,963	54,941
Changes in inventories	106,384	2,771
Changes in trade and other payables	(277,549)	(359,693)
Changes in consumer loan and refinancing commitments	20	947
Changes in other assets	(5,754)	4,153
Changes in other liabilities	15,489	(30,810)
Changes in working capital of discontinued operations	12,686	(15,787)
Current income tax payable	(2,568)	(12,562)
Net cash flows from/(used in) operating activities	**(21,475)**	**(228,511)**
Investing activities		
Purchases of intangible assets	(6,804)	(2,277)
Development cost	(4,129)	(8,273)
Payments of property, plant and equipment	(112,255)	(183,619)
Payments of financial instruments	12,027	(17,108)
Disposals of intangible assets	1,000	-
Disposals of property, plant and equipment	3,625	42,987
(Payments)/Collections for other financial assets	3,306	(3,117)
Interest received	4,220	3,710
Investing flows of discontinued operations	-	675
Net cash flows used in investing activities	**(99,010)**	**(167,022)**
Financing activities		
Receivables from the sale of Treasury Shares	5,255	-
Payments from financial leases	(162,627)	-
Amounts from financial liabilities	244,358	217,518
Payments from other financial liabilities	961	(3,948)
Interest paid	(73,300)	(40,186)
Financing flows of discontinued operations	-	29
Net cash flows from/(used in) financing activities	**14,647**	**173,413**
Net changes in cash and cash equivalents	(105,838)	(222,120)
Net foreign exchange differences	(11,312)	57,734
Cash and cash equivalents at January 1	239,843	340,193
Cash and cash equivalents at June 30	122,693	175,807

The table below summarizes the Group's consolidated statement of cash flows data for the years ended December 31, 2018, 2017 and 2016.

	Fiscal Year		
	2018	Restated 2017(*)	Restated 2016(*)
		(€ '000)	
Operating activities			
Loss/profit before tax from continuing operations	(111,944)	164,671	187,587
Loss before tax from discontinued operations	(55,235)	(11,325)	(6,104)
Loss/profit before income tax	**(167,179)**	**153,346**	**181,483**
Adjustments to profit and loss	**413,105**	**298,793**	**302,786**
Amortization and depreciation	235,206	223,719	217,787
Impairment of non-current assets	79,937	12,053	12,701
Impairment of trade debtors	27,795	21,277	18,497
Losses on disposal of non-current assets	25,414	17,214	10,063
Gains on disposal of fixed assets	(28,115)	(31,226)	(16,461)
Profit on the sale of subsidiaries	(9,265)	–	–
Finance income	(6,480)	(12,197)	(11,693)
Finance expenses	90,205	65,687	61,783
Changes of provisions and grants	(4,579)	1,318	1,821

	Fiscal Year		
	2018	**Restated 2017(*)**	**Restated 2016(*)**
		(€ '000)	
Other adjustments of discontinued operations	9,879	15,826	18,829
Other adjustments to profit and loss	(8,075)	(14,684)	(10,448)
Share of profit/loss of companies accounted for using the equity method net of dividends	1,183	(194)	(93)
Adjustments to working capital	**(386,719)**	**(81,240)**	**342,315**
Changes in trade and other receivables	7,128	(130,270)	(49,546)
Changes in inventories	77,340	47,085	(97,802)
Changes in trade and other payables	(358,535)	27,038	497,848
Changes in consumer loan and refinancing commitments	1,051	2,212	(824)
Changes in other assets	(19,903)	1,600	576
Changes in other liabilities	(23,659)	(3,711)	(2,964)
Changes in working capital of discontinued operations	(51,297)	2,538	5,940
Current income tax payable	(18,844)	(27,732)	(10,913)
Net cash flows from/(used in) operating activities	**(140,793)**	**370,899**	**826,584**
Investing activities			
Purchases of intangible assets	(6,151)	(7,234)	(5,491)
Development cost	(14,958)	(11,167)	(7,065)
Payments of property, plant and equipment	(322,651)	(262,195)	(333,428)
Payments of financial instruments	(8,097)	(25,794)	(33,124)
Disposals of property, plant and equipment	93,892	68,204	38,302
(Payments)/Collections for other financial assets	7,096	(1,073)	2,220
Interest received	3,322	2,045	8,342
Investing flows of discontinued operations	(11,109)	3,596	(1,034)
Net cash flows used in investing activities	**(258,656)**	**(233,618)**	**(331,278)**
Financing activities			
Dividends paid to shareholders of the Company	(110,324)	(128,535)	(122,212)
Acquisition of own shares	–	–	(19,903)
Borrowings repaid	(225,141)	(373,570)	(376,598)
Borrowings made	646,874	405,556	300,000
Payments from other financial liabilities	(2,660)	(6,622)	(6,484)
Interest paid	(83,606)	(65,683)	(61,797)
Financing flows of discontinued operations	–	(33,491)	6,643
Net cash flows from/(used in) financing activities	**225,143**	**(202,345)**	**(280,351)**
Net changes in cash and cash equivalents	(174,306)	(65,064)	214,955
Net foreign exchange differences	67,633	48,314	(6,316)
Cash and cash equivalents at January 1	346,516	363,266	154,627
Cash and cash equivalents at December 31	239,843	346,516	363,266

* The consolidated statement of cash flows data as of December 31, 2017 and 2016 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "Presentation of Financial and Other Information—Financial Information".

Segment Results

In FY 2018, the Group reorganized its segmental division for reporting purposes to align it with its organizational structure and to bring it in line with its understanding of the business pursuant to the Group's new strategic plan. Under its new reporting structure, the Group has the following segments: Spain (which includes the support commercial team in Switzerland), Portugal, Brazil and Argentina (which includes Paraguay). The Group's Audited 2018 Financial Statements included in this Prospectus reflect the new segment reporting structure for FY 2018 and the comparative historical segmental financial information for FY 2017 has been presented to give effect to the new segment presentation. In addition, Appendix 1 to the Audited 2018 Financial Statements includes supplemental financial information for FY 2016 based on the new segmental presentation. See "*Presentation of Financial Information—Change in reporting segments*".

The income statement of the six-month period finishing June 30, 2019 is presented for comparative purposes together with the income statement as of June 30, 2018 which has been restated. The aforementioned restatement is mainly due to the hyperinflation in Argentina, as well as the consolidation of assets and liabilities of CDSI and the impact of irregularities and errors which were identified in the second half of 2018. Said irregularities are described in Note 2.3 of the 2018 consolidated annual accounts.

In the first half of 2019 the Company decided to reverse its classification as held for sale, recording the *Clarel* business as of June 30, 2019 in the consolidated statements of financial position and as continued activities in the consolidated income statement, in line with the nature thereof, committing to remodeling this business. Note that *Clarel* business was still considered a continued activity as of June 30, 2018 and therefore no further restatement has been needed related to *Clarel*.

The table below presents sales and Adjusted EBITDA by segment for the semesters ended June 30, 2019 and 2018 indicated. In addition, EBITDA by segment has been included for information purposes only and to supplement the APMs regularly used by the Group and described in this Prospectus.

	June 2019	**% of Total**	**June 2018**	**% of Total**
Sales				
Spain	2,078,604	*60.3%*	2,235,894	*60.4%*
Portugal	290,687	*8.4%*	310,323	*8.4%*
Argentina	489,501	*14.2%*	464,796	*12.6%*
Brazil	585,722	*17.0%*	690,823	*18.7%*
Total sales	**3,444,514**	***100.0%***	**3,701,836**	***100.0%***

	June 2019	**% of Total**	**June 2018**	**% of Total**
Total Profit/(Losses)				
Spain	(226,715)	*54.2%*	(1,647)	*5.6%*
Portugal	(8,516)	*2.0%*	(9,062)	*30.6%*
Argentina	(19,248)	*4.6%*	(16,850)	*56.9%*
Brazil	(164,196)	*39.2%*	1,148	*-3.9%*
China	-	*0.0%*	(3,207)	*10.8%*
Total Profit/(Losses)	**(418,675)**	***100.0%***	**(29,618)**	***100.0%***

	June 2019	**% of Total**	**June 2018**	**% of Total**
EBITDA				
Spain	64,722	*480.6%*	109,007	*76.2%*
Portugal	15,607	*115.9%*	6,831	*4.8%*
Argentina	(3,522)	*-26.2%*	(1,911)	*-1.3%*
Brazil	(63,340)	*-470.3%*	29,156	*20.4%*
China	-	*0.0%*	-	*0.0%*
Total EBITDA	**13,467**	***100.0%***	**143,083**	***100.0%***

	June 2019	**% of Total**	**June 2018**	**% of Total**
Adjusted EBITDA				
Spain	18,064	*-32.5%*	149,559	*72.6%*
Portugal	3,233	*-5.8%*	12,894	*6.3%*

Argentina	5,797	*-10.4%*	14,033	*6.8%*
Brazil	(82,733)	*148.7%*	29,481	*14.3%*
Total Adjusted EBITDA	**(55,639)**	***100.0%***	**205,967**	***100.0%***

As of June 30, 2019 the EBITDA over sales represented a positive 3.1% in Spain, positive 5.4% in Portugal, negative 0.7% in Argentina and negative 10.8% in Brazil.

The table below presents sales and Adjusted EBITDA by segment for the years ended December 31, 2018, 2017 and 2016 indicated. In addition, EBITDA by segment has been included for information purposes only and to supplement the APMs regularly used by the Group and described in this Prospectus.

	Fiscal Year					
	2018	**% of Total**	**Restated 2017(*)**	**% of Total**	**Restated 2016(*)**	**% of Total**
				(€ '000)		
Sales						
Spain	4,280,494	58.7%	4,441,889	54.1%	4,672,096	56.5%
Portugal	628,640	8.7%	663,073	8.1%	669,297	8.1%
Argentina	970,574	13.3%	1,391,644	16.9%	1,310,937	15.9%
Brazil	1,409,117	19.3%	1,721,064	20.9%	1,610,537	19.5%
Total sales	**7,288,825**	**100%**	**8,217,670**	**100%**	**8,262,867**	**100%**
Profit/(Losses)						
Spain	(321,510)	91.2%	93,361	92.3%	129,726	100.7%
Portugal	(13,582)	3.8%	9,782	9.7%	5,885	4.6%
Argentina	(8,465)	2.4%	(675)	(0.7%)	2,740	2.1%
Brazil	(5,618)	1.6%	20,134	19.9%	6,297	4.9%
China	(3,412)	1.0%	(21,434)	(21.2%)	(15,874)	(12.3%)
Total Profit/(Losses)	**(352,587)**	**100%**	**101,168**	**100%**	**128,774**	**100%**
EBITDA						
Spain	169,055	68.7%	294,013	62.4%	338,401	70.7%
Portugal	20,307	8.3%	40,493	8.6%	39,322	8.2%
Argentina	5,658	2.3%	57,861	12.3%	56,679	11.8%
Brazil	50,996	20.7%	78,586	16.7%	44,107	9.2%
Total EBITDA	**246,016**	**100%**	**470,953**	**100%**	**478,509**	**100%**
Adjusted EBITDA						
Spain	250,992	74.3%	346,899	66.9%	387,054	71.5%
Portugal	30,105	8.9%	42,203	8.1%	45,338	8.4%
Argentina	2,761	0.8%	58,935	11.4%	59,067	10.9%
Brazil	54,032	16.0%	70,455	13.6%	49,817	9.2%
Total Adjusted EBITDA	**337,890**	**100%**	**518,492**	**100%**	**541,276**	**100%**

* Data for FY 2017 and FY 2016 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of the correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "Presentation of Financial and Other Information—Financial Information".

Non-IFRS Financial Information and APMs

The tables below present certain non-IFRS financial measures, which are not liquidity or performance measures under IFRS, and which the Group considers to be APMs. These APMs are prepared in addition to the figures that are prepared in accordance with IFRS and are not audited. The Group uses APMs to provide additional information to investors and to enhance their understanding of its results. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to IFRS. Moreover, these metrics may be defined or calculated differently by other companies, and, as a result, they may not be comparable to similar metrics calculated by the Group's peers. The Group believes that the APMs contained in this Prospectus comply with the ESMA Guidelines, especially as it relates to the reasons for their use and to the reconciliation to the most directly reconcilable item presented in the Audited 2018 Financial Statements and the Limited Reviewed HI 2019 Financial Statements. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs*" for more information.

(€ '000) except ratios	**June 2019**	**June 2018**
Gross sales under banner[(1)]	4,249	5,201
Commercial margin[(2)]	697	882
Adjusted EBITDA[(3)]	(56)	206
Sales	3,445	3,702
Adjusted EBITDA Margin[(4)]	-1.6%	5.6%
EBITDA	13	143
Net Financial Debt (excluding IFRS 16)	*1,817*	1,277
Net Financial Debt(excluding IFRS 16)/EBITDA ratio[68]	67.5x	4.5x

	Fiscal Year		
(€ '000) except ratios	**2018**	**Restated 2017**	**Restated 2016**
Gross sales under banner[(1)]	9,390,219	11,040,709	10,454,004
Commercial margin[(2)]	1,606,345	1,850,311	1,864,752
Adjusted EBITDA[(3)]	337,890	518,492	541,276
Sales	7,288,825	8,217,670	8,262,867
Adjusted EBITDA Margin[(4)]	4.6%	6.3%	6.6%
Net Financial Debt[(7)]	1,451,581	945,442	872,382

(1) The table below sets forth a reconciliation of Gross sales under banner to sales for the period:

The Group's Management uses "Gross sales under banner" because it provides an analysis in total turnover to the final customer in all of the Group's stores, both owned and franchised, as well as online sales and other sales.

	June 2019	**June 2018**
Sales	3,444,514	3,701,836

68 Annualized EBITDA.

	June 2019	June 2018
VAT and franchise mark up	804,983	1,498,906
Gross sales under banner	**4,249,497**	**5,200,742**

	Fiscal Year		
	2018	Restated 2017	Restated 2016
		(€ '000)	
Sales	7,288,825	8,217,670	8,262,867
VAT and franchise mark up	2,101,394	2,823,039	2,191,137
Gross sales under banner	**9,390,219**	**11,040,709**	**10,454,004**

(2) Commercial margin is calculated as sales and other income less good and other consumables used. The Group's management uses commercial margin to monitor the evolution of the commercial conditions, logistic costs related to sales and known and unknown losses. The table below sets forth a reconciliation of commercial margin.

	June 2019	June 2018
Sales	3,444,514	3,701,836
Other income	39,778	75,212
Goods and other consumables used	(2,787,504)	(2,894,710)
Commercial Margin	**696,788**	**882,338**
As a percentage of sales	***20.2%***	***23.8%***

(3) The table below sets forth a reconciliation of Adjusted EBITDA to Results from Operating Activities.

The Group's Management uses Adjusted EBITDA and Adjusted EBITDA margin as business performance measurement indicators because they provide an analysis of the changes in recurring profit from operations. In addition, EBITDA by segment has been included for information purposes only and to supplement the APMs regularly used by the Group and described in this Prospectus.

	June 2019	June 2018
	(€ '000)	
Results from Operating Activities	(315,003)	15,114
As a percentage of sales	*-9.1%*	*0.4%*
Depreciation and amortization	265,274	119,010
Impairment of non-current assets	11,594	3,275
Losses on disposals of fixed assets	51,602	5,684

	June 2019	June 2018
EBITDA	**13,467**	**143,083**
As a percentage of sales	*0.4%*	*3.9%*
Other cash elements(*):	75,831	48,343
Expenses related to remodeling of stores	-	14,177
Expenses related to transfer of own stores to franchises	-	5,350
Expenses related to store and warehouse closings	19,639	12,167
Expenses for efficiency projects	43,586	21,972
Other special expenses	-	-
of which consulting	12,606	8,241
of which other special expenses	-	545
Gains from the sale of fixed assets	-	(14,109)
IFRS 16 - Leases	(163,038)	-
IAS 29 Hyperinflation	18,101	14,541
Adjusted EBITDA(*)(**)	**(55,639)**	**205,967**

(*) In the first half of 2019 the Company has updated the definition of Adjusted EBITDA to exclude the effect of IAS 29 (also restated in first half 2018 calculation due to regulation requirements) and IFRS 16. The Company has changed the criteria of calculation to include as ordinary operational expenses or revenues – to be more conservative- those related to store remodeling and closings, long-term incentive programs (LTIP), and write-offs of account receivables related to franchisees. See Note 3 – "*Information on Operating Segments*" in the Limited Reviewed H1 2019 Financial Statements. The Company has not reexpresed the Adjusted EBITDA calculation for first half 2018 to reflect the criteria changes explained above (except for IAS 29 changes) due to the complexity involved in segregating the expenses related to store remodelings and closings from the expenses related to store operations incurred in the period of time from when the decision is taken to close a store to its definitive closure.

"Other cash elements" and Adjusted EBITDA include the following expenses and gains for the semesters ended June 30, 2019 and 2018:

- Store and Warehouse closure expenses amounted a positive effect in Adjusted EBITDA of a total of €19,639 thousand as of June 2019 (closure expenses other than those related to store operating expenses incurred in the period of time from when the decision is taken to close a store to its definitive closure) which include €11,394 thousand of operating expenses, €418 thousand of goods and other consumables and €7,827 thousand of impairment of trade debtors. This amount was €12,167 thousand in June 2018 (which included expenses related to store operating expenses incurred in the period of time from when the decision is taken to close a store to its definitive closure).
- Expenses related to efficiency projects: expenses mainly related to severance costs resulting from productivity improvement processes at stores and warehouses due to the roll-out of automation processes or process re-engineering at warehouses and/or stores, the reduction in overhead costs at the regional or national level and expenses related to new technologies training. In all cases, the aim is to enhance productivity and adapt the cost structure in response to the negative performance of sales. These expenses amounted a total of €43,586 thousand in June 2019 generating a positive impact in Adjusted EBITDA which corresponds to €40,290 thousand of personel expenses and €3,296 thousand to impairment of trade debtors (compared to €21,972 thousand in June 2018, which included expenses related to store personnel expenses incurred in the period of time from when the decision is taken to close a store to its definitive closure).
- Other special expenses: these expenses relate to non-underlying events affecting the ongoing course of business, such as the consulting expenses related to special projects in Spain, all expenses connected with the refinancing of borrowings in first half of 2019 and the commitment to underwrite the capital increase. These expenses amounted €12,606 thousand as of June 2019 (booked in operating expenses) compared to €8,786 thousand in June 2018 generating a positive impact in Adjusted EBITDA.

- First half 2018 figures also included expenses related to remodeling costs (positive impact in Adjusted EBITDA of €14,177 thousand), expenses to the transfer stores of own stores to franchises (€5,350 thousand positive impact) and gains from the sale of fixed assets (gain of €14,109 thousand negatively impacting Adjusted EBITDA). Those items are not considered "Other cash elements" for the first half of 2019.
- IFRS 16 effect in leases: this effect negatively impacted Adjusted EBITDA in first half 2019 in €163,038 thousand but did not impact June 2018 figures. This adjustment neutralizes the positive impact that the application of IFRS 16 has in EBITDA due to the decrease in rental expenses that on the opposite have a negative effect in amortization and depreciation. For further detail see note 3 – "*Information on Operating Segments"* in the Limited Reviewed H1 2019 Financial Statements.
- IAS 29 hyperinflationary standards effect: amounted a positive impact of €18,101 thousand in first half 2019 and €14,541 thousand in June 2018. This adjustment neutralizes the negative impact that the application of IAS 29 has in EBITDA for both years (impacting all accounts included in EBITDA calculation). For further detail see note 3 – "*Information on Operating Segments"* in the Limited Reviewed H1 2019 Financial Statements.

	Fiscal Year		
	2018	**Restated 2017**	**Restated 2016**
		(€ '000)	
Results from Operating Activities……………………………………………………………………..	**(94,541)**	**217,967**	**237,584**
As a percentage of sales	-1.3%	2.7%	2.9%
Depreciation and amortization	235,206	223,719	217,787
Impairment of non-current assets	79,937	12,053	12,701
Losses on disposals of fixed assets	25,414	17,214	10,437
EBITDA	246,016	470,953	478,509
As a percentage of sales	3.4%	5.7%	5.8%
Other cash elements(*):			
Expenses related to remodeling of stores	18,616	17,975	15,742
Expenses related to transfer of own stores to franchises	10,412	10,798	26,037
Expenses related to store and warehouse closings	26,845	32,957	16,385
Expenses for efficiency projects	34,634	20,224	5,650
Other special expenses			
of which transportation strike in Brazil	7,941	–	–
of which consulting	18,206	–	–
of which other special expenses	2,269	1,669	772
Gains from the sale of fixed assets	(28,115)	(31,226)	(16,461)
Expenses relating to share based payments	1,066	(4,858)	14,642
Adjusted EBITDA(*)(**)	**337,890**	**518,492**	**541,276**

(*) “Other cash elements” and Adjusted EBITDA include the following expenses and gains:

- Expenses related to the remodeling of stores: operating expenses (staff costs and operational expenses) borne by the Group during temporary store closures while the stores undergo refurbishment and are not generating revenue. These expenses rose by 3.6% in FY 2018 due to the increase in the number of renovations (1,140 in FY 2018 compared with 772 in FY 2017) but at a lower cost per unit due to some stores requiring less investment and some only requiring the addition of new modules. In FY 2017, these expenses rose by 14.2% due to the increase in number of refurbishments (772 in FY 2017 compared with 574 in FY 2016) at a lower cost due to a reduction in the number of days the store is temporarily closed.

  This item includes: (i) goods and other consumables used of €2,418 thousand in FY 2018 (compared with €804 thousand in FY 2017 and €565 thousand in FY 2016); (ii) staff costs of €6,728 thousand in FY 2018 (compared to €8,264 thousand in FY 2017 and €10,775 in FY 2016); and (iii) other operational expenses of €9,470 thousand in FY 2018 (compared to €8,907 thousand in FY 2017 and €4,402 thousand in FY 2016).

- Expenses related to the transfer of own stores to franchisees: expenses mainly related to employee severance costs when transferring stores. These expenses fell by 3.6% in FY 2018 as fewer stores were transferred to franchisees (376 in FY 2018 compared with 414 in FY 2017). In FY 2017 these expenses fell by 59% due not only to the decline of stores transferred to franchisees (414 in FY 2017 compared with 506 in FY 2016), but also the average cost associated with these transfers.

- Transfer of own stores to franchises include staff costs of €10,412 thousand in FY 2018 (compared to €10,798 thousand in FY 2017 and €26,037 thousand in FY 2016).

- Store closure expenses: expenses related to store operating expenses incurred in the period of time from when the decision is taken to close a store to its definitive closure, as well as the expenses related to store closures such as severance costs and penalties. These costs dropped by 18% in FY 2018 due to a decrease in the number of closures of CO-COs and CO-FOs stores (102 in FY 2018 compared with 216 in FY 2017) although at a higher cost per unit. In FY 2017 these expenses doubled due to an increase in the number of closings (216 in FY 2017 compared with 129 in FY 2016).

  Warehouse closure expenses: these expenses relate to the costs connected with the closing of a warehouse such as severance costs and penalties derived from non-cancellable leases.

  Store and Warehouse closure expenses include: (i) positive goods and other consumables used of €2,541 thousand in FY 2018 (compared to €7,775 thousand in FY 2017 and €4,539 thousand in FY 2016); (ii) staff costs of €16,321 thousand in FY 2018 (compared to €27,527 thousand in FY 2017 and €13,602 in FY 2016); and (iii) and other operational expenses of €13,065 thousand in FY 2018 (compared to €13,205 thousand in FY 2017 and €7,322 thousand in FY 2016).

- Expenses related to efficiency projects: expenses mainly related to severance costs resulting from productivity improvement processes at stores and warehouses due to the roll-out of automation processes or process re-engineering at warehouses and/or stores, the reduction in overhead costs at the regional or national level and expenses related to new technologies training. In all cases, the aim is to enhance productivity and adapt the cost structure in response to the negative performance of sales.

- Efficiency projects expenses include: (i) negative goods and other consumables used of €2,287 thousand in FY 2018 (compared to €1,353 thousand in FY 2017 and no cost in FY 2016); (ii) staff costs of €31,074 thousand in FY 2018 (compared to €15,355 thousand in FY 2017 and €5,648 in FY 2016); and (iii) and other operational expenses of €1,273 thousand in FY 2018 (compared to €6,222 thousand in FY 2017 and €2 thousand in FY 2016).

- Other special expenses: these expenses relate to non-underlying events affecting the ongoing course of business, such as the transport strike in Brazil, consulting expenses related to special projects in Spain, all expenses connected with the refinancing of borrowings in 2018 and the commitment to underwrite the capital increase in 2019, additional consultant expenses incurred in the year mainly related to the accounting restatement, and expenses relating to the definition of the Group’s new strategic plan. “Other special expenses”, includes in 2018 the capital gain on the sale of 50% of the Group’s interest in Finandia to CaixaBank, offset mainly by the impairment of the receivable with Red Libra S.L. In addition, in 2018 it includes the expenses associated with the transport strike in Brazil that mainly represent the operating expenses and, to a certain extent, impairment of unsold goods incurred by our stores during the period of temporary closure or lower sales while the strike was in place. In FY 2017 and FY 2016 other special expenses included costs associated with the negotiation of a joint-venture with CDSI, as described in “*Presentation of Financial Other Information – Joint Arrangement in CD Supply Innovation, S.L.*”, and a customer experience project implemented in Spain.

- Gains from the sale of fixed assets corresponds to the proceeds on sale and leaseback contracts for certain warehouses and stores.

- Expenses related to share based payments transactions are related to pluriannual share based compensation plans which vary and depend on their approval on the General Shareholders' Meeting and, given their variability, are excluded for the purpose of evaluating the Group's results of operations.

The above expenses and gains are included in Adjusted EBITDA in order to exclude and isolate those expenses and gains which: (i) are considered non-underlying; (ii) are recurring amongst the periods with significant variable impact on the Group's results of operations; or (iii) that may create distortions in the presentation of the Group's results of operations.

The table below sets forth a reconciliation of Adjusted EBITDA to Net (Losses)/Profit by segment. In addition, EBITDA by segment has been included for information purposes only and to supplement the APMs regularly used by the Group and described in this Prospectus.

(4) The table below sets forth a reconciliation of Net (Losses)/Profit to Adjusted EBITDA.

	June 30, 2019				
	Spain	**Portugal**	**Argentina**	**Brazil**	**Total**
		(€ '000)			
Net Losses……………………………………………..	**(226.715)**	**(8.516)**	**(19.248)**	**(164.196)**	**(418.675)**
Net Financial Expenses…………………………………….	63.747	4.175	21.981	21.890	111.793
Result from financial instruments………………………….	12.514	-	73	-	12.587
Income Tax…………………………………………………	(657)	(2.177)	(2.646)	32	(5.448)
Losses Net of taxes of discontinued operations…………	20.723	-	-	-	20.723
Losses of Companies accounts for using the equity metl	130	-	-	-	130
Gain from monetary positions…………………………….	-	-	(36.113)	-	(36.113)
Results from Operating Activities…………………………	(130.258)	(6.518)	(35.953)	(142.274)	(315.003)
As a percentage of sales	*-6,3%*	*-2,2%*	*-7,3%*	*-24,3%*	*-9,1%*
Depreciation and amortization	174.546	21.878	20.716	48.134	265.274
Impairment of non-current assets	11.571	23	-	-	11.594
Losses on disposals of fixed assets	8.863	224	11.715	30.800	51.602
EBITDA	**64.722**	**15.607**	**(3.522)**	**(63.340)**	**13.467**
As a percentage of sales	*3,1%*	*5,4%*	*-0,7%*	*-10,8%*	*0,4%*
Other cash elements(*):					
Expenses related to store and warehouse closings	9.300	48	26	10.265	19.639
Expenses for efficiency projects	37.900	784	1.196	3.706	43.586
Other special expenses					
of which consulting	12.557	49	-	-	12.606
of which other special expenses	-	-	-	-	
Gains from the sale of fixed assets	-	-	-	-	-
IFRS 16 - Leases	(106.415)	(13.255)	(10.004)	(33.364)	(163.038)
IAS 29 Hyperinflation	-	-	18.101	-	18.101
Adjusted EBITDA...	**18.064**	**3.233**	**5.797**	**(82.733)**	**(55.639)**

	Half Year 2018					
	Spain	**Portugal**	**Argentina**	**Brazil**	**China**	**Total**
		(€ '000)				
Net Losses……………………………………………..	**(1,647)**	**(9,062)**	**(16,850)**	**1,148**	**(3,207)**	**(29,618)**
Net Financial Expenses……………………………………	8,323	55	15,682	6,552	-	30,612
Income Tax…………………………………………………	18,274	758	4,175	562	-	23,769
Losses Net of taxes of discontinued operations………..	4,819	-	-	-	3,207	8,026
Losses of Companies accounts for using the equity metl	96	-	-	-	-	96
Gain from monetary positions…………………………..	-	-	(17,771)	-	-	(17,771)
Results from Operating Activities………………………	29,865	(8,249)	(14,764)	8,262	-	15,114
As a percentage of sales	*1.3%*	*-2.7%*	*-3.2%*	*1.2%*	*0.0%*	*0.4%*
Depreciation and amortization	75,919	11,636	10,582	20,873	-	119,010
Impairment of non-current assets	737	2,538	-	-	-	3,275
Losses on disposals of fixed assets	2,486	906	2,271	21	-	5,684
EBITDA	**109,007**	**6,831**	**(1,911)**	**29,156**	**-**	**143,083**
As a percentage of sales	*4.9%*	*2.2%*	*-0.4%*	*4.2%*	*0.0%*	*3.9%*
Other cash elements(*):						
Expenses related to remodeling of stores........................	10,662	1,958	1,150	407	-	14,177
Expenses related to transfer of own stores to franchise	4,206	-	-	1,144	-	5,350
Expenses related to store and warehouse closings	9,451	2,557	159	-	-	12,167
Expenses for efficiency projects	18,782	2,389	801	-	-	21,972
Other special expenses						0
of which consulting	528	-	-	7,713	-	8,241
of which other special expenses	336	203	6	-	-	545
Gains from the sale of fixed assets	(3,413)	(1,044)	(713)	(8,939)	-	(14,109)
IFRS 16 - Leases	-	-	-	-	-	-
IAS 29 Hyperinflation	-	-	14,541	-	-	14,541
Adjusted EBITDA	**149,559**	**12,894**	**14,033**	**29,481**	**-**	**205,967**

	2018					
	Spain	**Portugal**	**Argentina**	**Brazil**	**China**	**Total**
		(€ '000)				
Net Losses……………………………………………..	**(321,510)**	**(13,582)**	**(8,465)**	**(5,618)**	**(3,412)**	**(352,587)**
Net Financial Expenses……………………………………	30,764	720	37,625	14,616	-	83,725
Income Tax…………………………………………………	189,654	(3,711)	3,772	(2,791)	-	186,924
Losses Net of taxes of discontinued operations………..	50,198	109	-	-	3,412	53,719
Losses of Companies accounts for using the equity metl	377	-	806	-	-	1,183
Gain from monetary positions…………………………..	-	-	(67,505)			(67,505)
Results from Operating Activities………………………	(50,517)	(16,464)	(33,767)	6,207	-	(94,541)
As a percentage of sales	*-1.2%*	*-2.6%*	*-3.5%*	*0.4%*	*0.0%*	*-1.3%*
Depreciation and amortization	147,175	22,199	23,310	42,522	-	235,206
Impairment of non-current assets	65,453	10,463	1,710	2,311	-	79,937
Losses on disposals of fixed assets	6,944	4,109	14,405	(44)	-	25,414
EBITDA	**169,055**	**20,307**	**5,658**	**50,996**	**-**	**246,016**
As a percentage of sales	*3.9%*	*3.2%*	*0.6%*	*3.6%*	*0.0%*	*3.4%*
Other cash elements(*):						
Expenses related to remodeling of stores........................	13,471	2,928	1,111	1,106	-	18,616
Expenses related to transfer of own stores to franchise	7,907	-	-	2,505	-	10,412
Expenses related to store and warehouse closings	18,110	8,735	-	-	-	26,845
Expenses for efficiency projects	27,398	5,246	1,990	-	-	34,634
Other special expenses						0
of which consulting	18,206					18,206
of which transportation strike in Brazil....................	-	-	-	7,941	-	7,941
of which other special expenses	1,951	-	318	-	-	2,269
Gains from the sale of fixed assets	(5,807)	(7,201)	(6,517)	(8,590)	-	(28,115)
IFRS 16 - Leases	-					-
IAS 29 Hyperinflation...	-					-
Expenses related to share based payments transactions.	701	90	201	74	-	1,066
Adjusted EBITDA	**250,992**	**30,105**	**2,761**	**54,032**	**-**	**337,890**

	2017					
	Spain	Portugal	Argentina	Brazil	China	Total
		(€ '000)				
Net Losses	**93,361**	**9,782**	**(675)**	**20,134**	**(21,434)**	**101,168**
Net Financial Expenses	16,657	718	31,343	4,772	-	53,490
Income Tax	36,189	3,217	3,304	9,303	-	52,013
Losses Net of taxes of discontinued operations	(9,632)	(312)	-	-	21,434	11,490
Losses of Companies accounts for using the equity met	(194)	-	-	-	-	(194)
Gain from monetary positions	-	-	-	-	-	-
Results from Operating Activities	136,381	13,405	33,972	34,209	-	217,967
As a percentage of sales	*3.1%*	*2.0%*	*2.4%*	*2.0%*	*0.0%*	*2.7%*
Depreciation and amortization	139,991	22,399	17,871	43,458	-	223,719
Impairment of non-current assets	7,762	4,105	43	143	-	12,053
Losses on disposals of fixed assets	9,879	584	5,975	776	-	17,214
EBITDA	**294,013**	**40,493**	**57,861**	**78,586**	-	**470,953**
As a percentage of sales	*6.6%*	*6.1%*	*4.2%*	*4.6%*	*0.0%*	*5.7%*
Other cash elements(*):						
Expenses related to remodeling of stores	10,934	2,790	1,452	2,799	-	17,975
Expenses related to transfer of own stores to franchis	8,898	-	-	1,900	-	10,798
Expenses related to store and warehouse closings	29,984	1,306	1,667	-	-	32,957
Expenses for efficiency projects	18,704	1,520	-	-	-	20,224
Other special expenses						-
of which consulting	-	-	-	-		-
of which transportation strike in Brazil	-	-	-	-	-	-
of which other special expenses	392	-	1,277	-	-	1,669
Gains from the sale of fixed assets	(12,475)	(3,243)	(3,074)	(12,434)	-	(31,226)
IFRS 16 - Leases	-	-	-	-	-	-
IAS 29 Hyperinflation	-	-	-	-	-	-
Expenses related to share based payments transactions	(3,551)	(663)	(248)	(396)	-	(4,858)
Adjusted EBITDA	**346,899**	**42,203**	**58,935**	**70,455**	-	**518,492**

	FY2018	FY 2017 Restated	FY 2016 Restated
		(€ '000)	
Net Losses	**(352,587)**	**101,168**	**128,774**
Net Financial Expenses	83,725	53,490	50,090
Income Tax	186,924	52,013	50,267
Losses Net of taxes of discontinued operations	53,719	11,490	8,546
Losses of Companies accounts for using the equity method	1,183	(194)	(93)
Gain from monetary positions	(67,505)	-	-
Results from Operating Activities	(94,541)	217,967	237,584
As a percentage of sales	*-1.3%*	*2.7%*	*2.9%*
Depreciation and amortization	235,206	223,719	217,787
Impairment of non-current assets	79,937	12,053	12,701
Losses on disposals of fixed assets	25,414	17,214	10,437
EBITDA	**246,016**	**470,953**	**478,509**
As a percentage of sales	*3.4%*	*5.7%*	*5.8%*
Other cash elements(*):			
Expenses related to remodeling of stores	18,616	17,975	15,742
Expenses related to transfer of own stores to franchises	10,412	10,798	26,037
Expenses related to store and warehouse closings	26,845	32,957	16,385
Expenses for efficiency projects	34,634	20,224	5,650
Other special expenses			
of which consulting	18,206	-	-
of which transportation strike in Brazil	7,941	-	-
of which other special expenses	2,269	1,669	772
Gains from the sale of fixed assets	(28,115)	(31,226)	(16,461)
IFRS 16 - Leases	-	-	-
IAS 29 Hyperinflation	-	-	-
Expenses related to share based payments transactions	1,066	(4,858)	14,642
Adjusted EBITDA	**337,890**	**518,492**	**541,276**

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the Group’s financial condition and results of operations as of and for the years ended December 31, 2016, 2017 and 2018 and for the semesters ended June 30, 2019 and 2018. The financial information included in the discussion below has been extracted from the Group’s Limited Reviewed H1 2019 Financial Statements and the Audited 2018 Financial Statements, which include the restated comparative information for the years ended December 2017 and 2016; and the information for the semesters ended June 30, 2019 and 2018, with the exception of data concerning the Group’s “Adjusted EBITDA”, which is a non-IFRS financial measure used by the Group’s management. You should read this discussion in conjunction with the sections entitled “Presentation of Financial Information and Other Information” and “Selected Financial and Operating Information”.

This discussion involves forward-looking statements that reflect the current view of the Group’s management and involve risks and uncertainties. The Group’s actual results could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this document, particularly the risk factors discussed in the section entitled “Risk Factors”. Certain regulatory and industry issues may also affect the Group’s results of operations and are described in “Business Description” and “Industry Overview” of this document.

Overview

Distribuidora Internacional de Alimentación S.A. (the “**Company**”, and together with its subsidiaries, the “**Group**” or “**DIA**”) is a leading convenience grocery retailer with an average of 2.97 million tickets per day and over 22 million active members worldwide in 2019. Based in Madrid, Spain, and listed on the Spanish Stock Exchanges, the Group is the Spanish grocery retailer with the largest network of stores in the country, the highest rate of penetration in small municipalities and the third-largest market share in Spain in 2019 (Source: Kantar Worldpanel).

As at June 30, 2019, the Group operated 6,809 stores across Spain, Portugal, Brazil and Argentina (including franchised stores and *Clarel*, and excluding *Max Descuento*) and had approximately 40,247 full-time employees. As of June 30, 2019, *Clarel* stores represented 1,279 of the Group’s stores.

The Group operates grocery retail stores under the convenience model through its network, which it manages directly or under franchise agreements. As at December 31, 2018, 57.6% of stores were franchises, making the Group the largest Spanish grocery retail franchiser among main competitors, the second-largest franchiser in the European food sector and a top 25 franchiser worldwide (Source: Franchise Direct 2018; Kantar Worldpanel). In June 30, 2019, 46.8% of the stores were franchises.

The stores operated by the Group fall generally into three formats, with minor regional variations and an overall focus on convenience: *DIA*, *La Plaza de DIA* and *DIA & Go*. The *DIA* format is present across all four jurisdictions in which the Group operates, with stores located near to customers in cities, suburban towns and smaller villages. The *La Plaza de DIA* format is only available in urban areas across Spain with a focus on fresh and premium products. *DIA & Go*, the newest format introduced in 2018, is located in high-density urban areas in Spain, Portugal and Brazil and caters to high convenience, “on-the-go” shoppers. All three formats are designed to service all major shopping missions with a tailored, customer-centric approach.

The Group’s product offering includes food and non-food products. In the year ended December 31, 2018, food products accounted for 82% of the Group’s sales and in the semester ended June 30, 2019, food products accounted for 83.49% of the Group’s sales. As part of a focused effort to enhance its fresh food offering, the Group is introducing meat, fish and deli counters in a selected number of stores, and packed fresh products in all of its stores. The Group is dedicated to increasing the area dedicated to bakery, fruits and vegetables and offering on-the-go food. It has also increased the assortment, variety and frequency of delivery of fresh products across its store network. Fresh food accounted for 15.8% of the

Group's sales in the semester ended June 30, 2019, compared to 17.4% in 2018 (restated) and 15.7% in 2017 (restated).

The products offered by the Group are sold under the Group's own private label and national brands. In 2018, private label products accounted for 42.83% of sales (42.8% as of June 30, 2019), and were sourced primarily from local suppliers. As of June 30, 2019, the Group has more than 30 years' experience in private label development and its current private label offering includes 6,660 SKUs.

In financial year 2018 the Group reorganized its segmental division for reporting purposes to align with its organizational structure and to bring it in line with its new understanding of the business pursuant to the Group's new strategic plans.

Prior to financial year 2018, the Group reported its results under two segments, Iberia (which included operations in Spain, Portugal and Switzerland) and emerging countries (which included operations in Brazil, Argentina, Paraguay and China). The Group's new reporting segmentation is based on the following four segments: (i) Spain (which includes its operations in Switzerland), (ii) Portugal, (iii) Brazil and (iv) Argentina (which includes its operations in Paraguay). The results of operations of the Group's business in China were reported as discontinued operations in FY 2018 and FY 2017, until the sale of such business on August 10, 2018.

The Group's Audited 2018 Financial Statements included in this Prospectus reflect the Group's new segment reporting structure for financial year 2018 and the comparative historical segmental financial information for financial year 2017 has been presented to give effect to the new segment presentation. In addition, Appendix 1 to the Audited 2018 Financial Statements includes supplemental financial information for financial year 2016 based on the new segmental presentation.

Comparisons of the Group's sales and Adjusted EBITDA on a segmental level between financial year 2018, financial year 2017 and financial year 2016 included in this Prospectus are made on the basis of the new segment reporting structure using the financial information for such fiscal years contained in the Audited 2018 Financial Statements. In addition, EBITDA by segment has been included for information purposes only and to supplement the APMs regularly used by the Group and described in this Prospectus.

For additional information see Note 4 to the Audited 2018 Financial Statements.

During year 2019 the Group has not made any further changes to the segmental information and is organized into business units and has four reporting segments based on geography: Spain, Portugal, Brazil and Argentina. As at December 31, 2018, Spain accounted for 58.7% of the Group's sales, with Portugal accounting for 8.6%, Brazil for 19.3% and Argentina for 13.3%. In addition, as at June 30, 2019, Spain accounted for 60.3% of the Group's sales, with Portugal accounting for 8.4%, Brazil for 17.0% and Argentina for 14.2%. On a consolidated basis, (i) for the year ended December 31, 2018, the Group had sales of €7,288.8 million, a net loss of €352.6 million and consolidated EBITDA of €246 million; and (ii) for the semester ended June 30, 2019, the Group had sales of €3,444.5 million, a net loss of €418.7 million, consolidated EBITDA of €13.5 million and negative €566.2 million of total equity. See "*Selected Financial and Operating Information—Non-IFRS Financial Measures and APMs*".

The Group's business model is underpinned by a time-tested supply chain system. The Group operates its own fully-integrated logistics system based around 35 warehouses that match the Group's geographic footprint across its primary jurisdictions, and the support of third-party transportation companies. See "—*Operations—Logistics*".

The Group has a large loyalty card program, "ClubDIA", with over 22 million active members as at June 30, 2019, which also allows the Group gain valuable insight into customer purchasing patterns and preferences. The Group believes that it can leverage this program to redesign its operational processes, including optimizing its supply chain, as well as creating personalized offers to customers based on their shopping behavior through the use of advanced analytics.

Upon completion of the Offering, the Group intends to implement a new business plan, which will aim at turning around the Group's results of operations with the aim of ensuring the viability of its business and improving its profitability in the medium-term.

Recent Developments

On July 17, 2019, DIA entered into the New Finance Arrangements with its Lenders amending and restating the Preexisiting Finance Arrangements for an amount of €973,219 thousand, of which, (i) €902,426 thousand corresponds to the Preexisting Finance Arrangements (with a new extended maturity date of March 31, 2023) and (ii) €70,793 thousand corresponds to the Supplier Tranche (with a maturity of one year with the possibility of two further extensions of one year each). The Supplier Tranche includes €9,693 thousand that previously corresponded to the Preexisting Finance Arrangements. For further detail see "*Description of Certain Financing Arrangements*".

As of the date of this Prospectus de New Finance Arrangements are fully in force and binding to the Company, being no condition precedent still pending to be fulfilled.

Bonds

After receiving the PPLs from LetterOne, on July 22, 2019 the Company repaid in full the €306 million "Euro Medium Term Notes" maturing on that date, thereby fully settling its payment obligations in relation thereto.

Results of the 2014 Inspection.

On January 29, 2019, DIA Brazil received the result of the inspections carried out on the 2014 accounts, resulting in an updated debt of €102,295 thousand (BRL 445,094 thousand) relating to the different items of indirect federal taxes Program of Social Integration PIS and COFINS, which are calculated based on a percentage of sales. Approximately 30% of the amount of the ruling corresponds to the impact on PIS and COFINS taxes of the discrepancy regarding the income from supplier discounts, which had already been raised in a previous inspection. The Company has appealed this ruling through administrative proceedings and, if necessary, will file a court appeal, since it considers that there are sufficient grounds to obtain a favorable outcome. Based on reports drawn up by two legal firms, the Company has deemed the risk of loss of the items disputed in this appeal as remote/possible in the most part and has therefore only recorded a provision of €1,264 thousand (BRL 5,500 thousand) at June 30, 2019.

Additionally, DIA Brazil received two notifications from the Brazilian tax authorities regarding the 2010 accounts, one for an updated amount of €16,519 thousand (BRL 71,874 thousand) in relation to the discrepancy regarding the tax on income from supplier discounts, and the other for omission of income from circulation of goods for an updated amount of €80,227 thousand (BRL 349,076 thousand).

In relation to the first issue (regarding tax on income from supplier discounts), an unfavorable decision was passed down in the administrative proceedings and the Company filed a court appeal in 2016. As of the date of this Prospectus, the Company has no further information about the court appeal filed before the administrative court of first instance in 2016. However, based on reports from external lawyers, the Company considers that there are sufficient grounds to secure a ruling in favour of DIA Brazil.

In relation to the second issue (on circulation of goods), the administrative proceedings resulted in an unfavorable ruling, which was subsequently appealed. As a result, the administrative court of second instance (CARF), recognized deficiencies in the inspection process and ordered another inspection, which concluded in June 2019 with a favorable ruling for DIA Brazil. The administrative court of second instance (CARF) must now analyse the conclusions of the new inspection.

The Group's external legal advisors continue to deem the likelihood of an unfavorable outcome as remote and the Company has therefore made no provisions as of December 31, 2018 and as of June 30, 2019 for these two issues.

Devaluation of the Argentine peso.

After the election results in Argentina, there has been a significant devaluation of the Argentine peso, as well as a deterioration in the valuation of the country's sovereign debt and the majority of shares listed on its stock markets. Depending on the future evolution of the economic situation in Argentina, there could, if appropriate, be a negative effect of the application of IAS 29 on hyperinflationary economies, based on the devaluation of the peso against the euro as of December 31, 2019.

Collective dismissal process in El Árbol Supermercados y Distribución, S.A.

On September 13, 2019 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, which could affect a maximum of 210 employees and is fully provisioned as of September 30, 2019.

Key Factors Affecting the Results of Operations

The Group's results of operations are driven by a combination of factors affecting the markets in which it operates, some of which are beyond the Group's control. The following discussion provides an overview of the key factors that the Directors believe have affected the Group's results of operations in the period under analysis and could affect its results of operations in the future.

Macroeconomic conditions and trends in the countries in which the Group operates

A majority of the Group's operations are based in, and a majority of the Group's sales are derived from, Spain. As at FY 2018, Spain accounted for 58.7% of the Group's sales, with Portugal accounting for 8.6%, Brazil for 19.3% and Argentina for 13.3%. As a result, Spanish macroeconomic trends, including the rate of growth of the Spanish economy and the evolution of the grocery retail industry in Spain, which is a mature, complex and highly competitive market, significantly influence the Group's performance. See "*Risk Factors*".

The Group's results of operations are also affected by global economic conditions as well as specific local economic conditions in the markets and geographic areas in which it operates. Such conditions include levels of employment, commodity inflation, real disposable income, the availability of consumer credit, consumer confidence and consumer willingness to spend. In an unfavorable economic environment, the Group's customers may suffer a decrease in disposable income, causing them to reduce the frequency or amount of products they purchase from the Group's stores. Thus, unfavorable changes in general economic conditions could reduce customer traffic and limit the Group's ability to pass cost increases onto customers.

Worsening macroeconomic conditions in Brazil and Argentina during FY 2018 had a material adverse effect on the Group's results of operations. In Argentina, the local currency, the Argentine peso, experienced a sharp deterioration against the euro of 40.3% (44.7% in the first half 2019), and the economy recorded an accumulated yearly inflation rate of 47.9% in FY 2018 that significantly impacted the Group's financial performance and results of operations for the year.

Similarly, in Brazil, the local currency, the Brazilian real, depreciated by approximately 16.2% against the euro during FY 2018 (4.7% in the first half 2019), and a nationwide trucking strike over fuel prices that lasted for ten days resulted in a one-off expense of €7.9 million in FY 2018. This one-off event impacted the Group's operating expenses and sales during the temporary closure of the stores, and also resulted in the impairment of unsold goods. The trucking strike and the deterioration of the Brazilian company's relations with suppliers following the financial restatements of FY 2017 had a significant influence in the Group's 18.2% decline in sales in Brazil during the year.

The steep depreciation of the currencies of Argentina and Brazil had a negative impact on sales in December 31, 2018. At a constant exchange rate, sales would have increased in a 7.4% in the period instead of a decrease of 11.3%. During the semester ended June 30, 2019, at a constant exchange rate sales would have decreased by 0.5% instead of a deeper decrease of 7.0% experienced in the period%. See "*Key Factors Affecting Comparability of Results—Hyperinflation in Argentina*".

The Group believes that the state of the economy of the countries in which it operates will continue to have a significant impact on its results of operations, as well as on its ability to implement its future business plan.

Foreign currency fluctuations

The Group is exposed to currency translation risks in respect of its operations conducted in currencies other than the euro, which is the Group's reporting currency. Specifically, the Group's operations in Brazil and Argentina are conducted in local currencies. As such, it generates a portion of its revenue, and incurs a portion of its expenses in Brazilian reais and Argentine pesos. In FY 2018, 32.6% of the Group's sales were generated in Brazil and Argentina (31.2% as of June 30, 2019).

All of the Group's operations conducted in Brazilian reais and Argentine pesos are translated into euro at then applicable exchange rates. With respect to FY 2018, however, operations incurred in Argentine pesos were translated at year-end rates for 2018 given the country's hyperinflationary economy. In translating these results into euros, the Group is subject to translation risk whereby increases or decreases in the value of the euro with respect to those currencies can have a significant effect on the Group's financial performance. As the Group reports its financial results in euro, a strong euro will reduce the reported results of operations of non-euro businesses whereas a weak euro will increase the reported results of operations of non-euro businesses. These translations could significantly affect the comparability of the Group's results between financial periods and/or result in significant changes to the carrying value of the Group's assets, liabilities and shareholders' equity. In FY 2018, the Group's sales decreased by 11.3%, despite an increase of 7.4% in local currencies, (this increase is due to the growth in Argentina, which was partially offset in all the other geographies). This decrease reflected an 18.7% negative effect (at a constant rated would have increased a 7.4% instead of a decrease of 11.3% suffered in the period) from the devaluation of the Argentine peso and Brazilian real over the period (compared to a 1.2% negative effect in FY 2017). As a result, the Group suffered a positive effect in EBITDA of 25.5% (would have decreased a 73.3% at a constant rate compared to a 47.8% suffered in the period) and positive 12.1% in net losses (at a constant rate would be negative €364.9 million compared to the negative €352.6 million registered in the period) for the year ended December 31, 2018.

In addition, the net impact of foreign exchange in the Group's consolidated equity position was:

(i) The positive movements due to currency translation differences amounted €27,383 thousand due to:

    (a) The effect totaling positive €45,178 thousand as a result of the cumulative translation adjustment of the Argentinian subsidiaries, which has been transferred to reserves.

    (b) The transfer to the consolidated income statement of the translation differences relating to the business in China, which was sold in August 2018, total positive €3,318 thousand.

    (c) The remaining negative amount of €21,113 thousand relates to the translation of the financial statements for the subsidiaries in Brazil, whose functional currency is not the euro.

(ii) The movement in reserves related to the adjustment for hyperinflation in Argentina was positive €55,650 thousand (in addition to the negative €45,178 thousand transferred to reserves as explained in (i) (a) above), as per the following breakdown:

    (a) Positive €78,385 thousand relating to the effect of the restatement of opening balances of subsidiaries in Argentina,

    (b) Positive €27,342 thousand relating to the effect of the restatement of non-monetary items in 2018,

(c) Negative €50,047 thousand relating to the translation at the 2018 year-end exchange rate, published by Bank of Spain.

In the first six months of 2019, the BRL and the ARS fell 4.7% and 44.7% (Source: Bloomberg), respectively, against the euro compared to same period last year. As a result, the Group suffered a negative effect from foreign currency translation in sales of 6.5% (at a constant rate it would have decreased a 0.5%, instead of the 7.0% decreases suffered in the period), positive in EBITDA of 3.3%, for the six months ended June 30, 2019 (at a constant rate it would have decreased a 93.5%, instead of a 90.2% decrease suffered in the period). In net losses, the evolution of exchange rates had a positive effect of 56.5% (at a constant rate would be negative €435.4 million compared to the negative €418.7 million registered in the period). The impact in foreign currency transactions was negative €444 thousand and the gain from net monetary position was €36,113 thousand in the six months period ending on June 30, 2019.

In addition, the impact of currency translation differences in the Group's consolidated equity position was positive €4,631 thousand related to Brazil. In addition, the reserves were impacted by positive €8,112 thousand due to the adjustment for hyperinflation in Argentina.

Lack of strategic focus

The Group's strategic focus has primarily been centered on the optimization of commercial margins to maximize profits. To achieve this, the Group has historically prioritized its relationship with suppliers and the offering of a large assortment of products to leverage volume and secure favorable pricing conditions. The Group has also sought to maximize its market penetration and reach of customers by expanding the geographic footprint of its store network through a wide variety of store formats, the increase in the number of franchised stores and the expansion of its operations beyond its core business through corporate acquisitions. In doing so, however, the Group failed to recognize shifts in customer preferences. As a result, it did not develop comprehensive customer-centric initiatives addressing customers' shifting preferences towards fresh and healthy products, pricing clarity, targeted assortment, an enhanced shopping experience and high convenience.

This lack of customer-centric initiatives in a mature and highly competitive industry, such as the Spanish grocery retail market, resulted in a progressive deterioration of the Group's brand and reputation, which was underpinned by a sustained decline in customer satisfaction. As customers turned to competitors, the Group's market share and sales decreased sharply. Between FY 2017 and FY 2018 the Group's sales and commercial margin decreased by 11.3% and 13.2%, respectively, while between the first semester of 2019 and the first semester of 2018 the Group's sales and commercial margin decreased by 6.95% and 21.0% respectively. In addition, the Group recorded a (i) loss of €352,587 thousand for FY 2018, compared to a profit of €101,168 thousand for FY 2017; and (ii) loss of €418,675 thousand for the first semester of 2019, compared to a loss of €29,618 thousand for the first semester of 2018.

Aside from the impact of negative macroeconomic conditions in Argentina and Brazil in FY 2018 (which had a negative 18.7% impact on sales), the Group's net losses were primarily due to a widespread decrease in the volume of sales across Spain, Portugal and Brazil due to underperformance of stores on a like-for-like basis (-3.66%) and the closure of over 102 underperforming CO-CO and CO-FO stores in FY 2018, compared to 206 stores in FY 2017, Losses associated with such closures amounted to €16.8 million in FY 2018 and €22.2 million in FY 2017.

In the first six months of year 2019 the strong negative earnings impact was related mainly to a 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 the Company expects will translate into visible positive effects on sales and profitability only in the medium to long-term, if at all. 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 Company closed 663 stores in first half 2019 (mostly in Spain and Brazil) that generated a negative impact in sales of €98.5 million and a negative EBITDA of €33.5 million during the first six months of the year. Additionally, the Company went through a strong de-franchising process, by means of which non-profitable franchised stores become directly operated by the Group, aimed at improving the quality of franchises network, which affected a total of 222 stores mostly in Spain and Brazil.

Sharp sales deterioration and one-off effects during first half 2019

During the first half of 2019, the Company has been operating in a highly disrupted and volatile business, financial and corporate context which, despite having a positive final resolution at the back end of the period, has taken a substantial toll which is reflected in the negative operating performance during the first quarter and more strongly in the second quarter.

The sequence of the most relevant events is as follows:

(i) The release on February 8, 2019 of the Audited 2018 Financial Statements (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 General Shareholders' Meeting held on March, 29, 2019 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.

(ii) 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 voluntary takeover bid would trigger an insolvency proceeding.

(iii) Finally on May 21, 2019, right after the Tender Offer was completed and an agreement in principle with the Lenders was announced, LetterOne became the controlling shareholder of DIA reaching 69.76% of its share capital, new members of the Board of Directors and a new CEO were appointed. But still then, the negotiations with the 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.

(iv) An agreement with the Lenders regarding the New Finance Arrangements was finally reached on June 25, 2019, and it became effective on July 17, 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.

(v) The Company entered into the PPLs from LetterOne totaling €490 million, of which €128.5 million was funded before June 30, 2019, and the remaining €361.5 million by July 19, 2019 (which were used by the Company to fully repay at maturity on July 22, 2019 the €306 million Medium Term Notes). These PPLs were expected to be converted into shareholders' equity in the capital increase that has been submitted for approval in the General Shareholders' Meeting held on October 22, 2019, for an increased amount of €600 million. For further details see "*The Offering*".

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

In relation to the evolution of net loss for the six-month period, it has been influenced by the combined effect of multiple factors:

1. The sharp sales deterioration of 7.0% caused by 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 663 stores in the first semester of 2019 (mostly in Spain and Brazil). These 663 disposals mainly translated into: (a) the write-off of related assets of €51.6 million; and (b) the recognition of one-off provisions in respect of doubtful accounts receivables from related franchisees of €27.8 million. These stores generated a negative EBITDA of €33.5 million during the first half 2019.
3. A strong de-franchising process (non-profitable franchised stores becoming directly operated by the Group), which has affected a total of 222 stores during the first semester of 2019 (mostly in Spain and Brazil), resulting in higher labor and Opex (due to expenses), and the recognition of additional provisions on related accounts receivables.
4. An initial commercial assortment rationalization process carried out in all regions resulting in a meaningful reduction SKUs reduction. This initiative led to recognizing significant losses (especially in Brazil) related to the corresponding stock liquidation (impacting cost of goods sold) of €38.8 million of one-off expenses.
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 owners for €10.8 million affecting restructuring costs.
6. Other substantial extraordinary and one-off items such as:
    (i) 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 by €40.3 million.

    (ii) 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 Shareholder's Meeting (including financial and corporate advice, auditors, forensic services, legal advice and strategy consultants), impacting restructuring costs for €12.6 million and financial results by €23.2 million. In addition, finance expenses increased in €35.2 million due to the new application of IFRS 16 in 2019. On top of that, the higher amounts of average financial net debt held during the period and its substantially higher cost translated into €16.5 million higher interest financial costs. Other finance expenses increased in €5.6 million. Total increase of finance expenses was therefore €80.5 million.

    (iii) The repurchase by DIA of 50% of Finandia, S.A. ("Finandia") which triggered the recognition of losses impacting financial results by €12.5 million.
7. 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 for a total amount of €22.2 million mainly in Brazil (€16.5 million). The aforementioned "write-offs and others" correspond to: (a) legal provisions for an amount of €9.1 million, (b) dismissals for an amount of €6.8 million, (c) extra maintenance and other for an amount of €5.3 million, and (d) other for an amount of €1.0 million. These items are not included in other concepts explained above.

With respect to post first half of 2019 evolution, 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 July and August, 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 initial 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.

Changes to the Group's franchise mix

The Group's results of operations and its margins are affected by the evolution of its operational mix between stores managed under the CO-CO and CO-FO models. Over the last few years, the Group expanded the number of CO-FOs with the intention of increasing the Group's profitability. However, insufficient support from the Group to new franchisees negatively affected the performance of some of these stores. As a result, (i) during FY 2018, the Group converted a net of 20 CO-FO stores to the CO-CO model, 109 of which were located in Spain, compared with 105 net conversions in FY 2017 from CO-CO to CO-FO; and (ii) during the first semester of 2019, the Group converted a net of 222 CO-FO stores to the CO-CO model, 154 of which were located in Spain. The purpose of these conversions is to return the stores to profitability by improving their operating standards and performance with a view to returning these stores to the CO-FO model in the future. In the short-term, however, the conversion is likely to negatively affect its margin and results of operations. See "*Business Description—Strategy— Revamp the operating model to incentivize franchisees and make it more effective*".

Key Factors Affecting Comparability of Results

Restatements of comparative figures for June 30, 2019 and June 30, 2018

The income statement of the six-month period finishing June 30, 2019 is presented for comparative purposes together with the income statement as of June 30, 2018 which has been restated. The aforementioned restatement is mainly due to the hyperinflation in Argentina, as well as the consolidation of CDSI and the impact of irregularities and errors which were identified in the second half of 2018. Said irregularities are described in Note 2.3 of the 2018 consolidated annual accounts. Note that *Clarel* business was still considered a continued activity as of June 30, 2018 and therefore no further restatement has been needed.

Restatements of comparative figures for FY 2017 and FY 2016

Corrections of irregularities and errors The Group's review of its estimated results for FY 2018, which was extended all the foreign operating subsidiaries in addition to Spain (Portugal, Brazil and Argentina) and the consequent forensic investigations in Spain and Brazil, revealed the existence of errors and irregular practices as a result of certain employees and members of management (including several former senior executives of the Group), overriding its established internal controls, which led to the restatement of comparative figures for FY 2017 and FY 2016, included in the Audited 2018 Financial Statements. The investigations in Spain and Brazil are complete, for further information see "*Risk Factors - Any failure, insufficiency or breakdown in the Group's internal controls over financial reporting could have a material adverse effect on the Group's business, operating results, financial condition or prospects - The Group is exposed to a variety of tax risks*".

As a consequence of the identified irregularities and the investigation, the Group, under the advice of its attorneys, has adopted and will continue to adopt the disciplinary and legal measures that are appropriate against irregular conducts or behaviors, in accordance with the Group's compliance policies and the applicable legislation. Although Group management considers that adequate and diligent internal control systems are in place. However, as noted above, irregularities caused by management override of internal controls were identified by management. This is an indicator that the control systems contain weaknesses related, among others, to the management override of controls, and therefore, the Group will proceed to review and, where appropriate, implement additional internal policies and procedures with the aim of further strengthening its internal controls.

The total impact in equity of such restatement amounted to €68.3 million as of December 31, 2017. The table below provides a breakdown of the effect of the restatement on equity (after taxes) for FY 2017 (see Notes 2.3 and 14.4 I to the Audited 2018 Financial Statements and FY 2016 (see Appendix 1 to the Audited 2018 Financial Statements).

	P&L effect in 2017	**P&L effect in 2016**	**Reserves effect in 2016**	**Total**
		(€ million)		
Total	**(7.8)**	**(45.1)**	**(15.4)**	**(68.3)**

Irregularities and errors, which were detected in Spain and Brazil involved the following accounting practices in FY 2017 (for a detail of the following adjustments for FY 2016, see Appendix I to the Audited 2018 Financial Statements):

Suppliers trade discounts. The Group irregularly overestimated trade discounts to be received from suppliers. The resulting effects of the adjustment were (i) a negative impact on the consolidated income statement for FY 2017 of €33.4 million in the line item of "*Goods and other consumables used*", (ii) an increase in "*Trade and other payables*" of €52.6 million as of December 31, 2017, (iii) a decrease in "*Trade debtors and other accounts receivables*" of €15.4 million as of December 31, 2017 and (iv) a decrease in "*Reserves*" of €34.6 million as of December 31, 2017. The total impact on "Total Equity" was €68.0 million as of December 31, 2017.

Invoices pending receipt (purchases). The Group recorded invoices pending receipt from suppliers in the wrong accounting period. The resulting effect of the adjustment, that primarily resulted from irregular practices, was (i) an increase of €3.9 million in "*Goods and other consumables used*" in FY 2017 consolidated income statement, (ii) an increase of €28.5 million in "*Trade and other payables*" as of December 31, 2017 and a decrease of €24.6 million in "*Reserves*" as of December 31, 2017. The total impact on "Total Equity" was €28.5 million as of December 31, 2017.

Invoices pending receipt (fixed assets). The Group irregularly recorded invoices pending receipt from fixed-assets suppliers in the wrong accounting period. The resulting effect of the adjustment was an increase of €29 million in "*Property, Plant & Equipment*" as of December 31, 2017 and an increase of €0.8 million in "*Other intangible assets*" as of December 31, 2017. These adjustments, related to Spain and Brazil, had almost no effect on equity since the potential effect on depreciation in FY 2017 and FY 2016 were not considered to be significant as the investments were made at the end of the year and their depreciation started on January 1 of the following year.

ICMS Tax in Brazil. The ICMS is the tax on the Circulation of Goods and Services of Brazil, equivalent to VAT in other jurisdictions. In March 2017 the Supreme Court's judgement of October 2016 was ratified, enabling the companies to recover part of the tax paid. In 2017 the subsidiary recognized an asset receivable with the Brazilian Treasury. However, the calculation was reviewed in 2018 and a higher amount was recognized in respect of the asset recoverable. This latest income should have been recognized in 2017 when the subsidiary learned of the possibility of recognizing this asset and when it was able to estimate the amount and not in 2018, year in which this increase was mistakenly recognized. This effect has entailed a decrease in the consolidated income statement for 2017 in "*Merchandise and other consumables used*" amounting to €29.6 million and an increase in the consolidated statement of financial position in "*Other non-current tax assets*" for the same amount.

Judicial deposits in Brazil. The Group's subsidiary in Brazil adjusted the carrying amount of its judicial deposits in FY 2017 to account for the financial impact of the ICMS exclusion from its PIS and

COFINS contributions (both are federal contributions calculated based on a percentage of sales). The main impacts of this adjustment were an increase of €8.9 million in "Other non-current financial assets" as of December 31, 2017 and an increase of €7.6 million in "*Finance income*".

Provisions and others (Spain). The Group recorded certain provisions in the wrong accounting periods. The effect of the corresponding adjustments was a negative impact of €3.9 million on the FY 2017 consolidated income statement and €17.2 million for FY 2016. These effects correspond to adjustments to reflect the correct allocation of losses due to stock-outs, the correct allocation of the Group's revenue accruals due to supplier loyalty, the correct allocation of amounts accrued due to loyalty coupons paid to franchisees, the correct accounting treatment of the redemption of offers to franchises (these costs, derived from the Group's commercial discount policy, are fully assumed by the Group and therefore compensated to the franchisee), the increase in the initial estimates of the provision for the accrual of variable remuneration and the allocation to the correct period of accruals of other provisions estimated.

Provisions and others (Brazil). The Group recorded certain provisions in the wrong accounting periods. The effect of the corresponding adjustments was a negative impact of €5.6 million on the FY 2017 consolidated income statement and €2.0 million for FY 2016. These adjustments reflect various items related to the adequate assignment of the accruals of overheads for which no provision had been made, the increase in the initial estimates of provisions for Social Security and indemnity expenses arising with respect to personnel and the correction to direct sales in FY 2017.

Tax effect of adjustments in Spain and Brazil. The tax effect of these adjustments in the FY 2017 consolidated income statement decreased "*Income tax*" expense by €3 million and increased "*Reserves*" by €20.9 million as of December 31, 2017. As a result of these adjustments, "*Deferred tax assets*" increased by €17.4 million as of December 31, 2017 and "*Current income tax assets and liabilities*" decreased by a net amount of €0.2 million as of December 31, 2017.

In addition to the adjustments made in connection with the Group's Spain and Brazil operations, the Group's Portuguese subsidiary recognized an adjustment corresponding to an error related to the derecognition of a receivable associated with the food tax generated in prior years. The Group estimated that its recovery is unlikely and that it was erroneously recognized in prior years. The adjustment has entailed (i) a reduction of €4.2 million in "*Current tax assets*" as of December 31, 2017, (ii) an increase of €0.9 million in "*Deferred tax assets*" as of December 31, 2017, (iii) a reduction of €2.6 million in "*Reserves*" as of December 31, 2017 and (iv) a negative impact in the consolidated income statement for FY 2017 €0.6 million.

For additional information, including a reconciliation table showing the restatement adjustments, please see Notes 2.3 and 14.4 to the Audited 2018 Financial Statements.

Non-Current Assets Held for Sale and Discontinued Operations

Cash & Carry (Max Descuento) and Clarel

During FY 2018, following its decision to divest certain non-core businesses, the Group classified in its Audited 2018 Financial Statements the businesses of *Clarel* and *Cash & Carry* as non-current assets held for sale in accordance with IFRS 5 "*Non-Current Assets Held for Sale and Discontinued Operations*". As a result of the foregoing, all assets related to the business of *Clarel* and *Cash & Carry* were classified under the heading ''*Non-current assets held for sale*'' in its consolidated statement of financial position as of December 31, 2018 and were measured at the lower of their book value and their fair value less cost to sell. The book value of the liabilities related to such businesses has been classified under the heading "*Liabilities directly associated with non-current assets held for sale*" on the consolidated statement of financial position.

The Group classified the results of operations for *Clarel* and *Cash & Carry* for FY 2018, which amounted to losses of €49.2 million (includes an impairment loss of €37.7 million) and €6.5 million, respectively, under a single heading, ‘‘*Losses net of taxes of discontinued operations*’’ in its Audited 2018 Financial Statements. The comparative financial information for FY 2017, which amounted to a profit of €1.7 million and a loss of €2.4 million, respectively, related to these businesses, as well as for the year ended December 31, 2016, which amounted to a profit of €5.9 million and a profit of €1.4 million, respectively are presented in Appendix 1 to the Audited 2018 Financial Statements. The cash flows of the *Clarel* and *Cash & Carry* operations are presented as discontinued operations in the cash flow information for FY 2018, FY 2017 and FY 2016.

Regarding *Clarel*, in the first half of 2019 the Company decided to reverse its classification as held for sale, recording the *Clarel* business as of June 30, 2019 in the consolidated statements of financial position as continued activities in the consolidated income statement, in line with the nature thereof, committing to remodeling this business. As of June 30, 2018 the *Clarel* business was still recorded as a continued business and therefore no restatement has been needed for comparative purposes in relation to *Clarel*. Also, in December 2018 the Company adjusted the carrying amount of the *Clarel* business assets to their fair value less selling costs totaling €37.7 million.

In relation to *Cash & Carry* the Group expects to finalise the sale or liquidation during year 2019. In the first half of 2019 an impairment of €14.8 million (including €4.2 million of impairment of assets, €5.0 million for liabilities related to closing of stores and €5.6 million for stock liquidation and others) has been recorded for the *Cash & Carry* business based on forecasted sale liquidation estimates for the second half of 2019.

As of today, 4 out of 30 *Cash & Carry* stores have been divested and no profit has been obtained.

China business

The Group started to explore alternatives for the sale of its business in China in the first quarter of 2017. Following this decision, it classified in its audited consolidated annual accounts for FY 2017 the assets and liabilities of DIA Tian Management Consulting Service & Co. Ltd. and Shanghai DIA Retail Co. Ltd. as “*Non-Current Assets Held for Sale*” and “*Liabilities Held for Sale*” and the corresponding results of operations for FY 2017, including comparative financial information for FY 2016, as discontinued operations in accordance with IFRS 5 “*Non-Current Assets Held for Sale and Discontinued Operations*”.

The Group sold its business in China on August 10, 2018 for one euro. This sale entitled the Group to derecognize net liabilities amounting to €10.6 million and currency translation differences amounting to negative €2.9 million, and to record a gain on the sale in the amount of €7.7 million. The results of operations of the Group’s business in China up to the date of sale (a loss of €5,729 thousand in FY 2018 and a loss of €10,819 thousand in FY 2017), and the corresponding gain on its sale (€7,731 thousand in FY 2018), have been classified under the heading ‘‘*Losses net of taxes of discontinued operations*’’ in the Audited 2018 Financial Statements.

Finandia

During the last quarter of FY 2017 the Group decided to explore alternatives for a strategic alliance or partial divestiture for its financial services subsidiary, Finandia. The assets and liabilities of Finandia were classified as “Non-current assets held for sale” and “Liabilities directly associated with non-current assets held for sale” in the Group’s consolidated statement of financial position as of December 31, 2017. However, the criteria of IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations” were not met to classify these operations as discontinued operations on the consolidated income statement for the year ended December 31, 2017. On February 20, 2018 the Group signed a strategic alliance with CaixaBank Consumer Finance, E.F.C., S.A.U. pursuant to which it sold 50% of the shares of Finandia to CaixaBank Consumer Finance, E.F.C., S.A.U. on June 28, 2018 for an amount of €9.3 million. As a result of the sale, the Group recorded in its consolidated income statement for FY 2018 a gain of €4.2 million under the heading “Profit on the sale of subsidiaries”. In addition, as a consequence of the loss of control, the remaining shareholding in Finandia has been remeasured at fair value, recognizing a gain from remeasurement of €5 million under the same heading.

For additional information see Note 13 to the Audited 2018 Financial Statements.

However, on May 17, 2019, CaixaBank Consumer Finance, E.F.C., S.A.U. notified DIA that it had exercised its put right arising out of the change of control in DIA following the Tender Offer. On July 19, 2019 the Company and CaixaBank Consumer Finance, E.F.C., S.A.U. entered into a share purchase agreement whereby the Company acquired 50% of the shares of Finandia from CaixaBank Consumer Finance, E.F.C., S.A.U. for a price of €7,573,127. The execution of the share purchase agreement was subject to the execution of a share capital reduction, which was approved by the general shareholders' meeting of Finandia on July 19, 2019. The share capital reduction was a return of contributions to shareholders amounting to €3,500,000, with each of the Company and CaixaBank Consumer Finance, E.F.C., S.A.U. receiving €1,500,000. The share capital reduction, and therefore the transfer of shares, was executed on September 24, 2019. As of June 30, 2019 the Group has provisioned a loss of €12.5 million for the impact of this transaction.

Joint Arrangement in CD Supply Innovation, S.L.

On December 4, 2017, the Group formed CD Supply Innovation, S.L. (CDSI) in conjunction with Tevir, S.A., a subsidiary of the Casino Group, which started its operations on December 15, 2017. The purpose of this agreement was to manage the "own brand" product supply chain and generate synergies in relation to suppliers, logistics and quality control. As a result of the analysis carried out at the inception of the agreement, CDSI was deemed a joint venture and accounted for using the equity method.

During 2018, based on the economic reality of the transactions carried out by CDSI, including the segregation by CDSI of its operations with each one of the ventures, and the plan to terminate the joint agreement in the near future, the Group reclassified CDSI as a joint operation. As a result, the Group included €40 million of inventories, €17 million of cash and cash equivalents, and €13 million of debt in its consolidated statement of financial position as of December 31, 2018.

For the purpose of comparability of FY 2018 and FY 2017 financial figures, the Group adjusted the figures as of and for the year ended December 31, 2017. As a result of this adjustment, inventories increased by €44 million, cash and cash equivalents increased by €19 million and financial debt increased by €65 million as of December 31, 2017.

For additional information, see Notes 1.2, 2.3 and 2.11 to the Audited 2018 Financial Statements.

Non-current assets impairment test results

As a result of the review of its estimated results for FY 2018, the Group performed impairment tests on its property, plant and equipment and intangible assets and goodwill associated to its stores in Spain, Portugal, Brazil and Argentina, in accordance with the business plan formally approved by the Board of Directors on January 30, 2019.

The recoverable amount of these assets was determined on the basis of fair value calculations by discounting future cash flows, which requires the use of market participant assumptions using projected cash flows As of June 30, 2019, 323 stores have been closed in Spain, 12 have been closed in Portugal, 297 have been closed in Brazil and 31 have been closed in Argentina. Any future closing and/or sales of stores will depend on the new business plan, which is expected to be approved at the end of 2019. The carrying amount of the assets relating to the stores identified for sale or closure, and which also give rise to negative cash flows, was impaired since their selling value could not be estimated through the impairment test.

As a result of the impairment test, for the year ended December 31, 2018, the Group recognized a total impairment loss of €79.9 million, of which €66.5 million related to property, plant and equipment, €11.8 million related to goodwill and €1.7 million related to intangible assets. Furthermore, for the semester ended June 30, 2019 the Group recognized a total impairment loss of €11.6 million, of which €5.6 million related to property, plant and equipment, €5.8 million related to goodwill and €0.1 million related to intangible assets. The Company estimates that during second half of year 2019 it may close approximately 150 to 200 stores.

Furthermore, the review of the Group's estimated results for FY 2018 also reduced the estimated generation of taxable profits that supported the recovery of its deferred tax assets. As a consequence, the Group recorded an impairment of €170.5 million of tax loss carryforwards related to the Company (52%), Twins (13%) and El Árbol Group (35%) and a reversal of €9.7 million related to other temporary differences. The total impact of the impairment amounting to €180.2 million. Also, in December 2018 the Company adjusted the carrying amount of the *Clarel* business assets to their fair value less selling costs totaling €37.7 million.

As a result of the above, the total impairment losses recognized in FY 2018 amounted to €297.8 million.

For additional information see Notes 5.1, 6.1 and 17 to the Audited 2018 Financial Statements.

As stated above, at year end, with additional information and under a more normalized business environment, as part of its normal closing procedures, DIA will prepare an updated long-term business plan for the Group, which will be the basis to assess the long-term recoverability of its assets.

Hyperinflation in Argentina

During FY 2018 various developments in the economy of Argentina led the Group to reconsider the translation method it applied to its Argentinean subsidiary in its consolidated annual accounts and the recovery of its investment in that country. These developments include the elevated inflation rate, which reached 47.9% in 2018, and the 40.3% depreciation of the Argentine peso against the euro at the end of the year. As a consequence of these factors, in accordance with IAS 29 "*Financial Reporting in Hyperinflationary Economies*" ("**IAS 29**"), Argentina should be considered a hyperinflationary economy for accounting purposes in the periods ending on, or after, July 1, 2018.

IAS 29 requires financial statements of an entity with a functional currency that is hyperinflationary to be restated for the changes in the general pricing power of the functional currency. Restatements are made by applying a general price index, whereby items are restated based on the change in the general price index between the date those items were acquired or incurred and the balance sheet date.

The Group has therefore applied IAS 29 for the first time in the Audited 2018 Financial Statements following the criteria set forth in Note 2.6 thereof. The comparative figures for FY 2017 and FY 2016 have not been changed.

The most significant impacts in reserves of the application of IAS 29 in FY 2018 amounted €55.7 million: (i) a positive change of the opening balances of subsidiaries in Argentina for a net amount of €78.4 million; (ii) the inclusion of €27.3 million in reserves related to the impact of inflation of non-monetary items; (iii) a decrease of €50.0 million in reserves related to the impact of the translation at the year-end rate and (iv) and a transfer of opening translation differences to reserves in a negative amount of €45.1 million. Additionally, €45.2 million were transferred from translation differences to reserves as of January 1, 2018. Therefore, the net positive impact in reserves amount to €10.5 million.

In terms of the Group's results of operations, the application of IAS 29 on the Group's Argentinean subsidiaries had a negative effect on Adjusted EBITDA. For FY 2018, the impact from the application of IAS 29 on Adjusted EBITDA was €36.3 million (representing a decrease of 7% versus full year 2017 at Group level). Similarly, the application of IAS 29 negatively impacted sales in Argentina. For FY 2018, sales fell by 30.3%, compared to a decline of 23.5% excluding the effect of IAS 29. This negative impact of 6.8% for Argentina sales represents a negative impact of 1.1% net sales at Group level. In addition, the Group's net financial expenses, adjusted by IAS 29, rose by 67.0% to €89.3 million in FY 2018. This increase was due in part to the rise in interest costs in Argentina, where funding costs increased by over 26.4 pp or €6.4 million compared to FY 2017. In addition to the above impacts, the application of IAS 29 had a positive impact of €67.5 million on the Group's net loss for FY 2018 due to gains on net monetary position, mainly derived from trade suppliers, which were higher than trade receivables.

In addition, the most significant impacts of the application of IAS 29 as of June 30, 2019 were: (i) positive impact of €23.4 million in net sales; (ii) negative impact of €18.1 million in Adjusted EBITDA and (iii) gain from monetary positions of €36.1 million.

Sales and leaseback transactions

The Group's results of operations may be affected by the results of the sale and leaseback transactions of stores and warehouses and the increase in lease expenses originated by such transactions. In FY 2018, the Group executed 91 sale and leaseback transactions with gains amounting to €28.1 million. In FY 2017, the Group executed 53 sale and leaseback transactions with gains amounting to €31.2 million. In FY 2016, the Group executed 22 sale and leaseback transactions with gains amounting to €16.5 million. The sales and leaseback transactions have resulted in an increase between €2 million and €5 million of the Group's annual lease expenses.

No sale and leaseback transactions have been made in the period between December 31, 2018 and June 30, 2019.

Presentation of Key Line Items

The following discussion provides a description of the composition of certain line items in the Group's consolidated income statement for the periods under review.

Sales

Sales comprise the revenue obtained in the Group's stores, the revenue from sales of goods to franchisees, the revenue from on-line sales and other sales, mainly related with direct sales in warehouses. Sales are recognized net of volume rebates, prompt payment discounts and returns. The Group has customer loyalty programs which do not entail credits, as they comprise discounts which are applied when a sale is made and are recognized as a reduction in the corresponding transaction.

Other Income

Other income mainly comprises income generated from service and quality penalties to suppliers, revenue from lease agreements, revenue from franchises, revenue obtained from the use by the Group's suppliers of information technology platform related to confirming agreements, revenue from the sale of packaging and gains obtained from the sale of warehouses and stores owned by the Group and for their subsequent leases (sale and leaseback transactions).

Goods and other consumables used

Goods and other consumables used comprises the costs associated with the purchase of such goods and other consumable goods, net of volume discounts and other trade discounts and changes in inventories.

Personnel expenses

Personnel expenses comprise expenses related with salaries and wages, the cost of social security, severance costs, expenses related to defined contribution pension plans, as well as the expenses related to the Group's share-based incentive plans and other benefits in relation with the Group's personnel.

Operating expenses

Operating expenses comprise primarily repairs and maintenance, utilities, fees, advertising, taxes, and property rentals, equipment rentals and other general expenses.

Depreciation and amortization

Depreciation and amortization comprise amortization of intangible assets and depreciation of property, plant and equipment.

Impairment of non-current assets

Impairment of non-current assets comprises charges for impairment of intangible assets, goodwill and items of property, plant and equipment.

Impairment of trade debtors

Impairment of trade debtors comprises charges for impairment of trade and other receivables which are considered unrecoverable based on expected credit losses.

Losses on disposal of fixed assets

Losses on disposal of fixed assets comprise the write-offs of assets located in those stores remodeled or closed that can not be used or reallocated to other stores. In the case of the remodelings, the new equipment installed in the store, if any, will be added to the assets.

Finance income

Finance income comprises primarily interest on loans and receivables, currency exchange gains, changes in fair value of financial instruments and other finance income mainly associated with the revaluation of financial assets.

Finance expenses

Finance expenses comprises primarily interest paid on bank loans, debentures and bonds, currency exchange losses, finance lease interest expenses and credit interest linked to revenues.

Gain from net monetary positions

Gain from net monetary positions comprises the financial impact on monetary assets due to inflation as a result of the qualification of Argentina as a hyperinflationary economy. As of June 30, 2019 this gain amounted to €36.1 million.

Profit/(Losses) of companies accounted for using the equity method

Profit/(Losses) of companies accounted for using the equity method comprises the share of the results of the Group's associates and joint agreements which are accounted for using the equity method, including: (i) 50% equity interest in Finandia (until September 24, 2019); (ii) 50% equity interest in ICDC Services S. à r. l; (iii) 50% equity interest in Red Libra Trading Services, S.L.; (iv) 10% equity interest in Distribuidora Paraguaya de Alimentos, S.A.; and (v) 50% stake in CINDIA, A.C.E. (until July 31, 2018).

Income Tax

Income tax comprises total debits or credits deriving from income tax expense by the Spanish Tax Group companies, which are comprised of Distribuidora Internacional de Alimentación S.A., Twins, Pe-Tra Servicios a la Distribución, S.L., Beauty by DIA, S.A., El Árbol Group, Distribución y Supermercados, S.A. and Compañía Gallega de Supermercados, S.A.; and those of a similar nature of foreign entities. The income tax for each year comprises current tax and, where applicable, deferred tax.

Losses net of taxes of discontinued operations

The Group's losses net of taxes of discontinued operations comprises the results of operations of the Group's *Cash & Carry* business as well as the results of operations of its business in China up to the date of its sale and the result from the sale.

Results of Operations

Results of operations for the first semester of 2019 and 2018

	First semester 2019	First semester 2018	Change
	(€ '000)		*(%)*
Sales	3,444,514	3,701,836	-7.0%
Other Income	39,778	75,212	-47.1%
Profit on the sale of subsidiaries	-	-	0
Total Income	**3,484,292**	**3,777,048**	**-7.8%**
Goods and other consumables used	(2,787,504)	(2,894,710)	-3.7%
Personnel expenses	(428,167)	(406,441)	5.3%
Operating expenses	(219,398)	(322,789)	-32.0%
Depreciation and Amortization	(265,274)	(119,010)	122.9%
Impairment of non-current assets	(11,594)	(3,275)	254.0%
Impairment of trade debtors	(35,756)	(10,025)	256.7%
Losses on disposal of fixed assets	(51,602)	(5,684)	807.8%
Results from Operating Activities	**(315,003)**	**15,114**	**(2,184.2)%**
Finance income	5,096	5,768	-11.7%
Finance expenses	(116,889)	(36,380)	2,21.3%
Gain from net monetary positions	36,113	17,771	103.2%
Profit/(Losses) of companies accounted for using the equity method	(12,717)	(96)	13146.9%
(Losses)/Profit before Tax from Continuing Operations	**(403,400)**	**2,177**	**-18,630.1%**
Income Tax	5,448	(23,769)	-122.9%
(Losses)/Profit after Tax from Continuing Operations	**(397,952)**	**(21,592)**	**1,743.1%**
Losses net of taxes of discontinued operations	(20,723)	(8,026)	158.2%
Net (Losses)/Profit	**(418,675)**	**(29,618)**	**1,313.6%**

Results of operations for FY 2018 and FY 2017

	FY 2018	Restated FY 2017(*)	Change
	(€ '000)		*(%)*
Sales	7,288,825	8,217,670	-11.3%
Other Income	134,531	153,075	-12.1%
Profit on the sale of subsidiaries	9,265	–	N.A.
Total Income	**7,432,621**	**8,370,745**	**-11.2%**
Goods and other consumables used	(5,817,011)	(6,520,434)	-10.8%
Personnel expenses	(713,370)	(743,470)	-4.0%
Operating expenses	(628,429)	(614,611)	2.2%
Depreciation and Amortization	(235,206)	(223,719)	5.1%
Impairment of non-current assets	(79,937)	(12,053)	563.2%
Impairment of trade debtors	(27,795)	(21,277)	30.6%
Losses on disposal of fixed assets	(25,414)	(17,214)	47.6%
Results from Operating Activities	**(94,541)**	**217,967**	**-143.4%**
Finance income	6,480	12,197	-46.9%
Finance expenses	(90,205)	(65,687)	37.3%

Gain from net monetary positions	67,505	–	N.A.
Profit/(Losses) of companies accounted for using the equity method	(1,183)	194	-709.8%
(Losses)/Profit before Tax from Continuing Operations	**(111,944)**	**164,671**	**-168.0%**
Income Tax	(186,924)	(52,013)	259.4%
(Losses)/Profit after Tax from Continuing Operations	**(298,868)**	**112,658**	**-365.3%**
Losses net of taxes of discontinued operations	(53,719)	(11,490)	367.5%
Net (Losses)/Profit	**(352,587)**	**101,168**	**-448.5%**

* The consolidated income statement data as of December 31, 2017 and 2016 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of the correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "Presentation of Financial and Other Information—Financial Information".

Sales

First semester 2019 and first semester 2018:

The Group's sales for the first semester of 2019 were €3,444,514 thousand, a decrease of €257,322 thousand, or 6.95%, compared to €3,701,836 thousand for the first semester of 2018 (decrease of 7.8% in like-for-like), showing a negative trend and the sharp deterioration of the top line during caused by the out-of-stock levels in the warehouses and stores resulting from the business disruption context derived from the high uncertainty environment and overall headline noise around the financial situation of the Company. The Company closed 663 stores during the period that represented €98,478 thousand sales during the period.

Currency depreciation in the first semester of 2019 (44.7% for the Argentine peso and 4.7% in the case of the Brazilian real) had a negative effect of 6.5% on sales growth at the Group level. Excluding the impact of foreign exchange, sales would have increased by 0.5% over the period, primarily propelled by strong growth in Argentina, which was primarily supported by the economy's hyperinflationary condition.

The following table sets out the Group's sales by segment for the first semester of 2019 and 2018.

	First semester 2019	% of Total	First semester 2018	% of Total	Change
			(€ '000)		*(%)*
Spain	2,078,604	60.3%	2,235,894	60.4%	-7.0%
Portugal	290,687	8.4%	310,323	8.4%	-6.3%
Argentina	489,501	14.2%	464,796	12.6%	5.3%
Brazil	585,722	17.0%	690,823	18.7%	-15.2%
Total	**3,444,514**	**100.0%**	**3,701,836**	**100.0%**	**-7.0%**

FY 2018 and 2017:

The Group's sales for FY 2018 were €7,288,825 thousand, a decrease of €928,845 thousand, or 11.3%, compared to €8,217,670 thousand for FY 2017. Currency depreciation in FY 2018 (40.3% for the Argentine peso and 16.2% in the case of the Brazilian real) had a negative effect of 18.7% on sales growth at the Group level. Excluding the impact of foreign exchange, sales would have increased by 7.4%

over the period, primarily propelled by strong growth in Argentina, which was primarily supported by the economy's hyperinflationary condition.

The following table sets out the Group's sales by segment for FY 2018 and FY 2017.

	FY 2018	% of Total	Restated FY 2017(*)	% of Total	Change
			(€ '000)		*(%)*
Spain	4,280,494	58.7%	4,441,889	54.1%	-3.6%
Portugal	628,640	8.6%	663,073	8.1%	-5.2%
Argentina	970,574	13.3%	1,391,644	16.9%	-30.3%
Brazil	1,409,117	19.3%	1,721,064	20.9%	-18.1%
Total	**7,288,825**	**100%**	**8,217,670**	**100%**	**-11.3%**

* Sales for FY 2017 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "Presentation of Financial and Other Information—Financial Information".

Spain

First semester 2019 and first semester 2018:

Sales in Spain for the first semester of 2019 were 2,078,604 thousand, a decrease of €157,290 thousand, or 7.0%, compared to €2,235,894 thousand in the first semester of 2018. This decrease was primarily due to a 6.8% decline in like-for-like sales, a net closure of 315 stores and stable performance of average surface area during the period. By format, *La Plaza de DIA* and *DIA & Go* stores recorded an increase in sales, but the other stores formats declined in terms of volumes, particularly those operating in suburban locations.

FY 2018 and FY 2017:

Sales in Spain for FY 2018 were €4,280,494 thousand, a decrease of €161,395 thousand, or 3.6%, compared to €4,441,889 thousand in FY 2017. This decrease was primarily due to a 2.3% decline in like-for-like sales, a net closure of 23 stores and stable performance of average surface area during the period. By format, *La Plaza de DIA* and *DIA & Go* stores recorded an increase in sales, but the other stores formats declined in terms of volumes, particularly those operating in suburban locations.

Portugal

First semester 2019 and first semester 2018:

Sales in Portugal for the first semester of 2019 were €290,687 thousand, a decrease of €19,636 thousand, or 6.3%, compared to €310,323 thousand in the first semester of 2018. This was principally as a result of a 3.9% decline like for like sales and the closing of 11 net stores over the period.

FY 2018 and FY 2017:

Sales in Portugal for FY 2018 were €628,640 thousand, a decrease of €34,433 thousand, or 5.2%, compared to €663,073 thousand in FY 2017. This was principally as a result of a 5% decline like for like sales and the closing of 27 net stores over the period.

Argentina

First semester 2019 and first semester 2018:

Sales in Argentina for the first semester of 2019 were €489,501 thousand, an increase of €24,705 thousand, or 5.3%, compared to €464,796 thousand in the first semester of 2018. Excluding the impact of foreign exchange (negative variation of €236,383 thousand in the first semester of 2019), sales in Argentina would have increased by 50.8%. Excluding the effect of IAS 29 (positive €23,378 thousand in the first semester of 2019), and excluding the impact of foreign exchange, sales would have grown by 49.0%.

Sales were 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 H1 2019. The volume of comparable sales declined by 9.6% considering deflated figures to reflect volume Like-for-Like Sales, avoiding hyperinflationary misleading nominal calculations.

FY 2018 and FY 2017:

Sales in Argentina for FY 2018 were €970,574 thousand, a decrease of €421,070 thousand, or 30.3%, compared to €1,391,644 thousand in FY 2017. Excluding the impact of foreign exchange (negative €842 million in FY 2018), sales in Argentina would have increased by 60.5%. Excluding the effect of IAS 29 (positive €388 million in FY 2018), sales would have grown by 32.6%, of which 29.6% or positive €412 million would have been related to inflation and 3.0% or positive €41.7 million to growth in the volume of sales.

The growth in volume of sales was primarily supported by a 5.5% increase of the Group's store surface area in the country due to the net opening of 49 new stores, and off-set by a 2.8% decrease in comparable sales. Despite the challenging macroeconomic environment and the strong decline in private consumption related to the spike in inflation and severe currency depreciation, business in local currency performed well in FY 2018. While comparable sales declined compared to FY 2017, they outperformed the market, as indicated by the continued increase of market share in Argentina.

Brazil

First semester 2019 and first semester 2018:

Sales in Brazil for the first semester of 2019 were €585,722 thousand, a decrease of €105,101 thousand, or 15.2%, compared to €690,823 thousand in the first semester of 2018. Excluding the impact of foreign exchange, which had a positive impact in the first semester of 2018, sales in Brazil decrease by 11.2%. This was principally due to 9.7% decline in Like-for-Like Sales and the net closing of 274 stores.

FY 2018 and FY 2017:

Sales in Brazil for FY 2018 were €1,409,117 thousand, a decrease of €311,947 thousand, or 18.1%, compared to €1,721,064 thousand in FY 2017. Excluding the impact of foreign exchange, which had a positive impact in FY 2017, sales in Brazil decrease by 2.1%. This was principally due to 8.1% decline in Like-for-Like Sales and the net opening of 57 stores.

Other Income

First semester 2019 and first semester 2018:

The Group's other income for the first semester of 2019 was €39,778 thousand, a decrease of €35,434 thousand, or 47%, compared to €75,212 thousand in the first semester of 2018. This was principally as a result of a decrease in the service and quality penalties issued to suppliers, for an amount of €10,700 thousand and a decrease of €14,109 thousand in gains for the sale of fixed assets.

FY 2018 and FY 2017:

The Group's other income for FY 2018 was €134,531 thousand, a decrease of €18,544 thousand, or 12.1%, compared to €153,075 thousand in FY 2017. This was principally as a result of a reversal of accrued income derived from the negotiation of private label brand products purchased from suppliers, for an amount of €6,500 thousand which was recorded in 2017 and a decrease of €3,111 thousand in gains for the sale of fixed assets (91 sales and lease transactions in FY 2018 with a gain of €28,115 thousand versus 53 in FY 2017 with a gain of €31,226 thousand).

Profits on the sale of subsidiaries

First semester 2019 and first semester 2018:

As of June 30, 2018 and June 30, 2019 this item did not exist.

FY 2018 and FY 2017:

During FY 2018 the Group sold 50% of its shareholdings of Finandia to CaixaBank Consumer Finance, E.F.C., S.A.U. for an amount of €9,306 thousand. As a result of the sale, the Group recorded a gain of €4,240 thousand. In addition, the 50% remaining shareholding in Finandia has been remeasured at fair value, recognizing a gain of €5,025 thousand as of December 31, 2018.

Goods and other consumables used

First semester 2019 and first semester 2018:

The Group's goods and other consumables used for the first semester of 2019 were €2,787,504 thousand, a decrease of €107,206 thousand, or 3.71%, compared to €2,894,710 thousand in the first semester of 2018. As a percentage of sales, goods and other consumables used suffered an increase from 78.2% in the first semester of 2018 to 80.9% in the first semester of 2019 negatively affected by the negative impact of the stock liquidation initiatives, write off of receivables related to franchisees and also some erosion caused by the supplier. The impact of IAS 29 is negative €49,580 thousand in the first half 2019, 1.4% as a percentage of sales.

FY 2018 and FY 2017:

The Group's goods and other consumables used for FY 2018 were €5,817,011 thousand, a decrease of €703,423 thousand, or 10.8%, compared to €6,520,434 thousand in FY 2017. As a percentage of sales, goods and other consumables used remained stable with a slight increase from 79.3% in FY 2017 to 79.8% in FY 2018. This increase was principally due the negative effect of IAS 29 on Argentina's goods and other consumables used, which increased by 465 bps, from 81.1% in FY 2017 to 85.7% in FY 2018.

The amount of goods and other consumables used relating to the remodeling of stores were €2,418 thousand in FY 2018 (with 1,140 renovations) due to the shrinkage of products and €804 thousand in FY 2017 (with 772 renovations).

The amount of goods and other consumables used relating to stores and warehouses closures were positive €2,541 thousand in FY 2018 (with 102 closures (CO-CO + CO-FO) due to the margin generated by these stores until they are closed and €7,775 thousand in FY 2017 (with 216 closures).

The amount of goods and other consumables used relating to efficiency projects were negative €2,287 thousand in FY 2018 and €1,353 thousand in FY 2017.

Personnel expenses

First semester 2019 and first semester 2018:

The Group's personnel expenses for the first semester of 2019 were €428,167 thousand, an increase of €21,726 thousand, or 5%, compared to €406,441 thousand in the first semester of 2018. 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, impacted personnel expenses by €40,290 thousand. As a percentage of sales, personnel expenses increased slightly, from 10.9% in the first semester of 2018 to 12.4% as of June 30, 2019. Excluding the impact of foreign exchange, personnel expenses would have increased by 9.7%, primarily due to: the Employment Regulation Proceedings that have been taken place during first half of 2019 in the subsidiary Twins Alimentación S.A. and DIA, which, as of September 13. 2019, has affected 1,419 employees and 4 more employees are pending to be laid-off, as well as the net transfer of 222 stores from CO-FO model to the CO-CO model mainly in Spain and Brazil.

FY 2018 and FY 2017:

The Group's personnel expenses for FY 2018 were €713,370 thousand, a decrease of €30,100 thousand, or 4.0%, compared to €743,470 thousand in FY 2017. As a percentage of sales, personnel expenses increased slightly, from 9.0% in FY 2017 to 9.8% in FY 2018. Excluding the impact of foreign exchange, personnel expenses would have increased by 10%, primarily due to an increase in the number of store employees in Spain due to the transfer of over 109 stores from the CO-FO model to the CO-CO model in Spain and inflation in Argentina.

The amount of personnel expenses relating to the remodeling of stores were €6,728 thousand in FY 2018 (1,140 renovations) and €8,264 thousand in FY 2017 (772 renovations).

The amount of personnel expenses relating to store and warehouses closures were €16,321 thousand in FY 2018 (102 closures) and €27,527 thousand in FY 2017 (216 closures). This includes the personnel expenses generated by the stores prior to their closing and severance expenses.

The amount of personnel expenses relating to transfer of own stores to franchises was €10,412 thousand in FY 2018 (376 transfers) and €10,798 thousand in FY 2017 (414 transfers).

The amount of personnel expenses relating to efficiency projects was €31,074 thousand in FY 2018 and €15,355 thousand in FY 2017, mainly related to severance expenses.

Operating expenses

First semester 2019 and first semester 2018:

The Group's operating expenses for the first semester of 2019 were €219,398 thousand, a decrease of €103,391 thousand, or 32%, compared to €322,789 thousand in the first semester of 2018. As a percentage of sales, operating expenses decreased from 9% in the first semester of 2018 to 6% in the first semester of 2019. Excluding the impact of foreign exchange, operating expenses decreased by 27.2%.

This decrease is mainly related to the application of the IFRS 16 which amounted to €163,038 thousand positively impacting Rentals which has reduced an 85% compared to June 2018 (€23,473 thousand vs €152,433 thousand).

This effect is offset with an increase in Depreciation and Amortization of €143,218 thousand (additionally there are €5,311 thousand related to financial leases existing prior to the implementation of IFRS 16)and a negative impact in Finance Expenses of €35,344 thousand (additionally there are €862 thousand related to financial leases existing prior to the implementation of IFRS 16). Other minor impacts amounted a positive impact of €5,542 thousand that implied a total effect in net profit before tax of negative €9,982 thousand.

Additionally, fees expenses increased due to exceptional one-off fees related to financial and corporate advices, auditors, forensic services, legal advices, strategy consultants and the preparation of the €600million capital increased for an amount of €12,606 thousand. The Company also recognized €18,465 million related to the rental commitments to be paid related to the closing of warehouses and stores.

	First semester 2019	First semester 2018
	(€ '000)	
Repairs and maintenance	28,666	26,301
Utilities	40,127	37,190
Fees	29,944	15,237
Advertising	24,292	28,403
Taxes	12,965	9,380
Rentals, property	23,473	152,433
Rentals, equipment	2,318	1,791
Other general expenses	57,613	52,054
Total operating expenses	**219,398**	**322,789**

FY 2018 and FY 2017:

The Group's operating expenses for FY 2018 were €628,429 thousand, an increase of €13,818 thousand, or 2.2%, compared to €614,611 thousand in FY 2017. As a percentage of sales, operating expenses increased from 7.5% in FY 2017 to 8.6% in FY 2018. Excluding the impact of foreign exchange, operating expenses increased by 20.9%. This was principally as a result of inflation in Argentina, which impacted all of the Group's operating expenses, the increase of consulting expenses related to special projects in Spain due to: (i) the commitment to underwrite the proposed capital increase of 2019; (ii) expenses connected with the advisors to the refinancing of borrowings in 2018; (iii) consultant expenses incurred related to the accounting restatement; and (iv) the definition of the new strategy plan, as well as the increase in other general expenses due to the positive impact in 2017 of the release of an accrual of €6 million related to contingencies in the sale of DIA France and the sale of warehouse purchase options amounting to €14 million in Spain.

	FY 2018	Restated FY 2017(*)
	(€ '000)	
Repairs and maintenance	49,245	46,862
Utilities	78,972	79,889
Fees	43,081	21,863
Advertising	46,111	51,977
Taxes	18,859	22,082
Rentals, property	296,080	292,536
Rentals, equipment	3,672	5,994
Other general expenses	92,409	93,408
Total operating expenses	**628,429**	**614,611**

* Operating expenses for FY 2017 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "Presentation of Financial and Other Information—Financial Information".

The amount of operating expenses relating to the remodeling of stores was €9,470 thousand in FY 2018 (1,140 renovations) and €8,907 thousand in FY 2017 (772 renovations).

The amount of operating expenses relating to stores and warehouses closures were €13,065 thousand in FY 2018 (102 closures) and €13,205 thousand in FY 2017 (216 closures).

The amount of operating expenses relating to efficiency projects was €1,273 thousand in FY 2018 and €6,222 thousand in FY 2017.

Depreciation and amortization

First semester 2019 and first semester 2018:

The Group's depreciation and amortization for the first semester of 2019 was €265,274 thousand, an increase of €146,264 thousand, or 123%, compared to €119,010 thousand in the first semester of 2018 mainly due to the IFRS 16 effect. As a percentage of sales, depreciation and amortization increased from 3% in the first semester of 2018 to 8% in the first semester of 2019. Excluding the impact of foreign exchange, amortization and depreciation increased by 132.3%.

FY 2018 and FY 2017:

The Group's depreciation and amortization for FY 2018 was €235,206 thousand, an increase of €11,487 thousand, or 5.1%, compared to €223,719 thousand in FY 2017. As a percentage of sales, depreciation and amortization increased from 2.7% in FY 2017 to 3.2% in FY 2018. Excluding the impact of foreign exchange, amortization and depreciation increased by 22.4%. The increase in amortization and depreciation was principally as a result of the revaluation of assets in Argentina pursuant to the application of IAS 29.

Impairment of non-current assets

First semester 2019 and first semester 2018:

The Group's impairment of non-current assets for the first semester of 2019 was €11,594 thousand in Spain and Portugal, an increase of €8,319 thousand, compared to €3,275 thousand in the first semester of 2018. The total impairment recorded as of June 30, 2019 relates to €5,651 thousand relating to property, plant and equipment, €109 thousand relating to intangible assets, and €5,834 thousand relating to goodwill. This item did not have any impact related to foreign exchange.

FY 2018 and FY 2017:

The Group's impairment of non-current assets for FY 2018 was €79,937 thousand, an increase of €67,884 thousand, compared to €12,053 thousand in FY 2017. As a result of the impairment tests performed at year end, an impairment loss of €79,937 thousand (€66,488 thousand relating to property, plant and equipment, €1,676 thousand relating to intangible assets, and €11,773 thousand relating to goodwill) was recorded in FY 2018, of which €33,062 thousand relates to the full impairment of 365 stores that are expected to be closed or sold in FY 2019 and €46,875 thousand relates to another 304 stores (€12,100 thousand in FY 2017). Almost all of the impairment relates to Spain (€65,453 thousand) and Portugal (€10,463 thousand), and the remaining amount originates in Argentina and Brazil.

Impairment of trade debtors

First semester 2019 and first semester 2018:

The Group's impairment of trade debtors for the first semester of 2019 was €35,756 thousand, an increase of €25,721 thousand, compared to €10,025 thousand in the first semester of 2018. This was principally due to the higher amount of doubtful receivables from franchisees in Spain and Brazil during the first semester of 2019 related to the defranchising process occurred during first half of the year.

The majority of the balance of trade receivables as of both June 30, 2019 and 2018 is related to receivables from franchisees. Generally, the Group's trade receivables are fully impaired when (i) they are past due for over six months; and (ii) the Group ceases the commercial relation with franchises. Before six months, the provision (percentage ratio) is calculated in an amount equal to the expected credit losses over the asset's life based on internal calculations or scoring using internal historical data or market information (debtor's credit situation, geographical area, maturity, collateral, etc.) which, in management's opinion, facilitates portfolio segmentation on the basis of consistent behaviors. Using this segmentation and historical behaviors, the Group calculates percentages taking into consideration risk exposure to each type of franchisee, with respect to past-due amounts, and the provisioning need is determined by applying the percentage to outstanding risk by type.

The amount of current trade receivables which were 30 days overdue was €76.3 million as of June 30, 2019 and €74.7 million as of June 30, 2018 (of which €63.4 million as of June 30, 2019 and €40.5 million as of June 30, 2018 were provisioned).

<u>FY 2018 and FY 2017:</u>

The Group's impairment of trade debtors for FY 2018 was €27,795 thousand, an increase of €6,518 thousand, compared to €21,277 thousand in FY 2017. This was principally due to the higher amount of doubtful receivables from suppliers in Brazil during FY 2018.

The amount of current trade receivables which were 30 days overdue was €120 million as of December 31, 2018 and €94 million as of December 31, 2017 (of which €41 million as of December 31, 2018 and €45 million as of December 31, 2017 were provisioned).

Losses on disposal of fixed assets

<u>First semester 2019 and first semester 2018</u>:

During the first semester of 2019, the Group's losses on disposal of fixed assets were €51,602 thousand, an increase of €45,918 thousand or 808% compared to losses of €5,864 thousand in the first half of 2018. The increase on losses recorded on the first six months of 2019 derive mainly from the closures and remodeling of stores in Brazil (€30,300 thousand) during this period.

<u>FY 2018 and FY 2017:</u>

The Group's losses on disposal of fixed assets for FY 2018 were €25,414 thousand, an increase of €8,200 thousand, or 47.6%, compared to losses of €17,214 thousand in FY 2017. The Group closed 102 CO-COs and CO-FOs stores in FY 2018 and 216 CO-COs and CO-FOs stores in FY 2017. The increase in the losses on disposal of fixed assets was principally due the disposal of assets located in Argentina, which have been revaluated pursuant to the application of IAS 29.

Finance income

<u>First semester 2019 and first semester 2018</u>:

The Group's finance income for the first semester of 2019 was €5,096 thousand, a decrease of €672 thousand, or 11.7%, compared to €5,768 thousand in the first semester of 2018. This decrease was primarily due to a fall in interest on the other loans and receivables from €1,586 thousand in the first half of 2018 to €83 thousand in the first half of 2019.

<u>FY 2018 and FY 2017:</u>

The Group's finance income for FY 2018 was €6,480 thousand, a decrease of €5,717 thousand, or 46.9%, compared to €12,197 thousand in FY 2017. This decrease was primarily due to the recognition in FY 2017 of the impact related to the discount of the ICMS on judicial deposits in Brazil, and partially offset by an increase in positive exchange gains and positive change in fair value of financial instruments in FY 2018.

Finance expenses

First semester 2019 and first semester 2018:

The Group's finance expenses for the first semester of 2019 were €116,889 thousand, an increase of €80,509 thousand, or 221.3%, compared to €36,380 thousand in the first semester of 2018. Excluding the impact of foreign exchange, finance expenses increased by 252.1%.

This increase is firstly due to the new application of IFRS 16 in 2019, which had a €35,344 thousand impact on the financial results (additionally there are €862 thousand related to financial leases existing prior to the implementation of IFRS 16). On top of that, the higher amounts of average financial net debt held during the period and its substantially higher cost translated into €16,512 thousand higher interest financial costs (from €20.7 million to €36.8 million).

The costs related to the refinancing process had an exceptional effect of €23,231 thousand 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.

Exchange losses increased in €1,356 thousand and other finance expenses increased in €4,600 thousand.

FY 2018 and FY 2017:

The Group's finance expenses for FY 2018 were €90,205 thousand, an increase of €24,518 thousand, or 37.3%, compared to €65,687 million in FY 2017. Excluding the impact of foreign exchange, finance expenses increased by 119.4% amounting to €78.4 million in FY 2018. This was principally due to the increase in debt volume during the year, a rise in interest costs, particularly in Argentina, where funding costs increased by more than 26bps compared to the same period last year and to the payment of fees to banking institutions in connection with the refinancing amounting to €11.9 million.

Gain from net monetary positions

First semester 2019 and first semester 2018:

This caption includes the positive financial effect on monetary positions of the qualification of Argentina as hyperinflationary economy, which amounted to €36,113 thousand as of June 30, 2019 compared to €17,771 as per June 2018. The majority of this amount is generated by trade payables.

FY 2018 and FY 2017:

Result from net monetary positions in FY 2018 comprises the financial impact on monetary assets due to inflation as a result of the qualification of Argentina as hyperinflationary economy, amounting to €67,505 thousand.

Profit/(Losses) of companies accounted for using the equity method

First semester 2019 and first semester 2018:

The Group's losses of companies accounted for using the equity method for the first semester of 2019 was a loss of €12,717 thousand, an increase of €12,621 thousand, compared to a loss of €96 thousand in the first semester of 2018. The increase is mainly due to the negative adjustment of €5,806 thousand for the assessment of the 50% investment already held in Finandia in 2018 (restated to its fair value back in 2018 generating a capital gain of €5,025 thousand at that time) and a negative adjustment of €6,708 thousand for the assessment of the additional 50% stake acquired in July 2019 following the exercise of a change-of-control put option applied by the other partner.

FY 2018 and FY 2017:

The Group's profit/(losses) of companies accounted for using the equity method for FY 2018 was a loss of €1,183 thousand, a decrease of €1,377 thousand, compared to a profit of €194 thousand in FY 2017.

Income Tax

First semester 2019 and first semester 2018:

The Group's income tax for the first semester of 2019 was an income of €5,448 thousand, an increase of €29,217 thousand, compared to €23,769 thousand expenses in the first semester of 2018 mainly related to the level of net losses registered in the period and the write off during year 2018 of deferred tax assets related to the restatement of FY2017 and FY2016 financial statements for an amount of €15,751 thousand.

FY 2018 and FY 2017:

The Group's income tax for FY 2018 was €186,924 thousand, an increase of €134,911 thousand, compared to €52,013 thousand in FY 2017. This increase was principally as a result of the impairment of €170,513 thousand of deferred tax assets recognized at December 31, 2017 in respect of assets for tax loss carryforwards. This impairment derived from analysis performed in Spain to evaluate the future recovery of such credits within the context of the business plan approved in January 2019. In addition, the Group in Spain has not recorded tax losses generated in 2018.

Losses net of taxes of discontinued operations

First semester 2019 and first semester 2018:

The Group has classified the assets and liabilities of its *Cash & Carry* business (*Max Descuento* stores) as held for sale in the statement of financial positions and as discontinued activities in the consolidated income since June 2018 and expects to finalise the sale or liquidation of this business during the second half of 2019.

The Group's losses net of taxes of discontinued operations (*Cash & Carry*) for the first semester of 2019 were €20,723 thousand, an increase of €12,697 thousand, compared to €8,026 thousand in the first semester of 2018. These losses include €10,571 thousand for costs related to the closure of stores and liquidation of stock, and an impairment of fix assets of €4,222 thousand.

Clarel business has been ceased to be considered as held for sale, so amounts at December 31 2018 has been restated to consolidate them as continued operations.

FY 2018 and FY 2017:

The Group's losses net of taxes of discontinued operations for FY 2018 were €53,719 thousand, an increase of €42,229 thousand, compared to €11,490 thousand in FY 2017.

This heading includes the results of operations of the Group's business in China up to the date of sale of such business (a loss of €5,729 thousand in FY 2018 and a loss of €10,819 thousand in FY 2017) as well as the gain on sale amounting to €7,731 thousand.

It also includes the results of operations of *Clarel* and *Cash & Carry* businesses amounting to a loss of €11,511 thousand and a loss of €6,538 thousand, respectively (a profit of €1,685 thousand and a loss of €2,356 thousand, respectively in FY 2017) and the adjustment of the carrying amount of the *Clarel* business assets to their fair value less selling cost amounting to €37,672 thousand. The decrease in the results of operations of the *Clarel* business in FY 2018 compared to FY 2017 is mainly due to the decrease in sales coupled with steady or increasing expenses.

EBITDA

First semester 2019 and first semester 2018:

The Group's EBITDA for the first semester of 2019 was €13,467 thousand, a decrease of €129,616 thousand, or 91%, compared to €143,083 thousand in the first semester of 2018. This decrease was principally as a result of the decrease in commercial margin of €185,550 thousand, partially compensated by a decrease in operating expenses, an increase in personnel expenses and in impairment of trade debtors as described above.

The following table sets out the Group's EBITDA by segment for the first semester of 2019 and 2018.

	First semester 2019	% of Total	First semester 2018	% of Total	Change
			(€ '000)		*(%)*
Spain	64,722	480.6%	109,007	76.2%	-40.6%
Portugal	15,607	115.9%	6,831	4.8%	128.5%
Argentina	(3,522)	-26.2%	(1,911)	-1.3%	84.3%
Brazil	(63,340)	-470.3%	29,156	20.4%	-317.2%
Total EBITDA	**13,467**	**100,00%**	**143,083**	**100,00%**	**-90.6%**

In the first half of 2019 the Company has updated the definition of Adjusted EBITDA to exclude the effect of IAS 29 (by adding back €18,101 thousand of negative impact on EBITDA to neutralize this effect as of June 30, 2019 and €14,541 thousand as of June 30, 2018) and IFRS 16 (by deducting €163,038 thousand as of June 30, 2019 to include rental expenses excluded from EBITDA due to the application of this standard).The company has also changed the calculation criteria to include as ordinary operational expenses or revenues – to be more conservative- those related to store remodeling and closings, long-term incentive programs (LTIP), and write-offs of account receivables related to franchisees.

The Group's Adjusted EBITDA for the first semester of 2019 was negative €55,639 thousand, a decrease of €261,606 thousand, or 127%, compared to €205,967 thousand in the first semester of 2018. Excluding the impact of foreign exchange, Adjusted EBITDA decreased by 126.6%. The decrease in Adjusted EBITDA during the first half 2019 result of the negative earnings impact related to the sales decline and to the exceptional one-off effects of €88,670 thousand. These exceptional one-off effects included are: (i) stock liquidation for an amount of €38.8 million, (ii) write off of accounts receivables for an amount of €27.8 million, (iii) legal provision for an amount of €9.1 million, (iv) dismissals for an amount of €6.8 million, (v) extra maintenance and other for an amount of €5.3 million, and (vi) other for a an amount of €1.0 million. For further information please see note 3- "*Information on operating segments"* in "Limited Reviewed H1 2019 Financial Statements".

Restructuring Costs which are excluded in the Adjusted EBITDA calculation ("**Other Cash Elements**") are: (i) the €43,586 thousand costs recognized mainly for the total estimated costs related to the Collective Dismissal approved in Spain and dismissals in other countries (€40,290 thousand in personel expenses and €3,296 thousand as Impairment of trade debtors), and (ii) the €12,606 thousand of exceptional one-off fees related to: financial and corporate advice, auditors, forensic services, legal advice, strategy consultants, and the preparation of the €600m capital increase presented at the Annual Shareholders' Meeting accounted for in operating expenses, and (iii) the €19,639 thousand related to committed lease payments and other costs related to the exceptional closing of stores and warehouses executed in the period (accounted for in operating expenses for €11,394 thousand, goods and other consumables for €418 thousand and impairment of trade debtors for €7,827 thousand). For additional information see note 3 "*Information on Operating Segments*" to the Limited Reviewed H1 2019 Financial Statements.

The initial application in 2019 of new IFRS 16 negatively impacted Adjusted EBITDA in €163,038 thousand to consider rental expenses back into Adjusted EBITDA (without restating 2018 for comparative purposes). IAS 29 application had a positive effect of €18,101 thousand in Adjusted EBITDA to neutralize the negative impact that the increase in Argentinian inflation had in EBITDA,

Adjusted EBITDA figure in Brazil for the period declined to €82,733 thousand highly impacted by sales decrease and one-off adjustments of €64,411 thousand related mainly to stock liquidation and accounts receivables write-offs associated to the defranchising process.

	First semester 2019	% of Total	First semester 2018	% of Total	Change
		(€ '000)			
Spain	18,064	-32.5%	149,559	72.6%	-87.9%
Portugal	3,233	-5.8%	12,894	6.3%	-74.9%
Argentina	5,797	-10.4%	14,033	6.8%	-58.7%
Brazil	(82,733)	148.7%	29,481	14.3%	-380.6%
Total	**(55,639)**	**100.0%**	**205,967**	**100.0%**	**-127.0%**

	June 2019	June 2018	Change (%)	Change
	(€ million)		*(%)*	*(%ex-FX%)*
Gross sales under banner	4,249.5	5,200.7	-18.3%	-6.9%
Net Sales	3,444.5	3,701.8	-7.0%	-0.5%
Adjusted EBITDA (ex one-offs)	33.2	205.9	-83.9%	
Operating Income (EBIT)	(315.0)	15.1		
Net attributable profit	(418.7)	(29.6)		

In H1 2019, Gross Sales Under Banner fell by 18.3% to €4,249,497 thousand (6.9% down ex-currency with a strong FX impact of -11.4%). Comparable (Like-for-Like) sales decreased 7.8% for the Group compared to -3.6% in the same period of 2018, showing a negative trend and the sharp deterioration during the period caused by the out-of-stock levels in our warehouses and stores resulting from the business disruption context described above.

Net attributable loss for the first half of the year amounted €418,675 thousand, compared to the €29,618 thousand 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 Group, which the Company expects will translate into visible positive effects on sales and profitability only in the medium to long-term, if at all, as explained further in this Prospectus. 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.

FY 2018 and FY 2017:

The Group's EBITDA for FY 2018 was €246,016 thousand, a decrease of €224,937 thousand, or 47.8%, compared to €470,953 thousand in FY 2017. This decrease was principally as a result of the decrease in commercial margin of €243,966 thousand, partially compensated by a decrease in personnel expenses-, an increase in operating expenses and in impairment of trade debtors as described above.

The following table sets out the Group's EBITDA by segment for FY 2018 and FY 2017.

	FY 2018	% of Total	Restated FY 2017(*)	% of Total	Change
			(€ '000)		*(%)*
Spain	169,055	68.7%	294,013	62.4%	-42.5%
Portugal	20,307	8.3%	40,493	8.6%	-49.9%
Argentina	5,658	2.3%	57,861	12.3%	-90.2%
Brazil	50,996	20.7%	78,586	16.7%	-35.1%
Total EBITDA	**246,016**	**100%**	**470,953**	**100%**	**-47.8%**

* EBITDA for FY 2017 has been presented on the basis of the presentation of the restated comparative figures for FY 17 included in the Audited 2018 Financial Statements due to the impact the correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "*Presentation of Financial and Other Information—Financial Information*" and in *"—Key Factors Affecting Comparability of Results"*.

Adjusted EBITDA

Adjusted EBITDA in first half 2019 amounted to negative €55,639 thousand, comparted to €205,967 thousand 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 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.

The following table sets out the Group's Adjusted EBITDA by segment for 1H 2019 and 1H 2018:

	June 2019	% of Total	June 2018	% of Total
Adjusted EBITDA				
Spain	18,064	*32.5%*	149,559	*72.6%*
Portugal	3,233	*5.8%*	12,894	*6.3%*
Argentina	5,797	*10.4%*	14,033	*6.8%*
Brazil	(82,733)	*-148.7%*	29,481	*14.3%*
Total Adjusted EBITDA	**(55,639)**	***100.0%***	**205,967**	***100.0%***

The Group's Adjusted EBITDA for FY 2018 was €337,890 thousand, a decrease of €180,602 thousand, or 34.8%, compared to €518,492 thousand in FY 2017. Excluding the impact of foreign exchange, Adjusted EBITDA decreased by 32.3%. Excluding the impacts of foreign currency, Adjusted EBITDA would have decreased by 20.4% to a total amount of €385.4 million. This decrease was principally as a result of an overall decrease in sales across the Group's store network, excluding Argentina.

The following table sets out the Group's Adjusted EBITDA by segment for FY 2018 and FY 2017:

	FY 2018	% of Total	Restated FY 2017(*)	% of Total
			(€ '000)	
Spain	250,992	74.3%	346,899	66.9%
Portugal	30,105	8.9%	42,203	8.1%
Argentina	2,761	0.8%	58,935	11.4%
Brazil	54,032	16.0%	70,455	13.6%

Total	**337,890**	**100%**	**518,492**	**100%**

* Adjusted EBITDA for FY 2017 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "Presentation of Financial and Other Information—Financial Information".

Spain

First semester 2019 and first semester 2018:

Adjusted EBITDA in Spain for the first semester of 2019 was €18,064 thousand, a decrease of €131,495 thousand, or 88%, compared to €149,559 thousand in the first semester of 2018. This decrease was principally due to a decrease of 580bps in margin, down to 0.9%, related to the sales decline and to the exceptional one-off effects (stock liquidation and accounts receivables write offs) of €18,348 thousand.

FY 2018 and FY 2017:

Adjusted EBITDA in Spain for FY 2018 was €250,992 thousand, a decrease of €95,907 thousand, or 27.6%, compared to €346,899 thousand in FY 2017. This was principally due to a decrease in the volume of sales and an increase in costs primarily related to an increase in personnel expenses resulting from an increase in the number of store employees and the conversion of 109 CO-FOs into CO-CO stores.

The Adjusted EBITDA impact relating to remodeling of stores was €13,471 thousand in FY 2018 and €10,934 thousand in FY 2017.

The Adjusted EBITDA impact relating to stores and warehouses closures was €18,110 thousand in FY 2018 and €29,984 thousand in FY 2017.

Portugal

First semester 2019 and first semester 2018:

Adjusted EBITDA in Portugal for the first semester of 2019 was €3,233 thousand, a decrease of €9,661 thousand, or 75.2% (a 310bps margin erosion to 1.1%), compared to €12,894 thousand in the first semester of 2018. This negative performance was related to the negative 3.9% Like-for-Like Sales and the contraction of the commercial space by 3.6%.

FY 2018 and FY 2017:

Adjusted EBITDA in Portugal for FY 2018 was €30,105 thousand, a decrease of €12,098 thousand, or 28.7%, compared to €42,203 thousand in FY 2017. This was principally as a result of a decrease in the volume of sales.

The Adjusted EBITDA impact relating to remodeling of stores was €1,928 thousand in FY 2018 and €2,790 thousand in FY 2017.

The Adjusted EBITDA impact relating to stores and warehouses closures was €8,735 thousand in FY 2018 and €1,306 thousand in FY 2017.

Argentina

First semester 2019 and first semester 2018:

Adjusted EBITDA in Argentina for the first semester of 2019 was €5,797 thousand (which includes a positive impact to neutralize IAS 29 application, a decrease of €8,236 thousand representing a decrease of 58.7% (-25.1% ex-currency), compared to €14,033 thousand in the first semester of 2018. This decrease reflects a 130bps decline in the Adjusted EBITDA margin to 1.2%.

After the application of IAS 29 the Adjusted EBITDA would be €12,308. *FY 2018 and FY 2017:*

Adjusted EBITDA in Argentina for FY 2018 was €2,761 thousand, a decrease of €56,174 thousand, or 95.3%, compared to €58,935 thousand in FY 2017. The impact from the application of IAS 29 on Adjusted EBITDA in Argentina was negative €36.3 million. Excluding the impact of foreign currency (negative €28 million), Adjusted EBITDA would have increased by 13.7% or €8.1 million as a result of an increase in the volume of sales and inflation.

The Adjusted EBITDA impact relating to remodeling of stores was €1,111 thousand in FY 2018 and €1,452 thousand in FY 2017.

The Adjusted EBITDA impact relating to stores and warehouses closures was nil in FY 2018 and €1,667 thousand in FY 2017.

Brazil

First semester 2019 and first semester 2018:

Adjusted EBITDA in Brazil for the first semester of 2019 was negative €82,733 thousand, a decrease of €112,214 thousand, or 381%, compared to €29,481 thousand in the first semester of 2018, strongly impacted by one-off effects related to stock liquidation and accounts receivables write-off adjustments. Excluding the impact of foreign exchange, Adjusted EBITDA in Brazil decreased by 394% highly impacted by one-off adjustments of €64,411 thousand related mainly to stock liquidation and accounts receivables write-offs associated to the defranchising process.

FY 2018 and FY 2017:

Adjusted EBITDA in Brazil for FY 2018 was €54,032 thousand, a decrease of €16,423 thousand, or 23.3%, compared to €70,455 thousand in FY 2017. Excluding the impact of foreign exchange, Adjusted EBITDA in Brazil decreased by 8.3%. This was principally as a result of an 8.1% decline in Like-for-Like sales, the conflicts and problems generated in our supply chain for approximately a two-month period following the transportation strike that took place in June 2018 and an increase in the cost of store leases.

The Adjusted EBITDA impact relating to remodeling of stores was €1,106 thousand in FY 2018 and €2,799 thousand in FY 2017.

There was no impact in the Adjusted EBITDA relating to stores and warehouses closures in FY 2018 and FY 2017.

Results of operations for FY 2017 and FY 2016

	Restated FY 2017(*)	**Restated FY 2016(*)**	**Change**
	(€ '000)		*(%)*
Sales	8,217,670	8,262,867	-0.5%
Other Income	153,075	123,402	24.0%
Total Income	**8,370,745**	**8,386,269**	**-0.2%**
Goods and other consumables used	(6,520,434)	(6,521,517)	0.0%
Personnel expenses	(743,470)	(780,145)	-4.7%
Operating expenses	(614,611)	(600,252)	2.4%

Depreciation and amortization	(223,719)	(217,787)	2.7%
Impairment of non-current assets	(12,053)	(12,701)	-5.1%
Impairment of trade debtors	(21,277)	(5,846)	264.0%
Losses on disposal of fixed assets	(17,214)	(10,437)	64.9%
Results from Operating Activities	**217,967**	**237,584**	**-8.3%**
Finance income	12,197	11,693	4.3%
Finance expenses	(65,687)	(61,783)	6.3%
Profit/(losses) of companies accounted for using the equity method	194	93	108.6%
(Losses)/Profit before Tax from Continuing Operations	**164,671**	**187,587**	**-12.2%**
Income Tax	(52,013)	(50,267)	3.5%
Profit/(Losses)/Profit after Tax from Continuing Operations	**112,658**	**137,320**	**-18.0%**
Losses net of taxes of discontinued operations	(11,490)	(8,546)	34.4
Net (Losses)/Profit	**101,168**	**128,774**	**-21.4%**

* The consolidated income statement data for FY 2017 and FY 2016 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "Presentation of Financial and Other Information—Financial Information".

Sales

The Group's sales for FY 2017 were €8,217,670 thousand, a decrease of €45,197 thousand, or 0.5%, compared to €8,262,867 thousand in FY 2016. Excluding the impact of foreign exchange, sales decreased by 0.7%. In addition to the negative impact of foreign exchange fluctuations in Brazil and Argentina, the decline in sales was primarily due to a 4.9% decrease in Like-for-Like Sales across the Group, particularly in Argentina and Brazil, which was partly offset by a 5.6% increase related to net opening of stores and inflation in Argentina.

The following table sets out the Group's sales by segments for FY 2017 and FY 2016.

	Restated FY 2017(*)	% of Total	Restated FY 2016(*)	% of Total	Change
					(%)
		(€ '000)			
Spain	4,441,889	54.1%	4,672,096	56.5%	-4.9%
Portugal	663,073	8.1%	669,297	8.1%	-0.9%
Argentina	1,391,644	16.9%	1,310,937	15.9%	6.2%
Brazil	1,721,064	20.9%	1,610,537	19.5%	6.9%
Total	**8,217,670**	**100%**	**8,262,867**	**100%**	**-0.5%**

* Sales for FY 2017 and FY 2016 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "Presentation of Financial and Other Information—Financial Information

Spain

Sales in Spain for FY 2017 were €4,441,889 thousand, a decrease of €230,207 thousand, or 4.9%, compared to €4,672,096 thousand in FY 2016. This was principally as a result of a 2.9% decline in Like-for-Like Sales and the net closure of 173 stores, which consisted chiefly of underperforming El Árbol and DIA stores in Spain.

Portugal

Sales in Portugal for FY 2017 were €663,073 thousand, a decrease of €6,224 thousand, or 0.9%, compared to €669,297 thousand in FY 2016. This was due to a 1.0% decline in like-for-like sales.

Argentina

Sales in Argentina for FY 2017 were €1,391,644 thousand, an increase of €80,707 thousand, or 6.2%, compared to €1,310,937 thousand in FY 2016. Excluding the impact of foreign exchange of negative 15% sales increased by 21.2%. This 21.2% increase was due to a 5.5% increase related to net store openings and a 23.5% increase related inflation, which was partly offset by a 7.8% decline in like-for-like sales.

Brazil

Sales in Brazil for FY 2017 were €1,721,064 thousand, an increase of €110,527 thousand, or 6.9%, compared to €1,610,537 thousand in FY 2016. Excluding the positive impact of foreign exchange, sales increased by 0.8%. The increase was primarily due to a 9.3% increase related to net store openings during FY 2017 and was partly offset by an 8.5% decline in like-for-like sales.

Other Income

The Group's other income for FY 2017 was €153,075 thousand, an increase of €29,673 thousand, or 24.0%, compared to €123,402 thousand in FY 2016. This increase was principally due to: (i) a €14.8 million increase in gains on the sale of fixed assets (53 sales and lease transactions in FY 2017 with a gain of €31.2 million versus 22 sales and lease transactions in FY 2016 with a gain of €16.5 million); (ii) a €4.5 million increase in revenue from lease agreements; and (iii) accrued income of €6.5 million derived from the negotiation of purchases of private label products from suppliers, which was recorded in FY 2017, as a result of the agreement with EROSKI for the creation of Red Libra Trading Services, S.L.

Goods and other consumables used

The Group's goods and other consumables used remained stable for FY 2017, amounting to €6,520,434 thousand compared to €6,521,517 thousand in FY 2016. As a percentage of sales, goods and other consumables used increased from 78.9% in FY 2016 to 79.3% in FY 2017. The increase was primarily due to a deterioration of commercial conditions resulting from the competitive environment of the Spanish market and unfavorable negotiation terms with suppliers.

The amount of goods and other consumables used relating to the remodeling of stores were €804 thousand in FY 2017 due to the shrinkage of products (with 772 renovations) and €565 thousand in FY 2016 (with 574 renovations).

The amount of goods and other consumables used relating to stores and warehouses closures were positive €7,775 thousand in FY 2017 due to the margin generated by these stores prior to closing ((with 216 closures) and €4,539 thousand in FY 2016 (with 129 closures).

The amount of goods and other consumables used relating to efficiency projects was €1,353 thousand in FY 2017 versus no costs in FY 2016.

Personnel expenses

The Group's personnel expenses for FY 2017 were €743,470 thousand, a decrease of €36,675 thousand, or 4.7%, compared to €780,145 thousand in FY 2016. As a percentage of sales, personnel expenses decreased from 9.4% in FY 2016 to 9.0% in FY 2017. Excluding the impact of foreign exchange, personnel expenses decreased by 3.5%. This decrease was principally as a result of the net closure of 143 CO-CO stores in Spain, and partially offset by the impact of inflation in Argentina and net store openings in Argentina and Brazil.

The amount of personnel expenses relating to remodeling of stores were €8,264 thousand in FY 2017 (772 renovations) and €10,775 thousand in FY 2016 (574 renovations). This amount includes the personnel expenses generated by the stores prior to their closing and severance expenses.

The amount of personnel expenses relating to stores and warehouses closures was €27,527 thousand in FY 2017 (216 closures) and €13,602 thousand in FY 2016 (129 closures).

The amount of personnel expenses relating to the transfer of own stores to franchise stores was €10,798 thousand in FY 2017 (414 transfers) and €26,037 thousand in FY 2016 (506 transfers).

The amount of personnel expenses relating to efficiency projects was €15,355 thousand in FY 2017 and €5,648 thousand in FY 2016, mainly related to severance expenses.

Operating expenses

The Group's operating expenses for FY 2017 were €614,611 thousand, an increase of €14,359 thousand, or 2.4%, compared to €600,252 thousand in FY 2016. As a percentage of sales, operating expenses increased from 7.3% in FY 2016 to 7.5% in FY 2017. Excluding the impact of foreign exchange, operating expenses increased by 3.5%. This was principally as a result of a 4.5% increase of rental property costs and 6.5% increase in other general expenses related to net store openings and inflation in Argentina and Brazil, and partially offset by a decline of 6.1% of utilities costs resulting from energy efficiency measures in Spain.

	Restated FY 2017(*)	Restated FY 2016(*)
	(€ '000)	
Repairs and maintenance	46,862	46,636
Utilities	79,889	85,107
Fees	21,863	21,109
Advertising	51,977	52,712
Taxes	22,082	21,340
Rentals, property	292,536	280,047
Rentals, equipment	5,994	5,619
Other general expenses	93,408	87,682
Total operating expenses	**614,611**	**600,252**

* Operating expenses for FY 2017 and FY 2016 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of correction of

irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in “Presentation of Financial and Other Information—Financial Information”.

The amount of operating expenses relating to remodeling of stores was €8,907 thousand in FY 2017 (772 renovations) and €4,402 thousand in FY 2016 (574 renovations).

The amount of operating expenses relating to stores and warehouses closures were positive €13,205 thousand in FY 2017 (216 closures) and €7,322 thousand in FY 2016 (129 closures).

The amount of operating expenses relating to efficiency projects was €6,222 thousand in FY 2017 and €2 thousand in FY 2016.

Depreciation and amortization

The Group’s depreciation and amortization for FY 2017 was €223,719 thousand, an increase of €5,932 thousand, or 2.7%, compared to €217,787 million in FY 2016, which is primarily due to the refurbishment process carried out in recent years.

Impairment of non-current assets

The Group’s impairment of non-current assets for FY 2017 was €12,053 thousand, a decrease of €648 thousand, or 5.1%, compared to €12,701 thousand in FY 2016.

Impairment on trade debtors

The Group’s impairment on trade debtors for FY 2017 were €21,277 thousand, an increase of €15,431 thousand, compared to €5,846 thousand in FY 2016. The impairment charge in FY 2017 was €21,277 thousand compared to €18,497 thousand in FY 2016. In FY 2016 there were also reversals of €12,651 thousand, as a result of the intensification of the collecting activity of trade receivables with suppliers in Spain.

The major part of the balance of trade receivables as of December 31, 2017 and 2016 is related with receivables with franchisees.

The amount of current trade receivables, which were past due over 30 days was €94 million as of December 31, 2017 and €71 million as of December 31, 2016 (of which €45 million as of December 31, 2017 and €39 million as of December 31, 2016 were provisioned).

Losses on disposal of fixed assets

The Group’s losses on disposal of fixed assets for FY 2017 were €17,214 thousand, an increase of €6,777 thousand, or 64.9%, compared to €10,437 thousand in FY 2016. Losses on disposal of fixed assets increased primarily due to the refurbishment and closure of stores in Spain.

The Group closed 216 CO-Cos and CO-FOs stores in FY 2017 and 129 CO-Cos and CO-FOs stores in FY 2016.

Finance income

The Group’s finance income for FY 2017 was €12,197 thousand, an increase of €504 thousand, or 4.3%, compared to €11,693 thousand in FY 2016. This increase was principally due to the recognition in FY 2017 of the impact related to the discount of the ICMS on judicial deposits in Brazil in the amount of €7.6 million. This was partially offset by: (i) a €3.7 million decrease in positive exchange gains; (ii) a €2.2 million decrease in interest on other loans and receivables; and (iii) a €1.0 million decrease in the change in other financial income.

Finance expenses

The Group’s finance expenses for FY 2017 were €65,687 thousand, an increase of €3,904 thousand, or 6.3%, compared to €61,783 thousand in FY 2016, primarily due to an increase in financing costs in Brazil related to the expansion of the Group’s store footprint in the country.

Profit/(Losses) of companies accounted for using the equity method

The Group's profit/(losses) of companies accounted for using the equity method for FY 2017 was €194 thousand, an increase of €101 thousand, compared to €93 thousand in FY 2016.

Income Tax

The Group's income tax for FY 2017 was €52,013 thousand, an increase of €1,746 thousand, or 3.5%, compared to €50,267 thousand in FY 2016.

Losses net of taxes of discontinued operations

The Group's losses net of taxes of discontinued operations for FY 2017 were €11,490 thousand, an increase of €2,944 thousand, or 34.4%, compared to €8,546 thousand in FY 2016. This loss includes the results of operations of the Group's business in China that amounted to a loss of €10,819 thousand in FY 2017 and a loss of €15,874 thousand in FY 2016, in addition to the results of operations of the Group's *Cash & Carry* business that amounted to a profit of €1,685 thousand and a loss of €2,356 thousand, respectively in FY 2017 and a profit of €5,909 thousand and a profit of €1,419 thousand, respectively in FY 2016.

EBITDA

The Group's EBITDA for FY 2017 was €470,953 thousand, a decrease of €7,556 thousand, or 1.6%, compared to €478,509 thousand in FY 2016. This decrease was principally as a result of the decrease in commercial margin of €14,441 thousand, partially compensated by a decrease in personnel expenses, an increase in operating expenses and in impairment of trade debtors as described above.

The following table sets out the Group's EBITDA by segment for FY 2017 and FY 2016.

	Restated FY 2017(*)	**% of Total**	**Restated FY 2016(*)**	**% of Total**	**Change**
					(%)
			(€ '000)		
Spain	294,013	62.4%	338,401	70.7%	(13.1)
Portugal	40,493	8.6%	39,322	8.2%	3.0
Argentina	57,861	12.3%	56,679	11.8%	2.1
Brazil	78,586	16.7%	44,107	9.2%	78.2
Total EBITDA	**470,953**	**100%**	**478,509**	**100%**	**(1.6)**

* EBITDA for FY 2017 and FY 2016 has been presented on the basis of the presentation of the restated comparative figures for FY 17 and FY 16 included in the Audited 2018 Financial Statements due to the impact the correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "*Presentation of Financial and Other Information—Financial Information*" and in *"—Key Factors Affecting Comparability of Results"*.

Adjusted EBITDA

The Group's Adjusted EBITDA for FY 2017 was €518,492 thousand, a decrease of €22,784 thousand, or 4.2%, compared to €541,276 thousand in FY 2016. Excluding the impact of foreign exchange, the decrease would have been 3.4%. This decrease was primarily as result of a significant decrease of Adjusted EBITDA in Spain and Portugal that was partly offset by an improvement in Brazil and Argentina at constant currency.

The following table sets out the Group's Adjusted EBITDA by segment for FY 2017 and FY 2016.

	Restated FY 2017(*)	% of Total	Restated FY 2016(*)	% of Total
	(€ '000)			
Spain	346,899	66.9%	387,054	71.5%
Portugal	42,203	8.1%	45,338	8.4%
Argentina	58,935	11.4%	59,067	10.9%
Brazil	70,455	13.6%	49,817	9.2%
Total	**518,492**	**100%**	**541,276**	**100%**

* Adjusted EBITDA for FY 2017 and FY 2016 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "Presentation of Financial and Other Information—Financial Information".

Spain

Adjusted EBITDA in Spain for FY 2017 was €346,899 thousand, a decrease of €40,155 thousand, or 10.4%, compared to €387,054 thousand in FY 2016. This was principally as a result of the decrease of net sales and the deterioration of commercial conditions resulting from the competitive environment of the Spanish market and unfavorable negotiation terms with suppliers.

The Adjusted EBITDA impact relating to remodeling of stores was €10,934 thousand in FY 2017 and €7,324 thousand in FY 2016.

The Adjusted EBITDA impact relating to stores and warehouses closures was €29,984 thousand in FY 2017 and €16,170 thousand in FY 2016.

Portugal

Adjusted EBITDA in Portugal for FY 2017 was €42,203 thousand, a decrease of €3,135 thousand, or 6.9%, compared to €45,338 thousand in FY 2016. This was principally as a result of a decrease in sales and a deterioration of macroeconomic conditions.

The Adjusted EBITDA impact relating to remodeling of stores was €2,790 thousand in FY 2017 and €2,773 thousand in FY 2016.

The Adjusted EBITDA impact relating to stores and warehouses closures was €1,306 thousand in FY 2017 and €215 thousand in FY 2016.

Argentina

Adjusted EBITDA in Argentina for FY 2017 was €58,935 thousand, a decrease of €132 thousand, or 0.2%, compared to €59,067 thousand in FY 2016. Excluding the impact of foreign exchange, Adjusted EBITDA in Argentina increased by 14.0% due to an increase in sales that exceeded the growth in costs driven by inflation.

The Adjusted EBITDA impact relating to remodeling of stores was €1,452 thousand in FY 2017 and €1,487 thousand in FY 2016.

The Adjusted EBITDA impact relating to stores and warehouses closures was €1,667 thousand in FY 2017 and €0 thousand in FY 2016.

Brazil

Adjusted EBITDA in Brazil for FY 2017 was €70,455 thousand, an increase of €20,638 thousand, or 41.4%, compared to €49,817 thousand in FY 2016. Excluding the impact of foreign exchange, Adjusted EBITDA in Brazil increased by 33.3%. This was principally as a result of a significant improvement in macroeconomic conditions in the country.

The Adjusted EBITDA impact relating to remodeling of stores was €2,799 thousand in FY 2017 and €4,158 thousand in FY 2016. There was no impact in the Adjusted EBITDA relating to stores and warehouses closures in FY2017 and FY 2016.

Liquidity and Capital Resources

The Group's liquidity requirements arise primarily from the need to fund its working capital requirements, and to a lesser degree, the Group's capital expenditures and ongoing debt service obligations. The Group's primary sources of liquidity are the cash flows generated from its operations and third-party debt and borrowings under its banking facilities. Following completion of the Offering, the Group believes that these items, together with the proceeds from the Offering and availability under the New Finance Arrangements will be sufficient to fund the Group's debt payments, interest payments, working capital needs and capital expenditures over the next twelve months. The Group may incur additional debt in the future, which may be secured.

Cash Flows

The following tables present primary components of the Group's cash flow for the first semester of 2019 and 2018.

	June 2019	June 2018
Net cash flows from/(used in) operating activities	**(21,475)**	**(228,511)**
Net cash flows from/(used in) investing activities	**(99,010)**	**(167,022)**
Net cash flows from/(used in) financing activities	**14,647**	**173,413**
Net changes in cash and cash equivalents	(105,838)	(222,120)
Net foreign exchange differences	(11,312)	57,734
Cash and cash equivalents at January 1	239,843	340,193
Cash and cash equivalents at June 30	122,693	175,807

Net cash flows from/(used in) operating activities

Net cash flows used in operating activities for the first semester of 2019 were negative €21,475 thousand, but represented an increase of €207,036 thousand, or 90.6%, compared to net cash flows from operating activities of negative €228,511 thousand in the first semester of 2018. This was mainly due to a major decrease in negative working capital as a result of a general decline in sales, the shorter payment period to suppliers during the last months linked to the liquidity constraint from the temporary cancellation of confirming lines from lenders that resulted in a reduced use of confirming lines in the first semester of 2019. First half 2019 net cash flow from operating activities does not include financial lease payments which are reclassified to net cash flow from financing activities due to IFRS 16 application during year 2019.

Net cash flows from /(used in) investing activities

Net cash flows used in investing activities for the first semester of 2019 were €99,010 thousand, a decrease of €68,012 thousand, or 41%, compared to €167,022 thousand in the first semester of 2018. This decrease was principally due to a decrease in capital expenditures related to store refurbishments undertaken during first half 2019 compared first half 2018.

Net cash flows from /(used in) financing activities

Net cash flows from financing activities for the first semester of 2019 were positive €14,647 thousand, a change of €158,766 thousand, or 92%, compared to net cash flows used in financing activities of €173,413 thousand in the first semester of 2018. This was mainly for the impact of €162,627 thousand for lease payments due to the change in criteria for IFRS 16. Interest payments increased to €73,300 thousand compared to €40,186 in the first half 2018 due to an increase in the amount of debt and related costs. The company used €244,358 thousand of additional financing (€26,840 thousand more than in first half 2018) which includes €128,500 thousand of the PPLs received from LetterOne.

Net changes in cash and cash equivalents resulted in €117,150 thousand during first half 2019, €47,236 thousand less than compared to €164,386 thousand of first half 2018.

The following tables present primary components of the Group's cash flow for FY's 2018, 2017 and 2016.

	FY 2018	**Restated FY 2017(*)**	**Restated FY 2016(*)**
		(€ '000)	
Net cash flows from/(used in) operating activities	(140,793)	370,899	826,584
Net cash flows from/(used in) investing activities	(258,656)	(233,618)	(331,278)
Net cash flows from/(used in) financing activities	225,143	(202,345)	(280,351)
Net changes in cash and cash equivalents	(174,306)	(65,064)	214,955
Net foreign exchange differences	67,633	48,314	(6,316)
Cash and cash equivalents at January 1	346,516	363,266	154,627
Cash and cash equivalents at December 31	239,843	346,516	363,266

* The consolidated statement of cash flow data for FY 2017 and FY 2016 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "*Presentation of Financial and Other Information—Financial Information*".

Net cash flows from/(used in) operating activities

Net cash flows used in operating activities for FY 2018 were negative €140,793 thousand, a decrease of €511,692 thousand, or -138.0%, compared to net cash flows from operating activities of €370,899 thousand in FY 2017. This was mainly due to a major decrease in negative working capital as a result of a general decline in sales, the shorter payment period to suppliers during the last months of the year linked to the liquidity constraint from the temporary cancellation of confirming lines from lenders that resulted in a reduced use of confirming lines in FY 2018.

Net cash flows from operating activities for FY 2017 were €370,899 thousand, a decrease of €455,685 thousand, or 55.1%, compared to €826,584 thousand in FY 2016. This was mainly due to a decrease in working capital, as a result of the decrease in trade and other payables and inventories and an increase in trade and other receivables.

Net cash flows from /(used in) investing activities

Net cash flows used in investing activities for FY 2018 were €258,656 thousand, an increase of €25,038 thousand, or 10.7%, compared to €233,618 thousand in FY 2017. This increase was principally due to an increase in capital expenditures related to store refurbishments undertaken during the period, the decrease in acquisition of financial instruments and the increase in cash flows from disposals of property, plant and equipment.

Net cash flows used in investing activities for FY 2017 were €233,618 thousand, a decrease of €97,660 thousand, or 29.5%, compared to €331,278 thousand in FY 2016. This was principally as a result of the decrease in capital expenditures incurred during the period and the increase in cash flows from disposals of property, plant and equipment.

Net cash flows from /(used in) financing activities

Net cash flows from financing activities for FY 2018 were €225,143 thousand, a change of €427,488 thousand, or 211.3%, compared to net cash flows used in financing activities of €202,345 thousand in FY 2017. This was principally as a result of the Group's use of all its financing lines in FY 2018 in connection with the refinancing process carried out during the year and the €33 million impact of discontinued operations.

Net cash flows used in financing activities for FY 2017 were €202,345 thousand, a decrease of €78,006 thousand, or 27.8%, compared to €280,351 thousand in FY 2016. This was principally as a result of the issuance of €300 million in bonds to pay off €200 million of debt in FY 2017.

Working Capital

The Group defines trade working capital as the sum of inventories and trade and other receivables, less trade and other payables. As is normal in the retail industry, the Group operates with negative working capital because its trade payables to suppliers exceed the Group's inventories as a result of low inventory days and minimal debtors.

In FY 2018, the Group's negative trade working capital decreased by 26.5%, (a 17.6% decrease at constant currency). The decrease of €258,837 thousand in FY 2018 is attributable to the combination of certain exceptional conditions including: (i) the decline in the Group's sales volume; (ii) a shorter-than-average payment period to suppliers in Spain during the last months of the year due to the Group's deteriorating financial condition; (iii) the sharp depreciation of the Argentine and Brazilian currencies against the euro, and (iv) a shorter-than-average payment period to suppliers in Argentina due to hyperinflation.

The following table sets out the Group's trade working capital for the first semester of 2019 and FY 2018, 2017 and 2016.

	First semester 2019	FY 2018	Restated FY 2017(*)	Restated FY 2016(*)
			(€ '000)	
Inventories	490,970	531,664	609,004	665,792

	First semester 2019	FY 2018	Restated FY 2017(*)	Restated FY 2016(*)
			(€ '000)	
Trade and other receivables	111,552	192,278	198,791	162,426
Trade and other payables	(1,180,100)	(1,442,496)	(1,785,186)	(1,920,597)
Trade working capital	**(577,578)**	**(718,554)**	**(977,391)**	**(1,092,379)**

* The consolidated data for FY 2017 and FY 2016 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "Presentation of Financial and Other Information—Financial Information".

From December 2018 to June 2019, DIA's negative Trade Working Capital improved by 12.2% to €577,578 thousand. This €140,976 thousand 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 early 2019.

The value of inventories declined by 7.7% versus December 2018, €531,664 thousand down to €490,970 thousand due to a more efficient management of stock in stores and distribution centers and the stock liquidation measures activated by the Company.

In FY 2018, the Group's inventories value decreased by €77,340 thousand or 12.7% (a 3% increase at constant currency implying a negative currency impact of 15.7%) to €531,664 thousand from €609,004 thousand in FY 2017. This decrease was mainly attributable to the discontinuation of operations for *Max Descuento*, which decreased the Group's inventory value by €11,024 thousand and the negative impact of the currency depreciation in Brazil and Argentina.

In FY 2018, the Group's trade and other receivables decreased by €6,513 thousand or 3.3% (a 5.3% increase at constant currency) to €192,278 thousand from €198,791 thousand in FY 2017. This decrease was mainly attributable to a decrease in both the Group's trade receivables with suppliers and franchisees.

The value of the Group's trade and other payables decreased by 19.2% in FY 2018 to €1,442,496 thousand from €1,785,186 thousand in FY 2017. Excluding the impact of foreign exchange, the decrease in trade and other payables would have been 8.0%. Faced with the Group's deteriorating financial condition in the last quarter of FY 2018, its lenders temporarily cancelled some of the Group's confirming lines, which forced the Group to accelerate its payment of trade and other payables. However, the Group's cancelled confirming lines were back in place as of December 31, 2018. As of December 31, 2018, the Group held confirming lines with limits of €218,231 thousand, of which €199,931 thousand had been utilized at those dates.

Trade and other receivables decreased by 42.0% compared to year-end 2018. This €80,726 thousand 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 the early part of 2019.

The value of Trade and other payables decreased by 18.2%, from €1,442,496 thousand to €1,180,100 thousand. This decline of €262,396 thousand 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 €44.321 thousand by the end of June 2019, having a material impact in the evolution of Trade Working Capital figures, which compares with €126,450 thousand at the end of 2018.

With regards to confirming, it stood at €188,578m at June 2019, with a limit of €192,317 thousand broadly in line with the level held by the Company at the end of 2018 (€199,931thousand).

Financial Debt

The Group's financial debt primarily comprises debentures and bonds, and borrowings with banks, in the form of syndicated revolving credit facilities, mortgage loans and other bank borrowings.

As of June 30, 2019, the Group had €2,507,227 thousand of total financial net debt or €1,817,887 thousand excluding the debt impact of the IFRS 16, of which €1,164,182 thousand are set to mature before June 30, 2020 (excluding net debt IFRS 16). As of June 30, 2019, the annual yield on borrowings was 4.20% and the total interest expenses on borrowings amounted to €36,791 thousand. Additionally, as of September 30, 2019, the Group had €2,556,657 thousand or €1,854,432 thousand excluding the debt impact of the IFRS 16, of which €592,005 thousand are set to mature before September 30, 2020 (excluding IFRS 16). As of September 30, 2019, the annual average yield on borrowings was 4%. Following the completion of the Offering (and the consequent capitalization of the PPLs), the financial debt maturing before September 30, 2020, will amount to €99,723 thousand.

The table below presents a breakdown of the Group's total borrowings as of the dates indicated below, as well as a reconciliation of total financial debt to net financial debt[69]:

[69] The consolidated data for FY 2017 and FY 2016 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "*Presentation of Financial and Other Information—Financial Information*".

	As at 30 September	As at 30 June	As at December 31		
	2019	2019	2018	Restated FY 2017 (*)	Restated FY 2016 (*)
				(€ '000)	
Debentures and bonds long term	592,286	591,661	590,410	892,570	794,652
Syndicate credits (Revolving credit facilities)	146,761	118,667	254,222	-	97,360
Syndicate credits (Term Loan)	377,269				
Mortgage loans	73	179	-	814	2,632
Other bank loans	62,583	7,500	15,000	30,842	126,351
Finance lease payables	495,099	485,348	19,801	26,229	31,305
Credit facilities drawn down	174,975	24,951	27,150	-	-
Guarantees and deposits received	11,049	11,628	12,102	11,148	9,469
Other non-current borrowings	459	439	385	342	504
Total non-current borrowings	**1,860,554**	**1,240,373**	**919,070**	**961,945**	**1,062,273**
Debentures and bonds long term	2,206	310,809	311,371	6,021	5,587
Mortgage loans	427	425	-	633	2,218
Other bank loans	59,515	127,077	119,092	209,283	61,819
Other financial liabilities	-	-	4,532	25,704	32,585
Finance lease payables	236,477	234,557	9,125	10,547	11,634
Syndicated credits (Revolving credit facilities)	3,153	351,798	124,350	-	-
Credit facilities drawn down	17,770	217,335	184,001	65,809	41,355
Expired Interests	2,104	-	7,241	132	520
Guarantees and deposits received	2,953	3,609	3,489	2,813	5,817
Liabilities derivatives	683	-	5,776	4,339	6,600
Other payables to group companies		-	513	-	-
Participative Loans	492,282	128,589	-	-	-
Other current borrowings	1,811	15,348	2,864	4,732	5,240
Total current borrowings	**819,381**	**1,389,547**	**772,354**	**330,013**	**173,375**
Total financial debt	**2,679,935**	**2,629,920**	**1,691,424**	**1,291,958**	**1,235,648**
Cash and cash equivalents	(123,278)	(122,693)	(239,843)	(346,516)	(363,266)
Net financial debt	**2,556,657**	**2,507,227**	**1,451,581**	**945,442**	**872,382**
Net financial debt excluding IFRS 16	**1,854,432**	**1,817,887**			
Adjusted EBITDA		(55,639)	337,890	518,492	541,276
EBITDA		13,467	246,016	470,953	478,509
Net financial debt excluding IFRS 16/EBITDA ratio (*)		**67.5x**	**5.9x**	**2.0x**	**1.8x**

(*) Annualized EBITDA as of June 2019 and September 2019

The leverage ratio as of June 30, 2019, is as follows:

	1H 2019	FY 2018	FY 2017 Restated	FY 2016 Restated
EBITDA	13	246	471	479
Net Financial Debt	1,818	1,452	946	872
NFD / EBITDA Ratio (*)	67.49x	5.90x	2.01x	1.82x

(*) NFD / EBITDA Ratio = As of June is considering an annualised EBITDA

As of June 30, 2019, the Group's total financial debt increased to up to €2,629,920 thousand, compared to the Group's total financial debt as of December 2018 (€1,691,424 thousand). The increase mainly corresponds to (i) €689,340 thousand for the application of the new accounting standard IFRS 16 (excluding from total finance lease payables of €719,905 thousand the amount of finance leases existing prior to the application of IFRS 16 for an amount of €30,575 thousand), (ii) €121,403 thousand due to an increase in the utilization of the Preexisting Finance Arrangements and Credit Lines, (iii) €128,589 thousand correspond to the PPLs received from its main shareholder, LetterOne. Therefore, net financial debt without IFRS 16 impact was €1,817,887 thousand comparing to €1,456,103 thousand in FY 2018, €361,784 thousand higher than at year-end 2018. This increase was primarily due to a decrease in the Group's negative working capital, mainly attributable to the shorter payment period to suppliers, a decline in the Group's Adjusted EBITDA, and the reduced volume of commercial financing available through factoring lines.

As of September 30, 2019, the Group's total financial debt increased to up to €2,679,935 thousand, compared to the Group's total financial debt as of June 30, 2019 (€2,629,920 thousand). The main differences mainly correspond to (i) the decrease of an amount of €310,286 thousand corresponding to the payment of the 2019 bond and its interests, (ii) the decrease of an amount of €12,479 thousand corresponding to the repayment of certain bank loans (iii) the increase of an amount of €363,693 thousand corresponding to a higher drawn down of the Participative Loans and its interests, and (iv) an increase in the utilization the New Finance Arrangements and Credit Lines for an amount of €7,177. Following the completion of the Offering, the Participative Loan will be capitalized.

Below is a summary of the Group's material financing arrangements as of June 30, 2019.

Debentures and Bonds

On June 30, 2019, the Company had outstanding notes in an aggregated amount of €905,700 issued under its 1,500,000 thousand Euro Medium Term Notes Program ("**EMTN Program**"), €305,700 thousand of which are set to mature in July 2019, €300,000 thousand in April 2021 and €300,000 in April 2023. The EMTN Program expired on December 14, 2018.

On July 22, 2019 the Company fully repaid the Euro Medium Term Notes amounting to €305,700 thousand with a coupon of 1.500% and a 5-year term which matured on that date, as well as payment of the fifth and final coupon for an amount of €4,586 thousand, thereby fully settling its payment obligations with regard to these bonds. As of the date of this Prospectus, the outstanding balance of the Bonds amounts to €591,661 thousand.

Finance Arrangements

On December 31, 2018, the Company signed a financing agreement with several national and international entities. AgenSynd, S.L. acted as agent. This financing, which was initially granted for an amount of €894,687 thousand, was divided into several tranches, based on the financial instrument, the amount and the entities providing the financing. These agreements were intended to provide access to short-term financing, enabling the Group to meet the working capital needs of the Company and part of the Group's subsidiaries. In addition, the agreement involved the cancellation of some credit facilities that were not drawn down. The maturity date was set as May 31, 2019, with the exception of some of the revolving credit facility tranches for which the maturity date was set in 2020 and 2022.

As a result of a financial institution joining the aforementioned financing agreement, in January 2019 several of the financing tranches were increased by €17,433 thousand.

On March 25, 2019 the Company signed an amendment to the aforementioned agreement with the same group of entities whereby certain tranches were redistributed. The total financing amount of €912,114 thousand remained the same, of which €6,500 thousand was granted to other Group companies.

On July 17, 2019, following the reporting date of the interim financial statements as of June 2019, the Company arranged the New Finance Arrangements for an amount of €973,219 thousand, of which €902,426 thousand correspond to the Preexisting Finance Arrangements and €70,793 thousand correspond to the Supplier Tranche. The New Finance Arrangements amended some of the financing terms and conditions in place to date. Therefore, the previous finance arrangements that were reported to the market as *Hechos Relevantes* during the negotiation of the New Finance Arrangements, were superseded. For further information see "*Description of Certain Financing Agreements*".

The New Finance Arrangements extend the maturity of all pre-existing tranches of the syndicated facilities (€902,426 thousand) until March 31, 2023. In addition to the existing amounts, this new financing includes binding agreements to obtain additional senior financing for a total amount of €280 million, including, amongst others, bilateral tranches with a maturity of one year and the option of a further two-year extension for an amount of €70,793 thousand (of which, €9,693 thousand corresponded to the Preexisting Finance Arrangements) for the Supplier Tranche. As of the date of this Prospectus, the Supplier Tranche has been drawn down. Furthermore, the Company may increase the commitments under the Supplier Tranche to an aggregate cap of €80,000,000 on total commitments under the Supplier Tranche. The applicable spread has been set at 2.5% (plus Euribor) for all existing tranches and amounts and at 5.5% for the additional Supplier Tranche.

Lastly, in addition to the Supplier Tranche arranged in the New Finance Arrangements entered into on July 17, 2019, the Company entered into the TL Tranche Commitment (as defined below), pursuant to which LetterOne (i) commits to provide (or otherwise procure the provision by other party/ies) of the term loan tranche in an aggregate principal amount of €200,000,000 ("**TL Tranche**") and (ii) undertakes (upon written request from the Company on one (1) Business Days' notice) to enter into and execute (and/or procure that one or more parties enters into and executes) a super senior facility agreement in respect of the TL Tranche in the form annexed to the TL Tranche Commitment Letter. The interest rate of the TL Tranche will be set at 7% per annum plus Euribor. As of the date of the Limited Reviewed H1 2019 Financial Statements and, as of the date of this Prospectus, the TL Tranche has still not been drawn down; although, as stated above, there is a binding agreement that guarantees the availability of the TL Tranche. In the event that LetterOne fails to comply with its commitment under the TL Tranche Commitment Letter, a drawstop event would occur on the roll over of the existing loans of the New Finance Arrangements (including the Supplier Tranche). As of the date of this Prospectus, the TL Tranche has not been granted by LetterOne nor entity procured thereby. For further information see "*Description of Certain Financing Agreements*".

The New Finance Arrangements contain some of the commitments and obligations included in the initial financing and also some additional ones, such as:

- Personal obligations (to do and not to do certain things) and the provision of information customary in this type of financing transaction in accordance with DIA's current rating.
- Not to distribute DIA dividends to shareholders without the agreement of the Lenders until the debt held with them has been repaid in full.
- To provide a new updated business plan for the Group no later than December 31, 2019.
- Financial Leverage Ratio: this ratio will be measured on June 30 and December 31 of each year, with the first measurement taking place on December 31, 2020. Deviation is set at up to 35% of the Restated Total Net Debt / Restated EBITDA ratio forecast in the future long-term business plan, according to the definition of these concepts in the syndicated financing, which are reflected below:
    - The Restated EBITDA means EBITDA (i) plus any gains or losses (as applicable) on the disposals of assets by any member of the Group and (ii) with addbacks and adjustments for (a) properly incurred restructuring costs and (b) permitted acquisition costs.
    - Restated Net Debt means the aggregate of the Group's non-current borrowings and current borrowings minus (a) the aggregate of the cash and cash equivalents at the end of the tested period and other financial assets excluding trapped cash and (b) the outstanding amount of any PPL.

  The Restated Total Net Debt will not include the impact of the IFRS 16 debt.
- Liquidity Ratio: a minimum of €30 million in cash and cash equivalents is fixed, excluding trapped cash, to be verified on December 31, 2019 for the following 12-month period up to December 31, 2020.
- Capital expenditure ratio and restructuring costs: from December 31, 2019 capital expenditure and restructuring costs may not exceed 12.5% and 20%, respectively, of the aggregate total of both items included in the updated business plan to be delivered in December 2019.
- From December 31, 2021 onwards, an annual cash sweep of excess free cash flow will be applied, with the first repayment, if applicable, from the second quarter of 2022 onwards, calculated on the

basis of 50% of available cash flow once the investment and restructuring costs provided for in the updated business plan have been fully paid. These amounts will be used to repay early and cancel any outstanding amounts in the following order: a) firstly, the Supplier Facility, b) secondly, any other New Financing Facilities (if required to do so under the terms of such New Financing Facilities), and c) thirdly, the financing agreement.

- At least 80% of the Group's cash must be held in bank accounts subject to guarantees securing the financing and held by Lenders (if applicable) providing cash deposit services in the jurisdiction in which the Group operates.

However, the New Finance Arrangements enables the Company not to repay the syndicated financing facilities with (a) the funds obtained from the divestment of *Max Descuento* (b) the funds obtained from the proposed capital increase of €600 million (c) any participating loan that LetterOne grants prior to the capital increase. Likewise, the Company is authorized to obtain additional financing of €400 million to refinance the 2021 bonds maturing in 2021, although DIA is not obliged to undertake this refinancing.

Similarly, the financing sets out certain guarantees, some of which have already been granted during the first few months of 2019, including:

- Personal guarantee from the parent, Twins Alimentación, S.A.U., Beauty By DIA, S.A.U., DIA E-shopping, S.L., Pe-Tra Servicios a la Distribución, S.L., Grupo El Árbol Distribución y Supermercados, S.A.U.
- Pledge on shares owned by DIA in Twins Alimentación, S.A.U., Beauty By DIA, S.A.U., DIA E-shopping, S.L., Grupo El Árbol Distribución y Supermercados, S.A.U., as well as on the shares owned by Twins Alimentación, S.A.U. in Pe-Tra Servicios a la Distribución, S.L.
- Pledge on shares owned by DIA in DIA Portugal Supermercados, Sociedade Unipersossoal, LDC.
- Pledge on shares owned by DIA and Pe-Tra Servicios a la Distribución S.L. in DIA Argentina, S.A.
- Pledge on receivables arising from financing contracts between Group companies granted by the Parent.
- Pledge on current accounts held by the Parent, Twins Alimentación, S.A.U., Beauty By DIA, S.A.U., DIA E-shopping, S.L., and Pe-Tra Servicios a la Distribución, S.L.
- Personal guarantee by DIA World Trade SA.
- Pledge on shares owned by DIA in DIA Brazil Sociedade Ltda. and DIA World Trade S.A.
- Second-ranking pledge on shares owned by DIA in DIA Portugal Supermercados, Sociedade Unipersossoal, LDC.
- Mortgage guarantees on certain real estate assets located in Spain and Portugal and guarantees on certain intellectual property rights registered in Spain and Portugal.

The Group has pledged almost 100% of its assets to secure its obligations under the New Finance Arrangements.

In addition, as part of the guarantees package imposed by the financing institutions on the Company in the New Finance Arrangements, the Group is obliged to implement a Hive Down, whereby (a) new companies and Company subsidiaries will be set up, (b) certain Company assets, liabilities and contracts will be transferred to certain subsidiaries indirectly held by DIA, and in particular, no later than December 31, 2019 (1) the securities and rights linked to certain specific commercial establishments of the Company representing at least 58% of the Spanish Group's Restricted EBITDA (EBITDA after adding back all amounts provided for depreciation, amortization and impairment), as well as the Company's real estate located in Spain, must be transferred to the Spanish operating subsidiary, and (2) to the extent to which it is viable from the legal, fiscal and regulatory perspective, the interests held by the Company in the Brazilian, Argentinean and Portuguese subsidiaries should be transferred to other subsidiaries, (c) the new Spanish operating subsidiary and the Spanish financing subsidiary will become additional borrowers under the New Finance Arrangements, and (d) the Company will issue new pledges on the shares of the new subsidiaries set up in the Hive Down, the Spanish operating subsidiary and the Spanish financing subsidiary.

This Hive Down has been approved by the General Shareholders' Meeting on August 30, 2019 and the Company undertook to have carried out the reorganization needed to achieve the corporate structure foreseen in the New Finance Arrangements no later than December 31, 2019.

Bonds with maturities in 2021 and 2023 will remain at the same current level of the Company, but the remaining assets and liabilities (as required under the New Finance Arrangements) will be distributed between Spain DebtCo and Spanish OpCo.

Furthermore, the Company has additional credit facilities that do not form part of the New Finance Arrangements. Below there is a chart including both the syndicated financing (corresponding to the New Finance Arrangements) and other credit lines facilities at June and September 30, 2019:

At 30 Sept 2019	Limit	Amount Used	Conf/Fact	Amount Available
Super Senior Supplier Facility (RCF)	**3,153**	**3,153**	**-**	**-**
Revolving Credit Facility (RCF)	**146,761**	**146,761**	**-**	**-**
Term Loan (TL)	**377,269**	**377,269**	**-**	**-**
Credit Facility - syndicated financiation	**233,357**	**166,676**	**13,603**	**53,079**
Loans	*13,500*	*1,679*	-	*11,821*
Loans may be balanced with confiming	*165,755*	*124,497*	-	*41,258*
Loans may be balanced reverse factoring	*54,102*	*40,499*	*13,603*	-
Confirming syndicated financiation	**212,674**	**-**	**206,968**	**5,706**
Corfiming	*145,034*	-	*142,898*	*2,136*
Super Senior Supplier	*67,640*	-	*64,070*	*3,570*
Total Syndicated Multiproduct Financiation	**973,214**	**693,858**	**220,570**	**58,785**
Credit Lines Facilities drawn (not included in syndicated credit	**26,070**	**26,070**	**-**	**-**

Within the New Finance Arrangements (amounting to €973,214 thousand), an amount of €693,858 thousand were used as of September 30, 2019, corresponding to (i) the Supplier Tranche for an amount of €3,153 thousand, (ii) the revolving credit facility for an amount of €146,761 thousand, (iii) the term loan for an amount of €377,269 thousand, and (iv) the credit facilities for an amount of €166,676 thousand.

At 30 June 2019	Limit	Amount used	Conf/Fact	Amount avaible
Revolving Credit Facility (RCF)	480,157	470,465	-	9,693
Credit Facility - syndicated financiation	286,922	191,666	44,247	51,009
Loans	13,500	4,416	-	9,084
Loans maybe balanced with confirming	165,766	124,207	-	41,559
Loans maybe balanced with reverse factoring	107,656	63,043	44,247	365
Confirming - syndicated financiation	145,034	-	144,561	473
Total Syndicated Multiproduct Financiation	912,113	662,131	188,808	61,174
Credit lines facilities drawn down (not included in syndicated credits)	50,620	50,620	-	-

Within the Preexisting Finance Arrangements (amounting to €912,113 thousand), an amount of €662,131 thousand were used as of June 30, 2019, corresponding to (i) the revolving credit facility for an amount of €470,465 thousand, and (ii) the credit facilities for an amount of €191,666 thousand.

At 31 December 2018	Limit	Amount used	Conf/Fact	Amount avaible
Revolving Credit Facility (RCF)	471,224	378,572	-	92,652
Credit Facility - syndicated financiation	278,422	152,275	80,505	45,642
Loans	5,000	-	-	5,000
Loans maybe balanced with confirming	165,766	125,124	-	40,642
Loans maybe balanced with reverse factoring	107,656	27,151	80,505	-
Confirming - syndicated financiation	145,034	-	140,398	4,636
Total Syndicated Multiproduct Financiation	894,680	530,847	220,903	142,930
Credit lines facilities drawn down (not included in syndicated credits)	90,994	60,501	-	30,493

Mortgage Loans and other bank borrowings

The Group maintains a diversified number of short and long-term loans with a large group of lenders across the various jurisdictions in which it operates. As of June 30, 2019, the Group had a total of €134,577 thousand in bank loans, of which €127,077 thousand of bank loans mature before June 2020 and €7,500 thousand mature between July 2020 and June2021 and also, the Group had €425 thousand mortgage loan maturing before June 2020and €179 thousand maturing between July 2020 and June 2021.

On July 17, 2019, all bilateral facilities granted by the Lenders or their affiliates (other than Lenders that have through an arm's length transaction at fair market value ceased to hold any economic interest in the New Finance Arrangements) to the Company or its subsidiaries have been amended so as to, amongst other things, extend the maturity dates under those facilities until a date falling no earlier than 2021, with the exception of a bilateral facility granted by Bankia, S.A. for an amount of €7 million which has been initially extended until May 2020 and certain bilateral facilities granted in Argentina by Banco Santander, S.A. and Banco Bilbao Vizcaya Argentaria, S.A. for a total amount of €2,354 thousand which have been extended on a six month rolling basis, whereby maturity dates will be automatically extended in the absence of an event of default, in all cases subject to an obligation on each lender to negotiate in good faith with respect to a further extension thereof.

As of June 30, 2019 the Group's total available financial debt amounted to €60,701 thousand (excluding confirming) and total financial debt drawn (without IFRS 16 debt) amounted €1,940,580 thousand, compared to €168,787 thousand of available financial debt (excluding confirming) over the previous year, and €1,691,424 thousand of total financial debt drawn as of December 31, 2018. As of September 30, 2019, the Group's total available financial debt amounted to €53,079 thousand (excluding confirming) and total financial debt drawn (without IFRS 16 debt) which amounted to €1,977,710 thousand.

Contractual Obligations

The following table summarizes information relating to the Group's contractual and other cash obligations as of June 30, 2019:

Contractual obligations as of June 2019	In 1 year	In 2 years	3-5 years	> 5 years	Total
			(€ thousand)		
Financial Debt	1.853.522	314.593	448.921	12.884	2.629.920
Guarantees	3.855	97	174	21.499	25.625
Expansion and commercial	4.519	2.270	21.197	48.183	76.169
Other	-	-	-	15.414	15.414
Total	**1.861.896**	**316.960**	**470.292**	**97.980**	**2.747.128**

(1) Expansion and commercial include primarily call and put options for properties, mainly warehouses, and obligations related to commercial operations and contracts, mainly with franchisees. These options are not mandatorily exercisable, although they can be voluntarily exercised. See "*Off-Balance Sheet Arrangements*".

(2) The Group's other commitments are related to cash guarantees connected with the lease of stores and other guarantees in Brazil and a guarantee granted by CDSI to the Company. See "*Off-Balance Sheet Arrangements*".

The following tables provides the maturities by year of the Group's financial debt as of June 30, 2019, following the entering into effect of the New Finance Arrangements (as of September 30, 2019) and following the completion of the Offering[70][71]:

As of June 30, 2019	**Total**	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**more than 5 years**
		Jul19 - Jun 20	***Jul20 - Jun 21***	***Jul21 - Jun 22***	***Jul22 - Jun 23***	***Jul23 - Jun 24***	***JuL 24- ....***
				(€'000000)			
Spain							
Debentures and Bonds	902.470	310.809	298.975		292.686		
Revolving Credit Facilities (RCF)	470.465	351.798		118.667			
Facility A (Revolving Credit Facility)	87.359	87.359					
Facility B (Revolving Credit Facility)	128.884	128.884					
Facility D (Revolving Credit Facility)	229.222	110.555		118.667			
Facility F (Revolving Credit Facility)	25.000	25.000					
Credit Facilities - Syndicated Financiation	191.665	166.714			24.951		
Facility C (Credit Line)	101.000	101.000					
Credit Lines	90.665	65.714			24.951		
Other bank Loans	22.490	14.990	7.500				
Mortgage loan	0.604	0.425	0.179				
Participative Loan	128.589	128.589					
Finance lease payables, Guarantees and others	54.788	21.863	7.676	5.760	4.541	2.202	12.746
Spain total	**1,771.071**	**995.188**	**314.330**	**124.427**	**322.178**	**2.202**	**12.746**
Credit Lines	50.620	50.621	0.000	0.000	0.000	0.000	0.000
Other bank Loans	112.087	112.087					
Finance lease payables, Guarantees and others	6.801	6.286	0.263	0.058	0.029	0.027	0.138
Countries	**169.508**	**168.994**	**0.263**	**0.058**	**0.029**	**0.027**	**0.138**
Total Financial Debt (excluding Debt IFRS 16)	**1,940.580**	**1,164.182**	**314.593**	**124.485**	**322.207**	**2.229**	**12.884**
Other Net Debt (IFRS16)	689.340	225.365	166.841	126.050	64.774	27.546	78.764
Total Financial Debt	**2,629.920**						

For the avoidance of doubt, the amounts corresponding to the "*Finance lease payables, guarantees and others*" and the "*Other Net Debt (IFRS16)*" include finance lease payables, guarantees and deposits received and non-current borrowings.

[70] The amounts corresponding to the account "Other Net Debt (IFRS 16)" (e.g. c. €689,340 thousand and 702,225 thousand as of June 30, 2019, and as of September 30, 2019, and post-offering, respectively), must be deducted from the total commitments for the calculation of financial ratios.

[71] Other Net Debt related to IFRS 16 is not included in the debt service total amounts since it does not represent a financial obligation with financial entities, it represents future lease payments to landlords. Note that for the calculation of financial ratios the IFRS 16 impact is excluded from the Net Financial Debt amount.

As of September 30, 2019	Total	1 year	2 years	3 years	4 years	5 years	more than 5 years
		Oct19 - Sep 20	*Oct20 - Sep 21*	*Oct21 - Sep 22*	*Oct22 - Sep 23*	*Oct23 - Sep 24*	*Oct 24- ....*
				(€'000000)			
Spain							
Debentures and Bonds	594.492	2.206	299.115		293.171		
Super Senior Supplier Facility (Revolving Credit Facility - RCF)	3.153	3.153					
Revolving Credit Facilities (RCF)	146.761				146.761		
Facility A (Revolving Credit Facility)	56.155				56.155		
Facility B (Revolving Credit Facility)	27.494				27.494		
Facility D (Revolving Credit Facility)	38.111				38.111		
Facility F (Revolving Credit Facility)	25.000				25.000		
Term Loan Facilities (TL)	377.269				377.269		
Facility A (Term Loan Facility)	31.204				31.204		
Facility B (Term Loan Facility)	101.389				101.389		
Facility D (Term Loan Facility)	244.676				244.676		
Credit Facilities - Syndicated Financiation	166.676				166.676		
Facility C (Credit Line)	101.000				101.000		
Credit Lines	65.676				65.676		
Other bank Loans	22.505	15.005	7.500				
Mortgage loan	0.500	0.427	0.073				
Participative Loan	492.282	492.282					
Finance lease payables, Guarantees and others	43.631	12.317	7.897	5.468	4.273	1.747	11.929
Spain total	**1,847.268**	**525.390**	**314.585**	**5.468**	**988.150**	**1.747**	**11.929**
Credit Lines	26.070	17.770	8.300	0.000	0.000	0.000	0.000
Other bank Loans	99.593	44.510	55.083				
Finance lease payables, Guarantees and others	4.779	4.335	0.213	0.034	0.032	0.034	0.131
Countries	**130.442**	**66.615**	**63.596**	**0.034**	**0.032**	**0.034**	**0.131**
Total Financial Debt (excluding Debt IFRS 16)	**1,977.710**	**592.005**	**378.181**	**5.502**	**988.182**	**1.781**	**12.060**
Other Net Debt (IFRS16)	702.225	227.376	170.787	132.900	70.382	26.280	74.500
Total Financial Debt	**2,679.935**						

The main changes arising after the execution of the New Finance Arrangements are the following:

(i) The payment at maturity of 2019 bond and its interest for an amount of €310.29 million;

(ii) The €490 million PPLs which were granted by LetterOne to repay the 2019 bond.

(iii) The new maturity of the facilities corresponding to the Preexisting Finance Arrangements (excluding the Supplier Tranche) (as amended and restated on July 17, 2019), which will be March, 2023; and the reallocation of certain tranches (maintaining the total amount of €902,426 thousand).

(iv) The granting of the Supplier Tranche, which is an additional facility of €70.1 million included in the New Finance Arrangements. Of the aforementioned €70.1 million amount, €3.2 million is granted as a Revolving Credit Facility and €67.6 million is granted as a Reverse Factoring Line.

Following completion of the Offering	Total	1 year	2 years	3 years	4 years	5 years	more than 5 years
		Oct19 - Sep 20	Oct20 - Sep 21	Oct21 - Sep 22	Oct22 - Sep 23	Oct23 - Sep 24	Oct 24- ....
				(€'000000)			
Spain							
Debentures and Bonds	594.492	2.206	299.115		293.171		
Super Senior Supplier Facility (Revolving Credit Facility - RCF)	3.153	3.153					
Revolving Credit Facilities (RCF)	146.761				146.761		
Facility A (Revolving Credit Facility)	56.155				56.155		
Facility B (Revolving Credit Facility)	27.494				27.494		
Facility D (Revolving Credit Facility)	38.111				38.111		
Facility F (Revolving Credit Facility)	25.000				25.000		
Term Loan Facilities (TL)	377.269				377.269		
Facility A (Term Loan Facility)	31.204				31.204		
Facility B (Term Loan Facility)	101.389				101.389		
Facility D (Term Loan Facility)	244.676				244.676		
Credit Facilities - Syndicated Financiation	166.676				166.676		
Facility C (Credit Line)	101.000				101.000		
Credit Lines	65.676				65.676		
Other bank Loans	22.505	15.005	7.500				
Mortgage loan	0.500	0.427	0.073				
Participative Loan	0.000						
Finance lease payables, Guarantees and others	43.631	12.317	7.897	5.468	4.273	1.747	11.929
Spain total	**1,354.986**	**33.108**	**314.585**	**5.468**	**988.150**	**1.747**	**11.929**
Credit Lines	26.070	17.770	8.300	0.000	0.000	0.000	0.000
Other bank Loans	99.593	44.510	55.083				
Finance lease payables, Guarantees and others	4.779	4.335	0.213	0.034	0.032	0.034	0.131
Countries	**130.442**	**66.615**	**63.596**	**0.034**	**0.032**	**0.034**	**0.131**
Total Financial Debt (excluding Debt IFRS 16)	**1,485.428**	**99.723**	**378.181**	**5.502**	**988.182**	**1.781**	**12.060**
Other Net Debt (IFRS16)	702.225	227.376	170.787	132.900	70.382	26.280	74.500
Total Financial Debt	**2,187.653**						

Following the completion of the Offering, the €490 million PPLs will be capitalized or repaid with proceeds from the Offering.

Capital Expenditures

The Group's capital expenditure consists primarily of openings, refurbishment, remodeling and maintenance activities related to the Group's store network. The following table presents the Group's capital expenditures for the periods indicated by segment.

	June 2019	June 2018
Spain	22,310	139,369
Portugal	1,601	11,179
Argentina	2,749	18,189
Brazil	14,144	24,070
Total Capital Expenditures	**40,804**	**192,807**

DIA sharply decreased its investment activity to €40,804 thousand (of which c.80% were related to on-going and maintenance investments), €152,003 thousand less than in the same period of 2018 (a decrease of 78.8%), which reflects the Group's tight control with respect to new investments.

Of the total amount invested during first half of 2019, €35,057 thousand corresponds to the registration of property plant and equipment (mainly related to technical installations, machinery and construction work), and €5,765 thousand to intangible assets related to development of IT applications.

The Company estimates a total capital expenditure amount for the second half of the year of between €80.0 and €100.0 million.The following table presents the Group's capital expenditures for the periods indicated by segment.

	FY 2018	Restated FY 2017(*)	Restated FY 2016(*)
		(€ '000)	
Spain	206,956	156,889	198,290
Portugal	20,191	24,441	27,484
Argentina	29,652	53,525	50,095
Brazil	58,479	90,861	64,335
China	0	850	5,159
Total Capital Expenditures	**315,278**	**326,566**	**345,363**

* The consolidated data for FY 2017 and FY 2016 has been presented on the basis of the presentation of the restated comparative figures for FY 2017 and FY 2016 included in the Audited 2018 Financial Statements due to the impact of correction of irregularities and errors, non-current assets held for sale and discontinued operations and change in reporting segments described in "Presentation of Financial and Other Information—Financial Information".

During FY 2018, the Group's capital expenditure was €315,278 thousand. Excluding the effect of currency fluctuations, this represents an increase of 11.9% compared to FY 2017. The increase in capital expenditure was primarily driven by the Group's remodeling and refurbishment activities in Spain and partially offset by a decline in the opening and on-going maintenance of the Group's stores across each of its business segments. During FY 2018, the Group opened 336 new stores and remodeled 1,140 stores, compared to 772 remodeled stores and 457 new stores in FY 2017 and 574 remodeled stores in FY 2016.

Off-Balance Sheet Arrangements

Other than the Group's commitment and contingent operations described below, the Group did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on the Group's financial position or results of operations.

Commitments and Contingent operations

Pledged commitments and contingencies

Commitments acquired by the Group as of (i) €181,147 thousand as of June 30, 2019, (ii) FY 2018 amount to €523,009 thousand as compared to (iii) €455,401 thousand as of FY 2017. The most significant commitments include:

	In 1 year	In 2 years	3-5 years	> 5 years	Total
			(€ thousand)		
Pledged as of June 30, 2019					
Guarantees	3,855	97	174	21,499	25,625
Cash	**3,855**	**97**	**174**	**21,499**	**25,625**
Purchase Options	-	-	7,986.0	25,827	33,813
Commitments related to commercial contracts	4,519.0	2,270.0	13,211.0	6,942	26,942
Other Commitmments	-	-	-	15,414.0	15,414.0
Transactions / properties / expansion	**4,519**	**2,270**	**21,197**	**48,183**	**76,169**
Total	**8,374**	**2,367**	**21,371**	**69,682**	**101,794**

The Group's cash guarantees mainly secure commitments connected with the lease of stores and warehouses and amount to €25,625 thousand as of June 30, 2019, compared to (i) €18,908 thousand as of FY 2018; and (ii) to €38,161 thousand as of FY 2017.

Purchase options include €33,813 thousand in H1 2019, €69,780 thousand in FY 2018, and €81,604 thousand in FY 2017), mainly for warehouses.

Commitments related to business contracts include commitments entered into with franchisees linked to compliance with certain services and payment obligations, applicable in the event of non-compliance by the franchisee with third party financing obligations (€26,942 thousand in H1 2019, €30,980 thousand in FY2018 and €26,215 thousand in FY 2017).

The Group's other commitments are related to cash guarantees connected with the lease of stores in Brazil and amounted to €15,414 thousand as of June 30, 2019, compared to €15,092 thousand as of FY 2018 and to €16,881 thousand as of FY 2017.

Property and lease contracts. Lease contract commitments are related to the future minimum payments under non-cancellable operating leases of premises amounted to (i) €4,826 thousand as of June 30, 2019, compared to (i) €281,757 thousand as of FY 2018; and (ii) €286,620 thousand as of FY 2017. As of June 30, 2019 it is only included the minimum lease payments related to lease contracts not included under IFRS 16 scope or those not provisioned as onerous contracts.

Furniture and equipment rental. The Group's obligations linked to furniture and equipment rental, such as vehicles, equipment, and cleaning contracts, amount to €4,227 thousand as of June 30, 2019, compared to (i) €7,281 thousand as of FY 2018; and (ii) to €3,143 thousand as of FY 2017.

Guarantees extended by DIA (the parent company of the Group).

In addition, DIA has extended guarantees with the Brazil subsidiary, details of which are as follows:

a. JP Morgan guarantee for a maximum amount of USD 32,500 thousand with maturity in July 2019, which has been renewed to January 2020.

b. Societè Generale guarantee for a maximum amount of €27,170 thousand with maturity in July 2019, which has been renewed to March 2021.

c. Societè Generale guarantee for a maximum amount of €13,585 thousand with maturity in August 2019, which has been renewed to March 2021.

In FY 2017 and FY 2016, there were also open credit facilities for customers in stores, which amounted to €79.6 million as of FY 2017and €79.1 million as of FY 2016. These credit facilities relate to limits granted originally to customers on payment cards, granted by the Group's financial services associated company, Finandia.

	In 1 year	**In 2 years**	**3-5 years**	**> 5 years**	**Total**
			(€ thousand)		
Received as of June 30, 2019					
Available Revolving Credit Facilities (RCF)................................	9,693.0	-	-	-	9,693.0
Available Credit Facilities	9,084.0	-	-	-	9,084.0
Available Loans may be balanced with reverse factoring..........	365.0	-	-	-	365.0
Available Loans muy be balanced with confirming	41,559.0	-	-	-	41,559.0
Available confirming lines...	473.0	-	-	-	473.0
Available confirming lines (not included in syndicated loans)..	3,265.0	-	-	-	3,265.0
Cash...	**64,439.0**	**-**	**-**	**-**	**64,439.0**
Guarantees received for commercial contracts	19,386.0	5,519.0	12,445.0	61,551.0	98,901.0
Other Commitmments...	550.0	-	84.0	201.0	835.0
Transactions / properties / expansion	**19,936**	**5,519**	**12,529**	**61,752**	**99,736**
Total	**84,375**	**5,519**	**12,529**	**61,752**	**164,175**

In order to cover future outflows of cash the Group received commitments amounting to €164,175 thousand as of June 30, 2019, €288,805 thousand as of FY 2018 compared to €1,125,146 thousand as of FY 2017 (€1,181,990 thousand as of FY 2016). These received commitments include the amounts of the revolving credit facilities, credit facilities and confirming lines, granted and unused, as described above (€64,439 thousand as of June 30, 2019, €187,087 thousand as of FY 2018, €1,014,777 thousand as of FY 2017 and €1,082,805 thousand as of FY 2016), and related to commercial operations and contracts, mainly with franchisees amounting to €101,718 thousand as of FY 2018 (€99,736 thousand as of June 30, 2019, €110,369 thousand as of FY 2017 and €99,185 thousand as of FY 2016) which are generally required to start the operations as a franchisee.

Quantitative and Qualitative Disclosure about Financial Risk

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

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

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

Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk, and cash flow interest rate risk. The Group's global risk management program focuses on uncertainty in the financial markets and aims to minimize potential adverse effects on the Group's profits. The Group uses derivatives to mitigate certain risk exposures, only when such exposure is considered material, which are related to the currency risks described below.

Risks are managed by the Group's Finance Department. This department identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units.

Currency risk

The Group operates internationally and is therefore exposed to currency risk when operating with foreign currencies, especially with regard to the US dollar. Currency risk is associated with future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

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

In 2018, 2017 and 2016 the Group performed no significant transactions in currencies other than the functional currency of each company. However, the Group had contracted exchange rate insurance policies for non-recurrent transactions in US dollars. The hedging transactions carried out in US dollars during FY 2018 amounted to US dollars 7,046 thousand (US dollars 7,529 thousand in FY 2017 and US dollars 6,552 thousand in FY 2016). This amount represented 68.68% of the transactions carried out in this currency in FY 2018 (68.76% in FY 2017 and 66.09% in FY 2016). At FY 2018, outstanding hedges in US dollars totaled US dollars 954 thousand (US dollars 1,809 thousand in FY 2017 and US dollars 1,803 thousand in FY 2016) and expired in April, 2019. Likewise, the hedging transactions carried out in US dollars during the first semester of 2019 amounted to US dollars 605 thousand. This amount represents 20.3% of the transactions carried out in this currency in the first semester of 2019. These transactions are not significant with respect to the Group's total volume of purchases.

The Group holds several investments in foreign operations, the net assets of which are exposed to currency risk. Currency risk affecting net assets of the Group's foreign operations in Argentine pesos, and Brazilian reals is mitigated primarily through borrowings in the corresponding foreign currencies.

The foreign exchange impact in the net losses/profit was positive €9,426 thousand in FY 2018 and €20 thousand in FY 2017.

In addition, the net impact of foreign exchange in the Group's consolidated equity position was:

(i) The positive movements due to currency translation differences amounted €27,383 thousand due to:

  (a) The effect totalling positive €45,178 thousand as a result of the cumulative translation adjustment of the Argentinian subsidiaries, which has been transferred to reserves.

  (b) The transfer to the consolidated income statement of the translation differences relating to the business in China, which was sold in August 2018, total positive €3,318 thousand.

  (c) The remaining negative amount of €21,113 thousand relates to the translation of the financial statements for the subsidiaries in Brazil, whose functional currency is not the euro.

(ii) The movement in Reserves related to the adjustment for hyperinflation in Argentina was positive €55,650 thousand, (in addition to the negative €45,178 thousand transferred to reserves as explained in (i) (a) above),as per the following breakdown:

  (a) Positive €78,385 thousand relating to the effect of the restatement of opening balances of subsidiaries in Argentina,

  (b) Positive €27,342 thousand relating to the effect of the restatement of non-monetary items in 2018,

  (c) Negative €50,047 thousand relating to the translation at the 2018 year-end exchange rate, published by Bank of Spain.

In the first six months of year 2019, the Group´s net sales decreased by 7.0% but only 0.5% in local currencies. This decrease reflected a 6.5% negative effect from the devaluation of the Argentine peso and Brazilian real over the period. In addition, the impact of currency translation differences in the Group´s consolidated equity position was positive €4,631 thousand for the period related to Brazil. In Argentina, under adoption of IAS29, the Group has chosen to recognize translation differences generated up to January 1, 2018 against reserves. No translation differences have been generated after this date. In addition, the Reserves were impacted in positive €8,112 thousand due to the adjustment for hyperinflation in Argentina. The translation differences included in other comprehensive income are significant due to the depreciation of the Argentine peso and the Brazilian real in FY 2018 and FY 2017. The variation that would have arisen in cumulative translation differences if the Brazilian real had presented an appreciation or depreciation of 10% would have been +/- 25.56%, respectively, in the consolidated equity of the Group. As of June 30, 2019, the variation would have been +/- 32.16%.

The variation that would have arisen in reserves if the Argentine peso had presented an appreciation or depreciation of 10% would have been +/- 16.76%, respectively. In FY 2017, had the exchange rates in the countries where the Group operates that use a currency other than the euro depreciated or appreciated by 10% the translation differences would have varied by +22.34% / -22.34%, respectively, in the consolidated equity of the Group. As of June 30, 2019, the variation would have been +/- 14.33%.

The Group's exposure to currency risk at December 31, 2018, 2017 and 2016 in respect of the balances outstanding in currencies other than the functional currency of each country is immaterial.

Variations of the exchange rates at December 31, 2018 and 2017 of the balances outstanding in currencies other than the functional currency of each country would not have significant impact in the Group's consolidated income statements.

Price risk

The Group is not significantly exposed to risk derived from the price of equity instruments, listed commodities or fresh products. Variations in price of fresh products are passed on to final customer.

Credit risk

Credit risk is the risk to which the Group is exposed if a client or counterparty of a financial instrument fails to comply with their contractual obligations and mainly stems from trade receivables and financial assets of the Group.

The Group has no significant credit risk concentrations. The risk of concentration is minimized through diversification, managing and combining various areas of impact. Firstly, the customer base is distributed geographically at the international level and secondly there are different types of customers such as franchisees and retailers.

The Group has policies to ensure that sales of products on a wholesale basis are made to customers with an adequate credit record. Retail customers pay in cash or by credit card. Derivative transactions are only arranged with financial institutions that have a high credit rating so as to mitigate credit risk. The Group has policies in place to limit the amount of risk held with respect to any financial institution.

The credit risk presented by the Group is attributable to the transactions it carries out with the majority of its franchisees and is mitigated through the bank and other guarantees received, which are described in note 21 to the Audited 2018 Financial Statements.

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

In the first of half 2019, FY 2018, FY 2017 and FY 2016, the Group entered into agreements to transfer supplier trade payables with and without recourse. The accrued cost of the transfer of these receivables amounted to €783 thousand in first half 2019 and €263 thousand in FY 2018 (€240 thousand in FY 2017 and €139 thousand in FY 2016).

The Group has taken out credit insurance policies to ensure the collectability of certain trade receivables for sales. The trade receivables covered by these policies totaled €3,448 thousand at June 30, 2019 and €4,332 thousand at December 31, 2018 (€4,855 thousand at December 31, 2017 and €6,037 thousand at December 31, 2016).

The returns on these financial assets totaled €876 thousand as of June 30, 2019 and €3,983 thousand in FY 2018 (€4,724 thousand in FY 2017 and €5,015 thousand in FY 2016).

The amount of doubtful and bad debt receivables was €73,789 thousand as of June 30, 2019 and €53,472 thousand as of December 31, 2018 (€48,779 thousand as of December 31, 2017 and €43,479 thousand as of December 31, 2016).

The Group's impairment policy is described in note 8 to the Audited 2018 Financial Statements.

Liquidity risk

The Group applies a policy to cover its liquidity risks, based on having sufficient cash and marketable securities as well as sufficient financing through credit facilities to settle market positions. Given the dynamic nature of its underlying business, the Group's finance department aims to be flexible with regard to financing through drawdowns on contracted credit facilities.

During FY 2018 and after publishing a Significant Event in October on the review of estimated results for the year and the restatement of the FY 2017 and FY 2016 consolidated annual accounts, there were a total of six downgrades of the Group's credit rating by rating agencies, consisting of three levels in the case of Moody's and Standard & Poor's, to finally reach Caa2 (under review) and CCC+ (negative outlook), respectively, as of January 2019.

On July 26, 2019, Standard and Poor's affirmed the Group's credit rating to CCC (negative outlook) and on July 24, 2019 Moody's confirmed the credit rating of the Group to Caa1 (negative outlook).

In order to mitigate the risk that reactions to the information and downgrades by the financial institutions with which the Group operates could have a potential relevant adverse impact on its liquidity profile, the Group closed a process of dialogue and negotiation with its main banks (the "**Group of Banks**"), with a dual purpose: (i) assure that they maintained their support for the Group by signing a formal agreement to maintain and restore the financing ceilings granted by the Group of Banks; and (ii) negotiate a new financing package that would allow the Group to assure coverage of its future working capital needs under the business plan.

On July 17, 2019, the Group entered into the New Finance Arrangements for a total borrowing capacity of €973,219,190 (including the Supplier Tranche) (with, among others, the Group of Banks). The entering into these new facilities entailed the refinancing of €902,426,478 (the remaining amount up to €912,113 thousand -corresponding to the Preexisting Finance Arrangements- was relocated as part of the Supplier Tranche) of the Group's Preexisting Finance Arrangements.

In addition, the Lenders of the New Finance Arrangements agreed to extend to the first quarter of 2021, the maturity dates of all the bilateral facilities granted to the foreign subsidiaries.

As explained in section "*Financial Debt*", on July 17, 2019 all bilateral facilities granted by the Lenders were amended, except for a bilateral facility granted by Bankia, S.A. for an amount of €7 million which has been initially extended until May 2020 and certain bilateral facilities granted in Argentina by Banco Santander, S.A. and Banco Bilbao Vizcaya Argentaria, S.A. for a total amount of €2,354 thousand which have been extended on a six month rolling basis, whereby maturity dates will be automatically extended in the absence of an event of default, in all cases subject to an obligation on each lender to negotiate in good faith with respect to a further extension thereof.

The combination of this new financing package and the capital increase are expected to allow the Group to assure coverage of working capital, considerably strengthening its liquidity profile. However, in the event that LetterOne does not comply with its commitments under the TL Tranche Commitment Letter, the Company could face a potential negative impact in its liquidity profile.

The Group's exposure to liquidity risk at June 30, 2019 is shown below. This table reflects the analysis of financial liabilities by residual contractual maturity dates:

(€'000)	**At June 30, 2019**	**At December 31, 2018**	**Maturity**
Debentures and bonds long-term..............	591,661	590,410	2021-2023
Syndicated credits (revolving credit facilities)...	118,667	254,222	2023
Other Bank Loans....................................	7,500	15,000	2020
Finance lease payables.............................	485,348	19,801	2020-2025
Credit facilities draw down......................	24,951	27,150	2023
Guarantees and deposits received	11,628	12,102	Per contract
Other non-current financial debt	439	385	2020-2021
Other non-current financial liabilities	179	2,291	2020-2021
Total Non-Current borrowings.............	**1,240,373**	**921,361**	
Other Non-Current financial	**205**	**2.291**	

(€'000)	**At June 30, 2019**	**At December 31, 2018**	**Maturity**
liabilities..			
Total Non-Current financial liabilities..	**1,240,578**	**923.652**	
Debentures and bonds..............................	310,809	311,371	2019-2020
Other Bank Loans....................................	127,077	119,092	2019-2020
Other financial liabilities..........................	-	4,532	2019-2020
Finance lease payables.............................	234,557	9,125	2019-2020
Syndicated credits (revolving credit facilities)..	351,798	124,350	2019-2020
Credit facilities draw down......................	217,335	184,001	2019-2020
Expired interests	-	7,241	2019-2020
Guarantees and deposits received	3,609	3,489	2019-2020
Derivatives...	-	5,776	2019-2020
Other debt with Group companies	-	513	2019-2020
Other financial debts................................	15,773	2,864	2019-2020
Participative Loan....................................	128,589	-	2019-2020
Total Current borrowings.....................	**1,389,547**	**772,354**	
Trade and other payables	1,180,100	1,442,496	2019
Total borrowings....................................	**3,810,225**	**3,138,502**	

Cash flow and fair value interest rate risks

The Group's interest rate risk arises from interest rate fluctuations that affect the finance cost of non-current borrowings issued at variable rates.

The Group contracts different interest rate hedges to mitigate its exposure, in accordance with its risk management policy. At June 30, 2019 and 2018 there were no outstanding derivatives contracted with external counterparties to hedge interest rate risk related to long-term financing.

As of June 30, 2019, fixed-rate debt as a percentage of the volume of average gross debt totaled 73%, compared with 84.25% on June 30, 2018.

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

A 0.5 percentage point rise in interest rates would have led to a variation in result after tax of €303.1 thousand (€111 thousand as of June 30, 2019 and €1,911 thousand as of June 30, 2018).

For additional information see Note 23 to the Limited Reviewed H1 2019 Financial Statements.

Critical Accounting Policies and Estimates

The preparation of consolidated annual accounts in accordance with IFRS and other provisions of the financial reporting framework applicable in Spain requires the application of significant accounting estimates, judgements and assumptions when applying the Group's accounting policies. There follows a summary of aspects that have entailed a greater degree of judgement or complexity, or in which the assumptions and estimates are relevant to the preparation of the consolidated annual accounts.

These estimates and judgements are evaluated continuously. They are based on past experience and other factors, including expectations of future events that could have a financial impact on the Group and are believed reasonable in the circumstances.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated annual accounts is related to the following:

- assessment of the potential impairment of non-financial assets subject to amortization or depreciation;
- assessment of potential goodwill impairment;
- assessment of the recoverability of deferred tax assets; and
- analysis of possible contingencies or liabilities relating to proceedings in progress.

Recent and Forthcoming Application of Accounting Standards

The Group has applied the following standards and interpretations for the first time in its consolidated annual accounts for the years commencing January 1, 2018 and January 1, 2019:

IFRS 15 Revenue from contracts with customers

In accordance with IFRS 15, revenue is recognized in an amount that reflects the consideration an entity expects to be entitled to receive for the transfer of goods or services to a customer when the customer obtains control of the goods or services supplied. The consideration stipulated in a contract with a customer may include fixed or variable amounts, or both. The amount of the consideration may vary due to discounts, refunds, reimbursements, credits, price reductions, incentives, performance bonuses, penalties or other similar items. A contingent consideration in the transaction price is only included when it is highly likely that the amount of ordinary income recognized is not subject to significant future reversals.

Although customers are entitled to return any article, this is not common practice in the Group's stores and has not had a material impact on the Group.

The standard requires an analysis to determine the timing of the transfer of control: at a point in time or over time.

The Group recognizes the revenue when the goods are handed over to customers in the stores or, in the case of sales to franchises, when the goods are delivered, so there are no sales giving rise to revenue recognized over time.

Loyalty program points are generally exchangeable in the same period the revenue accrues, so the Group recognizes them as a reduction in revenue at the transaction date.

The impact of the adoption of IFRS 15 on the Audited 2018 Financial Statements has been very limited.

IFRS 9 Financial instruments

Impairment of financial assets

The impairment model applies to financial assets at amortized cost, which include the item "*Trade and other receivables*".

The impairment model is based on a dual measurement approach whereby an impairment provision is posted based on expected losses for the following 12 months or based on lifetime expected losses quality following the criteria relating to the timing of payments. The shift from the first approach to the second is triggered by a significant worsening of credit quality.

For trade receivables, the Group applies the expected loss accounting policy calculated for each individual company based on the estimated percentage of bad debts in recent years with respect to historical sales.

In order to determine whether a financial asset's credit risk has increased significantly since initial recognition, or to estimate lifetime expected credit losses, the Group takes into consideration all reasonable, sustainable information that is relevant and available without a disproportionate effort or cost. This includes both quantitative and qualitative information, based on the historical credit loss experience of the Group or of other entities and on observable market information on credit risk affecting the specific financial instrument or similar financial instruments.

The Group applies the simplified approach permitted by IFRS 9, which requires losses expected over the life of the receivables to be recognized at the time they are initially recognized. As regards the new financial asset impairment calculation model based on lifetime expected credit losses, the Group has implemented this new method at January 1, 2018, no impact having been identified.

Although there have been a series of amendments to other standards such as IFRS 1, First - time adoption of International Reporting Standards and IAS 28, Investments in Associates and Joint Ventures, amendments to IFRS 2, Classification and measurement of share-based payment transactions, amendments to IAS 40, Transfers of investment property and amendments to IFRIC 22, Foreign currency transactions and advance consideration, their application has not had a material impact on the Audited 2018 Financial Statements.

The following forthcoming IFRS changes adopted by the Group on January 1, 2019 have had a material impact on the Group's consolidated annual accounts:

IFRS 9 (Amendment) Prepayment features with negative compensation

The terms of instruments with prepayment features with negative compensation, where the lender could be forced to accept a substantially lower prepayment amount than the amounts of principal and interest outstanding, were incompatible with the notion of "reasonable additional compensation" in the early termination of a contract under IFRS 9. Therefore, these instruments would not have contractual cash flows that are solely capital and interest payments, which required them to be accounted for at fair value through profit and loss. The amendment to IFRS 9 clarifies that a party can pay or receive additional compensation when a contract is terminated early, which could allow for these instruments to be measured at amortized cost or at fair value through changes in other comprehensive income. This amendment is effective for annual periods commencing on or after January 1, 2019.

The application of this amendment has not had a significant impact on these condensed consolidated interim financial statements.

IFRS 16 Leases

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

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

The adoption of IFRS 16 is mandatory for annual periods commencing from January 1, 2019. On January 1, 2019 the Group applied IFRS 16 for the first time, putting into place a process for implementation that would enable it to quantify the estimated impact of the new standard on the consolidated annual accounts for 2019.

The effect of applying this standard as of June 30, 2019 is as detailed:

(i) Profit and Loss Account: A positive impact of €163,038 thousand in Rentals which is offset with an increase in Depreciation and Amortization of €143,218 thousand (additionally there are €5,311 thousand related to financial leases existing prior to the implementation of IFRS 16) and a negative impact in Finance Expenses of €35,344 thousand (additionally there are €862 thousand related to financial leases existing prior to the implementation of IFRS 16). Other minor impacts amounted a positive impact of €5,542 thousand that implied a total effect in net profit before tax of negative €9,982 thousand.

(ii) Balance Sheet: It is recognized a right-of-use asset for an amount of €702,776 (of which €673,733 thousand correspond to the application of IFRS 16) and a lease liability for an amount of €719,905 thousand (of which €689,340 thousand correspond to the application of IFRS 16.)

For more detail, please see notes 2.2, 5.2 and 13.1.d of the Group's Limited Reviewed H1 2019 Financial Statements.

Finally, the Group's activities as lessor are not significant and the new standard does not bring in significant changes to lessor accounting, therefore the Group's Limited Reviewed H1 2019 Financial Statements have not been impacted significantly.

IFRIC 23 Uncertainty over Income Tax Treatments

The IFRS Interpretations Committee (IFRIC) issued IFRIC 23, which establishes how to record and measure current and deferred tax assets and liabilities where there is uncertainty regarding tax treatments. An uncertain tax treatment is any tax treatment applied by company where there is uncertainty as to whether this approach will be accepted by the tax authorities. The interpretation analyses:

(i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or as a whole, based on the approach that will best predict the resolution of the uncertainty.

(ii) that the company must assume that the tax authorities will examine the uncertain tax treatments and will have full knowledge of all related information, i.e. detection risk must be ignored.

(iii) that the company must show the effect of the uncertainty in its income tax accounting when it is unlikely that the tax authorities will accept the treatment.

(iv) that the impact of the uncertainty should be measured using the most likely amount method or the expected value method, depending on which one best predicts the resolution of the uncertainty, and that the judgements and estimates made must be reassessed whenever circumstances change or new information arises that could affect the judgements.

The interpretation is effective for all periods commencing on or after January 1, 2019. The Group has applied the standard for the first time on January 1, 2019 and it has not had an impact on the condensed interim consolidated financial accounts.

TAXATION

Spanish Tax Considerations

The following section is a general description of certain Spanish tax implications of the subscription, acquisition, ownership and disposition of the New Shares by Spanish and non-Spanish tax resident shareholders. The information provided below does not purport to be a complete summary of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in law and its interpretation and application.

This summary does not address all tax considerations that may be relevant to all categories of potential shareholders, some of whom may be subject to special rules. In particular, this tax section does not address the Spanish tax consequences applicable to "look-through" entities (such as trusts or estates) that may be subject to the tax regime applicable to such non-Spanish tax resident entities under the Spanish Non-Resident Income Tax Law, approved by Royal Legislative Decree 5/2004 of March 5, 2004, as amended (the "**NRIT Law**"). Furthermore, it does not cover all possible tax consequences applicable to all categories of shareholders, some of which (e.g., financial institutions, undertakings for collective investment in transferable securities, cooperatives, etc.) may be subject to special rules. Furthermore, this summary does not take into account the regional special tax regimes in force in the Basque Country and Navarre, or the regulations adopted by the Spanish Autonomous Regions.

The description of Spanish tax laws set forth below is based on law currently in effect in Spain as of the date of this Prospectus, and on the administrative interpretations thereof. As a result, this description is subject to any changes in such laws or interpretations occurring after the date hereof, including changes having retroactive effect.

Potential shareholders should consult their own tax advisors concerning the specific Spanish, state and local tax consequences of the subscription, acquisition, ownership and disposition of the New Shares in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

Spanish Tax Resident Individuals

Taxation of the Preferential Subscription Rights

Distributions to Spanish shareholders of the Preferential Subscription Rights to subscribe for New Shares made with respect to the Shares are not treated as income under Spanish law. The exercise of Preferential Subscription Rights is not considered a taxable event under Spanish law.

The proceeds derived by a Personal Income Tax ("**PIT**") taxpayer from a transfer of preferential subscription rights derived from shares admitted to trading on certain official stock exchanges (including the Spanish Stock Exchanges), such as the Shares, will be regarded as a capital gain and subject to the PIT corresponding to the period when the transfer takes place (in the manner described under "Taxation of capital gains" below). The amount received in the transfer of Preferential Subscription Rights will be subject to Spanish withholding tax on account of PIT (being the current rate of 19%), to be levied by the depositary entity (or, in its absence, by the corresponding financial intermediary or notary public that intervenes in the transfer).

Taxation of dividends

According to the Spanish Personal Income Tax Law (*Ley 35/2006, de 28 de noviembre, del Impuesto sobre la Renta de las Personas Físicas y de modificación parcial de las leyes de los Impuestos sobre Sociedades, sobre la Renta de no Residentes y sobre el Patrimonio*) ("**PIT Law**"), income received by a shareholder who is an individual resident in Spain in the form of dividends, shares in profits, consideration paid for attendance at shareholders' meetings, income from the creation or assignment of rights of use or enjoyment of shares and any other income received in his or her capacity as shareholder is subject to tax as capital income.

Gross capital income shall be reduced by any administration and custody expenses (not including those incurred in individualized portfolio management) and the net amount shall be included in the relevant Spanish resident shareholder's savings taxable base. PIT is levied on net capital income at a flat rate of 19% for the first €6,000, 21% between €6,000.01 and €50,000 and 23% for any amount in excess of €50,000. The payment to Spanish shareholders of dividends is subject to withholding tax on account of PIT, being the current rate of 19%. Such withholding tax is creditable from the PIT liability; if the amount of PIT withheld exceeds the amount of the PIT liability, the taxpayer is entitled to a refund of the excess withheld in accordance with the PIT Law.

Taxation of capital gains

Gains or losses generated by an individual who is resident in Spain as a result of the transfer of shares issued by a Spanish resident corporation qualify for the purposes of the PIT Law as capital gains or losses and, hence, are subject to taxation according to the general rules applicable to capital gains. The amount of capital gains or losses results from the difference between the shares' acquisition value (plus any fees or taxes incurred in the acquisition) and the transfer value, which is the listed value of the shares as of the transfer date or, if higher, the agreed transfer price, less any fees or taxes incurred in the transfer.

Where the taxpayer owns other equivalent securities, the acquisition price of the transferred shares is based on the principle that those acquired first are sold first (FIFO).

Capital gains or losses arising from the transfer of shares by an individual who is resident in Spain are included in such holder's capital income base corresponding to the period when the transfer takes place. Any gain resulting from the compensation rules applicable to such gains and losses is taxed at a flat rate of 19% for the first €6,000, 21% between €6,000.01 and €50,000 and 23% for any amount in excess of €50,000.

Capital gains realized in the transfer of shares are not subject to withholding tax on account of PIT. Losses arising from the transfer of shares admitted to trading on certain official stock exchanges will not be treated as capital losses if securities of the same kind (*valores homogéneos*) have been acquired during the period between two months before and two months after the date of the transfer which originated the loss. In these cases, the capital losses will be included in the PIT taxable base upon the transfer of the remaining shares of the taxpayer.

Taxation of share premium distributions

To the extent that the shares are admitted to listing and trading in a regulated market as defined in the EU regulations on markets in financial instruments (such as the Spanish Stock Exchanges), the distribution of share premium is not considered as a dividend, but the amount of share premium distributed will decrease the acquisition value of the Shares and any excess will be subject to PIT within the savings taxable base at the progressive rates mentioned above (19%, 21% and 23%). These amounts will not be subject to withholding tax.

Spanish Wealth Tax

Individual Spanish shareholders are subject to Spanish Wealth Tax on all their assets (such as the New Shares).

Spanish Wealth Tax Law as amended (*Ley 19/1991, de 6 de junio, del Impuesto sobre el Patrimonio*) provides that the first €700,000 of net wealth owned by an individual Spanish shareholder will be exempt from taxation, while the rest of the net wealth will be taxed at a rate ranging between 0.2% and 2.5%. However, this taxation may vary depending on the autonomous region of residency of the taxpayer. As such, prospective shareholders should consult their tax advisors.

A shareholder who is required to file a Wealth Tax return should value the shares at their average trading price in the last quarter of the year. Such average trading price is published on an annual basis by the Spanish Ministry of Finance and Public Administration.

In accordance with article 3 of Royal Decree-Law 27/2018 of December 28, as from year 2020, the full relief (*bonificación del 100%)* on Spanish Wealth Tax would apply, and therefore from year 2020 holders will be released from formal and filing obligations in relation to this Spanish Wealth Tax, unless the derogation of the exemptions is extended again (which cannot be ruled out).

Spanish Inheritance and Gift Tax

Individuals resident in Spain for tax purposes who acquire shares by inheritance or gift will be subject to the Spanish Inheritance and Gift Tax ("**IGT**") in accordance with the IGT Law (Law 29/1987, of December 18, related to Inheritance and Gifts) ("**IGT Law**"), without prejudice to the specific legislation applicable in each autonomous region. The applicable tax rate, after applying all relevant factors, ranges from 0% to 81.6% depending on the amount of the gift or inheritance, the net wealth of the heir or beneficiary of the gift, and the kinship with the deceased or the donor. Some tax benefits could reduce the effective tax rate.

Spanish Transfer Tax

The subscription, acquisition and transfer of the New Shares will be exempt from Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales*) and Value Added Tax. Additionally, no Stamp Duty is levied on such acquisitions and transfers.

Spanish Tax Corporate Resident Shareholders

Taxation of Preferential Subscription Rights

Distributions to Corporate Income Tax ("**CIT**") taxpayers of the Preferential Subscription Rights to subscribe for the New Shares made with respect to the Shares are not treated as income under Spanish law. The exercise of the Preferential Subscription Rights is not considered a taxable event under Spanish law.

However, if these the Preferential Subscription Rights are transferred by a CIT taxpayer, the accounting income that may arise from the transfer will be subject to the general CIT tax rate, currently of 25%. Shareholders who are CIT taxpayers must consult their tax advisors regarding the possibility to apply the Spanish participation exemption on this income.

Taxation of dividends

Dividends from a share of the Company's profits received by shareholder that is a Spanish resident corporation, as a consequence of the ownership of shares, less any expenses inherent to holding such shares, are included in the CIT base according to the Spanish Corporate Income Tax Law (Law 27/2014, of November 27, related to Corporate Tax) ("**CIT Law**"). The general CIT rate is currently 25%.

However, CIT taxpayers will be entitled to apply the Spanish participation exemption regime to dividends received from Spanish companies if certain requirements are met: (i) the CIT taxpayer holds a participation, directly or indirectly, of at least 5% of the relevant company (or the acquisition cost of its shares in that Spanish company exceeds €20 million) and (ii) provided such participation threshold is held throughout the year prior to the relevant distribution date (or it commits to hold the participation for the time needed to complete such one-year holding period).

In case that more than 70% of the revenue of the company making the dividend distribution derives from dividends and capital gains arising from transfers of shares, the application of the participation exemption is subject to particularly complex restrictions, substantially requiring that the shareholder holds an indirect participation of at least 5% in the share capital of that company's subsidiaries.

In addition, should the revenue of the company derive from foreign subsidiaries, these subsidiaries must be subject to and not exempt from an income tax similar to the Spanish CIT at a nominal rate of, at least, 10%. This minimum level of taxation is deemed to be met if the foreign subsidiary is resident in a country that has signed a tax treaty with Spain under certain circumstances.

Shareholders are urged to consult their tax advisors regarding compliance with the requirements for application of the aforesaid participation exemption.

As a general rule, dividends will be subject to withholding tax on account of the shareholder's final CIT at the current rate of 19%. However, as a general rule, no withholding tax will apply on dividends payable to a shareholder who is entitled to apply the Spanish participation exemption regime mentioned above (and evidence so to the company paying the dividend). If the amount of tax withheld on account of CIT exceeds the amount of the net CIT payable, the taxpayer will be entitled to a refund of the excess withheld in accordance with the CIT Law.

Taxation of capital gains

The gains arising on transfer of shares or from any other change in net worth relating to such shares are included in the tax base of CIT taxpayers; such gains are taxed generally at a rate of 25% (30% for credit institutions). As to losses resulting from the transfer of shares, the CIT deductibility of the losses may be subject to temporary or permanent restrictions (for instance, if the capital gains obtained on such transfer are entitled to benefit from the Spanish participation exemption regime, indicated below).

However, CIT taxpayers will be entitled to apply a participation exemption regime for capital gains arising on the transfer of Spanish companies shares if (i) the shareholding, directly or indirectly, amounts to at least 5% of the share capital of the company (or the acquisition cost of its shares in that Spanish company exceeds €20 million) provided (ii) such participation threshold is held throughout the year prior to the realization of the transfer.

In case that more than 70% of the revenues of the company whose shares are transferred derives from dividends and capital gains deriving from the transfer of shares, the application of the Spanish participation exemption is subject to particularly complex restrictions, substantially requiring that the shareholder holds an indirect participation of at least 5% in the share capital of that company's subsidiaries.

In addition, should the revenue of the company derive from foreign subsidiaries, these subsidiaries must be subject to and not exempt from an income tax similar to the Spanish CIT at a nominal rate of, at least, 10%. This minimum level of taxation is deemed to be met if the foreign subsidiary is resident in a country that has signed a tax treaty with Spain under certain circumstances.

Shareholders are urged to consult their tax advisors regarding compliance of the requirements for application of the aforesaid participation exemption.

Capital gains deriving from the disposal of shares are not subject to withholding tax on account of CIT.

Spanish Wealth Tax

Spanish resident corporations are not subject to Spanish Wealth Tax.

Spanish Inheritance and Gift Tax

In the event of acquisition of shares free of charge by a CIT taxpayer, the income generated for the latter will be taxed according to the CIT rules, the IGT not being applicable.

Spanish Transfer Tax

The subscription, acquisition and transfers of the New Shares will be exempt from Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales*) and Value Added Tax. Additionally, no Stamp Duty is levied on such acquisitions and transfers.

Shareholders Who are not Resident for Tax Purposes in Spain

Non-Spanish tax resident shareholders acting through a permanent establishment in Spain

Taxation of Preferential Subscription Rights

If the New Shares form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from Preferential Subscription Rights are the same as those set out for legal entities with tax residence in Spain described in the preceding section.

Taxation of dividends

Ownership of the New Shares by shareholders who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the New Shares form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such New Shares are the same as those set out for legal entities with tax residence in Spain described in the preceding section.

Taxation of capital gains

If the New Shares form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to capital gains deriving from such New Shares are the same as those set out for legal entities with tax residence in Spain described in the preceding section.

Non-Spanish tax resident shareholders not acting through a permanent establishment in Spain

Taxation of the Preferential Subscription Rights

Distributions to non-Spanish tax resident shareholders of the Preferential Subscription Rights to subscribe for the New Shares made with respect to the Shares are not treated as income under Spanish NRIT Law. The exercise of the Preferential Subscription Rights is not considered a taxable event under Spanish NRIT Law.

The proceeds derived from a transfer of the Preferential Subscription Rights by a Spanish Non-resident Income Tax ("**NRIT**") taxpayer (without permanent establishment in Spain) will be regarded as a capital gain and subject to Spanish NRIT in the manner described under "*Taxation of capital gains*" below.

Taxation of dividends

Dividends paid to non-Spanish tax resident shareholders not acting through a permanent establishment in Spain are subject to Spanish NRIT, at the general withholding tax rate of 19%. This taxation will not apply if the non-resident shareholder is exempt under the NRIT exemption implementing the EU Parent-Subsidiary Directive.

Under the EU Parent-Subsidiary Directive (Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States), no Spanish withholding taxes should be levied on the dividends distributed by a Spanish subsidiary to its EU parent company to the extent that the following requirements are met:

i) the EU parent company maintains a direct or indirect holding in the capital of the Spanish subsidiary of at least 5% or the acquisition cost of its shares in the Spanish subsidiary exceeds €20 million. The holding must have been maintained uninterruptedly during the year prior to the date on which the distributed profit is due or, failing that, be maintained for the time required to complete such period (in the latter case, the withholding tax must be levied, although it would be refundable once the year has been completed);

ii) the EU parent company is incorporated under the laws of a EU Member State, under one of the corporate forms listed in Annex I, Part A, of the EU Parent-Subsidiary Directive, and is subject to a Member State Corporate Income Tax (as listed in Annex I, Part B, of the EU Parent-Subsidiary Directive), without the possibility of being exempt; and

iii) the dividends distributed do not derive from the subsidiary's liquidation.

The aforesaid exemption will not be applicable if the dividend is obtained through a country or territory that is defined as a tax haven by Spanish regulations.

The aforesaid exemption will be applicable, subject to the compliance of similar requirements, to dividends distributed by a Spanish subsidiary to its European Economic Area ("**EEA**") parent company provided that there is an effective exchange of tax information with such EEA parent company's country.

However, in both cases, the exemption includes an anti-abuse provision by virtue of which the withholding tax exemption will not be applicable where the majority of the voting rights of the EU parent company are held directly or indirectly by individuals or entities not resident in the EU or the EEA with which there is a an effective exchange of tax information in the terms set forth in Law 36/2006 of November 29, except where the EU or EEA parent company proves that its incorporation and its operative responds to valid economic reasons and to substantive economic activities.

Shareholders tax resident in certain countries may be entitled to the benefits of a convention for the avoidance of double taxation ("**DTC**") in effect between Spain and their country of tax residence. Such shareholders may benefit from a reduced tax rate under an applicable DTC with Spain, subject to the satisfaction of any conditions specified in the relevant DTC, including providing evidence of the tax residence of the shareholder by means of a certificate of tax residence duly issued by the tax authorities of the country of tax residence of the shareholder or, as the case may be, the equivalent document specified in the Spanish Order which further supplements the applicable DTC.

According to the Order of the Ministry of Economy, Industry and Competiveness of April 13, 2000, upon distribution of a dividend, the Company or its paying agent will withhold an amount equal to the tax amount required to be withheld according to the general rules set forth above, transferring the resulting net amount to the depositary. For this purpose, the depositary is the financial institution with which the non-Spanish tax resident shareholder has ratified a contract of deposit or management with respect to the New Shares held by such shareholders. If the depositary of the non-Spanish tax resident shareholder is resident, domiciled or represented in Spain and it provides timely evidence of the non-Spanish tax resident shareholder's right to obtain the DTC-reduced rate or the exemption in the manner set out in the Order of the Ministry of Economy and Competitiveness of April 13, 2000, it will immediately receive the surplus amount withheld, which will be credited to the non-Spanish tax resident shareholder. For these purposes, the non-Spanish tax resident shareholder shall provide the applicable depositary with the relevant certificate of residence (or equivalent DTC form) stating that the non-Spanish tax resident shareholder is a resident of such country within the meaning of the DTC before the tenth day following the end of the month in which the dividends were paid. The tax certificate is generally valid only for a period of one year from the date of issuance and if it refers to a specific period is only valid for such period.

Spanish refund procedure

If this certificate of tax residence, or as the case may be, the equivalent document referred to above, is not provided within this time period or if the depositary of the non-Spanish tax resident shareholder is not resident, domiciled or represented in Spain, the non-Spanish tax resident shareholder may subsequently obtain a refund of the amount withheld in excess from the Spanish tax authorities, following the standard refund procedure established by the NRIT Regulation (Royal Decree 1776/2004 of July 30, 2004), and Order EHA/3316/2010, dated December 17, 2010, that approves forms 210, 211 and 213. To pursue the refund claim, the non-Spanish shareholder is required to file:

i) the corresponding Spanish Tax Form (currently, form 210);

ii) a valid certificate of tax residence issued by the relevant tax authorities of the shareholder's country of residence stating that the shareholder is a resident of such country (and, in case an exemption or reduction of NRIT is claimed pursuant to a DTC, such certificate must indicate that the relevant shareholder is a resident therein within the meaning of the relevant DTC) or, as the case may be, the equivalent DTC form;

iii) a certificate issued by the withholding agent stating that Spanish NRIT was withheld with respect to such non-Spanish tax resident shareholder; and

iv) documentary evidence of the bank account to which the excess amount withheld should be paid.

For the purposes of the Spanish Refund Procedure, a non-Spanish tax resident shareholder must file the Form 210 (together with the corresponding documentation) during the period from February 1 of the year following the year in which the NRIT was withheld, and ending on the expiration of the four-year period which commenced with the end of the corresponding filing period in which the Company reported and paid such withholding taxes. The Spanish Revenue Office must make the refund within the six months after the filing of the refund claim. If such period elapses without the non-Spanish tax resident shareholder receiving the refund, the non-Spanish tax resident shareholder is entitled to receive interest for late payment on the amount of the refund claimed.

For further details, prospective investors should consult their tax advisors.

Taxation of capital gains

Capital gains obtained by a non-Spanish tax resident shareholder as a consequence of transferring the New shares are subject to Spanish NRIT at the current tax rate of 19%. No withholding taxes are imposed on these capital gains. Capital gains and losses will be calculated separately for each transaction. It is not possible to offset losses against capital gains.

However, capital gains derived from shares are exempt from taxation in Spain in either of the following cases:

i) Capital gains derived from the transfer of shares on an official Spanish secondary stock market (such as the Spanish Stock Exchanges) by any shareholder who is not resident in Spain but in a country that has entered into a DTC with Spain containing an exchange of information clause. This exemption is not applicable to capital gains obtained by a non-Spanish tax resident shareholder through a country or territory that is defined as a tax haven by Spanish regulations.

ii) Capital gains obtained directly by any non-Spanish tax resident shareholder that is resident of another EU Member State or indirectly through a permanent establishment of such non-Spanish tax resident shareholder in a EU Member State other than Spain. This exemption is not applicable to capital gains obtained through a country or territory that is defined as a tax haven by Spanish regulations. Additionally, this exemption will not apply:

    a. if the assets of the company whose shares are transferred mainly consist of, directly or indirectly, Spanish real estate;

    b. if the non-resident transferor is an individual that at any time during the preceding twelve months has held a direct or indirect interest of at least 25% in the capital or net equity of the company whose shares are transferred; and

    c. if the non-resident transferor is an entity and the transfer of shares does not comply with the requirements to apply CIT participation exemption regime (see "*Taxation of capital gains- Spanish Corporate Resident Shareholders*").

iii) Capital gains realized by non-Spanish tax resident shareholders who benefit from a DTC that provides for taxation only in such non-Spanish tax resident shareholder's country of residence.

The non-Spanish tax resident shareholders must submit a Spanish Tax Form (currently, form 210) within the time periods set out in the applicable Spanish regulations to pay the corresponding tax or qualify for an exemption. In order for the exemptions mentioned above to apply, a non-Spanish tax resident shareholder must provide a certificate of tax residence issued by the tax authority of its country of residence (which, if applicable, must state that, to the best knowledge of such authority, the non-Spanish tax resident shareholder is resident of such country within the meaning of the relevant DTC) or equivalent document meeting the requirements of the Order which further develops the applicable DTC, together with the indicated Spanish tax form. The non-Spanish tax resident shareholder's tax representative in Spain and the depositary of the shares are also entitled to carry out such filing.

The certificate of tax residence mentioned above will be generally valid for a period of one year after its date of issuance.

Prospective shareholders should consult their own tax advisors to obtain detailed information regarding NRIT filings they may be required to make before the Spanish tax authorities.

Taxation of share premium distributions

A distribution of the share premium will not in itself constitute taxable income but will instead reduce the acquisition value of the Company's Shares to the extent that they are admitted to trading on certain official stock exchanges (including the Spanish Stock Exchanges). If the amount of the share premium received exceeds the acquisition value of the Company's Shares held by a non-resident shareholder, such excess would constitute financial taxable income subject to NRIT at a flat rate of 19%, unless otherwise provided by a DTC (although this income would not be subject to withholding tax in Spain).

Spanish Wealth Tax

Non-Spanish tax resident individuals are subject to the Spanish Wealth Tax on the assets located in Spain. Spanish Wealth Tax Law provides that the first €700,000 of assets owned in Spain by non-Spanish tax resident individuals will be exempt from taxation, while the rest of the wealth located in Spain will be taxed at a rate ranging between 0.2% and 2.5%.

Non-Spanish tax resident individuals who are resident in a Member State of the EU or the EEA are entitled to apply the legislation of the autonomous region of Spain where most of the value of the assets and rights in Spain of the relevant individual is located. Prospective investors should consult their tax advisors.

In accordance with article 3 of Royal Decree-Law 27/2018 of December 28, as from year 2020, the full relief (*bonificación del 100%*) on Spanish Wealth Tax would apply, and therefore from year 2020 holders will be released from formal and filing obligations in relation to this Spanish Wealth Tax, unless the derogation of the exemptions is extended again (which cannot be ruled out).

Non-Spanish tax resident entities are not subject to Spanish Wealth Tax.

Inheritance and gift tax

Unless otherwise provided under an applicable DTC, transfers of shares as a result of the death of the owner or by gift to non-Spanish tax resident individuals are subject to Spanish IGT if such shares are located in Spain at the time of death or gift. The applicable tax rate, after applying all relevant factors ranges from between 0% and 81.6% for individuals depending on the amount of the gift or inheritance, the net wealth of the heir or beneficiary of the gift, the kinship with the deceased or the donor and the qualification for tax benefits. Prospective shareholders should consult their tax advisors. Non-Spanish tax resident individuals (regardless the fact they are residents in a Member State of the EU or the EEA or not) are entitled to apply the legislation of the autonomous region of Spain where most of the value of the assets and rights to be acquired in Spain is located. Prospective investors should consult their tax advisors.

Gifts granted to non-Spanish tax resident corporations are not subject to IGT but are subject to NRIT as capital gains at a 19% tax rate on the fair market value of such shares as a capital gain. If the non-Spanish tax resident corporation receiving the gift is resident in a country with which Spain has entered into a DTC, the provisions of such DTC will apply. In general, DTC's provide for the taxation of this type of income in the country of residence of the beneficiary.

Spanish Transfer Tax

The subscription, acquisition and transfers of the New Shares will be exempt from Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales*) and Value Added Tax. Additionally, no Stamp Duty is levied on such acquisitions and transfers.

U.S. Taxation

The following is a discussion of certain U.S. federal income tax considerations to U.S. Holders (as defined below) of acquiring, holding, exercising, and disposing of the Preferential Subscription Rights, and the acquisition of New Shares pursuant to the exercise of the Preferential Subscription Rights, as well as the holding and disposition of such New Shares. The following discussion applies only to U.S. Holders that acquire Preferential Subscription Rights in the Offering, will hold Preferential Subscription Rights as capital assets for U.S. federal income tax purposes (generally, assets held for investment), will hold New Shares that they acquire by exercising those Preferential Subscription Rights as capital assets, and that are not residents of Spain for tax purposes nor hold their Preferential Subscription Rights or New Shares as part of a permanent establishment in Spain. The discussion also does not address any aspect of U.S. federal taxation other than U.S. federal income taxation, and it does not address U.S. state or local tax considerations, the Medicare tax on net investment income, or alternative minimum tax. In particular, this summary does not address all tax considerations applicable to investors that own (directly or by attribution) 10% or more of our stock by vote or value, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies certain U.S. expatriates, individual retirement accounts and other tax-deferred accounts, partnerships or other pass-through entities for U.S. federal income tax purposes, tax-exempt organizations, dealers in securities or currencies, securities traders that elect mark-to-market tax accounting, investors that will hold our Preferential Subscription Rights or New Shares as part of constructive sales, straddles, hedging, integrated or conversion transactions for U.S. federal income tax purposes or investors whose "functional currency" is not the U.S. dollar).

The following summary is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, U.S. Treasury Regulations thereunder, published rulings of the U.S. Internal Revenue Service, or the IRS, the treaty signed between the United States of America and the Kingdom of Spain for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, signed February 22, 1990, or the Treaty, and judicial and administrative interpretations thereof, in each case in effect and as available on the date of this prospectus. Changes to any of the foregoing, or changes in how any of these authorities are interpreted, may affect the tax consequences set out below, possibly retroactively. No ruling will be sought from the IRS with respect to any statement or conclusion in this discussion, and there can be no assurance that the IRS will not challenge such statement or conclusion in the following discussion or, if challenged, a court will uphold such statement or conclusion.

For purposes of the following summary, a "U.S. Holder" is a beneficial owner of Preferential Subscription Rights or New Shares, as applicable, that is for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States, (ii) a corporation or other entity treated as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more United States persons (as defined in the Code) have the authority to control all of the substantial decisions of such trust.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Preferential Subscription Rights or New Shares, the U.S. federal income tax consequences to the partners of such partnership will depend on the activities of the partnership and the status of the partners. A partnership considering participating in the Offering, or which will receive Preferential Subscription Rights, and partners in such partnership, should consult their own tax advisers about the consequences of the investment.

The Group does not expect to be a Passive Foreign Investment Company, or a PFIC, and the discussion under "*—Distributions by Us,*" "*Sale, exchange or other disposition of the Preferential Subscription Rights*" and "*—Proceeds from the Sale, Exchange or Retirement of our New Shares*" below assume the Group will not be a PFIC. See "*Passive Foreign Investment Company*" discussion below.

Payments in Currencies Other Than the U.S. Dollar

U.S. Holders should consult their own tax advisors about how to account for payments made or received in a currency other than the U.S. dollar, which may involve the recognition of "foreign currency gain or loss" for U.S. federal income tax purposes.

Prospective purchasers of New Shares should consult their own tax advisers with respect to the U.S. federal, state, local and non-U.S. tax consequences to them in their particular circumstances of acquiring, holding, and disposing of, New Shares.

Taxation of Preferential Subscription Rights

Receipt of Preferential Subscription Rights Issued in the Offering

Generally, a U.S. Holder should not be required to include any amount in income for U.S. federal income tax purposes as a result of the Offering. If, on the date Preferential Subscription Rights are issued, the fair market value of the Preferential Subscription Rights received by a U.S. Holder is less than 15 per cent of the fair market value of the existing Shares held by that U.S. Holder with respect to which such Preferential Subscription Rights are issued, the Preferential Subscription Rights will generally have a zero basis for U.S. federal income tax purposes. However, such U.S. Holder may affirmatively elect to allocate basis in proportion to the relative fair market value of such U.S. Holder's existing Shares and the Preferential Subscription Rights, determined on the date on which the Preferential Subscription Rights are issued. This election must be made in the tax return of the U.S. Holder for the taxable year in which the Preferential Subscription Rights are issued, and is irrevocable once made.

If, on the date Preferential Subscription Rights are issued, the fair market value of the Preferential Subscription Rights received by a U.S. Holder is at least 15 per cent of the fair market value of the existing Shares with respect to which the Preferential Subscription Rights are issued, then the basis in such U.S. Holder's existing shares must be allocated between such existing Shares and the Preferential Subscription Rights issued in proportion to their fair market values determined on the date the Preferential Subscription Rights are issued. The fair market value of the Preferential Subscription Rights on the date the Preferential Subscription Rights will be distributed is uncertain, and the Company has not obtained, and does not intend to obtain, an appraisal of the fair market value of the Preferential Subscription Rights on that date.

Sale, exchange or other disposition of the Preferential Subscription Rights

A U.S. Holder will recognize capital gain or loss on the sale, exchange or other disposition of Preferential Subscription Rights in an amount equal to the difference between such U.S. Holder's tax basis in the Preferential Subscription Rights and the U.S. dollar value of the amount realized (as determined for U.S. federal income tax purposes) from such sale, exchange or other disposition. For U.S. Holders who acquire their Preferential Subscription Rights with respect to existing Shares in the Offering, the U.S. Holder's holding period in the Preferential Subscription Rights should include its holding period in the existing Shares with respect to which the Preferential Subscription Rights were distributed. Capital gains of non-corporate U.S. Holders derived from capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to significant limitations.

Gain or loss recognized by a U.S. Holder on the sale, exchange or retirement of Preferential Subscription Rights will generally be U.S. source. If any taxes are withheld from such amounts but are eligible to be refunded, you will not be entitled to a foreign tax credit or deduction with respect to such taxes. If there are amounts withheld that are not eligible to be refunded, you still may not be able to claim a foreign tax credit with respect to such amounts unless you have excess foreign source income of the correct type from other sources because foreign tax credits generally cannot be used against U.S. source income. As the relevant rules are very complex (and the Treaty may affect these rules), you should consult your own tax advisor concerning the availability and utilization of the foreign tax credit or deductions for non-U.S. taxes in your particular circumstances.

Exercise of Preferential Subscription Rights and receipt of New Shares

A U.S. Holder will not recognize taxable income upon the receipt of New Shares pursuant to the exercise of Preferential Subscription Rights. Such a U.S. Holder will have a tax basis in the New Shares equal to the sum of the Subscription Price for the New Shares and the U.S. Holder's tax basis, if any, in the Preferential Subscription Rights. A U.S. Holder's holding period in the New Shares received upon exercise of the Preferential Subscription Rights generally will begin on the date the Preferential Subscription Rights are exercised.

Expiration of Preferential Subscription Rights

If a U.S. Holder who receives Preferential Subscription Rights with respect to existing shares in the Offering allows the Preferential Subscription Rights to expire without selling or exercising them (and such U.S. Holder does not receive any proceeds), such U.S. Holder should not recognize any loss upon the expiration of the Preferential Subscription Rights. In addition, such U.S. Holder's basis in its existing Shares will not be affected by the Offering or such U.S. Holder's decision to allow its Preferential Subscription Rights to expire.

Taxation of New Shares

Distributions by Us

The U.S. dollar value of distributions paid by us (including the amount of any taxes withheld) out of our earnings and profits, as determined under U.S. federal income tax principles, will be subject to tax as foreign source dividend income and will be includible in your gross income upon receipt. However, the Group does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Group with respect to the New Shares will constitute dividend income. Subject to applicable limitations, so long as its Shares are substantially and regularly traded on a Spanish stock exchange, the Group expects that dividends paid by it on its New Shares will be classified as "qualified dividend income" generally subject to tax at lower rates than other items of ordinary income when received by individuals and other non-corporate U.S. Holders. Dividends received on New Shares will not be eligible for the dividends received deduction allowed to corporations receiving dividends from U.S. corporations.

Subject to certain limitations, Spanish withholding tax, if any, imposed in connection with any distribution with respect to New Shares may be claimed as a credit against your U.S. federal income tax liability if you elect not to take a deduction for any non-U.S. income taxes for that taxable year; otherwise, such Spanish withholding tax may be taken as a deduction. If you are eligible for benefits under the Treaty or are otherwise entitled to a refund for the taxes withheld, you will not be entitled to a foreign tax credit or deduction for the amount of any Spanish taxes withheld in excess of the maximum rate under the Treaty or for the taxes with respect to which you can obtain a refund from the Spanish taxing authorities. As the relevant rules are very complex, you should consult your own tax advisor concerning the availability and utilization of the foreign tax credit or deductions for non-U.S. taxes in your particular circumstances.

Proceeds from the Sale, Exchange or Retirement of our New Shares

Upon the sale, exchange or retirement of the New Shares, a U.S. Holder will generally recognize U.S. source capital gain or loss equal to the difference, if any, between the U.S. dollar amount realized on the sale, exchange or retirement and the U.S. Holder's tax basis in such New Shares (generally their cost in U.S. dollars). Any gain or loss generally will be long-term capital gain or loss if such New Shares have been held for more than a year. Long-term capital gains are subject to tax at lower rates than other items of ordinary income when received by individuals and other non-corporate U.S. Holders. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a U.S. Holder on the sale, exchange or retirement of New Shares will generally be U.S. source. If any taxes are withheld from such amounts but are eligible to be refunded, you will not be entitled to a foreign tax credit or deduction with respect to such taxes. If there are amounts withheld that are not eligible to be refunded, you still may not be able to claim a foreign tax credit with respect to such amounts unless you have excess foreign source income of the correct type from other sources because foreign tax credits generally cannot be used against U.S. source income. As the relevant rules are very complex (and the Treaty may affect these rules), you should consult your own tax advisor concerning the availability and utilization of the foreign tax credit or deductions for non-U.S. taxes in your particular circumstances.

Passive Foreign Investment Company

In general, a non-U.S. corporation will be considered a PFIC for any taxable year in which either (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the stock of another corporation is treated as if it held its proportionate share of the assets of such other corporation and received directly its proportionate share of the income of such other corporation. For this purpose, passive income generally includes, among other items, dividends, interest, gains from certain commodities transactions, certain rents and royalties and gains from the disposition of passive assets.

Based on the nature of our business and the composition of our income and assets, the Group does not expect to be classified as a PFIC for the preceding taxable year, for the current taxable year or in the foreseeable future. However, PFIC status depends on facts that generally are not determinable until after the close of the taxable year. In addition, because our PFIC status depends upon the composition of our income and assets and the market value of our assets from time to time, there can be no assurance that the Group will not be classified as a PFIC for any particular taxable year.

If the Group was classified as a PFIC at any time during a U.S. Holder's holding period, such U.S. Holder could be subject to materially adverse tax consequences including being subject to greater amounts of tax on gains and certain distributions on or with respect to our Shares as well as additional tax reporting obligations. U.S. Holders should consult their tax advisors about the consequences if the Group is classified as a PFIC.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with distributions on the New Shares and the proceeds from the sale or other disposition of the New Shares unless a U.S. Holder establishes that it is exempt from the information reporting rules. A U.S. Holder may be subject to backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against its U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

U.S. Holders should consult their tax advisors about any additional reporting obligations that may apply as a result of the acquisition, ownership or disposition of the Preferential Subscription Rights or New Shares. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

REGULATORY FRAMEWORK

The Group is subject to the legal regulatory framework applicable in the different countries in which it operates. This section contains a summarized description of some of the legal provisions which apply to its business and activity as described in section "*Business Description*". With the exception of the activities carried out as a credit entity, which are developed on a residual basis in Spain, DIA and its subsidiaries do not operate in regulated sectors.

This section is not intended to be an exhaustive statement of the entire legal and regulatory framework applicable to the Group's different sectors of activity and does not dispense potential investors from consulting and taking into consideration the integral version of the legislation referred to herein, as well as other associated laws and regulations not mentioned below.

Spain

It is important to note that, despite the seemingly centralized nature of the Spanish nation, from an administrative standpoint, the Spanish territory is divided into 17 autonomous regions (*comunidades autónomas*) and two autonomous cities in Northern Africa, and more than 8,000 municipalities. There are three different levels of government: municipal (*local entities*), autonomous regions and the central government. These three territorial administrations have their own autonomous political bodies and have decision-making powers in various areas including internal trading, consumer rights protection, environmental or activity licenses and opening hours, among others.

As a result of the above, the legal framework will be affected and conditioned by different regulations that will depend on the autonomous region and municipality in which the Group's activity will take place.

Retail distribution

Law 7/1996, of January 15, on the organization of retail trade establishes the general legal framework for retail trade, and regulates certain special sales and commercial promotional activities ("**Law 7/1996**"). This law also establishes the basic principles of, among other things, freedom of enterprise, free movement of goods, freedom of establishment and freedom of prices.

Law 7/1996 was amended by Law 1/2010, of March 1, transposing Directive 2006/123/EC of the European Parliament and of the Council of December 12, 2006 on services in the internal market (the "**Services Directive**") which purpose was to facilitate the free establishment and exercise of retail distribution services, in their various commercial formats, ensuring that consumer needs are appropriately satisfied by way of deregulating the provision of services and eliminating charges on businesses.

Regarding freedom of establishment, as a result of transposition of the Services Directive, and also after the amendment of Law 7/1996 by Law 18/2014, of October 15, the authorization procedures of several commercial activities and, to a certain point, the access to those activities has been simplified and deregulated (establishing a principle of freedom of access to and exercise of the economic activities). Pursuant to Law 7/1996, Law 7/1985, of April 2, on the regime and organization of local administrations, and legislations of the autonomous regions permits remain required in certain situations.

Retail stores established prior to the transposition of the Services Directive must have the corresponding business permits on the terms of the rules in effect at the time of their establishment, later expansion, transfer and change of ownership, if any.

In addition, Law 12/2012, of December 26, on urgent measures for the liberalization of trade and certain services, as amended by Law 20/2013, of December 9, on the guarantee of market unity, establishes that for the initiation and development of commercial activities and services through permanent establishments, located in any part of the national territory, which useful surface of exhibition and sale to the public is not superior to 750 square meters, no license of activity, nor others of similar or analogous class which subject the exercise of the commercial activity (or of services) to its previous authorization will be required. In those cases, the signature and submission of an affidavit or previous written communication will suffice.

Notwithstanding the above, the autonomous regions and municipal's legislation may establish additional requirements or additional documentation to be submitted together with the affidavit or previous written communication, such as an environmental impact declaration in certain cases.

Consumer rights

As supplier of goods and service provider to the final consumer, the Group is subject to General Law for the Protection of Consumers and Users and other complementary laws, approved by Royal Legislative Decree 1/2007, of November 16, ("**Royal Legislative Decree 1/2007**"), as amended, which establishes the legal framework applicable to consumer protection, including provisions on the quality of goods and services, health and physical safety protection, information for consumption, prevention and reimbursement of possible damages, among others.

Additionally, Royal Legislative Decree 1/2007 regulates certain aspects of the sale of goods and related guarantees, set out in Directive 1999/44/CE of the European Parliament and of the Counsel, of May 25, as transposed, such as the conformity of the goods or services with the contract. In particular, the seller shall be liable to the consumer for any lack of conformity that exists when the goods are delivered and that become apparent within a period of two years. In case of nonconformity, the consumer is freely entitled to the repair of the goods or services, to their replacement, to a proper price reduction or even to the termination of the contract. Notwithstanding the above, the provisions of this regulation shall apply to the extent permitted by the nature of goods.

In what particularly concerns contracts negotiated away from business premises, the abovementioned legislation was amended by Law 3/2014, of March 27, which transposed into national law Directive 2011/83/UE of the European Parliament and of the Counsel, of October 25, 2011, on consumer rights, (the "**Law 3/2014**") determining that in distance contracts, meaning contracts negotiated away from business premises, not only consumers have to expressly consent on the conclusion of the contract, but they are also entitled to be provided with pre-contractual information on a durable medium and to freely terminate the contract within 14 days from the receipt of the goods or the conclusion of the services contract.

Directive 2013/11/EU of the European Parliament and Counsel, of May 21, 2013 on alternative dispute resolution for consumer disputes, as amended, was also transposed by the Law 3/2014, which establishes the legal framework for alternative dispute resolution mechanisms for consumer disputes, according to which suppliers of goods and service providers must inform consumers of the alternative dispute resolution entities to which they are bound, and indicate their website. This information shall be provided in a clear, comprehensible and easily accessible form on the supplier of goods or service provider's website, if existing, as well as in the contracts concluded with the consumer, if in written form or in case of standard form contracts, or in another durable medium, namely on a sign visibly posted in the stores, on the invoice delivered to the consumer, in an information leaflet, among others.

Prices

Regarding freedom of prices, Law 7/1996 indicates that the sales prices of articles are freely determined and generally offered as provided in the legislation in defense of free and fair competition, with the exceptions established in special laws ("**Law 7/1996**"). Notwithstanding the foregoing, the central government, after consulting with the affected sectors, may fix prices or margins on the marketing of certain products, and submit changes therein to control or prior governmental authorization, in the following cases:

(i) in the case of basic commodities (*productos de primera necesidad*) or strategic materials;

(ii) in the case of goods produced or marketed by a monopoly or by way of governmental concession;

(iii) as a measure complementary to policies regulating production or subsidies or other aid to specific undertakings or sectors; and

(iv) by way of exception, for so long as the circumstances making intervention advisable exist, when in a given sector there is no effective competition, there are serious obstacles to the functioning of the market or there is a shortage of supply.

As at the date hereof, the Spanish government has not adopted any of these measures in respect of the Group's business.

Notwithstanding the above, Law 7/1996 and Law 3/1991, of January 10, on unfair competition ("**Law 1/1991**") prohibit sale at a loss when it is considered to be unfair and unjustifiable consumer's discrimination with regard to the prices. Pursuant to Law 3/1991, selling at a loss can be "unfair" and therefore, is prohibited when: (a) it could potentially mislead consumers as to the price levels of other products or services; (b) the purpose of the sale at a loss is to discredit others' products or businesses; or (c) the sale at a loss forms part of an overall strategy to exclude competitors from the market.

Labelling

Regulation (EU) 1169/2011 of the European Parliament and of the Counsel, of October 25, as amended, on the provision of food information to consumers, establishes the general principles, requirements and responsibilities governing food information, and in particular the labeling of foodstuffs. It also establishes means to ensure consumer's right to information and procedures for the provision of food information, including their composition and nutritional characteristics. Also, Royal Decree 126/2015, of 27 February, contains the general regulation of (i) unpackaged food for sale to consumers and to groups, and of (ii) packaging used by retail traders in the sales premises.

In turn, Regulation (EC) 1272/2008 of the European Parliament and of the Counsel, of December 16, as amended, regulates the classification, labelling and packaging of substances and mixtures, envisioning human health and environment protection.

Product safety and quality

Royal Decree 1801/2003 of December 26, on general product safety as amended, which transposes into national law Directive 2001/95/CE of the European Parliament and of the Counsel, of December 3, on general product safety, requires products placed on the market to be safe and comply with the applicable standards.

Especially concerning food safety and quality, Regulation (EC) no. 178/2002 of the European Parliament and of the Counsel, of January 28, 2002, as amended, determines the principles and general rules of food legislation, establishing the European Food Safety Authority and laying down procedures in matters of food safety. The application of the abovementioned regulation was complemented by the approval of Law 17/2011, of July 5, as amended, on food safety and nutrition which establishes the obligation of approving a multiannual national control plan, in accordance with Regulation (EC) 882/2004 of the European Parliament and of the Council, of April 29, 2004, on official controls to ensure the verification of compliance with feed and food law, animal health and animal welfare laws.

In December 2015, Spain's third Plan, the "*2016–2020 National Plan for Official Control of the Food Chain*", (the "**National Plan**") was approved. This document describes the official control systems throughout the food chain in Spain, from primary production to points of sale to the end consumer. The National Plan also describes the official control actions of the different Spanish public administrations in their areas of responsibility.

As mentioned at the beginning of this section, due to the territorial division in Spain, the National Plan contains a section which is common to all competent authorities, describing the high-level objectives, the competent authorities involved in their execution and the common legal basis for this.

Regulations (EC) nos. 852/2004 and 853/2004 of the European Parliament and of the Counsel, of April 29, 2004, as amended, also establish rules on food hygiene in general, and specifically for food of animal origin, respectively. In what concerns national law, Royal Decree 640/2006, of May 26, and Royal Decree 639/2006, of May 26, which transpose in to national law Directive 2004/41/CE of the European Parliament and of the Counsel of April 21, also contain certain rules on the production and placing on the market of certain products of animal origin intended for human consumption.

Advertising

Law 34/1988, of November 11, General Advertising, and Law 3/1991, set forward general advertising principles such as legality, identifiability, and veracity.

In this sense, advertising which offends fundamental values, principles and institutions constitutionally established is prohibited, as well as hidden, concealed or misleading advertising. Advertising to medical treatments, medicines and certain alcoholic beverages is subject to some restrictions.

Furthermore, Law 44/2006, of December 29, on enhancing consumer and user protection and Law 29/2009, of December 30, amending the legal regime of unfair competition and advertising to improve consumer and user protection, as amended, establish the regime applicable to unfair business-to-consumer commercial practices, transposing into national law Directive 2005/29/EC, of the European Parliament and the Council, of May 11, on unfair business-to-consumer commercial practices in the internal market. Commercial practices which are inconsistent with professional conduct or substantially distort the consumer's economic behavior are prohibited, as well as misleading and aggressive commercial practices, either by action or by omission. Any contracts entered into under the influence of any unfair commercial practice are voidable or modifiable at the consumer's request, which is also entitled to compensation.

Alcohol

At the date hereof Spain has not approved a national law regulating the sale of alcoholic beverage in places open to the public, but the autonomous communities have approved its own regulation regarding this subject. At the present, all of the autonomous legislation is similar with regard to the prohibition of providing, selling or making available alcoholic beverages to minors (under the age of 18). In this regard, some Spanish municipalities have also established certain restrictions on the time when alcoholic beverages can be sold.

Cosmetics

Regulation (EC) 1223/2009 of the European Parliament and of the Council, of November 30, on cosmetic products, as amended, requires cosmetic products safety, labelling and compliance with certain testing restrictions. Royal Decree 85/2018, of February 23, contains complementary rules on the application of the abovementioned regulation.

Opening hours

Law 1/2004, of December 21, of opening hours establishes the freedom to determine the days and hours of commercial activity for traders, according to the provisions set out by the autonomous regions dispositions. In this regard, the autonomous regions may establish the maximum weekly opening and closing hours of establishments for all working days, increasing it above 90 hours. After the approval of Royal Decree Law 20/2012, in the event that the autonomous communities decide not to make use of this option, it shall be understood that traders are free to determine the opening hours of their establishments.

As a result of the above, there are substantial differences in the legislation of the various autonomous regions so the opening hours of the Group's stores vary depending on the localization of each store.

Personal data

As data controller and data processor of personal data, the Group is subject to Regulation (EU) 2016/679 of the European Parliament and of the Council, of April 27, 2016, on protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "**GDPR**"), according to which the Group shall comply with some obligations, such as (i) to meet a legal basis for processing the data, (ii) to inform data subjects about the processing of their personal data, (iii) to manage data subjects' rights requests, (iv) to maintain a record of processing activities, (v) to implement mandatory security measures, (vi) to notify data breaches, (vii) to execute data processing clauses with data processors (i.e. service providers), (viii) to adopt additional safeguards if international data transfers are going to be carried out, and (ix) to plan retention periods for the processed data.

It is also subject to Basic Law 3/2018, of December 5, of personal data protection and digital rights safeguards (*Ley Orgánica 3/2018, de 5 de diciembre, de Protección de Datos Personales y garantía de los derechos digitales*) which (i) harmonizes Spanish law with the provisions of the GDPR, (ii) provides specific regulation in matters not expressly included in the GDPR, and (iii) includes new rights to the citizens in relation to the use of new technologies (i.e. digital rights) (e.g. the right to disconnect from work).

Online services

In this regard, being the Group holder of an e-commerce platform, it is also subject to Law 34/2002 of July 11, on information society and electronic commerce services, as amended, which transposed into national law Directive 2000/31/CE of the European Parliament and of the Counsel, of May 25, on certain legal aspects of information society services, in particular, electronic commerce, e-marketing activities, and the use of cookies in websites. Regarding e-marketing activities, these regulations set -as a general rule- that the prior consent should be obtained before sending marketing communications. In addition, Law 34/2002 sets out rules about the place where e-commerce transactions are considered to have taken place.

In relation with e-commerce activities, the Group is also subject to Royal Decree-law 12/2018, of September 7, on security of networks and information systems, which sets out some obligations in regard to cybersecurity of the Group's information systems.

Franchised commercial activity

Regarding the franchised stores, the Group is subject to Royal Decree 201/2010, of February, regulating the exercise of franchised commercial activity and the communication of data to the register of franchisors which regulates the assignment of franchises and the operation and organization of franchisors' registry, as well as any other applicable regional and local regulations on this subject.

Our franchise agreements are also subject to European and Spanish antitrust laws and regulations. In particular, the Law 15/2007, of July 3, of Competition Defense and to Article 101 of the Treaty on the Functioning of the European Union, which prohibit agreements and concerted practices with an anticompetitive object or effect on the market. Commission Regulation (EU) 330/2010 of April 20, 2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of vertical agreements and concerted practices is also applicable to franchise agreements to the extent that they meet the criteria set forth in Articles 3, 4 and 5.

According to the abovementioned regulation, the Group may not set minimum selling prices to its franchisees, but it may recommend to them selling prices, provided that any measure to monitor the application of these recommended prices or any penalty for a failure to comply with them are not adopted in terms which it would, in practice, involve price fixing.

Activities carried out as a financial credit establishment

DIA also acts as a financial credit establishment in Spain, through its subsidiary Finandia, S.A.U., with monthly financing of payment for purchases made by way of the "ClubDIA" card.

This subsidiary is subject to the rules applicable to financial credit establishments, notably among which are Law 5/2015, of April 27, on promotion of corporate financing and, additionally, Law 10/2014, of June 26, on organization, supervision and solvency of credit institutions and Royal Decree 84/2015, of February 13, developing Law 10/2014, of June 26, as amended; Royal Decree-Law 14/2013, of November 29, on urgent measures to adapt Spanish law to EU rules on supervision and solvency of financial institutions, which transposed Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC into national law; Regulation (EU) 575/2013, of the European Parliament and of the Council, 26 of June 2013, on prudential requirements for credit institutions and investment firms, amending Regulation (EU) 648/2012; Royal Decree 692/1996 of April 26, 1996 implementing the legal regime for financial credit establishments, and various Circulars of the Bank of Spain.

From the point of view of payment services, Finandia, S.A.U. is also affected by Royal Decree-Law 19/2018, of November 23, on payment services and other urgent financial measures, which transposed into national law Directive (EU) 2015/2366 of the European Parliament and of the Council of November 25, 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC and other implementing rules.

Other relevant legislation

In relation to the stores, Royal Decree 293/2018, of May 18, on reducing the consumption of plastic bags and creating the Register of Producers, which transposes Directive 2015/720/EU of the European Parliament and of the Council of April 29, 2015 amending Directive 94/62/EC as regards reducing the consumption of lightweight plastic carrier bags into national law, prohibited the provision of plastic carrier bags free of charge at the point of sale of goods or products, with the exception of very lightweight plastic carrier bags which are excluded from those measures, subject to certain conditions.

Also, as owner and lessee of real estate, the Group is subject to the general Spanish legislation (including Law 29/1994, of November 24, on Urban Leases, Royal Legislative Decree 7/2015, of October 30, on land and urban rehabilitation, and Law 49/1960, of July 21, on horizontal property) concerning urban leases, horizontal property, relationship between co-owners, edification and urbanization works, as well as other related regulation.

The non-compliance with any law or regulation applicable to the Group's business and activities (including the abovementioned laws and regulations) may give rise to the application to the Group of penalty fines and other additional sanctions, including the suspension of its activities, depending on the circumstances of the case.

Portugal

In this country, there is no single body of regulations governing retail trade, but rather a set of diverse national rules that affect the various aspects of the regulation thereof. Among the most important principles of this regulation there are:

I. All the information included in advertisements, labelling, packaging and in any manner related to advertising and sale of products must be in Portuguese and include sufficient information about the product and the terms of its sale and the taxes applicable thereto;

II. There is a warranty term of 2 years since the date of the product's delivery to the consumer, and a liability regime concerning defective products;

III. There are rules applicable to general terms of contracting with consumers, to avoid the imposition of abusive clauses and protect the consumer from excessively onerous non-negotiated terms.

Regarding the scheme of applicable permits, this area has seen recent reform, within the context of a program called “Simplex”, designed to improve efficiency and simplify administrative procedures.

Currently, the aforesaid regulation consists mainly of Decree Law No.10/2015 of January 16, 2015, which ensures the standardization of terms concerning the norms that govern access to the economic activities of commerce, services and restoration and creates a single legal regime of access and exercise of the aforementioned activities. The latter implements a simplification - by eliminating procedural steps - and a general dematerialization of the procedures established to Decree Law No. 48/2011 of April 1, of 2011 (the so-called “Zero Permit” scheme).

In addition, the limitations controlling the opening of retail businesses with a sales area of not less than 2,000 square meters or that belong to a group that at the national level has a sales area of more than 30,000 square meters have been eliminated, because they embraced discriminatory criteria by limiting the implementation of businesses belonging to a certain sector.

Consequently, the principle of freedom of access and exercise of economic activities is currently on force, with the exception of situations of public interest where prior approval of the corresponding municipality is required.

Moreover, permits and licenses shall be obtained within each municipality and in accordance with Decree Law no. 555/99 (as amended by Decree Law no. 121/2018 of December 28, 2018), which establishes the legal regime concerning development and edification.

Likewise, it is important to highlight the applicable legal regime that governs and restricts the individual trade practices between traders and suppliers, set out by Decree Law no. 116/2013 of December 27, 2013 (as amended or updated). The following aspects must be outlined:

I. Sales at a loss term are prohibited;

II. Discriminatory prices or terms are prohibited;

III. Denial of sales or provision of services is prohibited;

IV. Abusive practices are also prohibited and, specially, unilateral imposition, directly or indirectly, of (a) the development of a product’s promotion; (b) any payments as counterpart for a promotion; (c) any counterpart for promotions either in progress or finalized; and (d) the retroactive amendment of supply contracts.

In 2012, the Portuguese Government approved a new food security tax in order to create a Health and Food Safety fund in order to compensate the food producers. The legal regime applicable to this tax is set out in Decree Law no. 119/2012, of June 15, 2012 and other related regulations. At present, this tax is calculated on the basis of the square meters of the stores (i.e. 7 €/sqm). On 2018, €757 thousand was paid out by the Company for this purpose.

Switzerland

In regards to the activity of providing services to the Group’s suppliers carried out in this country, the general legislation applicable on the level of supplier contracts is the following:

(i) Contractual activities in connection with the sourcing of products and supplier services are governed by general private law rules under Swiss law, including any duties of care in the frame of the contractual relationship, contractual and legal liability rules and general statutes of limitation.

(ii) Swiss antitrust and competition law, enforced by the competent supervisory body as well as the courts in the case of a private law suit, will limit certain behavior patterns by a market player which are deemed to be unfair and/or illicit under the applicable rules, in particular the Swiss federal act on

Cartels and other Restraints of Competition (CartA) and the Swiss Federal Unfair Competition Act (LCD).

(iii) As far as any personal data is processed in the frame of service contracts, it may be required that such data is processed in accordance with certain processing principles stipulated in Swiss federal and cantonal law, in particular the Swiss Federal Act on Data Protection (FADP) and the Ordinance to the Federal Act on Data Protection.

(iv) From a corporate and financial point of view, there are general rules with regard to the organization of a company and the establishment of yearly financial statements (albeit no publication or public reporting duty thereof), an information duty to the authorities in the case of an over-indebtedness and the company being subject to Swiss tax, in particular but not limited to corporate income and capital tax, Swiss dividend withholding tax and VAT, reverse-charge and importation tax.

Brazil

In Brazil, there is no specific regulation regarding the retail market (which is DIA's core business). This section refers to the main rules that are generally applicable to the operating of Brazilian companies which may be specifically applicable to the activities carried out by DIA subsidiary in the Brazilian territory which currently encompass (i) the import, export and sale of products in the wholesale and retail markets; and (ii) the storage of goods and logistics services.

Basic enrollments

The Brazilian law establishes that all companies are required to register their articles of association with the Commercial Registry and obtain the basic enrollments with the following public bodies: (i) Brazilian Federal and State Revenue; (ii) Municipality; (iii) National Institute of Social Security (INSS) and (iv) Unemployment Compensation Fund for Period of Service (FGTS). All legal entities domiciled abroad that hold equity interests in a Brazilian company must be enrolled with the Brazilian Federal Revenue and the Brazilian Central Bank.

Additionally, for the import and export of goods and supplies, a company must be registered with the Foreign Trade Integrated System (Siscomex), which is a system responsible for integrating the activities of registration, monitoring and control of foreign trade operations.

Licenses and Permits

Certain operational, environmental and regulatory licenses and permits may be required for the development of the activities carried out by DIA subsidiary in Brazil in view of a combination of the following relevant aspects: (i) location and real estate features of the property; (ii) activities to be developed in such property; and (iii) the type of entity that will develop such activities.

The main licenses and permits that may be required for the operation of each unit/store of DIA in Brazil, depending on each case, are: (a) environmental permits; (b) operational license issued by the Municipality; (c) fire department certificate; (d) sanitary licenses relating to the products and operation authorization issued by the National Health Surveillance Agency (ANVISA); and (e) sanitary operation license issued by the relevant local sanitary authority.

Franchised commercial activity

DIA's stores network operates mainly under the franchise regime in Brazil and DIA's relationship with the franchisees is governed by Law No. 8.955 of December 15, 1994 ("**Brazilian Franchise Law**").

The Brazilian Franchise Law provides for the mandatory content of the so called Franchise Offer Circular ("**COF**"), which sets out the required information a franchisor must provide to the prospective franchisee.

The COF must be provided in clear and accessible written language and shall include, among other specifications, (i) the summarized background and full qualification of the franchisor and its corporate group; (ii) the balance sheets and financial statements of the franchisor for the two previous fiscal years;

(iii) a detailed description of the franchise and a general description of the business and activities to be carried out by the franchisee; (iv) a profile of the "ideal franchisee"; (v) requirements regarding the direct involvement of the franchisee in the operation and management of the business; (vi) specifications concerning the estimate of total initial investment for the acquisition and implementation of the business; (vii) information regarding the territory; (viii) the status of the trademarks or patents whose use is being authorized by the franchisor; (ix) a draft of the franchise agreement and, if applicable, the standard franchise pre-contract.

E-commerce

E-commerce activities are primarily governed by the Consumer Code and Decree No. 7.962/2013, but several other laws and decrees deal with specific internet-related matters, such as (i) Brazilian Industrial Property Law; (ii) Federal Law No. 9.609/1998, regarding Protection of Intellectual Property of Computer Programs and Other Provisions; (iii) Law No. 10.962/2004, regarding the offer and establishment of prices of products and services to consumers (amended by Law 13.543/2017); (iv) Law No. 12.737/2012, regarding computer crimes; (v) Law No. 12.965/2014 and Decree No. 8.771/2016, which regulates the Brazilian Civil Rights Framework for the Internet; and (vi) Law No. 13.709/2018, which was recently published and provides for the protection of personal data.

Other relevant legislation

The Brazilian Civil Code outlines general principles and rules concerning the formation, duration and performance of contracts, which also apply to the franchise agreements.

Law No. 12.529/2012 regulates competition in Brazil and establishes rules concerning the abuse of a dominant position, listing those anti-competitive practices that may constitute a breach of economic order.

Law No. 9.279/1996 ("**Brazilian Industrial Property Law**") regulates rights and obligations relating to industrial property, including trademarks, patents, utility models and industrial designs, as well as protection of data and trade secrets, which may be applicable to the franchise agreements.

Law No. 8.078/1990, the Brazilian Consumer Protection Code ("**Consumer Code**"), aims to provide complete protection for the consumers, regulating commercial practices and stipulating rules for the market operation, such as (i) the binding effect of offers; (ii) the rules applicable to advertisement (e.g., the advertisement must not be deceptive, false, inaccurate, etc.); (iii) the duty to provide substantial information of the products to consumers; among others.

Argentina

In this country, there is no single body of regulations governing retail trade. Rather there are multiple national, provincial and municipal rules. Among the most notable regulations are:

(i) The new Civil and Commercial Code (Law 26,994) entered into force on August 1, 2015 and, since then, the concession contract has its own regulation where its classes, its term and the liabilities between the grantor and licensee are established. This new code also regulated the franchise agreement and establishes that franchisee's employees have no legal relationship with the franchisor, unless labor fraud exists. It is important to note that both models referred in the new Civil and Commercial Code will be reflected in the franchise agreements celebrated at local level.

(ii) In turn, article 30 of Employment Agreement Law (Law 20,744) provides that, in case of total or partial transfer of an establishment's operation by the authorized person, regardless of the act which originates the transfer, the assignor must require that social security and employment rules are complied with correctly. In case of non-compliance with mentioned legislation, the assignor will be jointly and severally liable for the obligations of the concessionaire or subcontractor regarding to its employees.

(iii) The new Civil and Commercial Code recognized the principle of freedom of contract as long as law, public order, morality and principles of morality.

(iv) Law 24,240 of consumer protection requires suppliers of goods to (i) provide consumers with true, detailed, accurate and sufficient information regarding the goods offered in national language; (ii) offer goods for sale accompanied with the corresponding manual; and (iii) supply goods on the terms arising from offers made to the consumers, which are binding.

This law establishes, among others, the following principles: the interpretation thereof in favor of the consumer in case of doubt, and joint and several liability of all those in the chain of consumption (manufacture, distributor, importer, seller, etc.), with the consumer being entitled to claim against any or all of them for such damages as may be suffered by reason of defective goods or services, the defendant in order to escape liability being required to demonstrate that he or she was not the cause of the damage.

(v) Law 22,802, of commercial fairness, which establishes rules regarding advertising, product labelling and terms of sale; and

(vi) Other regulations that: (a) govern hours of operation of stores; (b) regulate environmental matters at the national, provincial and municipal levels; and (c) regulate deposit, transport, distribution and the sale of foodstuffs to consumers, including, among other things, the provisions of the Food Code, sale of certain specific products (fish, meat, etc.), permits for the sale of alcoholic beverages and hygiene-related regulation.

In particular, in 2001 the government of the province of Buenos Aires promulgated Law 12,573, which limits expansion of distribution chains, allowing the opening of a maximum of 3 stores per municipality, in the case of the more populated municipalities. Since 2002 and 2004 there have been similar restrictions in the provinces of Entre Ríos and Santa Fe, where the Group already had some stores. In these regions, the effect of the regulation has been countered by the opening of “FO-FO” stores.

In addition, there is a regulation which sets a 0.6% rate of charge applicable to credit and debit bank accounts. In 2018, the Group incurred expenses amounting to €8,072 thousand (364 million Argentinian pesos) for tax on bank debits and credits. According to this regulation, bank account holders may quantify a 33% of this tax on advance corporate tax.

BOARD OF DIRECTORS AND MANAGEMENT

Spanish corporate law is mainly regulated by Royal Legislative Decree 1/2010 approving the restated text of the Spanish Companies Act (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*) (the "**Spanish Companies Act**"), which is the main law under which the Company's corporate governance operates. The Company's internal regulations are in line with the Spanish Companies Act, corporate governance principles and practices of listed companies. The Company's internal regulations are the following: the bylaws (*estatutos*), the general shareholders' meeting regulations, the Board of Directors Regulations (as amended on February 21, 2018), the Audit and Compliance Committee Regulations (as approved by the Board of Directors on December 14, 2017) and the Internal Code of Conduct in the Securities Markets.

Board of Directors

DIA's Board of Directors has the broadest power and authority to manage, direct, and represent the Company, unless otherwise provided in the provisions of the Company's bylaws. For such purposes, the Board will assume, without delegation, such authority as is legally reserved directly to it, and any such other authority as may be necessary for effective exercise of the general supervision function.

The Board of Directors is responsible for the Company's management and establishes, among others, the Company's strategic, accounting, organizational and financing policies. In addition, further to any other matters as may be provided by law or the Company's bylaws, according to the Board of Directors Regulations by way of illustration and no limitation, the following are non-delegable tasks by the Board of Directors:

a) approval of the general policies and strategies of the Company and the organization necessary to implement them including, inter alia, the following:

   (i) the strategic or business plan, as well as annual management objectives and budget;

   (ii) the investment and financing policy;

   (iii) the determination of the fiscal strategy of the Company;

   (iv) the definition of the structure of the corporate group and the coordination, within the legal limits, of the general strategy of the group in the interest of the Company and the companies comprising it;

   (v) the corporate governance policy of the Company and its group;

   (vi) the corporate social responsibility policy;

   (vii) the supervision of the performance of the board committees and acts carried out by delegated bodies and senior managers;

   (viii) the policy for compensation and evaluation of the performance of the management team;

   (ix) the policy for control and management of risk, including fiscal risks, and the supervision of information and control systems, identifying the principal risks of the Company and organizing the appropriate internal control and reporting systems;

   (x) setting the bases for the corporate organization, in order to assure greater efficiency thereof and effective supervision by the board of directors;

   (xi) setting and implementing the dividend and treasury share policies, within the framework of the authorizations of the general meeting.

b) approval of the following operating decisions:

(i) call of the general shareholders meeting and drafting of the agenda and of the proposals for resolutions;

(ii) appointment of directors by way of co-option and referring proposals to the general meeting regarding appointment, ratification, re-election and removal of directors, (a) at the proposal of the nomination and remuneration committee to appoint independent directors, or (b) prior report of the nomination and remuneration committee for the remaining categories of directors; as well as acceptance of director resignations;

(iii) appointment and renewal of those in the internal positions within the board of directors, and the members of and positions of the committees constituted within the board;

(iv) delegation of authority to any of its members, on the terms established by law and the bylaws, and revocation thereof;

(v) appointment and removal of executive directors and senior managers reporting to the board, as well as the establishment of basic conditions of their contracts, including their remuneration;

(vi) granting an authorization or exemption of the obligations deriving from the duty of loyalty, when the granting of such authorization lies with the board;

(vii) preparation of the financial statements, management report and proposal for application of profits of the Company, as well as the consolidated financial statements and management report, and their submission to the general meeting for approval;

(viii) approval of the financial information that the Company, being a listed company, must periodically disclose;

(ix) preparation of the annual corporate governance report and the annual report on directors remuneration, both to be presented to the general meeting and the other reports and documents that must be submitted to it;

(x) approval of amendments to the Board of Directors' regulation;

(xi) proposal to the general shareholders meeting of the Company of the amendments to the regulation of the general shareholders meeting it deems to be appropriate to ensure exercise of shareholders' rights of participation;

(xii) decisions concerning the remuneration of the board members, in accordance with the bylaws and, if applicable, the remuneration policy as approved by the general meeting;

(xiii) the establishment of, in the case of internal directors, any additional consideration for their management duties and other terms of their contracts;

(xiv) the establishment of strategic alliances with industrial, commercial or financial groups, domestic or foreign;

(xv) investments, divestitures or transactions of all kinds (including financing transactions) that, by reason of their high amount or special characteristics, are of a strategic nature or special tax risks, including industrial, commercial and financial transactions of particular importance, unless (i) they have been approved in the annual budget, or (ii) approval thereof corresponds to the general meeting;

(xvi) the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered to be tax havens, and any other transactions or operations of a comparable nature the complexity of which might impair the transparency of the Company and its group, after a report from the audit and compliance committee;

(xvii) the powers that the general meeting vested on the board of directors, save for those that the latter has been expressly authorized to sub delegate; and

(xviii) the preparation of any type of report required by law when the operation to which the report refers cannot be delegated; and

c) approval of the transactions entered into by the Company or companies of its group with directors, as defined by the Act, or with shareholders who own, individually or jointly, a significant stake, including shareholders represented in the board of directors of the Company or companies of its group or individuals linked to them ("**Related Party Transactions**"). The directors concerned or represented or are linked to the relevant shareholders must refrain from participating in the deliberation and voting of the resolution in question.

The Board of Directors, in the performance of its functions, shall at all times act in the interest of the Company, that being understood to be to carry out sustainable, profitable business in the long-term which promotes the continuity and maximization of the economic value of the Company, albeit at the same time considering the other legitimate interests, public or private, involved in the conduct of its business activity, particularly those of workers, suppliers, customers and other stakeholders.

The Company's bylaws and the Board of Directors Regulations provide for a Board of Directors that consists of between five and fifteen members. On August 30, 2019, the General Shareholders Meeting fixed the number of members of the Company's Board of Directors at eight directors. However, the Board of Directors is currently integrated by seven members and there is one unfilled vacancy.

According to the bylaws and the Board of Directors' Regulations, the Company's directors are elected by the general shareholders' meeting (shareholders have the right to appoint a number of directors in proportion to their shareholding in the Company provided that vacancies exist) to serve for a maximum term of three years and may be re-elected to serve for an unlimited number of terms of the same duration (save that independent directors having served for more than twelve years may not be classified as independent). If a director does not serve out his or her term, the Board of Directors may fill the vacancy by appointing a replacement director to serve until the next general shareholders' meeting.

Any natural or legal person may serve on the Board of Directors, except for persons specifically prohibited by applicable law, the Company's bylaws or the Board of Directors Regulations. A director may be removed from office by the shareholders at a general shareholders' meeting, even if such removal is not included on the agenda for that general shareholders' meeting.

Depending on their relationship with the Company or its stakeholders, directors can be categorized as executive directors (those directors who perform management functions in the Company or its group, irrespective of the legal link they have with it); proprietary outside directors (the directors who hold a shareholding interest equal or higher than the legally determined threshold for significant holdings, or are otherwise appointed due to their status as shareholders, although their shareholding interest does not reach such relevant thresholds, and the persons who represent such shareholders); independent directors (those directors appointed for their personal or professional qualities who are in a position to perform their duties without being influenced by any connection with the Company or its group, its significant shareholders or its management); and other outside directors (those who cannot be classified as proprietary or independent).

According to Spanish law, the Board of Directors Regulations and the Company's bylaws, the Chairperson of the Board of Directors and, where appropriate the Vice-Chairperson(s), who replaces the Chairperson if unable to act or absent, shall be appointed from among the members of the Board of Directors.

The board of directors will elect a secretary (and, if deemed appropriate, a vice-secretary), who may be or not a member of the board, with capacity to perform the functions inherent in that position. If the secretary of the board of directors is not a director, it will have voice but no vote.

The Company's bylaws and the Board of Directors Regulations provide that the Chairperson of the Board of Directors may call a meeting whenever he/she considers such meeting is necessary or suitable. The Chairperson of the Board of Directors shall also call a meeting when so requested by at least one third of its members, two of the independent directors or the lead director, in which case it must be called by order of the chairperson or the lead director, as the case may be.

According to DIA internal rules, the Board of Directors will meet as often as deemed to be appropriate by the chairperson for the proper functioning of the Company and to adequately perform its tasks and, in any case, at least once a quarter. However, the Board of Directors of the Company may meet more frequently, in line with the recommendations of the Corporate Governance Code (*Código de Buen Gobierno*), approved by the CNMV in February 2015 (the "**Corporate Governance Code**").

According to DIA internal rules, in order for resolutions within the authority of the board of directors to be valid, it will be necessary for, at least, the majority (half plus one) of the board members (either in person or represented) to be present at the meetings at which they are adopted. Except in cases in which the law or the bylaws specifically establish other voting majorities, resolutions will be adopted by absolute majority of the directors present at the meeting in person or by proxy. In the event of a tie, the chairperson will have a casting vote.

According to the bylaws and to the Board of Directors' Regulations, in the performance of their duties, directors will act in good faith and with the diligence of an organized businessman and the loyalty of a faithful representative, carrying out their responsibilities always in the best interests of the Company. In particular, directors are required, among other duties, to oppose resolutions contrary to law, the bylaws or the corporate interest, to request recording in the minutes of his/her position when he/she believes it to be more appropriate to the protection of the corporate interest and to challenge, if appropriate, such resolutions.

Directors

As of the date of this Prospectus, the Board of Directors was comprised by three independent members, three proprietary external directors and one executive director and there is one unfilled vacancy. The table below shows the current composition of the Board of Directors as of the date hereof:

Name	Age	Title	Member of the Board of Directors since	Term expires	Shareholder represented	Category / status
Stephan DuCharme	55	Chairman	May 20, 2019	August 30, 2022	L1R Invest1 Holdings S.à r.l.	Proprietary external
Sergio Dias	64	Director	May 20, 2019	August 30, 2022	L1R Invest1 Holdings S.à r.l.	Proprietary external
Michael Casey	43	Director	May 20, 2019	August 30, 2022	L1R Invest1 Holdings S.à r.l.	Proprietary external
Karl-Heinz Holland	52	Chief Executive Officer	May 20, 2019	August 30, 2022	N/A	Executive
Jaime García-Legaz Ponce	50	Director	January 10, 2019	March 20, 2022	N/A	Independent
José Wahnon Levy	66	Director	May 20, 2019	August 30, 2022	N/A	Independent
Christian Couvreux	69	Director	May 21, 2019	August 30, 2022	N/A	Independent

The Chairperson of the Board of Directors is Mr. Stephan DuCharme. The Board of Directors currently has no Vice-Chairpersons.

The non-director Secretary of the Board of Directors is Mr. Álvaro López-Jorrín Hernández and the non-director Vice-secretary of the Board of Directors is Ms. Lisa Giroux.

All members of the Board of Directors designate the Company's registered address as their professional address for the purpose of this Prospectus.

Biographical information for each of the current members of the Board of Directors (excluding the executive director, whose information is included below in the "*Senior Management*" section), including a brief description of each director's business experience and education, is presented below.

Stephan DuCharme

Mr. DuCharme is a graduate in Economics and Political Sciences from the University of California Berkeley. He also has a Master's in Business Administration (MBA) from INSEAD.

He has held a number of positions during his career, including Chief Executive Officer of X5 Retail Group, Chairman of the Board of Directors of Holland & Barrett (part of the LIHS Group), Chief Financial Officer, Control and Corporate Development of Alfa Group and Chairman of SUN Group. He has also been a Director at multiple companies (SUEK Siberian Coal & Energy Company, Lomisis JSC, Iberia Refreshments, First Ukraine International Bank).

He is currently the Chairman of the Supervisory Board of X5 Retail Group, a member of the Board of Directors of Holland & Barrett and the Managing Partner of the retail division of the LIHS Group.

Sergio Dias

Mr. Dias is a graduate in Business Administration, Finance and Marketing from Fundação Armando Alvares Penteado.

He has held a number of positions during his career, including consultant and Senior Manager at Arthur Andersen & Co. São Paulo, Global Financial Controller, Finance Director and E-Commerce Director of Groupe Carrefour (from 1988-2001), CFO of the Moët Hennessy divisions of the LVMH Group and CEO of the Millenium Division of Moët Hennessy.

He has also held senior positions at a number of other retail companies (Heavensake (CEO), SecretSales.com (Chairman), Brands4friends.de (CEO) and Banks Rums (Senior Advisor and Member of the Board)).

He is currently a Partner of the retail division of the LIHS Group.

Michael Casey

Mr. Casey is a graduate in History and Political Sciences from the Trinity College Dublin. He also has a Master's in Business Administration (MBA) from the University of Chicago Graduate Business School.

He has held the positions of Manager of the M&A and Corporate Strategy division of Andersen Consulting and of Managing Director of the EMEA retail division of Goldman Sachs International.

He is currently Senior Partner of the retail division of the LIHS Group and a member of the Board of Directors of Holland & Barrett (part of the LIHS Group).

Jaime García-Legaz Ponce

Mr. Jaime García-Legaz holds a Degree in Business Administration from the University College of Financing Studies (CUNEF). In addition, Mr. García-Legaz holds a PhD in Economics from the Madrid Complutense University. He is a Commercial Technician (*Técnico Comercial*) and State Economist of the State since 1994.

Mr. García-Legaz has mainly developed his career in the public sector. He started his professional career at Caja Murcia, as a manager. After that, he was a junior economist at the Bank of Spain and Financial Regulation Director (1993-1995) and Public Debt Director (1993-1999) in the Spanish Treasury.

Between 1999 and 2000 he was Economic Advisor of the Government Presidency, between 2000 and 2002, he was Director of the cabinet of the Secretary of Telecom and between 2002 and 2004, he was a member of the President's Cabinet as General Director of Welfare and Education.

From 2004 to 2008, he was Director of Economics and Politics in the FAES Foundation and Managing Director of Statistics at the Government of the Region of Madrid. He has also been member of the Spanish National Parliament (*Congreso*) (2008-2012), where he assumed the Secretary of the Economic Affairs and Finance from 2008 until 2011. In addition, between 2005 and 2008 he was advisor for the Brazilian Chamber of Commerce.

Between 2011 and 2015, he worked for the Ministry of Economic Affairs in the following positions: Spanish Commerce Representative in the European Union and in the G-20 Council of Ministers and Secretary of State for Commerce, International Commerce and Foreign Investment.

During that period, he was also Executive Chairperson of "Invest in Spain" (2011-2012) and Chairperson of ICEX (2011-2015). Between 2015 and 2017, he was the Executive Chairperson of CESCE, the Chairperson of the International Credit Insurance Consortium and the Chairperson of the Informa Dun & Bradsteet.

Finally, between 2017 and 2018 he was Chairperson and Chief Executive Officer of AENA, SME, S.A

Currently, Mr. García-Legaz is a member of the Board of Directors of AENA DESARROLLO INTERNACIONAL, SME, S.A. and of Ahorro Corporación Financiera, S.V., S.A.U.

José Wahnon Levy

Mr. Wahnon is a graduate in Economics from Universidad de Barcelona and in Law from Universidad Complutense de Madrid. He also has a PMD from Harvard Business School.

He has held a number of positions during his career, including Equity Partner and Managing Partner of the Audit division of PriceWaterhouseCoopers, S.L. and has been a member of the Board of Directors of Dexia Sabadell, S.A. and Grupo Ezentis, S.A. He has also been a member of the Board of Directors, as a representative of Fondo de Garantía de Depósitos de Entidades de Crédito, of Incarlopsa, Synergy, Aernnova, Dacmsa and Las Cabezadas de Aranjuez.

He is currently a member of the Board of Directors and Chairman of the Audit Committee of Abengoa, S.A.

Christian Couvreux

Mr. Couvreux is a graduate in Economics from Paris University. He also has a Master's in Business Administration (MBA) from HEC and an Advanced Management Program from INSEAD.

He has held a number of positions during his career, including Commercial Deputy Attaché and Attaché of the French Ministry of Economy and Finance in Norway and Saudi Arabia, CEO of CFAO Congo and Senior Executive Vice President of Buying, Logistics and Affiliates (from 1990-1997), CEO and Chairman of the Management Board of Groupe Casino (from 1997-2003), and member of the Supervisory Board of X5 Retail Group.

Directors' managerial positions and shareholdings.

The table below sets out all entities or associations in which the members of the Board of Directors — according to the information that said persons have provided to the Company— have been appointed as members of the administrative, management or supervisory bodies or in which they have held shareholdings at any time during the five year period preceding the date of this document, indicating whether or not each person is still a member of such bodies or holds any shares in any such entities. Information for DIA's executive director is included below in the "*Senior Management*" section.

The Company considers that the term "company" refers to entities other than family-owned asset-holding companies and merely instrumental non-operative companies. Furthermore, the Company has not considered that the term "shareholders" refers to shareholdings in listed companies which are considered as significant shareholdings.

If shareholdings of Directors are not included in the table below it is due to the fact that they do not hold any shareholding in companies that meet the above requirements.

Director	Company	Position / title	Sector	In office
Stephan DuCharme	LetterOne	Managing Partner of retail division	Retail Investment	Yes
	X5 Retail Group	Chief Executive Officer	Food retail	No
		Chairman of the Supervisory Board		Yes
	Holland & Barrett	Chairman of the Board of Directors	Health Retail	No
		Member of the Board of Directors		Yes
Sergio Dias	LetterOne	Partner of retail division	Retail Investment	Yes
	Heavensake	CEO	Beverages	No
	SecretSales.com	Chairman	Retail	No
	Banks Rums	Senior Advisor and Member of the Board	Beverages	No
Jaime García-Legaz Ponce	AENA, SME, S.A.	Chairperson and CEO	Airport operation	No
	Informa Dun & Bradstreet, S.A. SME	Chairperson	Information and communication	No
	AENA Desarrollo Internacional SME, S.A.	Chairperson	Airport operation	Yes
	Invest in Spain	Chairperson	Consulting	No
	ICEX	Chairperson	Foreign trade promotion	No
	CESCE	Executive Chairperson	Insurance and finance	No
	Consorcio Internacional de Aseguradores de Crédito	Chairperson	Insurance	No
	Fundación Padre Garralda Horiz. AB.	Member of the Board of Trustees	NGO	Yes
	Ahorro Corporación Financiera, S.V., S.A.U.	Member of the Board of Directors	Financial Intermediaries	Yes
Michael Casey	LetterOne	Senior Partner of retail division	Retail Investment	Yes
	Holland & Barrett	Member of the Board of Directors	Health Retail	Yes
	Goldman Sachs International	Managing Director of the EMEA retail division	Investment Banking	No
José Wahnon Levy	Abengoa, S.A.	Member of the Board of Directors	Renewable energies	Yes
	PriceWaterhouseCoopers, S.L.	Equity and Managing Partner of Audit Division	Audit	No
	Dexia Sabadell S.A.	Member of the Board of Directors	Credit and finance	No
	Grupo Ezentis S.A.	Member of the Board of Directors	Infrastructure	No
	Industrias Cárnicas Loriente Piqueras, S.A.	Member of the Board of Directors	Meat products	No
	Aernnova Aerospace Corporation, S.A.	Member of the Board of Directors	Aerospace	No
	Desarrollos Aeronáuticos Castilla-La Mancha S. A.	Member of the Board of Directors	Aerospace	No
	Las Cabezadas de Aranjuez, S.L.	Member of the Board of	Real Estate	No

Director	Company	Position / title	Sector	In office
		Directors		
Christian Couvreux	X5 Retail Group	Member of the Supervisory Board	Food retail	No

Independent Directors

The Board of Directors is currently comprised of seven directors, three of whom are independent directors, and there is one unfilled vacancy on the Board.

Board Committees

In compliance with the Company's bylaws and the Board of Directors Regulations, the Board of Directors has an audit and compliance committee (the "**Audit and Compliance Committee**"), a nominations and remunerations committee (the "**Nominations and Remunerations Committee**"), a strategy committee (the "**Strategy Committee**") and a finance and capital structure committee (the "**Finance and Capital Structure Committee**"), which are governed by the Company's bylaws and/or the Board of Directors Regulations. The following is a brief description of the main characteristics of the committees of the Board of Directors.

Audit and Compliance Committee

The composition, responsibilities and rules of the Audit and Compliance Committee are set forth in the Company's bylaws, the Board of Directors Regulations and the Audit and Compliance Committee Regulations.

The Audit and Compliance Committee shall be comprised of a minimum of three directors and a maximum of five, appointed by the board of directors itself from among its outside directors. The majority of the members of the Audit and Compliance Committee will be independent and, at least, one of them will be appointed based on his knowledge and experience in accounting or auditing matters, or both. As a group, the members of the audit and compliance committee shall have pertinent technical knowledge relating to the industry to which the Company belongs. Competence and experience in the fields of financial, internal control and business management shall also be valued, as well as knowledge, skills and experience relating to the Audit and Compliance Committee's other tasks.

The Audit and Compliance Committee's chair must necessarily be appointed from among the independent directors holding seats, in view of his/her expertise and experience in the fields of accounting, audit and risk management. The Chair shall be replaced every four years but may be re-elected after a period of one year has elapsed since his/her removal, notwithstanding his/her continued membership of the Audit and Compliance Committee. The Audit and Compliance Committee will appoint a secretary and may appoint a vice-secretary, neither being required to be a member thereof. If these appointments are not made, those holding those positions on the Board of Directors will act as such.

In the event of absence, the independent director with the longest service on the Audit and Compliance Committee, or by default the oldest independent director and Audit and Compliance Committee member, will stand in for the Chair. Mr. José Wahnon Levy was appointed as Chairman of the Audit and Compliance Committee on May 29, 2019.

The members of the Audit and Compliance Committee are the following:

Name	Category	Title
José Wahnon Levy	Independent	Chairman
Sergio Dias	Proprietary external	Member
Jaime García-Legaz Ponce	Independent	Member

The non-director Secretary of the Audit and Compliance Committee is that of the Board of Directors, i.e. Mr. Álvaro López-Jorrín Hernández.

The Audit and Compliance Committee is responsible for, among other, the following matters (together with any others that may be attributed to the Audit and Compliance Committee by law, the bylaws, the Board of Directors Regulations or the Audit and Compliance Committee Regulations):

(i) reporting to the general shareholders meeting in relation to issues within the scope of its responsibilities and, in particular, in relation to the result of the auditing, explaining how it has contributed to the integrity of the financial information and the role the committee has played therein;

(ii) supervising and reviewing the process of preparation and presentation of the required financial information that, in accordance with the Securities Market Act and its development regulations, shall be provided by the board to the markets and their supervisory bodies, and, in general, ensure compliance with the legal requirements in this area, the appropriate delimitation of the scope of consolidation and the proper application of generally accepted accounting principles, reporting on proposals for changes in accounting principles and standards suggested by management; and submitting recommendations or proposals to the board of directors, seeking to safeguard its integrity;

(iii) periodically supervising and reviewing the effectiveness of the Company's internal control and financial and non-financial risk management systems, including fiscal risks, verifying the appropriateness and completeness thereof and proposing the selection, appointment, re-election and removal of the responsible therefor; proposing the budget for such services, approving the orientation and the working plans of same, ensuring that the activity is focused mainly on risks relevant to the Company, and verifying that the members of the management team take account of the conclusions and recommendations in its reports; and discussing with the Company's auditors such significant weaknesses in the internal control system as may be discovered in the conduct of the audit, without breaching their independence. To this end, and if appropriate, it may submit recommendations or proposals to the board of directors and suggest the corresponding period for its monitoring;

(iv) coordinating the process for the reporting of non-financial and diversity information, in accordance with applicable regulations and international reference standards;

(v) ensuring the independence of the unit which undertakes the internal audit; proposing the selection, appointment, re-election and dismissal of the person responsible for the internal audit service; proposing the budget for said service; approving the orientation and the working plans of same, ensuring that its activity is focused mainly on risks relevant to the Company; receiving periodical information about its activities; and verifying that the senior management take into account the conclusions and recommendations of its reports;

(vi) submitting to the board of directors proposals for the selection, appointment, re-election and substitution of the account auditors, taking responsibility for the selection process, as well as the conditions for hiring them and regularly gathering information from them about the auditing plan and its execution, and preserving their independence in the exercise of their duties;

(vii) requesting from the court the removal of the auditor or auditors, or auditing company or companies, appointed by the general meeting or by the Commercial Registry and the appointment of any of the abovementioned, if there are just grounds for doing so.

(viii) establishing the appropriate relationships with the outside auditors and to receive information regarding such questions that may compromise their independence, for examination by the committee, and those of anyone else involved in the process of auditing accounts, and, where applicable, the authorization of services other than those prohibited by the applicable rules, and such other communications as may be contemplated in the legislation regarding auditing and audit standards.

In any event, they must receive from the outside auditors an annual declaration of their independence of the entity or entities directly or indirectly related to this one, and detailed and individual information on additional services of any kind provided to these entities and the corresponding fees received by the aforesaid outside auditors or by persons or entities related thereto, in accordance with the provisions of the legislation governing the auditing of accounts.

In the event of resignation of the outside auditor, the committee shall examine the circumstances leading to said resignation. It shall ensure that the Company communicates the change of auditor as a regulatory information notice (*hecho relevante*) to the CNMV and accompanies said notification with a declaration regarding the possible existence of disagreement with the outgoing auditor and, if any, the content of such disagreement;

(ix) annually, prior to the issue of the audit report, issuing a report stating an opinion regarding whether the independence of the auditors or the auditing companies has been compromised. This report must comprise, in any event, the reasoned assessment of the provision of each of the additional services referred to in the point above, individually and globally considered, different from the legal audit and in relation to the independence system or the legal provisions on the activity of auditing;

(x) serving as a communications channel between the board of directors and the auditors; evaluating the results of each audit and the responses of the management team to its recommendations and mediating in the event of disputes between the former and the latter in relation to the principles and criteria applicable in the preparation of the financial statements, and examining the circumstances, if any, underlying resignation of the auditor.

The committee shall ensure that the outside auditor holds a meeting annually with the entire board of directors in order to inform it of the work done and the evolution of the accounting situation and the risks facing the Company;

(xi) prior report to the board regarding any matters foreseen by law, the bylaws, the board of directors regulations, and, in particular, on:

- the financial information that the Company must periodically disclose,
- the creation or acquisition of shares in entities with special purposes or domiciled in countries or territories that are considered as tax havens;

(xii) supervising compliance with the rules regarding related party transactions with directors or major shareholders or shareholders represented on the board; in particular, it will report to the board regarding such related party transactions and, in general, regarding transactions that imply or may imply conflicts of interest, for purposes of their approval, and will see to it that information in respect thereof is communicated to the market as required by law;

(xiii) supervising compliance with internal codes of conduct, in particular the code of conduct for the securities market;

(xiv) reviewing the corporate social responsibility policy, ensuring that it is oriented towards the creation of value and monitoring the strategy and practices of corporate social responsibility and evaluating the degree of fulfilment;

(xv) supervising the communication strategy and relations with shareholders, investors (including small and medium shareholders) and other stakeholders;

(xvi) establishing an internal mechanism whereby staff can report, confidentially and, if appropriate, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the Company;

(xvii) preparing and updating a declaration of ethical values related to the reliability of financial information in compliance with applicable regulations, which will be approved by the board of directors and communicated to all levels within the organization;

(xviii) establishing procedures to monitor respect for principles of professional integrity and ethics, and measures to identify and correct departures from those values within the organization;

(xix) the committee shall be informed of operations planned by the Company which produce structural or corporate modifications for their analysis and for a prior report to the board of directors on their economic conditions, their accounting effect and, especially, on the exchange ratio proposed, if any; and

(xx) any such others as may be attributed to it by law and other regulations applicable to the Company.

The Audit and Compliance Committee is called by the chairperson of the Committee, on his own initiative, or on request of the chairperson of the Board of Directors or two members of the Committee itself. In any event, the Audit and Compliance Committee will be called and will meet, at a minimum, on a quarterly basis, to review the periodic financial information that the board must send to the market supervisory authorities, as well as the information the Board of Directors is to approve and include within its annual public documentation.

Nominations and Remunerations Committee

The composition, responsibilities and rules of the Nominations and Remunerations Committee are set forth in the Company’s bylaws and the Board of Directors Regulations.

The Nominations and Remunerations Committee shall be comprised of a minimum of three directors and a maximum of five, appointed by the board of directors itself from among its outside or non-executive directors (the majority of which shall be independent). The appointment of the members of the Nominations and Remunerations Committee shall be made on the basis of their knowledge, aptitude and experience in relation to the duties they are to perform.

The Committee’s Chair must necessarily be appointed from among the independent directors holding seats. The Chair shall be replaced every four years but may be re-elected after a period of one year has elapsed since his/her removal, notwithstanding his/her continued membership of the Committee.

The members of the Nominations and Remunerations Committee are the following:

Name	Category	Title
Christian Couvreux	Independent	Chairman
Jaime García-Legaz Ponce	Independent	Member
Stephan DuCharme	Proprietary external	Member

The non-director Secretary of the Nominations and Remunerations Committee is that of the Board of Directors, i.e. Mr. Álvaro López-Jorrín Hernández.

The Nominations and Remunerations Committee is responsible for, among other things, the following matters (together with any others that may be attributed to the Nominations and Remunerations Committee by law, the bylaws or the Board of Directors Regulations):

(i) evaluating the competence, knowledge, and experience required in the board. To this end, the committee will determine the functions and skills required for the candidates to cover a vacancy, and will evaluate the precise time and dedication in order to carry out their tasks effectively;

(ii) making proposals to the board of directors of independent directors to be appointed by co-option or for submission to decision by the general meeting, and proposals for re-election and removal of those directors by the general meeting;

(iii) reporting on proposals for the appointment of other directors to be appointed by co-option or for submission to decision by the general shareholders meeting, and proposals for re-election and removal of those directors by the general meeting;

(iv) reporting to the board on proposals for the appointment, re-election and removal of internal positions within the board of directors of the Company (chairperson, vice person, lead coordinator, secretary and vice-secretary, if any);

(v) reporting on proposals for the appointment and removal of senior manager and the basic conditions of their contracts;

(vi) reporting to the board on matters of gender diversity and, in particular, seeing to it that procedures for selection of directors and senior managers do not suffer from implicit bias preventing selection of women. In particular, the committee shall set a target for representation on the board for the least represented gender, establishing guidelines to achieve such target;

(vii) proposing to the board of directors (i) the policy for directors remuneration and senior managers or any other persons performing senior management duties reporting to the board, the committees or the managing director, (ii) the individual compensation of executive directors and the other terms of their contracts, supervising their implementation, and (iii) the basic terms of contracts of senior managers;

(viii) analyzing, formulating and periodically reviewing the compensation policy applied to executive directors and the management team, including schemes for compensation in the form of shares and the application thereof, and guaranteeing that it is proportionate to the compensation paid to other directors and members of the management team and other personnel of the Company;

(ix) overseeing compliance with the compensation policy set by the Company;

(x) examining and organizing the succession plan for the president of the board and for the chief executive officer of the Company and, if applicable, suggesting proposals to the board of directors to ensure a smooth and organized transition;

(xi) generally supervising compliance with the Company's applicable corporate governance rules, including a periodic evaluation of the corporate governance system of the company, in order that it achieves its mission to promote the social interest and to take into account, as appropriate, the legitimate interests of other stakeholders.

(xii) reporting to the shareholders on its performance of its duties, for this purpose attending the general shareholders meeting; and

(xiii) assisting the board in the preparation of the report on directors' compensation policy and sending the board any other reports on compensation contemplated in this regulation, verifying the information on compensation paid to directors and senior management contained in the different corporate documents, including the annual report on directors' remuneration.

The Nominations and Remunerations Committee will be called by the chairperson of the committee, on his own initiative, or on request of the chairperson of the board of directors or two members of the committee itself. The Nominations and Remunerations Committee shall meet as often as necessary, in the judgment of its chairperson.

Finance and Capital Structure Committee

On September 3, 2019, the Board of Directors set up a Finance and Capital Structure Committee, the main function of which was to advise the Board regarding the Company's capital structure and financing strategy and to regularly monitor such matters. The Finance and Capital Structure Committee is an internal informational and consultative body of the Board of Directors without executive duties, with information, advisory and proposal-making powers within its scope of action, reporting directly to the Board of Directors of the Company.

The Finance and Capital Structure Committee is regulated by the general provisions of the Company's bylaws and the Board of Directors Regulations.

The Finance and Capital Structure Committee is comprised by four non-executive directors, appointed by the Board of Directors. The appointment of the members of the Finance and Capital Structure Committee shall be made on the basis of their knowledge, aptitude and experience in relation to the duties they are to perform.

The Committee's Chair will have a casting vote in the event of a tie.

The members of the Finance and Capital Structure Committee are the following:

Name	Category	Title
Jaime García-Legaz Ponce	Independent	Chairman
Christian Couvreux	Independent	Member
Michael Casey	External proprietary	Member
Sergio Dias	External proprietary	Member

The non-director Secretary of the Finance and Capital Structure Committee is that of the Board of Directors, i.e. Mr. Álvaro López-Jorrín Hernández.

Strategy Committee

On February 21, 2018, the Board of Directors set up a Strategy Committee, the main function of which was to advise and support the Board of Directors in defining and monitoring the Group strategy in the medium and long-term, as well as the proposals for investments and divestments.

On January 30, 2019 the Board of Directors decided to dissolve the Strategy Committee as of such date.

Internal Code of Conduct in the Securities Markets and Corporate Governance Recommendations

Internal code of Conduct in the Securities Markets

The Company has implemented a defined and transparent set of rules and regulations for corporate governance that is compliant with all applicable Spanish governance standards.

On July 26, 2016, the Board of Directors adopted DIA Rules of Conduct for Securities Market Activities (*Reglamento Interno de Conducta de DIA en materias relativas a los Mercados de Valores*) (the "**Internal code of Conduct in the Securities Markets**"). The Internal code of Conduct in the Securities Markets governs:

a) the management and control of inside information;

b) the transparent disclosure of inside information;

c) the execution and reporting by covered persons of dealings in securities of the Company and its Group; and

d) transactions by the Company over its own shares.

The Internal code of Conduct in the Securities Markets seeks to safeguard the interests of investors in the securities of the Company and its Group and to prevent and avoid any irregularity or abuse, without prejudice to fostering director and employee share ownership, while adhering strictly to applicable law.

Corporate Governance Recommendations

The Spanish Companies Act sets out certain legal provisions related to corporate governance mandatorily applicable to Spanish listed companies on the Spanish Stock Exchanges. The Company believes that it complies with such requirements.

Additionally, the Corporate Governance Code sets out certain recommendations on corporate governance to be considered (under the "*comply or explain*" principle) by the companies listed on the Spanish Stock Exchanges. The Company believes that it substantially complies with such recommendations.

As of the date of this Prospectus, and according to the Annual Report on Corporate Governance (*Informe Anual de Gobierno Corporativo*) the following recommendations regarding the Company's corporate practice are not fully complied with:

- Recommendation 27 (Non-attendance by directors is limited to unavoidable cases that are listed in the Annual Corporate Governance Report. When non-attendance has to occur, a proxy is granted with instructions): on four occasions, former members of the Board of Directors were absent from or did not attend the meeting without delegating their representation to another.

- Recommendation 48 (Companies with a high market capitalization should have a separate Appointment Committee and Remunerations Committee): The Board of Directors has carefully assessed this possibility and has preferred to maintain the current structure of a single committee for the present time, without this ruling out any future decisions in this respect. The reasons justifying this decision are: (a) the high level of know-how and experience of the current members of the Nominations and Remunerations Committee, whose combined experience in the specific matters relating to the Nominations and Remunerations Committee suggest that action should be joint and interactive, leading to more effective and productive work; (b) the limited number of executive directors, which facilitates the handling of these issues; and (c) the composition and size of the Board of Directors and the Group's relatively simple corporate structure.

- Recommendation 14 (The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020): The Board of Directors does not currently have any female members. This is due to the complete overhaul of the Board of Directors of the Company following settlement of the Tender Offer launched by L1R Invest1 Holdings S.à r.l.

Conflicts of Interest

Pursuant to Article 28 of the Board of Directors Regulations, a conflict of interest will be deemed to exist in those situations in which the interest of the Company or the companies in its group is in direct conflict with the personal interest of the director. There is a personal interest of a director when the matter affects him/her or a related person.

Without prejudice to the provisions regarding the duty to avoid situations of conflict of interest established by law, conflict of interest will be governed by the following rules:

a) A director will avoid situations that could result in a conflict of interest between the Company and the director or related persons.

b) In any event, a director will, upon learning thereof, advise the board of directors of the existence of conflicts of interest.

c) In any event, a director must recuse him or herself from attending and participating in the deliberations and votes affecting matters in which the director is personally interested. In this regard, the votes of the directors affected by the conflict that are to recuse themselves from voting will be deducted for purposes of computation of the necessary voting majority.

d) In any event, all conflicts of interest involving directors will be disclosed in the annual corporate governance report and in the notes to the financial statements.

The above obligation to recuse him or herself from voting shall not be applicable in the case of agreements or decisions which affect the relevant Director's status as a director, such as his/her appointment to or removal from the Board of Directors of the Company or other managerial bodies.

A Director may not directly or indirectly undertake professional or commercial transactions with the Company, unless the conflict of interest situation is duly disclosed and the Board of Directors approves the transaction, once the Audit and Compliance Committee issued the relevant report.

Pursuant to Article 229 of the Spanish Companies Act, the Company's directors (and their related persons) shall refrain from:

a) Carrying out transactions with the Company other than those conducted in the ordinary course of business under standard client terms and for insignificant amounts, understood as transactions for which reporting is not necessary to give a true and fair view of the equity, financial position and financial performance of the Company;

b) Using the name of the Company or referring to their position as a director to bring undue influence to bear on private transactions;

c) Making use of Company assets, including confidential Company information, for personal purposes;

d) Taking advantage of the Company's business opportunities;

e) Obtaining advantages or remuneration from third parties other than the Company and its group in connection with the discharge of their duties, other than mere courtesy items; and

f) Carrying out activities, on their own behalf or on behalf of third parties, that would effectively entail entering into current or potential competition with the Company or that would in any way give rise to a permanent conflict of interest with the Company.

In case a conflict of interest situation may reasonable create a structural and permanent conflict between the involved director and the Company or its subsidiaries (if any), such director will then lack the required suitability and capacity to remain in office.

The Company may grant an exemption a waiver on of the prohibitions set out above, authorizing, on an individual basis, the entering by a director into transactions with the Company, the use of certain corporate assets, taking advantage of a certain business opportunity or obtaining benefits or remuneration from a third party. As a general rule, the exemption waiver will be granted by the Board of Directors provided that the independence of the board members is guaranteed and that the specific transaction does not damage or harm the net worth of the Company or, if applicable, that the transaction is at arm's length and the transparency of the decision-making process is assured. However, the exemption must be granted by the General Shareholders' Meeting when it involves the authorization to obtain receive benefits or remuneration compensation or other benefits from a third party in consideration for the discharge of his/her duties as a director of the Company or when it involves a transaction that has a value for a consideration that exceeds 10% of the assets of the Company.

Similarly, the non-compete obligation foreseen in Article 229 of the Spanish Companies Act may only be subject to exemption waived by way of an express and separate resolution of the General Shareholders' Meeting of the Company in the event and provided always that no damages are expected to be suffered by the Company or that the damages expected to be suffered shall be compensated by the benefits forecast to be gained achieved by the Company by obtaining consenting to said exemption waiver provided that an express and separate resolution of the General Shareholders' Meeting of the Company. To the best of the Company's knowledge, as of the date of this Prospectus, there are no actual or potential conflicts of interest among the current directors of the Company and senior management.

Senior Management

The following table lists DIA senior management team members as of the date of this Prospectus:

Name	Age	Title	Member of Management since	Employee of the Company since
Karl-Heinz Holland	52	Chief Executive Officer	May 2019	May 2019
Enrique Weickert	47	Chief Financial Officer	December 2018	December 2018
Alejandro Grande	41	Human Resources Officer / Chief Executive Officer DIA Argentina	October 2018	December 2005
Marin Dokozic	43	Director Executive Brazil	December 2018	December 2018
Isabel Fernández de Córdoba	52	Internal Audit Director	November 2011	November 2011
Pedro Barsanti	54	Chief Information Officer	January 2019	January 2019
Miguel Guinea	54	Chief Executive Officer DIA Portugal	December 2018	August 1995
Dawid Jaschok	45	Chief Commercial Officer	August 2019	August 2019
Matthias Raimund	52	Chief Operations Officer	October 2019	October 2019
Paul Berg	48	Chief Executive Officer Beauty by DIA (*Clarel*)	September 2019	September 2019
Lara Vadillo	42	Head of Communications and External Relations	July 2019	July 2011
Sagrario Fernández	50	General Counsel	October 2019	October 2019

Set forth below are the professional profiles of each of these senior managers:

Karl-Heinz Holland

Mr. Holland is a graduate in Business Administration from the Augsburg University of Applied Sciences.

In the past (from 1991-2014) he has held various positions in the Lidl Group, including the position of Chief Executive Officer.

He is currently Chairman of the Advisory Board of Der Gruene Punkt, a member of the Advisory Board of Takko Fashion, a member of the Supervisory Board of Zooplus AG and a member of the Supervisory Board of X5 Retail Group.

Enrique Weickert

He is an Economic and Business graduate from the Universidad de Sevilla, and took his fourth course in the University College Dublin. He is also a chartered accountant.

He started his professional career in 1996 at Arthur Andersen (later merged with Deloitte, S.L.), where he stayed as Senior Manager until 2005, and he left the company to become the CFO of Fertiberia, S.A., a leader in the European fertilizer industry which belongs to the Villar Mir Group.

From there, in 2010 he was appointed CFO of OHL, a listed company belonging to the Ibex 35 index of the Spanish stock exchanges engaged in civil engineering and infrastructures, where he stayed until late 2018, before joining DIA.

During his time at OHL he was a member of the Executive Committee, and served in the Board of Directors of several group companies, including listed subsidiaries in Mexico and Brazil.

Alejandro Grande

With a Law degree from the UNLZ in Buenos Aires, Alejandro Grande has worked in the distribution sector for more than 20 years. He began as a store manager for EKI, the Argentinian supermarket company, and then moved into sales management roles.

Mr. Grande started his career at EKI Supermarkets where he worked until 2004 and where he reached the position of Sales Manager. During 2005 he worked as head of HR projects at COTO Supermarkets. In 2005 he joined DIA Argentina as HR Project Manager. In 2007, he was appointed as the Human Resources Director of DIA Argentina, and his responsibilities grew over the years, leading him to head up the Franchises and Expansion Management team. In 2013, Alejandro was appointed Executive Director of DIA Argentina, a position he has held up to his appointment as Human Resources Officer.

Since October 2018, Mr. Grande is the new Human Resources Director of the Group, and since October 2019 he is the new Chief Executive Officer of DIA Argentina.

Marin Dokozic

He is a Business Administration graduate by the University of Mannheim. He also holds a Master's Degree in Business Administration by the same University (Diplom-Kaufmann).

He has developed his entire career in Lidl. He joined the company in 2002 as area manager for regional subsidiary of Lidl Germany. Between 2003 and 2005 he was buying manager for new countries (Croatia, Slovenia and Hungary). In 2005 he became Member of the executive leadership buying team for Lidl Croatia and in 2009 he was appointed Speaker of the Management Board for Lidl Croatia (2009-2013), in 2013 for Lidl Portugal (2013-2015) and in 2015 for Lidl Germany (2015-2018). During 2015 he was also Member of the Lidl International executive leadership buying team.

Since November 2018, Mr. Dokozic is the new Executive Director of DIA Brazil.

Isabel Fernández de Córdoba

Ms. Fernández de Córdoba is an Economics graduate from the University College of Financing Studies (CUNEF). She started to develop her career as an auditor at J.P. Morgan Spain in 1989, where she worked for 5 years. In 1999 she started working for ING, between 1999 and 2011 she held different positions as Internal Auditor in different companies of the group (ING Nationale Nederlanden, ING Funds, ING Belgium Spain, ING Belgium Portugal, ING Bank NV Spain) and in 2003 she was appointed as Director of the Internal Audit Department for ING Corporate Banking Entities in Spain and Portugal.

Since 2011 she is the Group Chief Internal Auditor.

Pedro Barsanti

Mr. Barsanti is a Mathematics graduate from Madrid Complutense University. He also completed an executive development program (PDD) from IESE University.

He has developed his professional career for 25 years as a consultant at Accenture, where he reached the position of partner. In September 2001, he was appointed responsible for the Retail sector for Spain, Portugal, Africa and Israel. Mr. Barsanti has a broad experience advising several companies from the Retail industry such as Inditex, El Corte Inglés, Mercadona, Cortefiel, Caprabo, etc.

Among his main projects in the area of strategy and operations, he relaunched the digital strategy of Carrefour and he developed IT plans and commercial business plans for the main Retail companies in Spain. He has also developed information technology projects such as the implementation of ERP's (SAP, Oracle, Teradata), the transformation of operations through the implementation of systems in several Retail companies and the development of the Point of Sale System.

Miguel Guinea

Mr. Guinea is a Business Administration graduate from Suffolk University. He also holds a Finance Postgraduate Program from Harvard University as well as a General Director Program (PDG) from IESE Business School and a Business Program from the International Institute for Management Development.

Mr. Guinea started his career as a portfolio accountant at State Street Bank & Trust Co. and State Street Global Advisors. In 1995 he joined the Group as Private Label Product Manager. One year later, he moved to INTERDIS, Carrefour Group’s central buying company, as PGC Grocery Private Label Director. In 2001 Mr. Guinea was appointed Commercial Director for DIA China and in 2007 he became Franchise Director for DIA Spain. From 2009 to 2012 he was Commercial Director for DIA France.

In 2013 Mr. Guinea was appointed Development Director (Expansion & Franchise) for DIA Spain and after that he became Operations Director for DIA Spain (west). Since 2017 he is he CEO of DIA Portugal.

Dawid Jaschok

Mr. Dawid Jaschok is a Business Administration graduate from the University of Management and Banking in Poznań.

He joined Lidl in 2000. Since then Dawid has held the following positions in Lidl: Manager for Supply in Poland, member of the Supply Board in Czech Republic, Member of the International Board with responsibilities for Poland and Eastern Countries, Chairman of the Board of International Supply, responsible for supply, sales and marketing for the whole Lidl Group and member of the Board of Lidl.

In 2014, as an entrepreneur, he founded a furniture and home decoration retail brand in Germany and Poland (Konsimo) at the same time he advised some of the biggest retailers in Europe in the food, nonfood, fashion and e-commerce business.

Matthias Raimund

Mr. Matthias Raimund is a Business Administration graduate from the University of Applied Sciences of Nurtingen, specialising in business management and automotive industry.

He joined Lidl in 1993, where he held various positions until 2004, when he was appointed as member of the Executive Committee of Lidl Germany. In 2009 he was appointed as Director of Operations of Lidl International, and from 2011-2015 he was CEO of Lidl Germany.

Since 2015 until now he has been working as an independent consultant for several international retail companies.

Paul Berg

Mr. Paul Berg is a European Business Administration graduate from the University of Middlesex, he completed an executive MBA from IE Business School, a Marketing Masters from EAE Business School and a Postgraduate Studies in Supply Chain Management from IESE Business School.

He has worked as Placement Financial Controller at Barclays Bank Plc in 1995, as Export Manager at Derbi, Nacional Motor, S.A. from 1996 to 1998, as a category manager at Lidl Germany from 1998 to 1999, as Chief Procurement Manager at Lidl España from 1999 to 2004, as Chief Procurement Officer and CEO of Plus Supermercados, S.A. from 2004 to 2008, as Concept Manager and Head of International Procurement at Media Saturn Holding GmbH from 2008 to 2014, as CEO and member of the Supervisory Board of Netto Supermarkt GmbH from 2014-2019 and as Sales Manager for the Canary Island for AB InBev APAC from 2018 to 2019.

Lara Vadillo

Ms. Lara Vadillo is a journalism graduate from the Universidad Complutense de Madrid (including a stay at Université Vincennes-Saint-Denis (Paris VIII)), and she has completed the Programa Superior de Gestión Empresarial y Dirección de la Comunicación at IE Business School.

She has worked as correspondent, writer and presenter at Expansión TV from 1998 to 2004, as writer at Actualidad Económica from 2004 to 2005, as stock markets correspondent at CNN+ and Cuatro TV from 2005 to 2010, as economy writer at Cuatro TV in 2011 and as accounts manager at Deva Comunicación Financiera, S.L. in 2011.

Sagrario Fernández

Ms. Sagrario Fernández is a law graduate from the Universidad Complutense de Madrid, and she has completed the Banco Santander W50 Program at UCLA Anderson School of Management and an Executive Program in Digital Business at ISDI.

She has worked as a lawyer in the corporate law department of Garrigues from 1995 to 1998, as manager of in-house legal counsel at Indra from 1998 to 2001, as general counsel and secretary to the Board of Directors of Iberbanda, as general counsel of IECISA from 2006 to 2008, as general counsel and secretary to the Board of Directors at Prosegur from 2008 to 2018, and as general counsel of Codere from 2018 to 2019.

Senior management managerial positions and shareholdings

The table below sets out all entities or associations in which the senior managers —according to the information that said persons have provided to the Company— have been appointed as members of the administrative, management or supervisory bodies or in which they have held shareholdings at any time during the five year period preceding the date of this document, indicating whether or not each person is still a member of such bodies or holds any shares in any such entities.

The Company considers that the term “company” refers to entities other than family-owned asset-holding companies and merely instrumental non-operative companies. Furthermore, the Company has not considered that the term “shareholders” refers to shareholdings in listed companies which are considered as significant shareholdings.

If shareholdings of senior management are not included in the table below it is due to the fact that they do not hold any shareholding in companies that meet the above requirements.

<table>
<tr><th>Director</th><th>Company</th><th>Position / title</th><th>Sector</th><th>In office</th></tr>
<tr><td rowspan="7">Karl-Heinz Holland</td><td>LetterOne</td><td>Member of the Advisory Board of the Retail Division</td><td>Retail Investment</td><td>No</td></tr>
<tr><td rowspan="2">Takko Fashion</td><td>Chairman of the Advisory Board</td><td rowspan="2">Clothing retail</td><td>No</td></tr>
<tr><td>Member of the Advisory Board</td><td>Yes</td></tr>
<tr><td>Boston Consulting Group</td><td>Senior advisor</td><td>Consulting</td><td>No</td></tr>
<tr><td>Zooplus AG</td><td>Member of the Supervisory Board</td><td>Pet food</td><td>Yes</td></tr>
<tr><td>Der Gruene Punkt</td><td>Chairman of the Advisory Board</td><td>Recycling</td><td>Yes</td></tr>
<tr><td>X5 Retail Group</td><td>Member of the Supervisory Board</td><td>Food retail</td><td>Yes</td></tr>
<tr><td rowspan="5">Enrique Weickert</td><td>OHL Concesiones, S.A.U.</td><td>Member of the Board of Directors</td><td>Infrastructure concessions</td><td>No</td></tr>
<tr><td>Obrascon Huarte Lain Desarrollos, S.L.U.</td><td>Member of the Board of Directors</td><td>Infrastructure concessions</td><td>No</td></tr>
<tr><td>OHL Industrial, S.L.U.</td><td>Member of the Board of Directors</td><td>Infrastructure concessions</td><td>No</td></tr>
<tr><td>Obrascon Huarte Lain Construccion Internacional, S.LU.</td><td>Member of the Board of Directors</td><td>Infrastructure concessions</td><td>No</td></tr>
<tr><td>OHL USA, INC.</td><td>Member of the Board of Directors</td><td>Infrastructure concessions</td><td>No</td></tr>
</table>

	OHL Mexico, S.A.B DE CV	Member of the Board of Directors	Infrastructure concessions	No
	OHL Emisiones, S.A.U.	Representative of the legal person member of the Board of Directors	Infrastructure concessions	No
	Sociedad Anonima Trabajos y Obras, Unipersonal (SATO)	Member of the Board of Directors	Infrastructure concessions	No
	Avalora Tecnologias de la Informacion, S.A.U.	Member of the Board of Directors	IT services	No
Marin Dokozic	LIDL Portugal	CEO	Retail	No
	LIDL Alemania	CEO	Retail	No
Dawid Jaschok	Konsimo	Owner	Furniture retail	Yes
Matthias Raimund	LIDL Germany	CEO	Retail	No
Paul Berg	Netto Supermarkt GmbH	CEO Member of the Supervisory Board	Retail	No
Sagrario Fernández	Prosegur	General Secretary	Security	No
	Codere	General Counsel	Gambling	No

Family relationships

There are no family relationships and no “close relatives” (as this term is defined in applicable regulations for related party transactions and, in particular, in Order EHA/3050/2004, of September 15, 2004, on information to be disclosed by listed companies regarding related party transactions) among the directors, the directors and other members of the Company’s senior management or the members of the Company’s senior management.

No convictions and other negative statements

To the best of the Company’s knowledge, none of the members of the Board of Directors or members of its senior management have, in the five years preceding the date of this Prospectus: (i) been convicted in relation to fraudulent offenses; (ii) acted as directors of entities affected by bankruptcy, receivership or liquidation; (iii) been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies); or (iv) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer of securities or from acting in the management or conduct of the affairs of any issuer.

Share Ownership

As of the date of this Prospectus, the directors of the Company own directly or may acquire through financial instruments, the following amounts of DIA shares:

Name of director	Number of direct voting rights	Number of voting rights that may be acquired through financial instruments[(1)]	Percentage of total voting rights
Stephan DuCharme(*)	0	18,162	0,003%
Sergio Dias (*)	0	10,120	0,002%
Michael Casey	0	7,754	0,001%
Karl-Heinz Holland	7,083	7,754	0,002%
José Wahnon Levy	0	10,881	0,001%
Christian Couvreux	0	10,454	0,001%
Jaime García-Legaz Ponce	0	44,043	0,007%
Total	**7,083**	**109,168**	**0,017%**

(*) Stephan DuCharme and Sergio Dias were entitled to receive shares as part of their compensation as members of the Board of Directors of the Company during the 2018 financial year. However, they have formally renounced to their right to receive those shares for financial year 2018.

[1] Shares accrued as of June 30, 2019 as part of the Board of Directors' remuneration under the former Remuneration Policy (in force until August 31, 2019). These shares are expected to be delivered to the relevant directors at the end of 2019.

As of the date of this Prospectus, senior managers (excluding the Executive Directors) of the Company own directly or may acquire through financial instruments, the following amounts of DIA shares:

Name of senior manager	Number of direct voting rights	Number of voting rights that may be acquired through financial instruments	Percentage of total voting rights
Enrique Weickert	0	0	0%
Alejandro Grande	11,542	0	0,001%
Marin Dokozic	0	0	0%
Isabel Fernández de Córdoba	0	0	0%
Pedro Barsanti	0	0	0%
Miguel Guinea	0	0	0%
Dawid Jaschok	0	0	0%
Matthias Raimund	0	0	0%
Paul Berg	0	0	0%
Lara Vadillo	0	0	0%
Sagrario Fernández	0	0	0%
Total	**11,542**	**0**	**0,001%**

Remuneration

Directors remuneration

According to Article 529 novodecies of the Spanish Companies Act and to the Company's internal rules, the members of the Board of Directors shall receive, as directors, compensation that shall be determined by the shareholders' general meeting by means of the approval of a remuneration policy, which shall be submitted for approval at least every three years. This compensation of directors will consist of a fixed monthly stipend and per diems for attending meetings of the Board of Directors and its committees.

Executive directors, for the performance of executive functions delegated to them or entrusted to them by the Board of Directors, shall receive the compensation that the Board determines. This compensation shall comply with the Remuneration Policy in force and it shall be reflected in the relevant contract to be signed between the director and the Company.

In particular, and not as a limitation, such remuneration may consist of fixed salaries, variable compensations (depending on the achievement of corporate objectives and/or individual performance), dismissal compensations for reasons other than the noncompliance of duties, pensions, insurances, welfare systems, deferred remuneration concepts and compensation formulas in the form of shares or options thereon or indexed to the value of the shares, set forth for those members of the board of directors who perform executive duties.

Remuneration policy

On March 20, 2019, the Company's General Shareholders' Meeting did not approve the consultative item on the annual report on the director's remuneration. Therefore, pursuant to Article 39 bis of the Company's bylaws, on August 30, 2019, the Company's General Shareholders' Meeting approved a new directors' remuneration policy for years 2019-2022. The main features of the new 2019-2022 policy, as approved by the August 30, 2019 General Shareholders' Meeting are as follows:

Principles

- Commitment and attraction and retaining of talent: the aim of the remuneration policy will be to reward quality, dedication, responsibility, knowledge of the business and commitment to the Company and to the people who are in key positions and lead the organization.
- External and internal equity: the external competitive environment and internal equity will be taken into account to set remuneration.
- Transparency.
- Promotion of the creation of long-term value for the Company and its shareholders.

Remuneration of Directors for their services as such:

Only non-executive non-proprietary directors will receive remuneration for their services as such.

The remuneration of non-executive non-proprietary directors for their services as such will consist of:

(i) A fixed allowance in cash, established each year by the Board of Directors, which may vary the amount to be received by each of them according to the functions and responsibilities entrusted to each director, membership of Board committees and any other objective circumstances that it considers pertinent.

The maximum annual amount, which may not be necessarily reached, of the fixed allowance for all directors for their services as such is established by the Shareholders' Meeting as €1,350,000.

(ii) Deferred remuneration in shares, based on the allocation, at the start of each three-year term of office, of a number of DIA shares equivalent to €150,000 gross.

Share awards will vest ratably over the three-year term, but they will not be delivered until the end of the three-year term (or at the time of vacation of office on grounds not attributable to the director, if sooner). The Board of Directors has the discretion to accelerate the vesting of the award in order to deliver the total number of shares initially awarded at the time of vacation of office. The number of shares allocated may be adjusted by application of the habitual anti-dilution clauses.

Directors must hold the delivered shares until they vacate office (although this rule will not apply to any shares that the director needs to dispose of in order to pay the costs relating to their acquisition).

In order to permit the application of this deferred remuneration in shares, pursuant to article 219 of the Spanish Companies Act, the Shareholders' Meeting authorizes the allocation to directors under this Policy of a maximum of 7,500,000 ordinary Company shares with a unit par value of €0.10. As mentioned above, this maximum number of ordinary shares will only be allocated to the Company's non-proprietary and non-executive directors. In allocating the shares, the average closing price of the DIA share in the last 15 trading sessions immediately preceding the reference date will be taken as a reference, being the reference date the date of appointment by co-option or the date of the resolution by the Shareholders' Meeting, as applicable. The Company may cover the indicated shares using any shares that make up or that may make up its treasury stock from time to time or use other appropriate coverage systems.

The new remuneration policy does not contemplate the payment of fees for attendance at meetings of the Board of Directors or of the Board committees; however, directors will be reimbursed for any duly justified expenses they may incur in performing their functions.

The August 30, 2019, Company General Shareholders' Meeting set out the following fixed remuneration to be received exclusively by non-executive, non-proprietary directors:

<u>Remuneration in cash</u>

Base annual remuneration:

- Chairman of the Board of Directors: €250,000 gross (Mr. Stephan DuCharme, current Chairman of the Board of Directors, does not receive any amounts due to his status as a proprietary director).

- Deputy Chairman of the Board of Directors: €200,000 gross (There is currently no Deputy Chairman of the Board of Directors).

- **Member of the Board of Directors: €100,000 gross.**

Additional annual remuneration based on committee membership:

- Committee Chairman: €50,000 gross.

- Committee member: €20,000 gross.

<u>Share remuneration</u>

€150,000 in shares, to be allocated annually during the three year term of office, and delivered at the end of said three-year period.

<u>Total remuneration</u>

The expected annual remuneration for the current members of the Board of Directors is as follows:

- Jaime García-Legaz Ponce: €240,000 (€100,000 for his position as independent director, €50,000 for being chairman of the Finance and Capital Structure Committee, €20,000 for being a member of the Audit and Compliance Committee, €20,000 for being a member of the Nominations and Remunerations Committee and €50,000 of share remuneration).

- Christian Couvreux: €220,000 (€100,000 for his position as independent director, €50,000 for being chairman of the Nominations and Remunerations Committee, €20,000 for being a member of the Finance and Capital Structure Committee and €50,000 of share remuneration).

- José Wahnon Levy €200,000 (€100,000 for his position as independent director, €50,000 for being chairman of the Audit and Compliance Committee and €50,000 of share remuneration).

Following the new parameters set out by the new remuneration policy, the expected total annual cost of the remunerations of the current members of the Board of Directors would be €660,000.

Remuneration of Executive Directors

The remuneration to be received by executive directors for the performance of executive functions at the Company (which are therefore different from the functions linked to their status as members of the Board of Directors, which will not be remunerated) is structured as follows:

(i) Fixed remuneration: Determined taking into account the content of the executive functions assigned and the merits of the executive director.

(ii) Variable remuneration: The variable remuneration of the executive directors aims to strengthen their commitment to the Company and incentivize the best performance of their functions. It may include:

   (a) Short-term variable remuneration (annual bonus): payable in cash and linked to the achievement of economic, financial and non-financial targets and, as the case may be, the fulfillment of personal targets. There are currently no executive directors who receive short-term variable remuneration, so no specific targets or ratios have been approved by the Board of Directors or the General Shareholders' Meeting of the Company.

(b) Medium- and long-term variable remuneration: medium- and long-term incentive systems (multi-year bonuses, share or stock option plans, warrants on shares or referenced to the share price, or analogous systems) linked to Company performance in relation to set economic and financial and/or non-financial parameters aligned with the Company's strategic objectives and long-term value creation. In the case of systems linked to Company shares, they will be submitted to the Shareholders' Meeting for approval in accordance with the law.

Part of the variable remuneration may be considered minimum or guaranteed remuneration. The maximum annual fixed and short-term variable remuneration for an executive director is €3,000,000 gross in aggregate.

The maximum value of the medium- and long-term variable incentive will not exceed 200% of the annual fixed remuneration multiplied by the number of reference years of the plan (usually three years).

(iii) Remuneration in kind: With a view to offering a competitive and attractive remuneration package, executive directors may receive remuneration in kind, such as (without limitation) accommodation, life and accident insurance, health insurance, an annual medical check-up or company car, in accordance with the Company's policies. In all cases, remuneration in kind will not exceed 5% of the annual fixed remuneration.

(iv) Remuneration from the post-contractual non-compete undertaking: Where an executive director's contract contains a post-contractual non-compete undertaking, his or her remuneration may include periodic fixed remuneration as consideration for such undertaking, which may not exceed the fixed remuneration corresponding to the non-compete period.

Chief Executive Officer Services Agreement

Before the approval of the new remuneration policy, on May 21, 2019, the Company's Board of Directors approved the services agreement entered into on the same date by the Company and Mr. Karl-Heinz Holland to set out the terms under which Mr. Holland will render his services as Chief Executive Officer of the Company.

The remuneration for the services rendered under such agreement are (a) a base salary of €606,600 (updated as applicable by the positive interannual CPI (the general national consumer price index published by the National Statistics Institute)), (b) a short-term remuneration of up to 200% of the fixed remuneration in case of achievement of 100% of the objectives, (c) a long-term variable remuneration as established in the relevant Long-term Incentive Plan and (d) other items as described above.

Following the approval of the remuneration policy by the General Shareholders' Meeting on August 30, 2019, the new Chief Executive Officer's Services Agreement, entered into between Mr. Karl-Heinz Holland and the Company is structured as follows:

(i) Remuneration:

(a) Fixed remuneration: €3,000,000 gross per annum. No variation is envisaged in the fixed remuneration until at least December 31, 2022.

(b) Short-term variable remuneration (annual bonus): The Chief Executive Officer will not participate in any annual variable remuneration system.

(c) Medium- and long-term variable remuneration (long-term incentive, LTI): it is envisaged that the Chief Executive Officer will participate in a multi-year variable remuneration system for the period 2020-2022 ("**LTI 2020-2022**"). The value of the participation of the Chief Executive Officer in the LTI 2020-2022 will be in any event within the 200% of annual fixed remuneration maximum set forth in the remunerations policy, with the actual award dependent on the degree of achievement of the targets established for the LTI 2020-2022 and with part of such incentive (not to exceed 25% of the maximum value of the award) to be considered minimum or guaranteed remuneration. The Company has not yet launched the LTI 2020-2022, so therefore the variables to which the Chief Executive Officer agreement is subject to are unknown as of the date of this Prospectus.

(d) Remuneration in kind: includes assumption by the Company of the cost of accommodation for the Chief Executive Officer in Madrid, life and disability insurance, medical insurance and the use of a Company vehicle, pursuant to DIA's policy in this respect, all of this up to a maximum annual amount of 2.5% of his annual fixed remuneration.

(ii) Term: indefinite. Notwithstanding the foregoing, for the effectiveness of certain financial conditions agreed upon with the current chief executive officer, the Company has established an initial period for the provision of services that runs from May 20, 2019 to December 31, 2022.

(iii) Exclusivity: The Chief Executive Officer must provide his services on a full and exclusive basis to the Company and the Group, unless he is a member of certain boards of directors or obtains the Company's prior express consent.

(iv) Advance notice period: The Chief Executive Officer must notify his intention to terminate his contract three months in advance if it is based on certain grounds, including a change of control at the Company, or six months in advance if based on any other ground.

(v) Severance arrangement: In the event of termination of the contract by the Chief Executive Officer due to a specific ground before the expiration of the aforesaid initial period, the Chief Executive Officer will be entitled to receive severance equal to the annual fixed remuneration that he would have received from the date of completion of the advance notice period through the end of the initial period. No provision is made for entitlement to severance in the event of termination by decision of the Company.

(vi) Post-contractual non-compete undertaking: six months of post-contractual obligation not to compete in certain cases of termination, with a financial compensation of €300,000 gross.

(vii) Clawback clause: In certain cases the Company may require the Chief Executive Officer to refund any amounts received under the LTI 2020-2022.

<u>2018 directors' remuneration</u>

The total remuneration received by members of the Board of Directors during 2018 amounts to €3.972 million.

Executive directors

2018

The remuneration received during 2018 by the executive directors, pursuant to the services agreements entered into with the Company are the following:

	2018 (amounts in € thousand)						
Director (0)	**Fixed salary**	**Short-term variable remuneration**	**Long-term variable remuneration**	**Other items (1)**	**Severance (2)**	**Non-compete (3)**	**TOTAL (4)**
Mr. Borja de la Cierva Álvarez de Sotomayor	5	0	0	0	0	0	5
Mr. Antonio Coto Gutiérrez (5)	214	0	0	11	0	0	225
Mr. Ricardo	497	0	0	10	1,951	202	2,660

	2018 (amounts in € thousand)						
Currás de don Pablos [(6)]							
TOTAL	716	0	0	21	1,951	202	2,890

(0) None of the executive directors received any variable remuneration corresponding to such year in 2018, since this remuneration accrues on December 31, and is paid in April of the following year. Mr. Karl-Heinz Holland was appointed as the CEO of the Company on May 21, 2019 and, thus, did not receive any compensation in 2018

(1) It includes the cost of life insurance, health insurance, the value of the use of a vehicle, and the amount relating to the pay supplement called pension assistance.

(2) It includes a severance payment equivalent to two years of his annual remuneration and the amount paid in consideration for the breach of the notice period in respect of his dismissal.

(3) It corresponds to a four-month period non-compete compensation.

(4) It does not include D&O hired globally for the entire Board of Directors.

(5) Mr. Antonio Coto was removed from his position as CEO on December 30, 2018. Before becoming the CEO of the Company, Mr. Coto was the Executive Manager for Latin America and Partnerships.

(6) Mr. Ricardo Currás de Don Pablos was removed from his position as CEO and resigned from his position as a director of the Company on August 24, 2018.

At the date of this Prospectus, the Company, regarding the investigations conducted which have revealed the existence of irregularities practices that have been carried out by certain employees and managers (including several former senior managers) and following the advice of its legal counsel, has taken and will continue to take whatever disciplinary and legal measures that it may deem are appropriate against such in respect of any unlawful irregular conducts actions and or behaviors, in accordance with the Company's Group's compliance policies and the current regulations.

Disciplinary measures have been taken according to the levels of responsibility and the degree of knowledge of the managers and the employees involved in the performance of the irregular accounting practices, and the Company has undertaken and will undertake whatever legal actions are deemed appropriate, following the assessment of facts by the Company's legal advisors. As of today, the individuals that, according to the investigation, may be responsible in the carrying out of irregular practices no longer provide services nor hold positions in the Company.

As at the date of this Prospectus, the Nominations and Remunerations Committee is considering, in order to propose it to the Board of Directors, triggering the claw back clauses (no *malus* clauses were included in the relevant agreements) on the different remuneration items paid to the executive directors terminated in 2018 (and, in the case of Mr. Currás, the claim for the reimbursement of any amount as deemed appropriate). DIA has suspended the payment of the consideration for the post-contractual non-competition undertaking to these directors pending a decision from the Nominations and Remunerations Committee and the Board of Directors on the foregoing.

In relation to the termination of Mr. Antonio Coto Gutiérrez, DIA has not paid any amount for the termination of the contract or as compensation for the post-contractual non-competition undertaking included in his contract and in the remuneration policy. Just as in the case of Mr. Currás, the Nominations and Remunerations Committee is analyzing, in light of the reasons for the Mr. Coto's termination, enforcing the claw back clause on the remuneration paid previously.

As of June 30, 2019

The remuneration received as of June 30, 2019 by the executive directors, pursuant to the services agreements entered into with the Company are the following:

	As of June 30, 2019 (amounts in € thousand)					
Director	**Fixed salary**	**Short-term variable**	**Long-term variable**	**Other items [(1)]**	**Non-**	**TOTAL [(3)]**

	As of June 30, 2019 (amounts in € thousand)					
		remuneration	**remuneration**		**compete** (2)	
Mr. Borja de la Cierva Álvarez de Sotomayor	259	0	0	6	51	316
Mr. Karl-Heinz Holland	339	0	0	4	0	343
TOTAL	598	0	0	10	51	659

(1) It includes the cost of life insurance, health insurance, the value of the use of a vehicle, accommodation and the amount relating to the pay supplement called pension assistance.

(2) It corresponds to a one month pro-rate non-compete compensation for Mr. de la Cierva.

(3) It does not include D&O hired globally for the entire Board of Directors.

In relation to the termination of Mr. Borja de la Cierva on May 21, 2019, the Company and Mr. de la Cierva executed a termination agreement whereby no amount was to be paid to Mr. de la Cierva for the termination of his contract. However, said termination agreement stated that, due to the post-contractual non-competition undertaking included in his employment contract, the Company agreed to pay Mr. de la Cierva €606,000, a gross amount equal to 12 months of fixed remuneration, that is, the duration of the agreed non-compete period.

Non-executive directors

2018

The remuneration received by the directors in 2018 in their capacity as such is the following:

	2018 (amounts in € thousand)				
Director (0)	**Fixed remuneration**	**Per diems**	**Total cash remuneration**	**Total**	**Amount of shares granted**
Richard Golding	61	49	105	110	9,165
Mariano Martín Mampaso	67	54	116	121	11,752
Borja de la Cierva Álvarez de Sotomayor	66	51	113	117	10,028
Julián Díaz González	52	21	68	73	9,019
María Garaña Corces	57	43	96	100	8,538
Jaime García-Legaz Ponce	0	0	0	0	0
Miguel Ángel Iglesias Peinado	0	0	0	0	70
Angela Spindler	58	44	97	102	10,640
Antonio Urcelay Alonso	61	53	110	114	9,238
Juan María Nin Génova (1)	27	11	36	38	4,046
Ricardo Currás de	0	0	0	0	0

	2018 (amounts in € thousand)				
don Pablos [2]					
Stephan DuCharme [3]	42	28	66	70	7,786
Karl-Heinz Holland [4]	33	28	58	61	6,071
Sergio Dias [5]	10	15	24	25	1,865
Antonio Coto Gutiérrez [6]	16	20	34	36	2,708
Ana María Llopis Rivas [7]	79	36	110	115	11,960
TOTAL	629	453	1,033	1,082	102,886

(0) The remuneration of directors corresponding to fiscal year 2018, includes that of directors who have been and continue being members of the Board and that of directors who have resigned from their position during this year but have nonetheless accrued the above amounts. Mr. Jaime García-Legaz Ponce was appointed as a director of the Company on January 10, 2019 and, thus, did not receive any compensation in 2018.

(1) Mr. Juan María Nin Génova resigned from his position as director of the Company effective on June 22, 2018. In accordance with article 529 *duodecies* of the Spanish Companies Act, Mr. Juan María Nin qualified as "Other outside director" given his condition of director in Société Générale (a financial services provider of DIA) Board of Directors.

(2) Mr. Ricardo Currás de don Pablos resigned from his position as director of the Company effective on August 24, 2018.

(3) Mr. Stephan DuCharme resigned from his position as director of the Company effective on December 4, 2018. In accordance with article 529 *duodecies* of the Spanish Companies Act, Mr. Stephan DuCharme qualified as "external proprietary director" provided that he represented LetterOne (significant shareholder). Mr. Stephan DuCharme was re-appointed as director of the Company on May 20, 2019.

(4) Mr. Karl-Heinz Holland resigned from his position as director of the Company effective on December 18, 2018. In accordance with article 529 *duodecies* of the Spanish Companies Act, Mr. Karl-Heinz Holland qualified as "external proprietary director" provided that he represented LetterOne (significant shareholder). Mr. Karl-Heinz Holland was re-appointed as director of the Company on May 20, 2019.

(5) Mr. Sergio Dias resigned from his position as director of the Company effective on December 18, 2018. In accordance with article 529 *duodecies* of the Spanish Companies Act, Mr. Sergio Dias qualified as "external proprietary director" provided that he represented LetterOne (significant shareholder). (6) Mr. Antonio Coto Gutiérrez resigned from his position as director of the Company effective on December 30, 2018. Mr. Sergio Dias was re-appointed as director of the Company on May 20, 2019.

(7) Ms Ana María Llopis Rivas resigned from her position as director of the Company effective on December 31, 2018. In accordance with article 529 *duodecies* of the Spanish Companies Act, Ms. Ana María Llopis qualified as "Other outside director" given her condition of director in Société Générale (a financial services provider of DIA) Board of Directors.

As of June 30, 2019

The remuneration received by the directors as of June 30, 2019 in their capacity as such is the following:

	As of June 30, 2019 (amounts in € thousand)				
Director[0]	**Fixed remuneration**	**Per diems**	**Total cash remuneration**	**Total(*)**	**Amount of shares granted**
Richard Golding[1]	20	29	49	70	33,924
Mariano Martín Mampaso[2]	22	28	50	72	37,155
Borja de la Cierva Álvarez de Sotomayor[3]	15	26	41	57	26,032
Julián Díaz González[4]	27	22	49	76	45,232
María Garaña	20	25	45	66	33,924

	As of June 30, 2019 (amounts in € thousand)				
Corces(5)					
Jaime García-Legaz Ponce	26	40	66	92	44,043
Miguel Ángel Iglesias Peinado(6)	9	10	19	27	14,585
Angela Spindler(7)	20	26	46	67	33,924
Antonio Urcelay Alonso(8)	20	27	47	67	33,924
Stephan DuCharme	10	11	21	32	18,162
Karl-Heinz Holland	4	8	10	17	7,754
Sergio Dias	6	13	19	25	10,120
Michael Casey	4	8	12	17	7,754
José Wahnon Levy	6	13	19	26	10,881
Christian Couvreux	6	7	13	20	10,454
TOTAL	**215**	**293**	**508**	**731**	**367,868**

(*) An error was identified in the Limited Reviewed H1 2019 Financial Statements regarding the total remuneration received by the members of the Board of Directors from their role as directors. Specifically, an excess remuneration of €28,000 (€14,000 in cash and €14,329 in shares) was included in such total remuneration included in Limited Reviewed H1 2019 Financial Statements.

(0) The remuneration of directors corresponding as of June 30, 2019, includes that of directors who have been and continue being members of the Board and that of directors who have resigned from their position during this year but have nonetheless accrued the above amounts.

(1) Mr. Richard Golding resigned from his position as director of the Company effective on May 20, 2019.

(2) Mr. Mariano Martín Mampaso resigned from his position as director of the Company effective on May 20, 2019.

(3) Mr. Borja de la Cierva Álvarez de Sotomayor resigned from his position as director of the Company effective on May 20, 2019.

(4) Mr. Julián Díaz González resigned from his position as director of the Company effective on May 20, 2019.

(5) Ms. María Garaña Corces resigned from her position as director of the Company effective on May 20, 2019.

(6) The General Shareholders' Meeting of the Company held on March 20, 2019 rejected the appointment of Mr. Miguel Ángel Iglesias Peinado as director of the Company.

(7) Ms. Angela Spindler resigned from her position as director of the Company effective on May 20, 2019.

(8) Mr. Antonio Urcelay Alonso resigned from his position as director of the Company effective on May 20, 2019.

Compensation of Senior Management

The Board of Directors of the Company determines the remuneration of the Senior Management of the Company, following the proposal of the Nominations and Remunerations Committee.

The remuneration system for DIA's Senior Management replicates that of the CEO, including the following elements:

- Fixed remuneration: its aim is to reward performance of executive duties.
- Variable remuneration: consisting of a short-term variable remuneration equal to a determined percentage of the fixed remuneration of the relevant senior manager.

The quantitative objectives on which the variable remuneration of the senior management is based are the same as those of the CEO; whereas the specific objectives may vary depending on the tasks carried out by each of the senior managers in the Company.

Fixed remuneration of senior managers is due and payable monthly, whilst variable remuneration is due as of December 31, and payable once the Nominations and Remunerations Committee and the Board of Directors determine whether the objectives have been met in light of annual results during the first months (March/April) of the following year.

The senior management agreements of Mr. Weickert, Mr. Grande, Mr. Barsanti and Mr. Dokozic with the Company include claw back clauses None of the senior managers' agreements contain *malus* clauses.

There are no pension plans schemes for senior managers. Nevertheless, the Company rewards those senior managers who make contributions to their individual pension plans schemes.

At the date of this Prospectus, the Company, regarding the investigations conducted which have revealed the existence of irregularities that have been carried out by certain employees and managers (including several former senior managers) and following the advice of its legal counsel, has taken and will continue to take whatever disciplinary and legal measures that are appropriate against such irregular conducts or behaviors, in accordance with the Group's compliance policies and the current regulations.

Disciplinary measures have been taken according to the levels of responsibility and the degree of knowledge of the managers and the employees involved in the performance of the irregular accounting practices, and the Company has undertaken and will undertake whatever legal actions are deemed appropriate, following the assessment of facts by the Company's legal advisors. As of today, the individuals that, according to the investigation, may be responsible in the carrying out of irregular practices no longer provide services nor hold positions in the Company.

Senior Management remuneration in 2018

The total remuneration received by members of the Senior Management during 2018 amounts to:

	2018 (amounts in € thousand)
Senior Management	4,581

(*) Excluding Executive Directors. Remuneration received by a total of 12 senior managers.

Senior Management remuneration as of June 30, 2019

The total remuneration received by members of the Senior Management during as of June 30, 2019 amounts to:

	As of June 30, 2019 (amounts in € thousand)
Senior Management	1,848

(*) Excluding Executive Directors. Remuneration received by a total of 9 senior managers.

Termination conditions of agreements between the Company and its senior management

Mr. Karl-Heinz Holland (CEO): In the event of termination of the contract by Mr. Karl-Heinz Holland due to a specific ground (as set out in the CEO contract) before the expiration of the period ending on December 31, 2022, the Mr. Karl-Heinz Holland will be entitled to receive severance equal to the annual fixed remuneration that he would have received from the date of completion of the advance notice period through the end of the period ending on December 31, 2022. No provision is made for entitlement to severance in the event of termination by decision of the Company.

Mr. Enrique Weickert (Chief Financial Officer): If the contract is terminated due to an unfair disciplinary dismissal, the contract of the Chief Financial Officer envisages a severance payment of the greater of (i) one year of his remuneration, or (ii) 33 days' salary per year of work. In case the contract is terminated for objective reasons, the contract provides for a severance payment of one year.

Additionally, he can terminate his contract with the right to receive a severance payment of: (i) in the event of unfair dismissal, 33 days salary per year of work, with a minimum of one year and a maximum of two years of the remuneration; and (ii) 1.7 times the fixed remuneration in the event of (a) a change of control as envisaged in article 42 of the Spanish Code of Commerce in respect of certain cases related to the Group's capital structure; and (b) the non-completion of a Rights Issue.

Mr. Alejandro Grande (Human Resources Officer and CEO of DIA Argentina): If the contract is terminated due to an unfair disciplinary dismissal, the contract of the Human Resources Officer envisages a severance payment that amounts to: (i) 13 months; and (ii) 1 month per year of work, with a maximum of 2 years' remuneration for their time as a senior management at the company. In case the contract is terminated for objective reasons, the contract includes a severance payment of one year.

Mr. Pedro Barsanti (Chief Information Officer): If the contract is terminated due to an unfair disciplinary dismissal, the contract of the Chief Information Officer envisages a severance payment that amounts to one month salary per year of work, where the maximum shall be up to two years of his remuneration. In case the contract is terminated for objective reasons, the contract includes a severance payment of one year.

Mr. Dawid Jaschok (Chief Commercial Officer): If the contract is terminated without cause, Mr. Jaschok is entitled to receive the salary pending to be received until December 31, 2022. In case of voluntary leave under the clause 10.2.d) of Royal Decree 1382/85, the compensation to be received would equal to the salary Mr. Jaschok would receive from voluntary leave date to 31/12/2022.

Mr. Matthias Raimund (Chief Operations Officer): If the contract is terminated without cause, Mr. Raimund is entitled to receive 33 days per year of annual salary, limited to 24 months. In case of termination with objective cause, Mr. Raimund would be entitled to receive legal severance of a minimum of 1 year of annual salary. In the event of voluntary leave, Mr. Raimund would be entitled to receive 33 days per year of annual salary for voluntary leave under the article 10.3 a)b)c of Royal Decree 1382/85, capped to 24 months.

Ms. Sagrario Fernández (General Counsel): If the contract is terminated without cause, Ms. Fernández is entitled to receive €500,000 if during the first year of the contract and €250,000 if during the second year of the contract.

Long-Term Incentive Plans

2016-2018 Long-Term Incentive Plan

This 2016-2018 Long-Term Incentive Plan was designed by the Nominations and Remunerations Committee and proposed to the Board of Directors, who submitted it to the General Shareholder's Meeting held on April 22, 2016, which approved it.

The 2016-2018 Long-Term Incentive Plan was intended to sustain the Board of Directors' incentive policy, respectively, on the assumption that the implementation of a policy of successive overlapping plans is an effective instrument as it promotes a constant, beneficial drive towards the long-term achievement of the Company's strategic goals and of the need to create value for the shareholders.

This 2016-2018 Long-Term Incentive Plan was addressed to the Company's Chief Executive Officer, the Chief Corporate Officer, the members of DIA Management (the Executive Committee), top managers and key personnel designated by the Company (a maximum of 220 people). If there is a termination of the relationship between the Plan beneficiaries and DIA or one of its subsidiaries, the beneficiaries shall lose the right to receive shares under this Plan will lapse for those participants whose employment or executive director position is terminated, except in certain instances that as may be established by the Board of Directors.

It pursued the following objectives: (a) to align the compensation of the management with the interests of the Company and its shareholders; (b) to serve as an incentive for achieving results and the strategic objectives of the Company for the period 2016-2018; (c) to attract and retain key performance contributors; and (d) to build management's participation in the share equity of the Company.

This 2016-2018 Long-Term Incentive Plan consisted on the assignment of Restricted Stock Units ("**RSUs**") that served as a basis for determining the number of DIA shares to be awarded to the participants (i.e. the Chief Corporate Officer, the members of DIA Management, top managers and key personnel) based on meeting two targets ("Cumulated Organic Cash From Operations" and "Relative Organic Sales Average Growth") resulting from the annual accounts for fiscal years 2016, 2017 and 2018.

Below is a description of each of the metrics to which the vesting of the RSUs to participants is tied:

- Cumulated Organic Cash From Operations ("**CFO**")

CFO is a parameter for measuring the cash flows generated by a company's operating activities. The Nominations and Remunerations Committee has elected to include that operating metric given that it is a significant indicator for investors, which reflects the capacity of the Group's operating activities to generate cash.

The CFO is the organic Cumulative Adjusted EBITDA of the period minus organic Cumulative CAPEX and minus organic Cumulative Nonrecurring Costs, pursuant to the financial statements for fiscal years 2016, 2017 and 2018.

The Nominations and Remunerations Committee has decided that the CFO shall represent 40% of the final number of shares to be awarded to the CEO.

After having analyzed the metrics included in the long-term incentive plans implemented by other international groups in the food industry, the Nominations and Remunerations Committee has considered it appropriate to include an operating metric based on the cash flows generated by the operating activities of the Group.

The Nominations and Remunerations Committee has established the following achievement levels of the CFO derived from the accounts relating to the period 2016-2018, according to the following scale:

Level	CFO (€ million)	Degree of achievement
Minimum	700	70%
Target	800	100%
Outperformance	900	125%

According to that scale: (i) below the required 70% minimum achievement of the target, no incentive will be received in relation to this indicator; (b) if the CFO target reaches €800 million, 100% of the incentive relating to this target will be obtained; and (c) if the target is achieved at the "outperformance" level, the incentive relating to this target could reach 125%, in order to motivate and incentivize the achievement of exceptional results.

The degrees of achievement of the targets falling between the intermediate ranges indicated will be calculated by linear interpolation.

- Relative Organic Sales Average Growth ("**ROSAG**")

The Nominations and Remunerations Committee has considered it appropriate to include an operation metric based on the Company's sales given that it constitutes a relevant indicator in the food industry and for the Group.

To comply with the market recommendations, the Nominations and Remunerations Committee has decided to introduce a metric in the Incentive Plan 2016-2018 whose achievement is measured on relative terms in comparison to the peer group.

In this regard, from the review of the market, the Nominations and Remunerations Committee has concluded that it is advisable to include at least one relative performance metric that compares the Company's performance to a relevant peer group or index.

The ROSAG is a parameter for measuring the organic growth of the Group's sales in comparison to a peer group, without taking into account possible differences caused by mergers, acquisitions, divestments or other corporate transactions. The Nominations and Remunerations Committee has elected to include that operating metric given that it is a good indicator of the management of internal resources for increasing profits.

The Nominations and Remunerations Committee decided that the ROSAG shall weight 20% of the final number of shares to be awarded to the CEO.

In this regard, the Nominations and Remunerations Committee has decided to include in the peer group representative multinational companies from the food industry and with a similar geographic scope as that of the Group (Europe and South America). These companies are: Casino, Carrefour, Tesco, Cencosud, Sainsbury, Pão de Açúcar, Jeronimo Martins, Colruyt, Ahold, Delhaize, P&G, Nestlé, Colgate-Palmolive, Unilever and Mondelez

The Nominations and Remunerations Committee has established the following degree of achievement of the ROSAG derived from the financial statements of the period 2016-2018, compared to the peer group mentioned above, according to the following scale:

Level	ROSAG (peer group's position in the ranking)	Degree of achievement
Minimum	Median	70%
Target	75th percentile	100%
Outperformance	90th percentile	125%

According to the above scale: (i) if the performance of this metric on comparative terms during the measurement period falls below the median of the peer group, no incentive will be generated in relation to this indicator. If it is situated at the median, the incentive relating to this target will be deemed met by 70%; (ii) if the performance of this indicator at the Group falls within the 75th percentile of the peer group, 100% of the incentive relating to this target would be achieved; and (iii) if the performance of this indicator at the Group falls within the 90th percentile of the peer group, the incentive relating to this target could reach up to 125%, in order to motivate and incentivize the achievement of exceptional results.

Following the market recommendations, the Company's position below the median of the peer group will not generate any incentive in relation to this metric.

The degree of achievement of the target falling between the intermediate ranges indicated will be calculated by linear interpolation.

Where those targets are met, the final number of shares to be awarded will be calculated by applying a multiplier, which depends on the value creation target ("**TSR**") during the period 2016-2018, to the shares initially determined according to the degree of achievement of the operating targets.

Once delivered, the Chief Executive Officer and the members of DIA Management (the Executive Committee) must hold all the shares they actually receive under the 2016-2018 Long-Term Incentive Plan or under other long-term incentive plans started up by the Company in the future, until achieving a number of shares equal to twice the fixed compensation of the CEO for the CEO, and to the fixed compensation in the case of the members of DIA Management (the Executive Committee) until the end of their employment or independent contractor relationship with the Company. Any amount of shares exceeding the above figures need not be hold by the beneficiaries. The foregoing does not apply to any shares the CEO and the members of DIA Management (the Executive Committee) may need to dispose of in order to satisfy the costs and taxes incurred on their acquisition.

In addition, the Company may require the CEO to return all or some of the shares awarded if any of the following circumstances arises during the 3 years following each of the share award dates: (i) the CEO has been sanctioned for serious breach of the code of ethics and other internal legislation; and (ii) it is evidenced that the determination and settlement of the incentive pursuant to the Plan has been totally or partially based on information that is subsequently proven to be manifestly false or seriously inaccurate, or risks assumed during the period considered or other circumstances come to light which were unexpected and not assumed by the Company, that have a negative material impact on the income statements of any of the years of validity of the claw back period, where they affect the fulfillment of the general or particular conditions required of the CEO. This Plan has a duration of three years (2016-2018), plus 2 years for the settlement (2019 and 2020). In this regard, the shares to be awarded under the 2016-2018 Long-Term Incentive Plan were awarded in April 2019 (50% of the relevant shares) and were planned to be awarded in January 2020 (50% of the relevant shares).

The number of the Company's shares to be awarded pursuant to the 2016-2018 Long-Term Incentive Plan for a 100% achievement of operating targets and maximum achievement of TSR was 8,300,000 for all of the Plan's participants. In the event of outperformance of operating targets, the number of shares for all of the Plan's participants could reach up to 10,400,000 shares (787,000 corresponding to the executive directors).

As of the date of this Prospectus, the Nominations and Remunerations Committee has analyzed the degree of achievement of the objectives in order to inform the Board on the suitability or not of paying the incentive. It has concluded that the targets have been partially met and therefore, 50% of the total amount of 1,240,304 shares (representing 0,199% of the share capital) were delivered in April 2019.

The Board of Directors has decided not to deliver the remaining 50% of the 2016-2018 Long-Term Incentive Plan, due in January 2020.

2018-2022 Long-Term Incentive Plan

A 2018-2022 Long-Term Incentive Plan was designed by the Nominations and Remunerations Committee and proposed to the Board of Directors, who submitted it to the General Shareholder's Meeting held on April 20, 2018, which approved it.

However, this 2018-2022 Long-Term Incentive Plan was never implemented given that the Board of Directors and the Nominations and Remunerations Committee considered it necessary to design a new incentive plan in view of the current situation of the Company and its new strategic plan.

2020-2022 Long-Term Incentive Plan

A new 2020-2022 Long-Term Incentive Plan is, as of the date of this Prospectus, being designed by the Nominations and Remunerations Committee, who intends to propose it to the Board of Directors at the end of 2019.

D&O insurance policy

On May 21, 2019 the Board of Directors of the Company subscribed a directors and officers (D&O) insurance policy that protects the directors from certain liabilities in which they may incur a result of actions carried out while performing their duties as directors of the company, up to an aggregate limit of €50 million.

PRINCIPAL SHAREHOLDERS

At the date of this Prospectus, the issued share capital of the Company amounts to €62,245,651.30 divided into a single series of 622,456,513 registered Shares in book-entry form, with a nominal value of €0.10 per share.

The following table sets forth certain information concerning the voting rights held by DIA's principal shareholder(s) as available on the CNMV website as of the date hereof:

Principal shareholder(s)	**Voting rights (A)**					**Voting rights through financial instruments (B)**		**Total (A+B)**	
	% Direct	**% Indirect**	**% Total**	**Total no. of direct voting rights**	**Total no. of indirect voting rights**	**%Total**	**Total no. of voting rights through financial instruments**	**%**	**No. of voting rights**
Letterone Investment Holdings S.A. (1)	0.00	69.759	69.759	0	434,220,476	0.00	0	69.759	434,220,476
Grégorie Augustin Bontoux Halley(2)	0.00	3.398	3.398	0	21,153,674	0.00	0	3.398	21,153,674
Total of voting rights owned by principal shareholder(s)	**0.00%**	**73.157%**	**73.157%**	**0**	**455,374,150**	**0.00**	**0**	**73.157**	**455,374,150**

Notes:

(1) Letterone Investment Holdings S.A. is the full and direct owner of Letterone Core Investments S.à r.l., which in turn is the full and direct owner of L1R Holdings S.à r.l, which in turn is the full and direct owner of over 99% of L1 Retail Portfolio S.C.Sp and is the sole owner of L1R General Partner S.à r.l. (general partner of L1 Retail Portfolio S.C.Sp.). L1 Retail Portfolio S.C.Sp. is the full and direct owner of L1R Invest1 Holdings S.à r.l., the direct holder of 434,220,476 voting rights attached to Shares, which represent 69.759% of the share capital of DIA.

(2) Mr. Grégorie Augustin Bontoux Halley controls the Syler Invest, S.A., which, in turn, controls Naturinvest, S.à r.l., the direct holder of 21,153,674 voting rights attached to Shares that represent 3.398% of the share capital of DIA.

L1R Invest1 Holdings S.à r.l. shall subscribe, through the capitalization of €418,554,999.60 of the First Profit Participating Loan, the entirety of the First Tranche. L1R Invest1 Holdings S.à r.l. has formally waived its preferential subscription right in the Preferential Subscription Period of the Second Tranche, considering that its pro rata portion of the capital increase is already covered by the First Tranche.

L1R Invest1 Holdings S.à r.l. may, however, subscribe up to 814,450,004 additional shares in the Additional Allocation Period of the Second Tranche. The Company, as of the date of this Prospectus, is unaware of LetterOne's intention regarding the Additional Allocation Period of the Second Tranche. In the event of LetterOne placing an order for additional shares in the Additional Allocation Period of the Second Tranche, the Company will immediately publish a relevant fact disclosing this situation (in any event before the end of such period). In the event of LetterOne being allocated shares in the Discretionary Allocation Period, the directors which have been appointed by LetterOne will abstain from taking part in such decision, in order to avoid any conflict of interest.

The Company is, as of the date of this Prospectus, unaware of the intentions of Mr. Grégorie Augustin Bontoux Halley regarding its intention to subscribe any amount of shares in the Offering.

The Company granted the public deed of the capital reduction, approved by the October 22, 2019 General Shareholders' Meeting, on October 24, 2019. As a result of such capital reduction, the share capital of Company shall amount to €6,224,565.13 divided into a single series of 622,456,513 registered Shares in book-entry form, with a nominal value of €0.01 per share.

After the Offering, assuming it is fully subscribed, DIA would have a share capital of €66,779,789.79, comprised of 6,677,978,979 Shares, each being fully paid up. The voting rights held by DIA's principal shareholder(s), assuming they take up their preferential subscription rights in full in the Offering, would be as follows:

Principal shareholder(s)	**Voting rights (A)**					**Voting rights through financial instruments (B)**		**Total (A+B)**	
	% Direct	**% Indirect**	**% Total**	**Total no. of direct voting rights**	**Total no. of indirect voting rights**	**%Total**	**Total no. of voting rights through financial instruments**	**%**	**No. of voting rights**
Letterone Investment Holdings S.A. (1)	0.00	69.179	69.179	0	4,619,770,472	0.00	0	69.179	4,619,770,472
Grégorie Augustin Bontoux Halley(2)	0.00	3.484	3.484	0	232,690,414	0.00	0	3.484	232,690,414
Total of voting rights owned by principal shareholder(s)	**0.00**	**72.663**	**72.663**	**0**	**4,852,460,886**	**0**	**0**	**72.663**	**4,852,460,886**

Notes:

(1) Letterone Investment Holdings S.A. is the full and direct owner of Letterone Core Investments S.à r.l., which in turn is the full and direct owner of L1R Holdings S.à r.l, which in turn is the full and direct owner of over 99% of L1 Retail Portfolio S.C.Sp and is the sole owner of L1R General Partner S.à r.l. (general partner of L1 Retail Portfolio S.C.Sp.). L1 Retail Portfolio S.C.Sp. is the full and direct owner of L1R Invest1 Holdings S.à r.l., the direct holder of 434,220,476 voting rights attached to Shares, which represent 69.759% of the share capital of DIA.

(2) Mr. Grégorie Augustin Bontoux Halley controls the Syler Invest, S.A., which, in turn, controls Naturinvest, S.à r.l., the direct holder of 21,153,674 voting rights attached to Shares, which represent 3.398% of the share capital of DIA.

As of the date of this Prospectus, L1R Invest1 Holdings S.à r.l. controls the Company.

The following is a brief description of the Company's principal beneficial shareholder:

L1R Invest1 Holdings S.à r.l. (LetterOne, as defined in this Prospectus)

LetterOne is part of the retail division of LIHS, an international investment business headquartered in Luxembourg. LetterOne is a Luxembourgish limited liability company (*société à responsabilité limitée*), with corporate address at 1-3 Boulevard de la Foire, L-1528, Luxembourg and registered in the Commercial Registry of Luxembourg (*Registre de Commerce et des Sociétés*) under the number B215109.

The LIHS Group currently fully owns Holland & Barrett, Europe's largest health and wellness retail chain, which was acquired in its entirety on August 31, 2017 for an estimated amount of GBP 1,770 million. Holland & Barrett is only present in Spain through three stores, is not present Portugal, Brazil or Argentina and is focused on the sale of health and wellness products. The products offered by Holland & Barrett differ largely from the products offered by DIA and its subsidiary *Clarel*, and the markets where they operate are also different.

LetterOne is indirectly controlled, through a limited partnership with a share capital and other Luxembourg companies, by LIHS. LIHS is a Luxembourg public limited company (*société anonyme*), with corporate address at 1-3 Boulevard de la Foire, L-1528, Luxembourg and registered in the Commercial Registry of Luxembourg (*Registre de Commerce et des Sociétés*) under the number B181082.

Tender Offer

On February 5, 2019, L1R Invest1 Holdings S.à r.l. (the "**Bidder**") announced a voluntary tender offer over 100% of the shares of the Company at a price of €0.67 per share (the "**Tender Offer**"). On March 8, 2019, the CNMV admitted (*admisión a trámite*) the application for authorization of the Tender Offer submitted on February 21, 2019 by the Bidder.

On March 28, 2019 the CNMV authorized the Tender Offer prospectus. On April 30, 2019 and May 3, 2019, the Bidder submitted to the CNMV a supplement to the Tender Offer prospectus, where it waived the minimum acceptance condition the Tender Offer was subject to and requested the offered price to be considered as equitable as the Company was undergoing serious financial difficulties. On May 6, 2019 the CNMV authorized the supplement to the Tender Offer prospectus and confirmed that the offered price was equitable.

On May 17, 2019 the CNMV announced that the Tender Offer launched by the Bidder had been accepted by 253,701,782 shares, which represented 40.76% of the total share capital of the Company. As a consequence of the successful settlement of the Tender Offer, the Bidder now holds a total of 434,220,476 shares representing 69.759% of the share capital of the Company.

RELATED PARTY TRANSACTIONS

Related party transactions are deemed to be transactions carried out with agents outside the Group, but with whom a strong relationship exists, pursuant to the definitions and criteria derived from the provisions of the Spanish Ministry of Economy and Finance, in order EHA/3050/2004 of September 15, 2004 and the *Comisión Nacional del Mercado de Valores* Circular 1/2005 of April 1, 2005. All transactions with related parties, according to the definition contained in Order EHA/3050/2004, of September 15,2004, made during the years 2018, 2017 and 2016 and until the date of this Prospectus, are inherent to our ordinary trade, have been made at arm's length conditions and have been reported in our financial statements.

In accordance with article 38.3.(xi) of the Board Regulation and article 5.1.(v) of the Audit and Compliance Committee Regulation, the Audit and Compliance Committee is responsible of supervising compliance with the rules regarding related party transactions with directors or major shareholders or shareholders represented on the Board and, in general, the responsibility of reporting to the Board such related party transactions and, those that imply or may imply conflicts of interest, for purposes of their approval.

Related party transaction with DIA's significant shareholders

Profit participating loans

LetterOne, as principal shareholder of the Company, has granted the following profit participating loans to the Company:

(i) On May 29, 2019, LetterOne, as lender, made available to the Company, as borrower, the First Profit Participating Loan in an aggregate amount equal to €40,000,000 which, for all intents and purposes, is considered a profit participating loan pursuant to RDL 7/1996.

The First Profit Participating Loan was granted for any uses within the corporate purpose or activity of the Company, and, mainly, to assist the liquidity needs of the Company. The First Profit Participating Loan could be advanced to any affiliate of the Company by any means. In addition, under the terms of the First Profit Participating Loan, the amount shall be repaid in full on November 28, 2019.

The First Profit Participating Loan has an annual interest of 0.25% of the Company's group average monthly sales in accordance with the latest available consolidated management accounts of the Company, up to a maximum of 2% per annum of the amounts borrowed under the First Profit Participating Loan.

(ii) On June 26, 2019, LetterOne, as lender, made available to the Company, as borrower, the Second Profit Participating Loan in an aggregate amount equal to €450,000,000 which, for all intents and purposes, is considered a profit participating loan pursuant to RDL 7/1996.

The Second Profit Participating Loan was granted for any uses within the corporate purpose or activity of the Company, and, mainly, to assist the liquidity needs of the Company. The Second Profit Participating Loan could be advanced to any affiliate of the Company by any means. In addition, under the terms of the Second Profit Participating Loan, the amount shall be repaid in full on November 28, 2019.

The Second Profit Participating Loan has an annual interest of 2.80% of the Company's group average monthly sales in accordance with the latest available consolidated management accounts of the Company, up to a maximum of 2% per annum of the amounts borrowed under the Second Profit Participating Loan.

The total amount of interest accrued under the PPLs as of September 30, 2019 is €2.28 million, and until their maturity the total amount of interests is expected to be a total €3.89 million.

Services agreement entered into by and between L1 Retail (UK) LLP and L1 Retail (Jersey) LLP (two companies within the LIHS Group) and DIA

On June 12, 2019, L1 Retail (UK) LLP and L1 Retail (Jersey) LLP, two companies within the LIHS Group, entered into a management services agreement with DIA.

L1 Retail (UK) LLP and L1 Retail (Jersey) LLP are companies within an international investment firm with proven world-class retailing and retail transformation expertise. In this regard, the management services agreement will benefit DIA from their experience in the retail industry and by providing consultancy and advisory services in order to help to improve DIA's performance. In exchange of the services rendered, DIA shall pay to the aforementioned companies up to €416,666.66 per month, which amounts to up to €5,000,000 per year. This agreement has an indefinite duration and may be terminated by a mutual agreement of the parties, by means of a 6-month prior notice by either party or by DIA if LetterOne ceases to be a controlling shareholder of DIA.

TL Tranche Commitment Letter

Furthermore, on July 17, 2019 the Company entered into a commitment letter (the "**TL Tranche Commitment Letter**") with, pursuant to which LetterOne commits to provide (or otherwise procure the provision by other party/ies) the TL Tranche in an aggregate principal amount of €200,000,000 with a margin set at 7%. The TL Tranche Commitment Letter is further explained in the section "*Description of Certain Financing Arrangements*".

Underwriting Commitment entered into with LetterOne

On October 24, 2019 LetterOne and the Company entered into an Underwriting Commitment, whereby in exchange for committing to subscribe up to €500 million of the Offering, which includes the underwriting of a maximum effective amount (nominal plus share premium) of €81,445,000.40 of the Second Tranche to the extent that the aggregate of the First Tranche and the amount subscribed by the rest of the Company's shareholders or by those investors who acquire preferential subscription rights after the finalization of the Preferential Subscription Period, the Additional Allocation Period and the Discretionary Allocation is less than €500,000,000. The Company agrees to pay a fee of €3,868,637.519 to LetterOne for entering into the Underwriting Commitment. This decision has been mainly based on the contacts made and the underwriting proposals received by the Company. The terms and conditions of the Underwriting Commitment are disclosed in the section "*Plan of Distribution*".

All related party transactions entered into between the Company and the companies within the LIHS Group have been approved after the issuance of the relevant report by the Audit and Compliance Committee of the Company. The Board of Directors of the Company has also approved the abovementioned transactions. For such approval, the proprietary directors, which have been appointed by LetterOne, have abstained from deliberation of the relevant resolutions and have adhered to the vote of the independent directors, being all these transactions approved by unanimity using this same procedure. The Company believes that all these transactions have been entered into under market conditions and in the best corporate interest of the Company.The Company believes that all these transactions have been entered into under market conditions and in the best corporate interest of the Company.

As a consequence of all the abovementioned transactions executed by and between the Company and several companies within the LIHS group, DIA has certain dependency on its majority shareholder.

Related party transactions with senior managers and directors

During the period from 2016 to 2018 and up to the date of this Prospectus, the Group has not entered into any arrangement with the Group's senior managers or Directors other than in relation to compensation or benefits paid to them for their services as directors or managers, including pursuant to any of the Group's compensation plans. See section "*Board of Directors and Management – Remuneration*".

Related party transactions with Group subsidiaries

Commercial transactions

During the period from 2016 to 2018 and up to the date of this Prospectus, transactions were carried out with certain subsidiaries 50% owned by DIA which accounted for as equity in the consolidated annual accounts, mainly corresponding to trade operations. Amounts of said transactions effected with related parties during these years are as follows:

Company	2018	2017	2016
Red Libra Trading Services, S.L.	(731)	(1,157)	-
Finandia E.F.C., S.A.	(406)	-	-
ICDC Services S.à r.l.	24,724	23,522	18,433
Total amount	**23,587**	**22,365**	**18,433**

(*) *Data in thousands of euros*

Red Libra Trading Services, S.L. is a joint venture incorporated with Eroski to negotiate private label products.

Finandia, S.A., is a fully-owned subsidiary, which was previously a joint venture with Caixabank, until Caixabank exercised its put option and sell its shares to the Company on July 19, 2019.

ICDC Services S.à r.l. is a financial joint venture company between the Group and Casino Group incorporated in 2015 under Swiss law whose main activity is the negotiation of "on top" international services on behalf of both groups.

Profit participating loans

On December 28, 2015 DIA signed a profit participating loan for €1,000 thousand with its subsidiary Beauty by DIA, S.A. The loan initially matured on June 30, 2016 but was extended at that date for subsequent additional six-month periods, up to a final maturity date on June 30, 2019. This loan generates quarterly interests as agreed between the parties, it being the maturity date extended for monthly periods unless any of the parties notifies in writing its intention to terminate the agreement.

On February 28, 2018, the Company signed an agreement to extend the amount of the profit participating loan in by €4,000 thousand. In addition, on December 27, 2018, the aforementioned loan was increased in an amount of €30,000 thousand against the existing financial loans (cash pooling balances) with maturity date on January 31, 2019.

On February 28, 2018, the Company signed a profit participating loan for €1,000 thousand with its subsidiary DIA ESHOPPING, S.L. which matured on June 30, 2018. This loan offers the option of extensions for additional six-month periods, up to a final maturity date on June 30, 2021. The loan generates quarterly interest as agreed between the parties. On December 27, 2018, the aforementioned loan was increased in an amount of €7,000 thousand against the existing financial loans (cash pooling balances) with a maturity date according to the original conditions. In general, the interest rate of these profit participating loans is EURIBOR (with a minimum rate of 0%) plus a margin ranging between 7% and 12.5% depending on the borrower's profit level.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

Set forth below is a summary of the material terms of the Group's current and future significant debt arrangements. The following summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. The defined terms set forth in this section apply to this section only.

Preexisting Finance Arrangements

On December 31, 2018, the Company entered into the Preexisting Finance Arrangements with AgenSynd, S.L. as facility agent and security agent (the "**Facility Agent**") and Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Barclays Bank Plc, BNP Paribas, S.A. Sucursal en España, Caixabank, S.A., Commerzbank Aktiengesellschaft Filiale Luxemburg, Deutsche Bank, S.A.E., ING Bank N.V., Sucursal en España, J.P. Morgan Securities plc, MUFG Bank (Europe) N.V., Sucursal en Espana, Postbank Luxemburg – eine Niederlassung der DB Privat-und Firmenkundenbank AG, and Société Générale, Sucursal en España as lenders (the "**Original Lenders**") for an amount of €894,687 thousand divided into several tranches. This agreement intended to provide access to short-term financing, enabling the Group to meet the working capital needs of the Company and part of the Group's subsidiaries. The maturity date was set as May 31, 2019, with the exception of some of the revolving credit facility tranches for which the maturity date was set in 2020 and 2022. In January 2019, certain financial institutions joined the Preexisting Finance Arrangements increasing the total amount to €17,433 thousand.

On March 25, 2019 the Company signed an amendment to the aforementioned agreement with the same group of entities whereby certain tranches were redistributed. The total financing amount of €912,114 thousand remained the same, of which €6,500 thousand was granted to other Group companies.

On July 17, 2019, the Company entered into the New Finance Arrangements for a total amount of €973,319 thousand, which amended and restated the Preexisting Finance Arrangements.

New Finance Arrangements

The New Finance Arrangements provide for (i) the extension of the maturity dates of the tranches set out therein (other than the Supplier Tranche), which represent an aggregate amount of €902,426,478 (the remaining amount up to €912,113 thousand was relocated as part of the Supplier Tranche), until March 31, 2023, (ii) a new financial facility (to be granted by the Lenders under the New Finance Arrangements) in an aggregate amount equal to €70,792,712 (of which, €9,693 thousand corresponded to the preexisting finance arrangements) to be used to liquidity needs arising from a tightening of supplier terms (that is, the Supplier Tranche), (iii) a modification of the applicable margin (the margin is set at 2.5% (or in the case of commitments held by Caixabank, S.A. under any tranche (other than the Supplier Tranche), 3.0%) for all the tranches existing in the Preexisting Finance Arrangements and at 5.5% for the Supplier Tranche (if the Company has not raised €600,000,000 -that is the amount contemplated under the New Finance Arrangements for the Offering- on or before January 17, 2020, the margin of the Supplier Tranche shall step up from 5.5% per annum to a 7.0% per annum, which would be the applicable margin for each of the years until the maturity of the original term (or its further extensions), and (iv) the amendment and restatement of the Preexisting Finance Arrangements which, among other things, (a) allow the disposal of *Max Descuento* without a corresponding disposal mandatory prepayment, (b) require the new business plan to be provided no later than December 31, 2019, (c) include certain additional undertakings in relation to the Hive Down, which are detailed in the paragraphs below. For the avoidance of doubt, the sole requirement regarding the business plan is its delivery before December 31, 2019, not being the Lenders entitled to reject said business plan.

As explained in the "*Financial Debt*" section, as of June 30, 2019, the annual yield on borrowings was 4.2% and the total interest expenses on borrowings amounted to €36,791 thousands. As of September 30, 2019, the annual average yield on borrowings was 4%.

The New Finance Arrangement provides a mechanism pursuant to which the Company may increase the commitments under the Supplier Tranche (currently amounting to €70,792,712) to an aggregate cap of €80,000,000 on total commitments, once it has selected any financial institution that is willing to provide such new commitments under the Supplier Tranche (and certain formalities under the New Finance Arrangements are completed). The Supper Tranche has a one-year term (with the option for the Company to extend it by two further one-year periods in the event that facility continues to be required by the Company (as demonstrated pursuant to the mechanism set out in the New Finance Arrangements)).

Furthermore, on July 17, 2019 the Company entered into the TL Tranche Commitment, pursuant to which LetterOne (i) commits to provide (or otherwise procure the provision by another party/ies) the TL Tranche in an aggregate principal amount of €200,000,000 and (ii) undertakes (upon written request from the Company on one (1) Business Days' notice) to enter into and execute (and/or procure that one or more parties enters into and executes) a super senior facility agreement in respect of the TL Tranche in the form annexed to the TL Tranche Commitment Letter. The Company shall apply all amounts borrowed under the TL Tranche towards its general corporate and working capital purposes. Once in force, the TL Tranche shall terminate on July 17, 2022. The Company has not requested the funding of the TL Tranche yet. For the avoidance of doubt, the TL Tranche Commitment Letter only refers to the TL Tranche and, therefore, the Supplier Tranche is a facility completely different from, and has different governing rules compared to, the TL Tranche. Likewise, LetterOne is not obliged under any financing document to grant, or procure any party/ies to grant, the Supplier Tranche. In the event that LetterOne fails to comply with its commitment under the TL Tranche Commitment Letter, a drawstop event would occur on the roll over of the existing loans of the New Finance Arrangements (including the Supplier Tranche).

In the context of the negotiation of the New Finance Arrangements, the Company has been required to enhance the security package of the New Finance Arrangements by means of the Hive Down.

In order to implement the Hive Down:

(i) The Company is required to incorporate and/or acquire certain non-operating subsidiaries in Spain and Luxembourg, described in the New Finance Arrangements as Intermediate LuxCo 1, Intermediate LuxCo 2, Lux HoldCo, Spain Lux Interco, Brazil Lux Interco, Portugal Lux Interco, Argentina Lux Interco (the "**Luxembourg Intermediate Companies**") and Spain DebtCo (currently named DIA Finance, S.L.) (together the "**Intermediate Companies**");

(ii) the Company is required under the New Finance Arrangements to transfer its business, assets, liabilities and contracts to certain subsidiaries indirectly owned by the Company. Such transfer does not include the transfer of:

   (a) the Bonds (European Medium Term Notes) currently issued by the Company;

   (b) any assets, liabilities or contractual relationships which may not be transferred due to legal or contractual restrictions;

   (c) any assets, liabilities or contracts the transfer of which materially and adversely affects the business of the Company or the Group;

   (d) any assets, liabilities or contracts the transfer of which results in a cost for the Group (including taxes or losses of tax assets) which exceeds an aggregate amount of €5,000,000 (in the event that such cap is exceeded the Company and the Lenders shall enter into good faith discussions with a view to identifying ways to minimize such costs and to agreeing the relevant assets, liabilities and contractual relationships which will be transferred as part of the Hive Down); and

   (e) any property lease agreements the assignment or transfer of which entitles the lessor to increase the rent or terminate the lease agreement.

(iii) Spain DebtCo and Twins Alimentación, S.A. (defined in the New Finance Arrangements as "**Spain OpCo**") will become additional borrowers under the New Finance Arrangements; and

(iv) the Company will grant guarantees over the shares, bank accounts and receivables of the subsidiaries directly or indirectly owned by the Company that will participate in the Hive Down, in order to secure the New Finance Arrangements.

In particular, as a first milestone, the Company is required under the New Finance Arrangements to transfer to certain subsidiaries indirectly owned by the Company, no later than December 31, 2019 and subject to the above exceptions (the "**First Hive Down Milestone**"):

(i) all real estate owned by the Company in Spain;

(ii) certain commercial stores of the Company representing at least 58% of Restricted EBITDA (EBITDA after adding back all amounts provided for depreciation, amortization and impairment); and

(iii) the Company's holdings in its Brazilian, Argentinean and Portuguese subsidiaries, to the extent viable from a legal, tax and regulatory standpoint.

In addition to the transfer of assets, liabilities and contracts, it is envisaged in the New Finance Arrangements that the Company shall, on or before December 31, 2019, transfer its syndicated bank debt to Spain DebtCo and to Spain OpCo.

Following the first Hive Down milestone requirement, the Company is required under the New Finance Arrangements to (i) (subject to the €5,000,000 cap) promptly transfer to any asset to the extent any legal or contractual restriction previously restricting or prohibiting the transfer of any asset as a part of the Hive Down ceases to apply (ii) provide quarterly updates and provide (and procure) that certain certifications be made (and are provided) in relation to the Hive Down and the progress in relation thereto.

As of the date hereof, the following actions have been executed by the Company in connection with the Hive Down in order to comply with the obligations under the New Finance Arrangements:

(i) The Hive Down has been approved by the General Shareholders' Meeting of the Company held on August 30, 2019; and

(ii) the Company has acquired the Luxembourg Intermediate Companies and has incorporated Spain DebtCo, which will all act as intermediate non-operating holding companies, and will be sitting between the Company and its operating subsidiaries within the Company's group structure.

The Intermediate Companies have been acquired and/or incorporated, as applicable, in order to facilitate a potential enforcement of the pledges as security under the New Finance Arrangements, and to give the lenders flexibility to determine whether to implement a total or partial enforcement of the pledges granted over the different Intermediate Companies. The Intermediate Companies are Luxembourg companies due to the current regulation of Luxembourg, which facilitates the process of enforcing pledges.

The 2021 and 2023 bonds (together, the "**Bonds**") will remain at the level of the Company, but (subject to certain limitations) the other Spanish assets and liabilities (as required by the New Finance Arrangements, including as outlined in the paragraphs above) will be split between the Spanish Debtco and Spanish Opco. As described above, the Hive Down has been approved by the General Shareholders' Meeting held on August 30, 2019.

The following events would trigger mandatory prepayments by the Company under the New Finance Arrangements: (i) if it becomes unlawful for any Original Lender to perform its obligations, (ii) there is a Change of Control (as defined in the New Finance Arrangements) in relation to the Company (iii) if the Company holds surplus proceeds, after repaying certain obligations of the Group, from additional senior debt raised[72], (iv) if the Company has excess cash credited to an account of the Group (other than (subject to certain carve-outs) in Argentina Brazil and Portugal) as explained in the New Finance Arrangements and (v) in relation to the Supplier Tranche only, the assessment of a certain supplier-based indicator that indicates that the amount of the Supplier Tranche should be reduced by a specified amount as explained in the New Finance Arrangements[73]; in all cases subject to the order of priority of payment set forth in the New Finance Arrangements. In particular, the cash sweep specified in (iv) above shall only apply from December 31, 2021 (with the first repayment, if any, to be made in the second quarter 2022) in respect of 50% of excess cash flow (that is, not an entire mandatory prepayment of the New Finance Arrangements, but an application of such 50% portion of the excess cash flow in prepayment as contemplated under the New Finance Arrangements) after investment in capital expenditure and restructuring costs have been fully funded in accordance with the business plan.

The obligations of the Company under the New Finance Arrangements are guaranteed by following subsidiaries of the Company: Twins Alimentación, S.A., Beauty by Dia, S.A.U., Grupo El Árbol, Distribución y Supermercados, S.A., S.L.U. and Pe-TRA Servicios a la Distribución, S.L. (the "**Original Guarantors**") and will be guaranteed by the Intermediate Companies which have been incorporated under the Hive Down.

The New Finance Arrangements are secured by (in addition to the security being granted in relation to the Hive Down, as detailed above):

- Personal guarantee from the parent, Twins Alimentación, S.A.U., Beauty By DIA, S.A.U., DIA E-shopping, S.L., Pe-Tra Servicios a la Distribución, S.L., Grupo El Árbol Distribución y Supermercados, S.A.U.
- Pledge on shares owned by DIA in Twins Alimentación, S.A.U., Beauty By DIA, S.A.U., DIA E-shopping, S.L., Grupo El Árbol Distribución y Supermercados, S.A.U., as well as on the shares owned by Twins Alimentación, S.A.U. in Pe-Tra Servicios a la Distribución, S.L.
- Pledge on shares owned by DIA in DIA Portugal Supermercados, Sociedade Unipersossoal, LDC.
- Pledge on shares owned by DIA and Pe-Tra Servicios a la Distribución S.L. in DIA Argentina, S.A.
- Pledge on receivables arising from financing contracts between Group companies granted by the Parent.
- Pledge on current accounts held by the Parent, Twins Alimentación, S.A.U., Beauty By DIA, S.A.U., DIA E-shopping, S.L., and Pe-Tra Servicios a la Distribución, S.L.
- Personal guarantee by DIA World Trade SA.
- Pledge on shares owned by DIA in DIA Brazil Sociedade Ltda. and DIA World Trade S.A.
- Second-ranking pledge on shares owned by DIA in DIA Portugal Supermercados, Sociedade Unipersossoal, LDC.
- Mortgage guarantees on certain real estate assets located in Spain and Portugal and guarantees on certain intellectual property rights registered in Spain and Portugal.

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[72] The Company is entitled to look for additional indebtness (senior or junior) in order to repay the 2021 bonds. In this regard, the Company shall prepay loans and cancel available commitments in an amount equal to excess of the additional indebtness used to repay the 2021 bonds. Therefore, as of the date of this prospectus, the Company is not able to provide additional information on the above.

73 The supplier-based indicator indicates the lenders of the amount needed each year by the Company in order to comply with the suppliers. Therefore, the Company must justify each year of its need to be provided with the total amount of the Supplier Tranche. In case the supplier-based indicator indicates that the Company does not need the total Supplier Tranche, the lenders will only provide the amount needed for that year.

The New Finance Arrangements contain customary representations and warranties, subject to certain customary materiality, actual knowledge and other qualifications, exceptions and baskets, and with certain representations and warranties being repeated as of certain specified times, including, among others, representations and warranties as to: (i) status; (ii) binding obligations; (iii) no conflict with other obligations; (iv) no reduction of capital; (v) power and authority; (vi) validity and admissibility in evidence; (vii) governing law and enforcement; (viii) no default; (ix) sanctions and anti-corruption; and (x) security and financial indebtedness.

The New Finance Arrangements also contain customary negative covenants, including, but not limited to, restrictions on the Company's ability to grant liens or security interests on assets, incur in additional financing of €400 million to refinance the 2021 bonds and the additional permitted financing of up to €100 million in the event of an incomplete subscription of the Offering sell or dispose certain assets, enter into sale/leaseback transactions, change the Group's line of business, merge and consolidate with other companies, enter into transactions with affiliates, and make restricted payments (including dividends, redemptions, repayments and prepayments of loans with members of the Group).

The New Finance Arrangements also contain customary undertakings, including, but not limited to (i) authorizations, (ii) compliance with laws, (iii) sanctions and anti-corruption, (iv) taxation, (v) environmental compliance and (vi) applicable registration requirements.

The New Finance Arrangements contain, among other things, capex and restructuring costs covenants, which are fixed at 112.5% and 120%, respectively of the aggregate amounts of capex and restructuring costs, respectively, decided by the Company and included in its business plan to be submitted to the Lenders in December 2019, subject (in the case of the capex covenant) to an increase in that aggregate amount by the amount of any retained cash, additional equity or profit participating loan that is made available to the group at any time. The New Finance Arrangements also contain a minimum liquidity covenant, which is set at €30 million in cash and cash equivalents (less any trapped cash). For the avoidance of doubt, the trapped cash means the cash that is in transit and not available in bank accounts (*cash in tills*). The minimum liquidity covenant applies until December 31, 2020, and will be tested quarterly on a 12-month look forward basis, commencing from December 31, 2019.

The New Finance Arrangements provide that, upon the occurrence of certain events of default, the obligations thereunder may be accelerated and the lending commitments terminated. Such events of default, subject to certain agreed exceptions, include, among other events of default:

- non-payment of amounts due under the applicable finance documents;
- breach of leverage ratio covenant (subject to certain equity cure rights). This ratio will be measured on June 30 and December 31 of each year, with the first measurement taking place on December 31, 2020. Deviation is set at up to 35% of the Restated Total Net Debt / Restated EBITDA ratio forecast in the future long-term business plan, according to the definition of these concepts in the syndicated financing. The Restated Net Debt will not include the impact of the IFRS 16 debt. The leverage ratio covenant will be established by the Company s in the future long-term business plan to be delivered to the Lenders prior to December 30, 2019. For further information, see "*Finance Arrangements*" in "*Management's discussion and analysis of financial condition and results of operations*";
- inaccuracy of a representation or statement when made or deemed to be made;
- failure to satisfy covenants, undertakings and other obligations under the applicable finance documents;
- cross-acceleration of certain financial indebtedness of the Group;
- unlawfulness and repudiation or enforceability of the finance documents entered into in connection with the New Finance Arrangements;

- cessation of business of any obligor or material company;
- expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction in relation to an obligor or a material company or any of its assets;
- failure of any party (other than a secured party) to comply with its obligations under the intercreditor agreement related to the New Finance Arrangements (such obligations are a remission to the rest of the financing documents included in the New Finance Arrangements);
- a material qualification from the Group's auditors in the audited annual consolidated financial statements;
- the occurrence of any event of circumstance which has or is reasonably likely to have a material adverse effect; and
- failure to approve and launch a rights issue on or before August 30, 2019.

In addition to the above, the New Finance Arrangements state that the Company shall use its best endeavours to raise, at least, €600 million in the share capital increase. Likewise, under the New Finance Arrangements LetterOne has committed to subscribe up to €500 million, as further stated in this Prospectus and subject to the conditions of the Underwriting Commitment. Any amount between €500 and €605 million would not be an event of default, nor require the prior consent of the banks. For further details see "*Plan of Distribution – Underwriting Commitment*".

In addition, the New Finance Arrangements contain customary conditions for utilization and a requirement for the Company to use its best endeavors to raise €600 million pursuant to a capital increase, which the Company undertakes to complete no later than December 31, 2019. If the Company does not raise €600 million, the Lenders will not be entitled to early terminate the New Finance Arrangements.

The New Finance Arrangements excludes an obligation of the Company to prepay the syndicated facilities with (a) the proceeds of any disposal (including, without limitation, the proceeds of any sale of the *Max Descuento* business), (b) the funds obtained in the proposed share capital increase of up to €600 million, or (c) any profit participating loan that LetterOne, at its discretion, might elect to advance prior to the share capital increase. Furthermore, the Company is entitled to raise up to €400 million (subject to certain conditions, on a secured basis) for the purposes of, amongst other things, refinancing the 2021 bonds. For the avoidance of doubt, DIA assumes no obligation to refinance the 2021 bonds.

The New Finance Arrangements are governed by English law and subject to the jurisdiction of English courts (save where local law is appropriate for security documents).

MATERIAL CONTRACTS

The following is a summary of the material contracts (other than contracts entered into in the ordinary course of business) that have been entered into by the Company or any member of the Group and any other contracts that have been entered into by the Company which contain any provision under which the Company or any member of the Group has any obligation or entitlement which is or may be material to the Company as at the date of this Prospectus.

Amazon agreements

Prime now seller agreement

On August 5, 2016, DIA signed an agreement with Amazon according to which DIA products can be listed and published through Amazon Prime Now mobile app, as well as other web or mobile services provided by Amazon, to be sold directly to the customers.

For providing those services, DIA pays Amazon a fee that is deducted from the amounts charged to customers that Amazon Prime Now pays the Company.

DESCRIPTION OF SHARE CAPITAL

The following summary provides information concerning the Company's share capital and briefly describes certain significant provisions of the Company's bylaws and Spanish corporate law, including the restated text of the Spanish Companies Act, Spanish Companies Act 3/2009 on Structural Amendments of Private Companies (*Ley 3/2009, de 3 de abril, sobre modificaciones estructurales de las sociedades mercantiles*), the restated text of the Securities Market Act and Royal Decree 878/2015, dated October 2, 2015, on clearing, settlement and registry of negotiable securities in book-entry form, and transparency requirements for issuers of securities admitted to trading on an official secondary market (*Real Decreto 878/2015, de 2 de octubre, sobre compensación, liquidación y registro de valores negociables representados mediante anotaciones en cuenta, sobre el régimen jurídico de los depositarios centrales de valores y de las entidades de contrapartida central y sobre requisitos de transparencia de los emisores de valores admitidos a negociación en un mercado secundario oficia*l).

This summary does not purport to be complete and is qualified in its entirety by reference to the Company's bylaws and other internal regulations, the Spanish Companies Act and other applicable laws and regulations. Copies of the Company's bylaws, together with their corresponding English translation, are available at DIA's principal headquarters and on its website (https://www.diacorporate.com/es/ - Corporate Governance - Bylaws and rules and regulations) and the CNMV's offices. For more information on where to find the available information see the section "*Documents on display*".

General

The Company is a public limited company (*sociedad anónima* or *S.A.*) registered with the Commercial Registry of Madrid (*Registro Mercantil de Madrid*), registered in the Commercial Registry of Madrid, initially in volume 2,063 general, sheet 91, section 3, page M-11.719 and currently in volume 22,265, sheet 75, section 8, page M-183.762, holder of Spanish tax identification number A-28164754, LEI number 54930063C6K2TNFL6H10, incorporated for an unlimited term pursuant to a notarized public deed granted on June 24, 1966 before the public notary of Madrid Mr. Antonio Moxó Ruano, under number 3,116 of his protocol, whose registered address is in Las Rozas de Madrid, TRIPARK Building, Business Park of Las Rozas, C/ Jacinto Benavente 2ª, 28232 and with phone number +34 91 398 54 00.

The corporate purpose of the Company is established in Article 2 of its articles of association, the literal text of which is as follows:

"*1. The purpose of the Company is to execute the following activities, both in Spain and abroad:*

- *a)* *The wholesale and retail commercialization in the internal and external market of food products and any other products for consumer use domestic health, healthcare/beauty, homoeopathy, optical, cosmetic, jewelry, household goods, perfume and personal hygiene products; and nutrition, health and insecticide products and any other consumer products for animals.*
- *b)* *The execution of asset transactions; the acquisition, sale and lease of real and personal property; and the execution of financial transactions to the extent allowed by applicable law.*
- *c)* *The provision of business collaboration services of all kinds for the commercialization of telecommunications products and services, including telephony in particular, by executing the relevant agreements with companies entitled to supply and distribute all of these products and services. This collaboration, in any case and to the extent allowed by applicable law, will include the commercialization of said telecommunications products and services.*
- *d)* *The provision of business assistance services of all kinds for the commercialization of the products and services of financial institutions, payment institutions, electronic funds institutions and currency-exchange bureau, in accordance with the corporate object and the management approval of these institutions. This collaboration, to the extent allowed by applicable law, and, subject, if any, to the prior administrative authorization that may be*

necessary will include the provision, commercialization and distribution of the products and services of these institutions.

e) *The execution of activities related to the commercialization and/or sale through the Internet or any other telematics means of all type of products and services that are legally traded, including in particular food and household products and small appliances, multimedia and computer products, photography items, telephony and image or sound products, including the provision of all types of services through the Internet or any other telematics means.*

f) *The execution of activities inherent to wholesale and retail travel agencies, including amongst others the organization and sale of package holidays.*

g) *The purchase, holding, enjoyment, management, administration and disposal of securities representing the capital stock of Spanish resident and non-resident entities, through the necessary arrangement of material and human resources.*

h) *The management, coordination, advice and support provided to investee companies or other collaborating companies by virtue of contractual relations, e.g. franchise agreements and others.*

i) *The deposit and storage of all types of merchandise and products, both for the Company and other enterprises.*

2. The Company may execute the activities covered by the corporate object, either in Spain or abroad, directly or indirectly, by holding shares or participations in companies with an identical or similar object, or through any other form permitted by law.

3. If the law were to require any professional qualifications, administrative permit or registration at the Public Registries in order to execute any of the activities covered by the corporate object described in the foregoing paragraph, said activities must be carried out by duly qualified persons and may not commence until the necessary administrative requirements are met or the relevant licenses obtained.

4. In any case, the corporate object will not include any activities for which the law imposes special requirements in order to be exercised, which are not met by the Company. "

The Company's shares are represented by book entries and the entity responsible for maintaining the corresponding accounting records is Iberclear, with registered office at Plaza de la Lealtad, 1, 28014 Madrid, Spain.

The Company has approved two share capital decreases by means of the redemption of treasury shares. The first one by means of the redemption of 28,265,442 own shares (representing at that moment 4.16% of the share capital). After this capital decrease, which was carried out in September 2013 the share capital of the Company amounted to €65,107,055.80 divided into 651,070,558 shares. The second one by means of the redemption of 28,614,045 own shares (representing 4.39% of the share capital). After this capital decrease, which was carried out in August 2015, the share capital of the Company amounted to €62,245,651.30 divided into 622,456,513 shares.

Moreover, on October 22, 2019 the Extraordinary General Shareholders' Meeting of the Company approved a share capital decrease in the amount of €56,021,086.17 by means of reducing the nominal value of the shares of the Company from €0.10 to €0.01 in order to partially offset the losses registered in the audited balance sheet's account "Negative results from prior periods" at June 30, 2019, which remained outstanding after the allocation of the legal and voluntary reserves for such purposes approved by the shareholders at that meeting. This capital reduction was based on the audited interim balance sheet at June 30, 2019, which was audited by the Company's auditores, Ernst & Young, S.L. Such audited balance sheet includes a limitation regarding the valuation of the Company's inventory as of June 30, 2019. This limitation us due to the fact that Ernst & Young was engaged to audit the aforementioned balance sheet subsequent to June 30, 2019, and therefore was not able to perform the physical stock count of inventories at that time nor were they able to carry out alternative procedures that would enable them to conclude on the physical volume of stocks as of June 30, 2019. Additionally, Ernst & Young were not able to obtain adequate and sufficient evidence regarding the valuation of inventories as of June 30, 2019.

As a result of the execution of the aforementioned share capital reduction, which is expected to be formalized in notarial deed and be filed for registration with the Mercantile Registry of Madrid shortly after its approval by the General Shareholders' Meeting of the Company together with the allocation of reserves to offset losses approved at the same date by the Extraordinary General Shareholders Meeting, the Company's share capital was set at the amount of €6,224,565.13 and the losses registered in the account "Negative results from prior periods" were reduced to €111,726,284.17.

The summary table below outlines these capital decreases.

Date of corporate resolution	Date of public deed	Number of redeemed shares	Nominal Value (in euros)	Resulting share capital amount (in euros)
July 26, 2013	July 30, 2013	28,614,045	0.1	65,107,055.80
August 27, 2015	September 11, 2015	28,265,442	0.1	62,245,651.30
October 22, 2019	October 24, 2019	-	0.01	6,224,565.13

Therefore, at the date of this Prospectus, the Company's issued share capital consists of €6,224,565.13 divided into a single series of 622,456,513 shares, with a nominal value of €0.01 each and each with an ISIN code ES0126775032, allocated by the Spanish National Agency for the Codification of Securities (*Agencia Nacional de Codificación de Valores Mobiliarios*), an entity dependent upon the CNMV. All of the Company's shares are fully subscribed and paid up. Non-residents of Spain may hold Shares and vote, subject to the restrictions described under "*Restrictions of Foreign Investment*".

The Company treasury shares as of the date hereof amount to 1,238,790 treasury shares, which represent 0.20% of its current share capital. At December 31, 2018, the average purchase price of treasury shares was €5.854 per share.

On April 22, 2016, the General Shareholders Meeting adopted the resolutions authorizing the Board of Directors to (i) increase the share capital of the Company within five years from April 22, 2016, in a maximum amount of 50% of the total share capital of the Company as of the date of the resolution, further authorizing the Board of Directors to disapply pre-emptive subscription rights of shareholders in respect of issues of shares representing up to 20% of the number of issued and outstanding shares, and (ii) issue bonds within five years from April 22, 2016, convertible into new shares of the Company for an aggregate amount of up to €480 million, further authorizing the Board of Directors to disapply pre-emptive subscription rights of shareholders in respect of issues of bonds convertible into shares representing up to 20% of the number of issued and outstanding shares as of the date of the resolution. It should be noted that the percentage limits mentioned in provisions (i) and (ii) above are to be calculated jointly. Moreover, on April 20, 2018, the General Shareholders Meeting adopted the resolutions authorizing the Board of Directors to acquire treasury shares, directly by the Company or indirectly by the Company's subsidiaries (if any), within five years from the date of the resolution, in the maximum amount permitted by the applicable legislation

See section "*The Offering*" for information on the corporate resolutions the Company's governing bodies have adopted in connection with the Offering.

Pre-emptive rights and increases of share capital

Pursuant to the Spanish Companies Act and the Company's bylaws, shareholders have pre-emptive rights to subscribe for any new Shares issued against cash contributions and for any new bonds convertible into shares. Such pre-emptive rights may be excluded when so required by the corporate interest under special circumstances by a resolution passed at a general shareholders' meeting or by the board of directors (when the company is listed and the general shareholders' meeting delegates to the board of directors the right to increase the capital stock or issue convertible bonds and exclude pre-emptive rights), in accordance with Articles 308, 417, 504, 505, 506 and 511 of the Spanish Companies Act. As of the date hereof, the Company has neither convertible nor exchangeable bonds outstanding and has not issued any warrants over the Company's Shares.

Also, holders of Shares have the right of free allotment recognized in the Spanish Companies Act in the event of capital increase against reserves.

Furthermore, pre-emptive rights will not be available in an increase in share capital against non-cash contribution, by means of capitalization of credit rights, or to honor the conversion into Shares of convertible bonds or in a merger in which Shares are issued as consideration. Pre-emptive rights are transferable, may be traded on the AQS and may be of value to existing shareholders because new Shares may be offered for subscription at prices lower than prevailing market prices.

As of the date of this Prospectus, there are no acquisition rights and or obligations over authorized but unissued capital and there are no members of the group, the share capital of which is under option or agreed conditionally or unconditionally to be put under option.

Shareholders' Meetings and Voting Rights

Pursuant to the Company's bylaws, the rules of the General Shareholders' Meeting (the "**General Shareholders Meeting Regulations**") and the Spanish Companies Act, the annual General Shareholders' Meetings shall be held during the first six months of each financial year on a date fixed by the Board of Directors. Extraordinary General Shareholders' Meetings may be called by the Board of Directors whenever it deems appropriate, or at the request of shareholders representing at least 3% of the Company's share capital. Notices of all general shareholders' meetings will be published in the Commercial Registry's Official Gazette or in a local newspaper of wide circulation in the province where the Company is domiciled (currently Madrid, Spain), on the Company's corporate website and on the website of CNMV, at least one month before the date on which such meeting is to be held. Exceptionally, under the Spanish Companies Act, when the Company provides all shareholders with electronic vote, an Extraordinary General Shareholders' Meeting may be called 15 days before the date on which the meeting is to be held. The reduction of the period of notice is subject to the approval of the General Shareholders Meeting by at least two thirds of the subscribed capital entitled to vote.

Action is taken at Ordinary General Shareholders' Meetings on the following matters (i) the approval of the management of the Company by the Directors during the previous financial year, (ii) the approval of the financial statements from the previous financial year, and (iii) the application of the previous financial year's income or loss. All other matters can be considered at either an Extraordinary General Shareholders' Meeting or at an Ordinary General Shareholders' Meeting if the matter is within the authority of the meeting and is included on the agenda (with certain exceptional items which do not need to be included on the agenda to be validly passed, like the dismissal of Directors or the decision for the Company to bring an action against the Directors to claim their liability). Liability actions against the Directors shall be brought by the Company pursuant to a General Shareholders' Meeting decision, which may be adopted at the request of any shareholder even where not included on the agenda. The bylaws may not require qualified majority for the adoption of such resolution. The decision to bring an action or reach a settlement shall entail the removal of the relevant directors. The approval of the financial statements shall not preclude the action to claim the liability of the Directors nor constitute a waiver of the action approved or brought.

According to the Spanish Companies Act —and in addition to the matters referred to in the previous paragraphs and any other matters as provided by law, the Company's bylaws or the General Shareholders' Meeting Regulations— the following matters among others fall within the authority of the General Shareholders' Meetings: (a) appointment and removal of Directors, as well as the ratification of

Directors designated through a co-option procedure; (b) appointment and removal of accounts auditors and, if applicable, of the liquidators; (c) approval of the statements of the previous year, of the allocation of results and of the corporate management; (d) any increase or decrease in the capital stock, including a delegation to the Board of Directors of the power to increase the capital stock; (e) elimination or limitation of preferential subscription rights; (f) issue of convertible obligations and other securities, unless delegated in the Board of Directors in the bylaws, and delegation of the right of issue to the board of directors; (g) authorization for the derivative acquisition of own shares; (h) approval and amendment of the General Shareholders' Meeting Regulations; (i) amendments of the articles of association; (j) approval of the policy on directors' remunerations, in accordance with the terms set out in the Spanish Companies Act; (k) approval of the Company's Directors remuneration systems, in the form of shares or rights over shares or linked to the value of the shares; (l) granting the directors the exemptions regarding the prohibitions deriving from the duty of loyalty, when the granting of said exemptions lies with the general meeting, as well as the exemption regarding non-compete obligation duties; (m) a merger, spin-off, transformation, dissolution and global assignment of the Company's assets and liabilities; (n) a transfer of the Company's registered address abroad; (o) transformation of the Company into a holding company, through "subsidiarisation", the incorporation or transfer into dependent companies of essential activities developed by the Company itself until then, even if the latter remains as the full legal owner thereof. An activity is presumed to be essential when the relevant amount of the transaction exceeds twenty-five per cent (25%) of the total assets in the balance sheet; (p) the acquisition, disposal or contribution of essential assets to another company. An asset is presumed to be essential when the relevant amount of the transaction exceeds twenty-five per cent (25%) of the value of the total assets according to the last balance sheet approved; (q) the winding up of the Company; and (r) operations with an effect equivalent to the Company's liquidation and the approval of the liquidation balance sheet.

Also, the General Shareholders' Meetings shall vote separately on substantially independent matters. Even if included in the same item on the agenda, the following shall be voted separately: (i) the appointment, re-election, ratification or separation of directors; (ii) the advisory vote on the annual report on Directors' remuneration; and (iii) in resolutions to amend the bylaws, each substantially independent article or group of articles.

Each Share entitles the holder to one vote and there is no limit as to the maximum number of voting rights that may be held by each shareholder or by companies of the same group. Any shareholder having the right to attend a General Shareholders' Meeting may also be represented by a proxy. Proxies must be granted in writing or in electronic form acceptable under the internal regulations of the Company and are valid for a single General Shareholders' Meeting. Nevertheless, these restrictions shall not be applicable when the representative is the spouse, ascendant or descendent of the represented person, and it will neither be necessary in case of a general proxy been conferred to the representative. Proxies may be given to any person and may be revoked, either expressly or by attendance by the shareholder at the meeting or by the proxy.

Proxy holders will be required to disclose any conflict of interest prior to their appointment. In the event a conflict of interest arises after the proxy holder's appointment, such conflict of interest must be immediately disclosed to the relevant shareholder. In both cases, the proxy holder shall not exercise the shareholder's rights unless the latter has given specific voting instructions for each resolution in respect of which the proxy holder is to vote on behalf of the shareholder. A person acting as a proxy holder may hold a proxy from more than one shareholder without limitation as to the number of shareholders so represented. Where a proxy holder holds proxies from several shareholders, he/she will be able to cast votes for a shareholder differently from votes cast for another shareholder.

Any shareholder regardless of the number of Shares it owns may, in the manner provided in the notice for such meeting, attend and vote at the General Shareholders Meeting. In order to exercise their right of attendance, all shareholders must have their Shares duly registered in the book-entry records maintained by Iberclear and its member entities at least five days prior to the day on which a General Shareholders' Meeting is scheduled.

The Company's bylaws provide that, on the first call of an Ordinary or Extraordinary General Shareholders' Meeting, the attendance in person or by proxy of shareholders representing at least 25% of the Company's voting capital will constitute a quorum. If on the first call a quorum is not present, the meeting can be reconvened by a second call, which according to Spanish corporate law requires no quorum. Resolutions are passed by simple majority of the votes cast, which implies having more votes in favor than against.

However, a resolution in a General Shareholders' Meeting to increase or decrease the Company's share capital, issue bonds, suppress or limit the pre-emptive subscription right over newly issued ordinary shares, transform, merge, spin-off, globally assign the Company's assets and liabilities, transfer the Company's registered address abroad or otherwise modify the Company's bylaws, requires on first call the attendance in person or by proxy of shareholders representing at least 50% of the Company's voting capital and on second call the attendance in person or by proxy of shareholders representing at least 25% of the Company's voting capital. On first call, resolutions shall be adopted by absolute majority. On second call, and in the event that less than 50% of the Company's voting capital is represented in person or by proxy, such resolutions may only be passed upon the vote of shareholders representing 2/3 of the Company's capital present or represented at such meeting.

The interval between the first and the second call for a General Shareholders' Meeting must be at least 24 hours.

Voting on the resolutions included in the agenda of a General Shareholders' Meeting may be exercised by shareholders by post or electronic means received by the Company prior to the General Shareholders' Meeting, and provided that the identity of the shareholder who exercises his right to vote is duly verified and the formalities determined by the Board of Directors through resolution and subsequent notification in the call announcement of the General Shareholders' Meeting are complied with. In such resolution, the Board of Directors will define the applicable conditions to the voting via electronic means in order to ensure the proper identification of the shareholder or its representative.

Under Spanish law, shareholders who voluntarily aggregate their Shares so that the capital stock aggregated is equal to or greater than the result of dividing the total capital stock by the number of Directors have the right, provided there are vacancies on the Board of Directors, to appoint a corresponding proportion of the members of the Board of Directors (disregarding fractions). Shareholders who exercise this right (in person or by proxy) may not vote on the appointment of other Directors.

A resolution passed at a General Shareholders' Meeting is binding on all shareholders, although a resolution which is (i) contrary to law or the Company's bylaws or the General Shareholders' Meeting Regulations, or (ii) prejudicial to the interest of the Company and beneficial to one or more shareholders or third parties, may be contested. Damage to the Company's interest is also caused when the resolution, without causing damage to corporate assets, is imposed in an abusive manner by the majority. An agreement is understood to have been imposed in an abusive manner when, rather than responding reasonably to a corporate need, the majority adopts the resolution in their own interests and to the unjustifiable detriment of the other shareholders. In the case of listed companies, the required fraction of the company's share capital needed to be able to contest is 0.1%. The right to contest would apply to those who were shareholders at the time when the resolution was taken, directors and interested third parties. In the event of resolutions contrary to public order, the right to contest would apply to any shareholders (even if they acquired such condition after the resolution was taken), and any director or third party.

In certain circumstances (such as change or significant amendment of the corporate purpose, transformation or transfer of registered address abroad), the Spanish Companies Act gives dissenting or absent shareholders (including non-voting shareholders) the right to withdraw from the company. If this right were exercised, the company would be obliged to purchase the relevant Shares at the average market price of the Shares in the last quarter in accordance with the procedures established under the Spanish Companies Act.

Dividend and Liquidation Rights

Holders of Shares have the right to participate in distributions of the Company's profits and proceeds from liquidation, proportionally to their paid-up share capital. However, there is no right to receive a minimum dividend.

Payment of dividends is proposed by the Board of Directors and must be authorized by the Company's shareholders at a General Shareholders' Meeting. Holders of Shares shall participate in such dividends from the date agreed by a General Shareholders' Meeting. Additionally, interim dividends (*dividendo a cuenta*) may also be distributed among shareholders directly upon approval by the Board of Directors provided that: (i) there is sufficient liquidity to pay the interim dividend; and (ii) the amount distributed does not exceed the amount resulting from deducting from the earnings booked since the end of the previous year, the sum of previous years' losses, the amounts earmarked for the legal or bylaws' reserves, and the estimated tax due on the aforesaid earnings. The Spanish Companies Act requires each company to allocate at least 10% of its net income each year to a legal reserve until the balance of such reserve is equivalent to at least 20% of such company's issued share capital. A company's legal reserve is not available for distribution to its shareholders except upon such company's liquidation. As of June 30, 2019, the Company's legal reserve amounted to €13,021,411.16, equivalent to 20.9% of the Company's share capital as of that date. Nevertheless, on October 22, 2019 the General Shareholders Meeting approved the allocation of the legal reserve and certain voluntary reserves to partially offset the losses registered in the audited balance sheet's account "Negative results from prior periods' at June 30, 2019. At the date of this Prospectus, the Company does not have any voluntary or legal reserves whatsoever, other than for the voluntary reserve amounting to €15.170.021,76, arising from the reclassification, pursuant to Royal Decree 602/2016, of December 2, of the goodwill reserve on January 1, 2016 to this new reserve, distribution of which is restricted as long as the net worth of the goodwill recognized in the Company's assets exceeds this amount (as is the case in the Company's audited balance sheet as at December 31, 2018).

According to the Spanish Companies Act, dividends may only be paid out of profits or distributable reserves (after the compulsory allocation to mandatory reserves, including the legal reserve, and only if the value of the Company's net worth is not, and as a result of distribution would not be, less than the Company's share capital).

In addition, no profits may be distributed unless the amount of distributable reserves is at least equal to the amount of the research and development expenses recorded as an asset on the Company's consolidated statement of financial position.

In accordance with Article 947 of the Spanish Commercial Code, the right to a dividend lapses and reverts to the Company if it is not claimed within five years after it becomes payable.

The Company is not aware of any restriction on the collection of dividends by non-resident shareholders. All holders will receive dividends through Iberclear and its member entities, without prejudice to potential withholdings on account of the Non-resident Income Tax, approved by Royal Legislative Decree 5/2004 of March 5, 2004, as amended (*Impuesto sobre la Renta de No Residents*) that may apply. For more information on applicable taxes see "*Taxation*".

In the event of the Company's liquidation, the Company's shareholders would be entitled to receive proportionately any assets remaining after payment of the Company's debts and all applicable taxes and expenses.

The New Finance Arrangements restrict the ability of the Company to declare or pay any dividend or make any other payment or distribution on or in respect of its share capital, until the syndicated facilities have been repaid in full, for further details see Section "*Dividend Policy*".

Furthermore, the Company's ability to pay dividends or repurchase its Shares will depend on the availability of distributable reserves which, in turn, will depend on the Company's results and other factors such as the Company's profitability and cash flow generation. As of June 30, 2019, the Company had distributable reserves (voluntary reserves) amounting to €4,817,568.48, although the General Shareholders' Meeting has approved to offset part of the existing losses carried forward against those reserves, which will result in the Company's distributable reserves being €0. Accordingly, the Group's ability to make a distribution to shareholders will depend on the Company's ability to generate net profits in future periods in order to achieve sufficient distributable reserves.

The Company's ability to distribute dividends in the near future will depend on a number of circumstances and factors including, but not limited to, the amount of net profit attributable to the Company in any financial year, any limitations to the distribution of dividends included in the Company's financing agreements, the amortization of goodwill (which amounted in 2018 to €7.14 million for the Company and to €10.85 million for its subsidiaries) the Company's growth strategy and its investment plans, earnings, level of profitability, cash flow generation, restrictions on payment of dividends under local applicable law (both on the Company and on any Group entity), compliance with covenants in the Company's debt instruments the level of dividends paid or shares repurchased by other comparable listed companies doing business in Spain and such other factors as the Board of Directors or the shareholders may deem relevant from time to time.

For further details, see "*Dividend Policy*". As a result of such or other circumstances and factors, the Company may modify the Dividend Policy from time to time. See "*Risks related to the Offering—The Group's ability to pay dividends to its shareholders is uncertain and may be restricted*".

Shareholder Actions

Under the Spanish Companies Act, Directors are liable to the Company, shareholders and creditors for the damages caused by their acts or omissions that are illegal or violate the bylaws and for failure to carry out their legal duties with diligence.

Under Spanish law, shareholders must generally bring actions against the Directors as well as any other actions against the Company or challenging corporate resolutions before the courts of the judicial district of the Company's registered address (currently, Madrid, Spain).

When in violation of the law or of the Company's bylaws, directors are presumed to have acted negligently, but that presumption can be rebutted. Directors have such liability even if the transaction in connection with which the acts or omissions occurred is approved or ratified by the shareholders.

The liability of the directors is joint and several, except to the extent any director can demonstrate that he or she did not participate in decision-making relating to the transaction at issue, was unaware of its existence or, being aware of it, did all that was possible to mitigate any damages or expressly disagreed with the decision-making relating to the transaction.

Registration and Transfers

The Shares are in registered book -entry form and are indivisible. Joint holders of one Share must designate a single person to exercise their shareholders' rights, but they are jointly and severally (*solidariamente*) liable to the Company for all the obligations arising from their status as shareholders. Iberclear, which manages the Spanish clearance and settlement system of the Spanish Stock Exchanges, maintains the central registry reflecting the number of shares held by each of its member entities (*entidades participantes*). Each member entity, in turn, maintains a registry of the owners of such Shares, provided that owners of the Shares may elect to open a direct account with Iberclear, in which case ownership of the Shares would be reflected directly in the books of Iberclear.

The Shares are freely transferable in accordance with the Spanish Companies Act, the Securities Market Act and any implementing regulation.

As a general rule, transfers of shares quoted on the Spanish Stock Exchanges must be made through or with the participation of a member of a Stock Exchange. Brokerage firms, or dealer firms, Spanish credit entities, investment services entities authorized in other Member States and investment services entities authorized by their relevant authorities and in compliance with the Spanish regulations are eligible to be members of the Spanish Stock Exchanges. Transfer of shares quoted on the Spanish Stock Exchanges may be subject to certain fees and expenses.

Restrictions of Foreign Investment

Exchange controls and foreign investments were, with certain exceptions, completely liberalized by Royal Decree 664/1999, of April 23 (*Real Decreto 664/1999, de 23 de abril*), which was approved in conjunction with Law 18/1992, of July 1 (the "**Spanish Foreign Investment Law**"), bringing the existing legal framework on foreign investments in line with the provisions of the Treaty of the EU.

According to regulations adopted under the Spanish Foreign Investment Law, and subject to the restrictions described below, foreign investors may freely invest in shares of Spanish companies as well as transfer invested capital, capital gains and dividends out of Spain without limitation (subject to applicable taxes and exchange controls). Foreign investors who are not resident in a tax haven are only required to file a notification with the Spanish Registry of Foreign Investments maintained by the General Bureau of Commerce and Investments (*Dirección General de Comercio e Inversiones*) within the Ministry of Economy, Industry and Competitiveness (*Ministerio de Economía, Industria y Competitividad*) following an investment or divestiture, if any, solely for statistical, economic and administrative purposes. Where the investment or divestiture is made in shares of Spanish companies listed on any of the Spanish Stock Exchanges, the duty to provide notice of a foreign investment or divestiture lies with the relevant entity with whom the shares (in book -entry form) have been deposited or which has acted as an intermediary in connection with the investment or divestiture.

If the foreign investor is a resident of a tax haven, as defined under Spanish law (Royal Decree 1080/1991, of July 5), notice must be provided to the Registry of Foreign Investments prior to making the investment, as well as after consummating the transaction. However, prior notification is not necessary in the following cases:

- investments in listed securities, whether or not trading on an official secondary market;
- investments in participations in investment funds registered with the CNMV; and
- foreign shareholdings that do not exceed 50.0% of the capital of the Spanish company in which the investment is made.

Additional regulations to those described above apply to investments in some specific industries, including air transportation, mining, manufacturing and sales of weapons and explosives for civil use and national defense, radio, television, telecommunications and gambling. These restrictions do not apply to investments made by EU residents, other than investments by EU residents in activities relating to the Spanish defense sector or the manufacturing and sale of weapons and explosives for non-military use.

The Spanish Council of Ministers (*Consejo de Ministros*), acting on the recommendation of the Ministry of Economy, Industry and Competitiveness, may suspend the aforementioned provisions relating to foreign investments for reasons of public policy, health or safety, either generally or in respect of investments in specified industries, in which case any proposed foreign investments falling within the scope of such a suspension would be subject to prior authorization from the Spanish government, acting on the recommendation of the Ministry of Economy, Industry and Competitiveness.

Law 19/2003, of July 4, on the establishment of a regulatory regime relating to capital flows to and from legal or natural persons abroad and the prevention of money laundering ("**Law 19/2003**"), generally provides for the liberalization of the regulatory environment with respect to acts, businesses, transactions and other operations between Spanish residents and non-residents in respect of which charges or payments abroad will occur, as well as money transfers, variations in accounts or financial debit or credits abroad. These operations must be reported to the Ministry of the Economy and Competitiveness and the Bank of Spain only for informational and statistical purposes. The most important developments resulting from Law 19/2003 are the obligations on financial intermediaries to provide to the Spanish Ministry of Economy, Industry and Competitiveness and the Bank of Spain information corresponding to client transactions.

Exchange control regulations

Pursuant to Royal Decree 1816/1991, of December 20, relating to economic transactions with non-residents as amended by Royal Decree 1360/2011 of October 7, and EC Directive 88/361/EEC, charges, payments or transfers between non-residents and residents of Spain must be made through a registered entity, such as a bank or another financial institution registered with the Bank of Spain and/or the CNMV (*entidades registradas*), through bank accounts opened abroad with a foreign bank or a foreign branch of a registered entity, in cash or by check payable to bearer. All charges, payments or transfers which exceed €6,010 (or its equivalent in another currency), if made in cash or by check payable to bearer, must be notified to the Spanish exchange control authorities.

Reporting requirements

Pursuant to Royal Decree 1362/2007, of October 19, any individual or legal entity which, by whatever means, purchases or transfers shares which grant voting rights in the Company, must notify the Company and the CNMV, if, as a result of such transaction, the proportion of voting rights held by that individual or legal entity reaches, exceeds or falls below a threshold of 3.0%, 5.0%, 10.0%, 15.0%, 20.0%, 25.0%, 30.0%, 35.0%, 40.0%, 45.0%, 50.0%, 60.0%, 70.0%, 75.0%, 80.0% and 90.0% of the total voting rights. Should the person or group effecting the transaction be resident in a tax haven (as defined in Royal Decree 1080/1991, of July 5), the threshold that triggers the obligation to disclose the acquisition or transfer of the Shares is reduced to 1.0% (and successive multiples thereof). Moreover, pursuant to Article 30.6 of Royal Decree 1362/2007, in the context of a takeover bid, the following transactions should be notified to the CNMV: (i) any acquisition reaching or exceeding 1.0% of the voting rights of the Company, and (ii) any increase or decrease in the percentage of voting rights held by holders of 3.0% or more of the voting rights in the Company. The CNMV will immediately make public this information.

The individual or legal entity obliged to carry out the notification must serve the notification by means of the form approved by the CNMV from time to time for such purpose, as soon as possible and, in any event, within four trading days from the date on which individual or legal entity acknowledged or should have acknowledged the circumstances that generate the obligation to notify (Royal Decree 1362/2007 deems a transaction to be acknowledged within two trading days from the date on which such transaction is entered into), regardless of the date on which the transaction takes effect.

The reporting requirements apply not only to the purchase or transfer of shares, but also to those transactions in which, without a purchase or transfer, the proportion of voting rights of an individual or legal entity reaches, exceeds or falls below the threshold that triggers the obligation to report as a consequence of a change in the total number of voting rights of a company on the basis of the information reported to the CNMV and disclosed by it. In such a case, the transaction is deemed to be acknowledged within two trading days from the date of publication of the regulatory information notice (*hecho relevante*) regarding such transaction.

Should the individual or legal entity effecting the transaction be a non-resident of Spain, notice must also be given to the Spanish Registry of Foreign Investments maintained by the General Bureau of Commerce and Investments.

Regardless of the actual ownership of the Shares, any individual or legal entity with a right to acquire, transfer or exercise voting rights granted by the Shares, and any individual or legal entity which acquires, transfers or holds, whether directly or indirectly, other securities or financial instruments, which grant a right to acquire Shares with voting rights, will also have an obligation to notify the Company and the CNMV of the holding of a significant stake in accordance with applicable regulations.

The foregoing also applies to holders of financial instruments giving rise to a similar economic exposure than the securities or financial instruments mentioned above regardless of whether or not the instrument is to be settled at the option of the holder physically or in cash. Moreover, holdings of voting rights attributable to shares and those attributable to financial instruments are aggregated for the purposes of determining whether a reporting threshold has been met.

The foregoing reporting obligation also applies to any person who, directly or indirectly, holds, acquires, transfers or has the possibility to exercise the voting rights associated to or attributed to the shares or other financial instruments where the aggregated proportion of the voting rights reaches, exceeds or falls below the thresholds referred to above.

All Directors must report to both the Company and the CNMV, the percentage or number of voting rights they hold in the Company at the time of becoming or ceasing to be a Director within three AQS Working Days. Furthermore, all Directors must report any change in the percentage of voting rights they hold, regardless of the amount, as a result of any acquisition or disposition of the Shares or voting rights, or financial instruments which carry a right to acquire or dispose of Shares which have voting rights attached, including any stock -based compensation that they may receive pursuant to any of the Company's compensation plans. Members of the Company's Senior Management must also report any stock-based compensation that they may receive pursuant to any of the Company's compensation plans or any subsequent amendment to such plans.

Moreover, pursuant to Article 19 of Regulation 596/2014 of April 16, on market abuse, and article 230 of the Securities Market Act persons discharging managerial responsibilities and any persons having a close link (*vínculo estrecho*) with any of them must similarly report to the Company and the CNMV any acquisition or disposal of the Shares, derivative or financial instruments linked to the Shares within three business days after the date of the transaction is made, provided that transactions carried out by the relevant person within the calendar year reach €20,000 in aggregate. The notification of the transaction must include particulars of, among others, the type of transaction, the date of the transaction and the market in which the transactions were carried out, the number of Shares traded and the price paid.

In certain circumstances established by Royal Decree 1362/2007, the notification requirements on the acquisition or transfer of Shares also apply to any person or legal entity that, independently of the ownership of the Shares, may acquire, transmit or exercise the voting rights granted by those Shares, provided that the proportion of voting rights reaches, increases above or decreases below, the percentages set forth by Spanish law.

Shareholder's Agreements

The Securities Market Act and Articles 531, 533 and 535 of the Spanish Companies Act require parties to disclose certain types of shareholders' agreements that affect the exercise of voting rights at a general shareholders' meeting or contain restrictions or conditions on the transferability of shares or bonds that are convertible or exchangeable into shares of listed companies.

If the Company's shareholders enter into such agreements with respect to the Shares, they must disclose the execution, amendment or extension of such agreements to the Company and to the CNMV, file such agreements with the appropriate commercial registry and publish them through a relevant information notice (*hecho relevante*). Failure to comply with these disclosure obligations renders any such shareholders' agreement unenforceable and constitutes a violation of the Securities Market Act.

Such a shareholders' agreement will have no effect with respect to any restrictions or limitations to the right to vote in a General Shareholders' Meeting and restrictions or conditions on the free transferability of the Shares and bonds convertible into Shares until such time as the aforementioned notifications, deposits and publications are made.

Upon request by the interested parties, the CNMV may waive the requirement to report, deposit and publish the relevant shareholders' agreement if the publication thereof could cause harm to the company involved.

Net Short Positions

In accordance with Regulation (EU) No 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps (as further supplemented by several delegated regulations regulating technical aspects necessary for its effective enforceability and to ensure compliance with its provisions), net short positions on shares listed on the Spanish Stock Exchanges equal to, or in excess of, 0.2% of the relevant issuer's share capital and any increases or reductions thereof by 0.1% are required to be disclosed to the CNMV. If the net short position reaches 0.5%, and also at every 0.1% above that, the CNMV will disclose the net short position to the public. Such Regulation also restricts uncovered short sales in shares, providing that a natural or legal person may enter into a short sale of a share admitted to trading on a trading venue only where one of the conditions established in Article 12 of the referred Regulation has been fulfilled.

The notification or disclosure mentioned above shall be made not later than at 15.30 (CET) on the following trading day.

Notification is mandatory even if the same position has been already notified to the CNMV in compliance with transparency obligations previously in force in that jurisdiction.

The information to be disclosed is set out in Table 1 of Annex I of Delegated Regulation 826/2012, according to the format approved as Annex II of this Regulation. The information will be published, where appropriate, on a web page operated or supervised by the CNMV.

Moreover, pursuant to Regulation 236/2012, where the CNMV considers that (i) there are adverse events or developments that constitute a serious threat to financial stability or to market confidence (serious financial, monetary or budgetary problems, which may lead to financial instability, unusual volatility causing significant downward spirals in any financial instrument, etc.); and (ii) the measure is necessary and will not be disproportionately detrimental to the efficiency of financial markets in view of the advantages sought, it may, following consultation with the European Securities and Markets Authority ("**ESMA**"), take any one or more of the following measures:

- impose additional notification obligations by either (a) reducing the thresholds for the notification of net short positions in relation to one or several specific financial instruments; and/or (b) requesting the parties involved in the lending of a specific financial instrument to notify any change in the fees requested for such lending; and
- restrict short selling activity by either prohibiting or imposing conditions on short selling.

In addition, according to Regulation 236/2012, where the price of a financial instrument has fallen significantly during a single day in relation to the closing price on the previous trading day (10.0% or more in the case of a liquid share), the CNMV may prohibit or restrict short selling of financial instruments for a period not exceeding the end of the trading day following the trading day on which the fall in price occurs.

Finally, Regulation 236/2012 also vests powers to ESMA in order to take measures similar to the ones described above in exceptional circumstances, when the purpose of these measures is to deal with a threat affecting several EU member states and the competent authorities of these member states have not taken adequate measures to address it.

Share Repurchases

Pursuant to the Spanish Companies Act, the Company may only repurchase its own Shares within certain limits and in compliance with the following requirements:

- the repurchase must be authorized by the General Shareholders' Meeting in a resolution establishing the maximum number of Shares to be acquired, the titles for the acquisition, the minimum and maximum acquisition price and the duration of the authorization, which may not exceed five years from the date of the resolution;
- the repurchase, including the Shares already acquired and currently held by the Company, or any person or company acting in its own name but on the Company's behalf, must not bring the Company's net worth below the aggregate amount of the Company's share capital and legal or non-distributable bylaws' reserves. For these purposes, net worth means the amount resulting from the application of the criteria used to draw up the financial statements, subtracting the amount of profits directly allocated to such net worth, and adding the amount of share capital subscribed but not called and the share capital par value and issue premium recorded in the Company's accounts as liabilities;
- the aggregate value of the Shares directly or indirectly repurchased, together with the aggregate par value of the Shares already held by the Company, must not exceed 10% of the Company's share capital; and
- Shares repurchased for valuable consideration must be fully paid-up. A repurchase shall be considered null and void if (i) the shares are partially paid-up, except in the case of free repurchase, or (ii) the shares entail ancillary obligations.

Treasury shares do not have voting rights or economic rights (for example, the right to receive dividends and other distributions and liquidation rights). Such economic rights except the right to receive bonus Shares, will accrue proportionately to all of the Company's shareholders. Treasury shares are counted for purposes of establishing the quorum for shareholders' meetings as well as majority voting requirements to pass resolutions at general shareholders' meetings.

Regulation 596/2014 of April 16, on market abuse establishes rules in order to ensure the integrity of European Community financial markets and to enhance investor confidence in those markets. This regulation maintains an exemption from the market manipulation rules regarding share buy-back programs by companies listed on a stock exchange in an EU Member State. Commission Delegated Regulation (EU) 2016/1052, of March 8, 2016, implements Regulation 596/2014 with regard to the regulatory technical standards for the conditions applicable to buy-back programs and stabilization measures. According to the provisions included in the Delegated Regulation, in order to benefit from the exemption, an issuer implementing a buy-back program must comply with the following requirements:

(a) Prior to the start of trading in a buy-back program, the issuer must ensure the adequate disclosure of the following information:

    - The purpose of the program. According to Article 5.2 of Regulation 596/2014, the buy-back program must have as its sole purpose (a) to reduce the capital of the issuer; (b) to meet obligations arising from debt financial instruments convertible into equity instruments; or (c) to meet obligations arising from share option programs, or other allocations of shares, to employees or to members of the administrative, management or supervisory bodies of the issuer or of an associate company;
    - The maximum pecuniary amount allocated to the program;
    - The maximum number of shares to be acquired; and
    - The period for which authorization for the program has been granted.

(b) The issuer must ensure that the transactions relating to the buy-back program meet the conditions included on Article 3 of the Delegated Regulation. Specifically, that the purchase price is not higher than the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out. Furthermore, issuers must not purchase on any trading day more than 25% of the average daily volume of shares on the corresponding trading venue.

(c) Issuers shall not, for the duration of the buy-back program, engage on (a) selling of own shares; (b) trading during the closed periods referred to in Article 19.11 of Regulation 596/2014; and (c) trading where the issuer has decided to delay the public disclosure of inside information.

On April 26, 2017, the CNMV approved Circular 1/2017 on liquidity contracts entered into by issuers with financial institutions for the management of its treasury shares. This regulation entered into force on July 10, 2017. It repealed and replaced the CNMV's Circular 3/2007 and introduced new specific rules, limits and mechanisms for liquidity agreements to constitute an accepted market practice and, therefore, be able to rely on a safe harbor for the purposes of market abuse regulations.

If an acquisition or series of acquisitions of shares reaches or exceeds or causes a company and its affiliates' holdings to reach or exceed 1% of its voting shares, such company must notify the final holding of treasury shares to the CNMV. If such threshold is reached as a result of a series of acquisitions, such reporting obligation will only arise after the closing of the acquisition which, taken together with all acquisitions made since the last of any such notifications, causes the company and its affiliates' holdings to exceed 1% of the voting shares. Sales and other transfers of the treasury shares will not be deducted in the calculation of such threshold. This requirement would also apply if the shares were acquired by one of the company's majority owned subsidiaries.

Moreover, pursuant to Spanish Companies Act, the audited financial statements of a company must include a reference to any treasury shares.

In addition, on July 18, 2013, the CNMV published certain guidelines for securities issuers and financial intermediaries acting on their behalf regarding the "discretionary transactions with treasury shares" (outside of the buy-back program regulation). These guidelines are in line with the buy-back program regulation in respect of price, limits and volumes and include certain restricted periods and a rule of separated management of the trading activity.

MARKET INFORMATION

The Shares are currently admitted to trading on the Spanish Stock Exchanges and are quoted through the AQS (*Sistema de Interconexión Bursátil or Mercado Continuo*). The Company will apply to list the New Shares on the Spanish Stock Exchanges and to have the New Shares quoted through the AQS.

In 2019, the highest closing share price of the Shares was €0.73 and the lowest closing share price was €0.36. On October 22, 2019, the closing price of the Shares on the AQS was €0.41.

SIB

The SIB (*Sistema de Interconexión Bursátil* or *Mercado Continuo*) links the four Spanish Stock Exchanges, providing those securities listed on it with a uniform continuous market that eliminates certain of the differences between the local exchanges. The principal feature of the system is the computerized matching of bid and offer orders at the time of entry of the relevant order. Each order is executed as soon as a matching order is entered, but can be modified or cancelled until it is executed. The activity of the market can be continuously monitored by investors and brokers. The SIB is operated and regulated by Sociedad de Bolsas, S.A. ("**Sociedad de Bolsas**"). All trades on the SIB must be placed through a brokerage firm, a dealer firm or a credit entity that is a member of a Spanish Stock Exchanges.

In a pre-opening session held from 8:30 a.m. to 9:00 a.m. (CET) each trading day, an opening price is established for each security traded on the SIB based on a real-time auction in which orders can be entered, modified or cancelled but not executed. During this pre-opening session, the system continuously displays the price at which orders would be executed if trading were to begin at that moment. Market participants only receive information relating to the auction price (if applicable) and trading volume permitted at the current bid and offer price. If an auction price does not exist, the best bid and offer price and associated volumes are shown. The auction terminates with a random period of 30 seconds in which share allocation takes place. Until the allocation process has finished, orders cannot be entered, modified or cancelled. In exceptional circumstances (including the inclusion of new securities on the SIB) and after giving notice to the CNMV, Sociedad de Bolsas may establish an opening price without regard to the reference price (the previous trading day's closing price), alter the price range for permitted orders with respect to the reference price and modify the reference price.

The computerized trading hours, known as the open session, are from 9:00 a.m. to 5:30 p.m. (CET). During the trading session, the trading price of a security is permitted to vary up to a maximum so-called 'static' range of the reference price, provided that the trading price for each trade of such security is not permitted to vary in excess of a maximum so-called 'dynamic' range with respect to the trading price of the immediately preceding trade of the same security. If, during the trading session, there are matching bid and offer orders for a security within the computerized system which exceed any of the above 'static' or 'dynamic' ranges, trading on the security is automatically suspended and a new auction is held where a new reference price is set, and the 'static' and 'dynamic' ranges will apply over such new reference price. The 'static' and 'dynamic' ranges applicable to each particular security are set up and reviewed periodically by Sociedad de Bolsas.

Between 5:30 p.m. and 8:00 p.m. (CET), trades may occur outside the computerized matching system without prior authorization of Sociedad de Bolsas (provided such trades are communicated to Sociedad de Bolsas), at a price within the range of 5% above the higher of the average price and closing price for the day and 5% below the lower of the average price and closing price for the day if (i) there are no outstanding bids or offers, respectively, on the system matching or bettering the terms of the proposed off-system transaction, and (ii) if, among other things, the trade involves more than €300,000 and more than 20% of the average daily trading volume of the stock during the preceding three months. These off-system trades must also relate to individual orders from the same person or entity and be reported to Sociedad de Bolsas before 8:00 p.m. (CET).

At any time trades may take place (with the prior authorization of Sociedad de Bolsas) at any price if:

- the trade involves more than €1.5 million and more than 40% of the average daily trading volume of the stock during the preceding three months;
- the transaction derives from a merger or spin-off, or from the reorganization of a group of companies;
- the transaction is executed for the purpose of settling litigation or completing a complex set of contracts; or
- Sociedad de Bolsas finds another appropriate cause.

Information with respect to the computerized trades which take place between 9:00 a.m. and 5:30 p.m. (CET) is made public immediately, and information with respect to trades which occur outside the computerized matching system is reported to the Sociedad de Bolsas by the end of the trading day and is also published in the Stock Exchange Official Gazette (*Boletín de Cotización*) and on the computer system by the beginning of the next trading day.

Clearing, settlement and book-entry system

The Spanish clearing, settlement and book-entry system has been recently adapted by Act 11/2015 of June 18, on the recovery and resolution of credit institutions and investment firms (*Ley 11/2015, de 18 de junio, sobre recuperación y resolución de entidades de crédito y empresas de servicios de inversión*) and Royal Decree 878/2015 of October 2, to the provisions set forth in Regulation (EU) No 909/2014 of the European Parliament and of the Council of July 23, on improving securities settlement in the EU and on central securities depositaries, amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012. Following the implementation of this reform transactions carried out on the SIB continue to be settled by Iberclear, as central securities depositary, and are cleared by BME Clearing, S.A., as central counterparty ("**CCP**"). Investors are urged to contact their agent or custodian in Spain as soon as possible to make the arrangements necessary for registering the shares in their name on the Subscription Date.

Iberclear and the CCP, are owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., a listed holding company which also holds a 100% interest in each of the Spanish official secondary markets.

Shares of listed Spanish companies are represented in book-entry form. The book-entry system is a two-tier level registry: the keeping of the central book-entry register corresponds to Iberclear and the keeping of the detail records correspond to the participating entities in Iberclear.

Access to become a participating entity is restricted to (i) credit institutions, (ii) investment services companies which are authorized to render custody and administration of financial instruments, (iii) the Bank of Spain, (iv) the General Administration and the General Social Security Treasury, (v) other duly authorized central securities depositaries and central clearing counterparties and (vi) other public institutions and private entities when expressly authorized to become a participating entity in central securities depositaries.

The central registry managed by Iberclear reflects: (i) one or several proprietary accounts which will show the balances of the participating entities' proprietary accounts; (ii) one or several general third-party accounts that will show the overall balances that the participating entities hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; and (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each participating entity, in turn, maintains the detail records of the owners of such shares.

According to the above, Spanish law considers the owner of the shares to be:

(i) the participating entity appearing in the records of Iberclear as holding the relevant shares in its own name.

(ii) the investor appearing in the records of the participating entity as holding the shares; or

(iii) the investor appearing in the records of Iberclear as holding shares in a segregated individual account.

BME Clearing is the CCP in charge of the clearing of transactions closed on the Spanish Stock Exchanges. BME Clearing interposes itself on its own account as seller in every purchase and as buyer in every sale. It calculates the buy and sell positions *vis-à-vis* the participants designated in such buy or sell instructions. The CCP then generates and send to Iberclear the relevant settlement instructions.

The settlement and book-entry registration platform managed by Iberclear, which operates under the trade name of ARCO, receives the settlement instructions from BME Clearing and forwards them to the relevant participating entities involved in each transaction. ARCO operates under a T+2 settlement standard, by which any transactions must be settled within two business days following the date on which the transaction was completed.

Obtaining legal title to shares of a company listed on the Spanish Stock Exchanges requires the participation of a Spanish official stockbroker, broker-dealer or other entity authorized under Spanish law to record the transfer of shares. To evidence title to shares, at the owner's request the relevant participating entity must issue a legitimation certificate (*certificado de legitimación*). If the owner is a participating entity or a person holding shares in a segregated individual account, Iberclear is in charge of the issuance of the certificate regarding the shares held in their name.

Euroclear and Clearstream, Luxembourg

Shares deposited with depositaries for Euroclear Bank, S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, Société Anonyme ("**Clearstream**"), and credited to the respective securities clearance account of purchasers in Euroclear or Clearstream against payment to Euroclear or Clearstream, will be held in accordance with the Terms and Conditions Governing Use of Euroclear and Clearstream, the operating procedures of the Euroclear System (as amended from time to time), the Management Regulations of Clearstream and the instructions to Participants of Clearstream (as amended from time to time), as applicable. Subject to compliance with such regulations and procedures, those persons on whose behalf accounts are kept at Euroclear or Clearstream and to whom shares have been credited, will be entitled to receive a number of shares equal to that amount credited in their accounts.

With respect to shares deposited with depositaries for Euroclear or Clearstream, such shares will be initially recorded in the name of Euroclear or one of its nominees or in the name of Clearstream or one of its nominees, as the case may be. Thereafter, investors may withdraw shares credited to their respective accounts if they wish to do so, upon payment of the applicable fees (as described below), if any, and once the relevant recording in the book-entry records kept by the members of Iberclear has occurred.

Under Spanish law, only the holder of record in Iberclear's registry is entitled to dividends and other distributions and to exercise voting, pre-emptive and other rights in respect of such shares. Euroclear (or its nominees) or Clearstream (or its nominees) will, respectively, be the sole record holders of the shares that are deposited with any depositaries for Euroclear and Clearstream until investors exercise their rights to withdraw such shares and record their ownership rights over the shares in the book-entry records kept by the members of Iberclear.

Cash dividends or cash distributions, as well as stock dividends or other distributions of securities, received in respect of the shares that are deposited with the depositories for Euroclear and Clearstream will be credited to the cash accounts maintained on behalf of the investors at Euroclear and Clearstream, as the case may be, after deduction of any applicable withholding taxes, in accordance with the applicable regulations and procedures of Euroclear and Clearstream. See "*Taxation*" above.

Euroclear and Clearstream will endeavor to inform investors of any significant events of which they become aware affecting the shares recorded in the name of Euroclear (or its nominees) and Clearstream (or its nominees) and requiring action to be taken by investors. Each of Euroclear and Clearstream may, at its discretion, take such action, as it shall deem appropriate in order to assist investors in exercising their voting rights in respect of the shares. Such actions may include: (i) acceptance of instructions from investors to grant or to arrange for the granting of proxies, powers of attorney or other similar certificates for delivery to the Company, or its agent; or (ii) exercise by Euroclear or its nominees and Clearstream or its nominees of voting rights in accordance with the instructions provided by investors.

In case the Company offers or causes to be offered to Euroclear (or its nominees) and Clearstream or its nominees, acting in their capacity as record holders of the Ordinary Shares deposited with the depositaries for Euroclear and Clearstream, respectively, any rights to subscribe for additional shares or rights of any other nature, each of Euroclear and Clearstream will endeavor to inform investors of the terms of any such rights of which it becomes aware in accordance with the applicable provisions in the aforementioned regulations and procedures. Such rights will be exercised, insofar as practicable and permitted by applicable law, according to written instructions received from investors, or, alternatively, such rights may be sold and, in such event, the Net Proceeds will be credited to the cash account maintained on behalf of the investor with Euroclear or Clearstream.

Takeover bids / Tender offers

Takeover bids are governed in Spain by Articles 128 et seq. of the LMV, Royal Decree 1066/2007, of July 27, (*Real Decreto 1066/2007, de 27 de julio, de régimen de las ofertas públicas de adquisición de valores*) which implement Directive 2004/25/EC of the European Parliament and of the Council of April 21, and CNMV Circular 8/2008, of December 10, on the templates applicable to initial announcements and applications for authorization of takeover bids. Other than the legislation referred to above, there is no other regulation in Spain governing mandatory takeover bids over the Ordinary Shares.

Takeover bids in Spain may qualify as either mandatory or voluntary.

Mandatory takeover bids must be launched for all the shares of the target company and all other securities that might directly or indirectly entitle to acquire or subscribe such shares (including, without limitation, convertible and exchangeable notes) at an equitable price, and not subject to any conditions, when any person or entity acquires control of a Spanish listed company, whether such control is obtained:

- by means of the acquisition of shares or other securities that directly or indirectly entitle to subscribe or acquire voting shares in such company;
- through shareholder agreements with shareholders or other holders of said securities; or
- as a result of other situations of equivalent effect as provided in the applicable Spanish regulation on takeover bids (which constitute indirect control acquired through mergers, share capital decreases, changes in the target's treasury shares).

A person or entity is deemed to have control over a target company, either individually or jointly with other parties acting in concert, whenever:

- it acquires, directly or indirectly, a percentage of the Company's voting rights equal to or greater than 30%; or
- it has acquired a percentage that is less than 30% of the voting rights and appoints, during the 24-month period following the date of acquisition of said percentage, a number of directors that, together with those already appointed by it (if any), represents more than half of the members of the target company's Board of Directors. The Spanish regulation on takeover bids also sets forth certain situations where directors are deemed to have been appointed by the bidder or persons acting in concert therewith unless evidence to the contrary is provided.

For the purposes of calculating the percentages of voting rights acquired, the Spanish regulation establishes the following rules:

- percentages of voting rights corresponding to: (i) companies belonging to the same group as the bidder; (ii) members of the Board of Directors of the bidder or of companies of its group (unless evidence to the contrary is provided); (iii) persons acting in concert with or on behalf of the bidder; (iv) voting rights which may be exercised freely and over an extended period by the bidder under proxy granted by the actual holders or owners of such rights, in the absence of their specific instructions with respect thereto; and (v) shares held by a nominee (such nominee being a third party whom the bidder totally or partially covers against the risks related to acquisitions or transfers of the shares or the possession thereof), will be deemed to be held by the bidder;

- both the voting rights arising from the ownership of shares and those enjoyed under a usufruct or pledge or under any other contractual title, will also be deemed to be held by the bidder;
- the percentage of voting rights shall be calculated based on the entire number of the Company's shares with voting rights, even if the exercise of such rights has been suspended. Treasury stock held directly or indirectly by the target company (according to the information available on the date of calculation of the percentage of voting rights held by the bidder) shall be excluded from the calculation. Non-voting shares shall be taken into consideration only when they carry voting rights pursuant to applicable law; and
- acquisitions of securities or other financial instruments which entitle the holder to the subscription, conversion, exchange or acquisition of shares which carry voting rights will not result in the obligation to launch a takeover bid until such subscription, conversion, exchange or acquisition occurs.

Notwithstanding the foregoing, upon the terms established in the applicable Spanish regulation on takeover bids, the CNMV will conditionally exempt a person or entity from the obligation to launch a mandatory bid when another person or entity not acting in concert with the potential bidder, directly or indirectly holds an equal or greater voting percentage in the target company.

Spanish regulations establish certain exceptions where control is obtained but no mandatory takeover bid is required, including, among others:

- Subject to the CNMV's approval, acquisitions or other transactions resulting from the conversion or capitalization of claims into shares of listed companies if their financial feasibility is subject to serious and imminent danger provided that such transactions are intended to ensure the Company's financial recovery in the long-term. The approval of the CNMV will not be required if the acquisition takes place in the context of a refinancing agreement under Additional Disposition Fourth of Act 22/2003, of July 9, on insolvency (*Ley 22/2003, de 9 de julio, concursal*).
- In the event of a merger, provided that those acquiring control did not vote in favor of the merger at the relevant General Meeting of Shareholders of the target company and provided also that it can be shown that the primary purpose of the transaction is not the takeover but an industrial or corporate purpose.
- When control has been obtained after a voluntary bid for all of the securities, if either the bid has been made at an equitable price or has been accepted by holders of securities representing at least 50% of the voting rights to which the bid was directed (excluding voting rights already held by the bidder and those belonging to shareholders who entered into an agreement with the bidder regarding the takeover bid).

The price of the mandatory takeover bid is deemed to be equitable when it is at least equal to the highest price paid by the bidder or any person acting in concert therewith for the same securities during the twelve months preceding the announcement of the takeover bid. Other rules used to calculate such equitable price are set forth in the applicable Spanish regulation. However, the CNMV may change the price pursuant to said rules in certain circumstances (extraordinary events affecting the price, evidence of market manipulation, etc.).

Mandatory offers must be launched as soon as possible and in any event within one month from the acquisition of control of the target company.

Voluntary takeover bids may be launched in those cases in which a mandatory offer is not legally required. Voluntary offers are subject to the same rules established for mandatory offers except for the following:

- they might be subject to certain conditions (such as amendments to the bylaws or adoption of certain resolutions by the General Meeting of Shareholders of the target company, acceptance of the offer by a minimum number of shares of the target company, approval of the offer by the General Meeting of Shareholders of the bidder; and any other condition deemed by the CNMV to be in accordance with law), provided that the fulfillment of such conditions may be verified by the end of the offer acceptance period; and
- they may be launched at a price other than an equitable price.

The Spanish regulation on takeover bids sets forth further relevant provisions, including, among others:

- the Board of Directors of the target company will be exempt from the prohibition to carry out frustrating or defensive actions against a foreign bidder provided the latter's Board of Directors is not subject to equivalent passivity rules and subject to prior approval by the Company's General Meeting of Shareholders within the 18-month period before the date of the public announcement of the takeover bids;
- defensive measures included in a listed company's bylaws and transfer and voting restrictions included in agreements among a listed company's shareholders will remain in place whenever the Company is the target of a takeover bid, unless the shareholders decide otherwise (in which case any shareholders whose rights are diluted or otherwise adversely affected shall be entitled to compensation at the target company's expense); and
- squeeze-out and sell-out rights will apply provided that following a mandatory takeover bid (or as a result of a voluntary offer for all the of the target's share capital) the bidder holds shares representing at least 90% of the target company's voting share capital and the takeover bid has been accepted by the holders of securities representing at least 90% of the voting rights over which the offer was launched.

THE OFFERING

General

The Offering will be in respect of 6,055,522,466 New Shares at a Subscription Price of €0.10 per New Share (at nominal amount of €0.01 and a share premium of €0.09).

The New Shares will be ordinary Shares with a nominal value of €0.01 each, all of the same class and series as the Shares, represented in book-entry form and registered in the accounting records of Iberclear, with registered office at Plaza de la Lealtad 1, 28014, Madrid, and of its Participant Entities. The Shares are listed on the Spanish Stock Exchanges and are quoted on the AQS.

The New Shares will be issued pursuant to:

(i) the resolution approved by the Extraordinary General Shareholders' Meeting of the Company, held on October 22, 2019, approving a share capital increase for a nominal amount of €60,555,224.66 through the issue and putting into circulation of 6,055,522,466 new ordinary shares of €0.01 nominal value each, with a share premium of €0.09 and for an effective amount of €605,522,246.60, in two separate tranches of (i) capitalization of credits, and (ii) cash contributions (and, potentially, capitalization of credits) with recognition of shareholders' preferential subscription rights and incomplete subscription provision;

(ii) the resolution of the Board of Directors of the Company dated October 22, 2019 executing the capital increase approved by the Extraordinary General Shareholders' Meeting of the Company.

Structure of the Offering

LetterOne, as principal shareholder of the Company, has granted the following profit participating loans to the Company:

(i) On May 29, 2019, LetterOne, as lender, made available to the Company, as borrower, the First Profit Participating Loan in an aggregate amount equal to €40,000,000 which, for all intents and purposes, is considered a profit participating loan pursuant to Royal Decree 7/1996, of June, 7, as from year 1996, on urgent tax measures and the encouragement and liberalization of economic activity ("**RDL 7/1996**"). Under the terms of the First Profit Participating Loan, the amount shall be repaid in full on November 28, 2019.

(ii) On June 26, 2019, LetterOne, as lender, made available to the Company, as borrower, the Second Profit Participating Loan in an aggregate amount equal to €450,000,000 which, for all intents and purposes, is considered a profit participating loan pursuant to RDL 7/1996. Under the terms of the Second Profit Participating Loan, the amount shall be repaid in full on November 28, 2019.

On October 22, 2019 the Extraordinary General Shareholders' Meeting of the Company passed a resolution approving a share capital increase to raise the Company's equity in an amount of €605,552,246.60 through the issue of 6,055,522,466 New Shares at a Subscription Price of €0.10 per New Share (the resolutions passed by the Extraordinary General Shareholders' Meeting of the Company held on October 22, 2019 are fully available in the Company's website).

The capital increase is structured as a single share capital increase, which is divided into two separate tranches:

(i) First Tranche: capital increase to be executed by means of a capitalization of the credit rights that LetterOne holds against the Company under the Second Profit Participating Loan, by an amount of €41,855,499.96 and an effective amount of €418,554,999.60, through the issue and putting into circulation of 4,185,549,996 new ordinary shares of €0.01 nominal value each, with a share premium of €0.09 per share. The amount of the First Tranche (€418,554,999.60) is equivalent to the pro rata portion of the total amount of the capital increase which LetterOne would be entitled to subscribe considering its current stake in DIA (69.759%), had a single €600,000,000.00 capital increase, fully payable in cash, been implemented.

(ii) Second Tranche: capital increase to be carried out by means of cash contributions, with preferential subscription rights, and is addressed to all the shareholders of the Company other than LetterOne, that is, holders of 30.241% of the Company's share capital, by an amount of €18,699,724.70 and an effective amount of €186,997,247.00 through the issue and putting into circulation of 1,869,972,470 additional new ordinary shares of €0.01 nominal value each, with a share premium of €0.09 per share.

LetterOne has formally waived its preferential subscription right in the Preferential Subscription Period of this Second Tranche, considering that its pro rata portion of the capital increase is already covered by the First Tranche. However, in case the Second Tranche is not fully subscribed during the Preferential Subscription Period, LetterOne may request a maximum of 814,450,004 additional shares in the Additional Allocation Period of the Second Tranche, which entails that its participation in the capital increase shall not exceed 5,000,000,000 shares (or €500,000,000). In case that LetterOne requests shares in the Additional Allocation Period of the Second Tranche, the contribution shall be (a) first by capitalization of the PPLs (up to a maximum of €71,445,000.40), and (b) second by cash contributions (up to €10,000,000). In the event of LetterOne placing an order for additional shares in the Additional Allocation Period of the Second Tranche, the Company will immediately publish a relevant fact disclosing this situation (in any event, before the end of such period). In the event of LetterOne being allocated shares in the Discretionary Allocation Period, the directors which have been appointed by LetterOne will abstain from taking part in such decision, in order to avoid any conflict of interest.

LetterOne has committed to underwrite, according to the terms of its Underwriting Commitment, up to a maximum effective amount (nominal plus share premium) of €81,445,000.40 of the Second Tranche to the extent that the aggregate of the First Tranche and the amount subscribed by the rest of the Company's shareholders or by those investors who acquire preferential subscription rights after the finalization of the various tranches of the capital increase is less than €500,000,000. If LetterOne acquires New Shares in the Second Tranche, the Subscription Price for such New Share shall be satisfied (a) first by capitalization of the PPLs (up to a maximum of €71,445,000.40), and (b) second by cash contributions (up to €10,000,000).

General terms of the Offering

The Shares are, and the New Shares will be, subject to the provisions of Spanish legislation and, particularly, the provisions of the Spanish Companies Act and the restated text of the Securities Market Act approved by Royal Legislative Decree 4/2015, dated October 23 (*texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*) (the "**Securities Market Act**"), and applicable implementing regulations. The Offering, including the exercise of Preferential Subscription Rights, the request for additional New Shares during the Additional Allocation Period and subscription requests for New Shares during the Discretionary Allocation Period shall be governed and interpreted in accordance with Spanish law. By exercising Preferential Subscription Rights, the request for additional New Shares and subscription requests for New Shares, shareholders and investors irrevocably and unconditionally accept that the Courts and Tribunals of the city of Madrid shall have exclusive jurisdiction to resolve any disputes that might arise in relation to the Offering. Notwithstanding the foregoing, DIA and the Underwriter have agreed to submit any dispute which may arise under the Underwriting Commitment to the exclusive jurisdiction of the courts of Spain

The ISIN Code of the Shares is ES0126775032. The National Numbering Agency, an entity within the CNMV, has allocated the provisional ISIN code ES0626775904 for the Preferential Subscription Rights and the provisional ISIN code ES0126775040 for the New Shares. Notwithstanding the foregoing, once the New Shares are listed, they will be allocated the same ISIN code as the existing Shares.

The Company is granting all the Preferential Subscription Rights in the Second Tranche to Eligible Shareholders, which do not include LetterOne, who has stated that it considers that its pro rata portion of the capital increase is already covered by the First Tranche. Each Share held by the Eligible Shareholders entitles its holder to receive 10 Preferential Subscription Rights in the Second Tranche. Once the Share Capital Reduction is effectively registered with the Commercial Registry of Madrid ("*Registro Mercantil de Madrid*") the exercise of 1 Preferential Subscription Right entitles the exercising holder to subscribe for 1 New Share in the Second Tranche against payment of the Subscription Price.

The Subscription Price, which must be paid in euros, is €0.10 per New Share in the Second Tranche (nominal of €0.01 and share premium of €0.09). The Subscription Price represents an implied discount of 22.0% on the theoretical ex rights price (TERP) (€0.1282 based on the Share's closing price of €0.41 as of October 22, 2019) a 75.6% discount to the market share price of October 22, 2019, 79.8% discount to the average market share price of the last quarter (€0.496), and a 82.4% discount to the average market share price of the last year (€0.567).

The Offering, if all the New Shares are fully subscribed, will result in an increase of 6,055,522,466 issued Shares. The shares of the Company will increase from 622,456,513 Shares to 6,677,978,979 Shares, corresponding to an increase of 972.84% following the Offering. Eligible Shareholders who do not participate in the Second Tranche of the Offering will have their ownership interest diluted. If none of the Company's current shareholders subscribe New Shares in the Second Tranche in the percentage corresponding to them as a result of their Preferential Subscription Rights, and assuming that the New Shares were fully subscribed by third parties, the ownership interest of the Company's current shareholders, excluding significant shareholders and treasury shares, would represent 2.48% of the total number of the Shares that would result if the capital increase was subscribed in full, which would involve a dilution of 90.68% of the share capital prior to the capital increase.

Preferential Subscription Rights

The Offering provides Eligible Shareholders with Preferential Subscription Rights to subscribe for New Shares in the Second Tranche in order to, among other things, maintain their current level of ownership in the Company, if they so choose. The Preferential Subscription Rights are options to subscribe for and purchase the New Shares in the Second Tranche and may be sold, subject to applicable laws and the restrictions set forth herein, to third parties, which the Company refers to as purchasers of Preferential Subscription Rights. In accordance with Article 306.2 of the Spanish Companies Act, the Preferential Subscription Rights will be freely transferable on the same terms as the New Shares in respect of which they are exercisable and will be tradable on the Spanish Stock Exchanges. Eligible Shareholders may, therefore, subscribe for New Shares in the Second Tranche at the Subscription Price, sell their Preferential Subscription Rights through banks or brokers in Spain, subject, in each case, to applicable laws and the restrictions set forth herein or a combination of both.

Pursuant to Article 304 of the Spanish Companies Act, Eligible Shareholders may exercise, during the Preferential Subscription Period, their right to subscribe a number of New Shares in the Second Tranche in proportion to the nominal value of the Shares they hold.

DIA owned, directly, 1,238,790 treasury shares, representing approximately 0.20% of its share capital, as of the date of this Prospectus. Pursuant to Article 148 of the Spanish Companies Act, directly held treasury shares do not generate Preferential Subscription Rights. The rights that would have accrued to these treasury shares, accrue directly to the other shareholders. So as not to alter the calculation of the Preferential Subscription Rights needed for the subscription of the New Shares, DIA shall hold, directly, the same number of treasury shares from the registration date of this Prospectus until the end of the Preferential Subscription Period.

Additionally, LetterOne has formally waived its Preferential Subscription Rights in the Preferential Subscription Period, considering that its pro rata portion of the capital increase is already covered by the First Tranche. As stated, for the Second Tranche, each Share entitles the Eligible Shareholders to receive

10 Preferential Subscription Rights and 1 Preferential Subscription Right entitles to subscribe for 1 New Share in the Second Tranche. Notwithstanding the foregoing, LetterOne formally waives its Preferential Subscription Rights for the Second Tranche, so Eligible Shareholders may subscribe the Second Tranche in full.

The calculations performed to determine the number of Preferential Subscription Rights necessary in order to subscribe the New Shares are included below:

(i) Total number of Shares prior to the Offering: 622,456,513.

(ii) Number of directly held treasury shares as of October 24, 2019: 1,238,790.

(iii) Number of shares which have waived their Preferential Subscription Rights: 434,220,476. As detailed below, the shareholder LetterOne has waived the aforementioned Preferential Subscription Rights.

(iv) Number of shares which have not waived their Preferential Subscription Rights: 186,997,247.

(v) Number of new shares in the Offering: 6,055,522,466.

(vi) Number of new shares in the Second Tranche: 1,869,972,470.

(vii) Ratio of Preferential Subscription Rights allocated to each Share: 1 Share : 10 Preferential Subscription Rights

Each share subscribed by exercising the Preferential Subscription Right shall be subscribed and paid-up at the price of €0.10 (the "**Subscription Price**"). The shareholder LetterOne has waived its Preferential Subscription Rights over the 434,220,476 shares it holds.

Based on the value of each Share prior to the Offering, amounting to €0.41 per Share (the closing price per Share on the Spanish Stock Exchanges on October 22, 2019), and taking into account that 10 Preferential Subscription Rights are allocated to each Share, the underlying carrying amount of the Preferential Subscription Rights would be €0.02818, which is the result of applying the following formula and dividing the result by 10 (to adjust to the Share to Preferential Subscription Right ratio mentioned above):

$$UCA = \frac{(CPS - SPE) \times MSI}{ANS + MSI}$$

Where:

(i) UCA: Underlying carrying amount of the Preferential Subscription Rights.

(ii) CPS: Closing price per Share on the AQS on October 22, 2019 (i.e. €0.41 per Share).

(iii) SPE: Subscription price per Share (€0.10).

(iv) PNS: Number of Shares prior to the Offering (622,456,513 Shares).

(v) ANS: Number of Shares prior to the Offering excluding treasury stocks and shares attributable to LetterOne (186,997,247 Shares).

(vi) MSI: Maximum number of Shares in the Second Tranche to be issued (1,869,972,470 Shares).

Nevertheless, Preferential Subscription Rights will be freely traded and it is therefore impossible to anticipate the future market value of these rights.

Trading in Preferential Subscription Rights

Trading of Preferential Subscription Rights will take place on the AQS of the Spanish Stock Exchanges during the period from 8:30 a.m. (Madrid time) on October 30, 2019 to 5:30 p.m. (Madrid time) on November 13, 2019, both inclusive.

Securities institutions that hold the required licenses will provide brokerage services for the sale and purchase of Preferential Subscription Rights. If an Eligible Shareholder does not exercise or sell any or all of the Preferential Subscription Rights by way of payment by the close of business (Madrid time) on November 13, 2019, such Preferential Subscription Rights to subscribe for New Shares will lapse with no value and the holder will not be entitled to compensation.

New Shares

The issue of the New Shares will be governed by, and construed in accordance with, Spanish law. The issue and Admission of the New Shares does not require any authorization or administrative pronouncement other than the general provisions on the CNMV's approval and registration of this Prospectus, and the registration of the public deed of capital increase with the Commercial Registry of Madrid according to the provisions established in the Securities Market Act and its implementing regulations and the Spanish Companies Act.

The Shares are listed on the Spanish Stock Exchanges and are quoted on the AQS under the symbol "DIA". The bylaws of the Company do not contain any restrictions on the free transferability of the Shares. However, the acquisition, exercise and holding of Preferential Subscription Rights and Shares by an investor may be affected by legal or regulatory requirements of its own jurisdiction, which may include restrictions on the free transferability of such securities. Investors should consult their own advisors prior to making any investment in the Preferential Subscription Rights and/or the New Shares.

There are no special regulations on mandatory takeover bids or squeeze-out and sell-out rules with respect to the Shares, except those deriving from regulations on public takeover bids set down in the Securities Market Act and its implementing regulations (currently, Royal Decree 1066/2007, of July 27, on public takeover bids). See "*Market Information*" for further information.

The Company expects the New Shares issued in the Offering to start trading on the Spanish Stock Exchanges from on or about November 28, 2019. When issued, the New Shares will enjoy the same economic and voting rights and will rank *pari passu* with the Shares, including in respect of the right to receive dividends approved by the Extraordinary General Shareholders' Meeting after the date on which ownership of such New Shares is registered in the book-entry registries of Iberclear, which, in accordance with the envisaged timetable, is expected to take place on November 27, 2019.

In particular, holders of the New Shares will have the following rights, in the terms foreseen in the bylaws of DIA and, as the case may be, in the applicable legislation:

(a) Dividend rights:

- Date or dates on which dividend rights accrue: the New Shares will grant their owners the same right to participate in the distribution of corporate earnings and net assets resulting from liquidation under the same conditions as the Shares. The New Shares will give shareholders a right to participate in the dividends, remuneration and any other form of distribution that DIA might agree or pay to its shareholders from the date on which the Offering is declared to be subscribed and paid up (expected to be on November 28, 2019) (the "**Execution Date**").

- Time limit after which entitlement to dividend lapses and person in whose favor the lapse operates: according to Article 947 of the Spanish Commercial Code, the right to receive payment of an already declared and paid out dividend lapses and reverts to the Company if it is not claimed within five years from the date it becomes payable.

- Dividend restrictions and procedures for non-resident holders: the Company is not aware of any legal restrictions in Spain on the collection of dividends by non-resident holders, without prejudice to any withholdings which may be required under the non-resident income tax.

- Rate of dividend or method for its calculation, periodicity and cumulative or non-cumulative nature of payments: as with the Shares, the New Shares will not give their holders any right to receive a minimum dividend, as they are all Shares. Therefore, the right to a dividend for these Shares shall only arise from the moment that the General Shareholders' Meeting or Board of Directors, as the case may be, agrees a distribution of earnings.

(b) Voting rights:

The New Shares will be Shares with voting rights. Their owners will be entitled to attend and vote at any General Shareholders' Meeting, and also to contest corporate resolutions, as provided for under the general regime of the Spanish Companies Act, but subject to the provisions set forth under the bylaws of DIA, and the applicable law, as the case may be, as set out below.

With regard to the right to attend any General Shareholders' Meeting, the Company's bylaws do not establish any minimum Shares holding and thus shareholders with one Share who are duly registered in the book-entry records maintained by Iberclear and its Participant Entities at least five days prior to the day on which a General Shareholders' Meeting is scheduled may, in the manner provided in the notice for such meeting, attend and vote at such meeting.

The Company's shareholders may be represented by another person, whether another shareholder or not. The bylaws of DIA do not establish any restrictions on the maximum number of votes which a given shareholder or companies belonging to the same group may cast. The attendees at the General Shareholders' Meeting are entitled to one vote for every Share held.

Notwithstanding the above, in certain circumstances mandatory restrictions on voting may be applicable to the Shares to the extent the holders thereof may be affected by certain conflicts of interest as provided for under article 190.1 of the Spanish Companies Act.

(c) Preferential rights in offers for subscription of securities of the same class:

Pursuant to the Spanish Companies Act, all Shares grant their holders a preferential subscription right in capital increases with issue of new Shares (ordinary and preferred) and in the issue of bonds convertible into Shares, for cash consideration, except in the event of the total or partial exclusion of such preferential subscription rights as provided for under Articles 308, 504, 505 and 506 (for capital increases), and 417 and 511 (for issues of convertible bonds) of the Spanish Companies Act.

Holders of Shares are also entitled to the free allocation right set forth in the Spanish Companies Act in the case of increases in the fully-paid up share capital of the Company.

(d) Right to share in the issuer's profits:

All of the Shares grant their owners the right to share in the Company's profits, in proportion to their nominal value.

(e) Rights to share in any surplus in the event of liquidation:

The New Shares will be ordinary Shares of the Company, and belong to the same class and series as the Shares currently outstanding. Therefore, the New Shares will grant the right, from the Execution Date, to share in any surplus resulting from liquidation, in the same terms and conditions as the Shares, pursuant to the Spanish Companies Act and the Company's bylaws.

Expected timetable of principal events

The summary timetable set forth below lists certain important dates relating to the Offering:

Principal event	On or about
General Shareholders' Meeting resolution approving the capital increase and the Offering	October 22, 2019
Board of Directors' resolution executing and setting the terms of the capital increase and the Offering	October 22, 2019
Filing of regulatory information notice (*hecho relevante*) announcing the Offering	October 22, 2019

Principal event	On or about
Signing of the Underwriting Commitment	October 24, 2019
Approval of this Prospectus by the CNMV	October 25, 2019
Filing of regulatory information notice (*hecho relevante*) announcing the registration of the Prospectus with the CNMV and the signing of the Underwriting Commitment	October 25, 2019
Announcement of the Offering in the BORME and last trading date of Shares "with rights"	October 29, 2019
Commencement of the Preferential Subscription Period and the period to request New Shares to be allocated (if applicable) during the Additional Allocation Period(1)	October 30, 2019
First date of the Shares without rights (ex-date) and first date of trading of the Preferential Subscription Rights	October 30, 2019
Record Date (the date on which those persons or entities registered in Iberclear as shareholders become Eligible Shareholders)	October 31, 2019
Payment date of the Preferential Subscription Rights by Iberclear or registration of the Preferential Subscription Rights	November 1, 2019
End of trading of the Preferential Subscription Rights	November 13, 2019
End of the Preferential Subscription Period and the period to request New Shares to be allocated (if applicable) during the Additional Allocation Period	November 13, 2019
Additional Allocation Period (if applicable)	November 21, 2019
Filing of regulatory information notice (*hecho relevante*) announcing results of the Preferential Subscription Period and Additional Allocation Period (if applicable)	November 21, 2019
Commencement of the Discretionary Allocation Period (if applicable)	November 21, 2019
End of the Discretionary Allocation Period (if applicable)	November 22, 2019
Filing of regulatory information notice (*hecho relevante*) announcing results of the Offering and number of New Shares subscribed for in each period	November 22, 2019
Payment by the Participant Entities to the Agent Bank of the New Shares subscribed for during the Preferential Subscription Period, Additional Allocation Period and Discretionary Allocation Period(if applicable)	November 22, 2019
Approval of the resolution regarding the capital increase to be closed and executed	November 25, 2019
Execution of the notarized deed of capital increase before a public notary	November 25, 2019
Registration with the Commercial Registry of the notarized deed of capital increase	November 27, 2019
Filing of regulatory information notice (*hecho relevante*) announcing registration of notarized deed of capital increase with the Commercial Registry	November 27, 2019
Registration of the New Shares with Iberclear	November 27, 2019
Admission to listing and trading of the New Shares by the CNMV and the Spanish Stock Exchanges	November 28, 2019
Filing of regulatory information notice (*hecho relevante*) announcing the admission to listing of the New Shares	November 28, 2019
Expected commencement of trading of the New Shares on the Spanish Stock Exchanges	December 2, 2019

Note:

(1) The registration of the capital reduction public deed with the Commercial Registry shall be a condition to the commencement of the Preferential Subscription Period and the trading of the Preferential Subscription Rights. The registration of the capital reduction will be announced by means of a regulatory information notice (*hecho relevante*).

The specific dates for actions to occur in connection with the Offering that are set forth above and throughout this Prospectus are indicative only. There can be no assurance that the indicated actions will in fact occur on the cited dates or at all. If that is the case, the Company will as soon as possible publicly announce, via a regulatory information notice (*hecho relevante*), such new dates and a revised expected timetable of principal events. Information will also be made available on the Company's website (www.diacorporate.com).

Notice

The Company expects to announce the capital increase and, therefore, the commencement of the Offering on October 29, 2019 in the BORME and the Spanish Stock Exchanges Official Gazette. The Company will communicate significant developments in the Offering via a regulatory information notice through the CNMV website in accordance with Spanish law. Information will also be made available on the Company's website (www.diacorporate.com).

Record date and time

Eligible Shareholders (that is, shareholders (other than the Company) who acquired their Shares on or before October 29, 2019 and whose transactions are settled on or before October 31, 2019 in Iberclear) are entitled to Preferential Subscription Rights. Such Eligible Shareholders will be allocated ten (10) Preferential Subscription Rights for each Share owned.

The exercise of 1 Preferential Subscription Rights entitles the exercising holder to subscribe for 1 New Share in the Second Tranche against payment of the Subscription Price in cash.

Subscription of New Shares

The Company has established a three-staged procedure for the subscription of the New Shares of the Second Tranche.

Preferential Subscription Period

The period during which the Eligible Shareholders may exercise their Preferential Subscription Rights in the Second Tranche, or Preferential Subscription Period, will last 15 calendar days, beginning on the first calendar day following the publication of the notice of the Offering in the BORME. According to the envisaged timetable, this period will commence on October 30, 2019 and last until November 13, 2019 (in each case inclusive of the start and end dates). Eligible Shareholders may exercise their Preferential Subscription Rights in the Second Tranche during the AQS trading days of this period. In accordance with the envisaged timetable, the AQS trading days are expected to begin on and include 8:30 a.m. CET on October 30, 2019 and end on and include 5:30 p.m. CET on November 13, 2019. Alternatively, Eligible Shareholders may sell their Preferential Subscription Rights in the Second Tranche in the market during the AQS trading days within such period, and purchasers of those Preferential Subscription Rights may subscribe for the corresponding number of New Shares, in each case, in compliance with applicable laws and regulations. During the Preferential Subscription Period, Eligible Shareholders or purchasers of Preferential Subscription Rights may exercise or sell their Preferential Subscription Rights, in whole or in part. Those having exercised their Preferential Subscription Rights in part or in full may confirm their agreement to subscribe for additional New Shares in excess of their pro rata entitlement. For the avoidance of doubt, LetterOne is considered to have exercised its Preferential Subscription Rights by subscribing the First Tranche.

To exercise Preferential Subscription Rights, Eligible Shareholders and purchasers of Preferential Subscription Rights during the Preferential Subscription Period should contact the Participant Entity in whose register such securities are registered, (i) indicating their intention to exercise some or all of their Preferential Subscription Rights, (ii) their bank account number and securities account number, and (iii) if they have elected to exercise their Preferential Subscription Rights in full, indicating whether they request additional New Shares in the Additional Allocation Period and, if so, specifying the whole number. Holders of Preferential Subscription Rights may exercise all or part of their rights at their discretion.

Holders of Preferential Subscription Rights that have exercised all or part of their Preferential Subscription Rights in the Preferential Subscription Period may request the allocation of additional New Shares in excess of their pro rata entitlement in the Additional Allocation Period at the time they exercise their Preferential Subscription Rights. For the avoidance of doubt, LetterOne is considered to have exercised its Preferential Subscription Rights by subscribing the First Tranche of the capital increase. In this regard, only for technical reasons, LetterOne has formally waived and blocked its Preferential

Subscription Rights that it would be entitled to in the Second Tranche, so that the rest of Eligible Shareholders may be able to subscribe the Second Tranche in full in the Preferential Subscription Period.

Holders of rights' requests are not subject to any maximum number of additional New Shares, with the exception of LetterOne, which has formally stated that it would only subscribe a maximum number of 814,450,004 shares (€81,445,000.40) in the Additional Allocation Period. In case that LetterOne requests shares in the Additional Allocation Period of the Second Tranche the contribution shall be (a) first by capitalization of the PPLs (up to a maximum of €71,445,000.40), and (b) second by cash contributions (up to €10,000,000). In the event of LetterOne placing an order for additional shares in the Additional Allocation Period of the Second Tranche, the Company will immediately publish a relevant fact disclosing this situation (in any event, before the end of such period).

While requests for additional New Shares may not be satisfied in full or at all, such requests shall nevertheless be considered firm and unconditional.

To request additional New Shares, holders of Preferential Subscription Rights in the Second Tranche should contact the Participant Entity with whom their Preferential Subscription Rights are deposited. The Participant Entities will be responsible for verifying that each holder of Preferential Subscription Rights taking up additional New Shares has exercised his Preferential Subscription Rights in respect of part or all of the Preferential Subscription Rights deposited by such holders with such Participant Entity, with the exception of LetterOne that will be allowed pursuant the explanations above.

During the Preferential Subscription Period, the Participant Entities will notify Banco Bilbao Vizcaya Argentaria, S.A., as the agent bank (the "**Agent Bank**") of the aggregate total number of New Shares in respect of which subscription orders have been made in accordance with the exercise of Preferential Subscription Rights by their holders and the number of additional New Shares requested since the start of the Preferential Subscription Period on each day of the Offering, no later than 5:00 p.m. CET by email.

The Participant Entities should communicate to the Agent Bank, on behalf of their clients or in their own name (as applicable), the aggregate amount of subscription orders for New Shares received by them in accordance with the exercise of Preferential Subscription Rights and, separately, the total volume of additional New Shares requested, no later than 10:00 a.m. CET on the fourth AQS trading day following the end of the Preferential Subscription Period (which, according to the envisaged timetable, is expected to be November 19, 2019) in accordance with the operational instructions established by the Agent Bank.

The communications to be sent by the Participant Entities to the Agent Bank containing the details of the New Shares in the Second tranche subscribed for during the Preferential Subscription Period and of the request for additional New Shares must comply with the Practical Guide for Communication between Depositary Entities and the Agent Entity for the Processing of Corporate Events produced by AEB-CECA (*Guía práctica de actuación de eventos corporativos elaborada por AEB-CECA*) on September 1, 2017 (the "**Practical Guide**"). The files must be received by the Agent Bank with the breakdown of investors described in the aforementioned Practical Guide, without the Agent Bank being responsible under any circumstances for verifying the integrity and accuracy of the data provided by the Participant Entities. Only the Participant Entities will be responsible for errors or omissions in the information provided by Participant Entities, defects in the files or electronic transmissions sent and, in general, any failure on the part of the Participant Entities to comply with the provisions of this section, without the Agent Bank assuming any responsibility in this regard.

The Agent Bank is entitled to not accept communications from the Participant Entities that are submitted after the relevant deadline, or which do not comply with relevant current legislation or the relevant requirements set out in this Prospectus. If this occurs, neither the Agent Bank nor the Company accepts any responsibility, without prejudice to the potential responsibility of the relevant Participant Entity towards parties who have submitted their orders within the required timeframe or in the correct format.

Once the Preferential Subscription Period has ended and in the event that all New Shares in the Second Tranche are fully subscribed for during such Preferential Subscription Period, the Company may early terminate the Offering.

The possibility of reducing subscription orders already submitted in the Preferential Subscription Period has not been envisaged. Orders to take up New Shares received during the Preferential Subscription Period and requests to subscribe for additional New Shares will be deemed to be irrevocable, firm and unconditional and may not be cancelled or modified by holders of Preferential Subscription Rights (except where a supplement to this Prospectus is published, in which case investors who have already agreed to subscribe for New Shares will have the right, exercisable within two AQS trading days after publication of such supplement, to withdraw their subscriptions of New Shares in exercise of Preferential Subscription Rights and their request, if applicable, for additional New Shares, provided that the new factor, mistake or inaccuracy to which the supplement refers arises before the closing of the Offering (i.e., when the Company declares the share capital increase complete and proceeds to the granting of the corresponding capital increase deed before a Spanish public notary, which is expected to take place on November 25, 2019). In the event a supplement to this Prospectus is published, investors who had acquired Preferential Subscription Rights in the Second Tranche in the market and revoke such subscriptions will lose such investment.

To the extent that at the expiration of the Preferential Subscription Period there are New Shares in the Second Tranche that have not been subscribed for, the Company will allocate them to holders of Preferential Subscription Rights that have exercised all or part of their Preferential Subscription Rights and have indicated at the time of such exercise their agreement to subscribe for additional New Shares in the Second Tranche in excess of the New Shares in the Second Tranche corresponding to their Preferential Subscription Rights. For the avoidance of doubt, LetterOne is considered to have exercised its Preferential Subscription Rights by subscribing the First Tranche of the capital increase. In this regard, only for technical reasons, LetterOne has formally waived and blocked its Preferential Subscription Rights that would be entitled for in the Second Tranche to allow, therefore, the rest of Eligible Shareholders may subscribe the Second Tranche in full in the Preferential Subscription Period. This is currently expected to take place no later than 5:00 p.m. CET on the sixth AQS trading day immediately following the end of the Preferential Subscription Period (which, according to the envisaged timetable, is expected to be November 21, 2019).

Depending on the number of New Shares in the Second Tranche taken up in the Preferential Subscription Period and the applications the Company receives for additional New Shares, holders of Preferential Subscription Rights may receive fewer additional New Shares than they have requested or none at all (but, in any event, not more additional New Shares than those requested by them).

On the date of the Additional Allocation Period (which, according to the envisaged timetable, is expected to be November 21, 2019), the Agent Bank will determine the number of New Shares in the Second Tranche that have not been taken up in the Preferential Subscription Period. The Agent Bank will allocate the New Shares in the Second Tranche not taken up on the date of the Additional Allocation Period subject to the following allocation criteria:

- If the number of additional New Shares in the Second Tranche requested by holders of Preferential Subscription Rights who have exercised in part or in full their Preferential Subscription Rights is equal to or less than the additional New Shares in the Second Tranche available, then the additional New Shares in the Second Tranche will be allocated to the holders of Preferential Subscription Rights who requested additional New Shares in the Second Tranche until their requests are fully satisfied.
- If the number of additional New Shares in the Second Tranche requested by holders of Preferential Subscription Rights who have exercised in part or in full their Preferential Subscription Rights is

greater than the additional New Shares in the Second Tranche available, the Agent Bank will apply the following pro rata allocation:

- o The number of New Shares in the Second Tranche will be allocated pro rata to the volume of additional New Shares in the Second Tranche requested by each holder of Preferential Subscription Rights. To this end, the Agent Bank will calculate the percentage, which will be rounded down to three decimals, of the number of additional New Shares in the Second Tranche a given holder of Preferential Subscription Rights has requested, divided by the aggregate of additional New Shares in the Second Tranche requested.
- o The Agent Bank will then allocate to the holders of Preferential Subscription Rights the number of additional New Shares in the Second Tranche that this percentage represents on the additional New Shares in the Second Tranche available, rounded down to the nearest whole number of additional New Shares in the Second Tranche.
- o If after the pro rata allocation, all available additional New Shares in the Second Tranche have not been allocated due to rounding, the Agent Bank will allocate these remaining additional New Shares in the Second Tranche, one by one, starting with the holder of Preferential Subscription Rights who has solicited the greatest number of additional New Shares in the Second Tranche. If two or more holders of Preferential Subscription Rights have requested the same number of additional New Shares in the Second Tranche, the Agent Bank will determine allocations by alphabetical order, taking the first letter of the field “name and last name or corporate name”.

Allocation of the additional New Shares in the Second Tranche will take place by no later than 5:00 p.m. CET on the date of the Additional Allocation Period (which, according to the envisaged timetable, is expected to be November 21, 2019). Any additional New Shares in the Second Tranche allocated to holders of Preferential Subscription Rights during the Additional Allocation Period will be deemed subscribed during the Additional Allocation Period, not the Preferential Subscription Period. In no circumstances shall additional New Shares in the Second Tranche be allocated to Eligible Shareholders or investors in excess from those requested. The Agent Bank will inform the relevant Participant Entities of the definitive allocation of the additional New Shares in the Second Tranche during the Additional Allocation Period on the day of the Additional Allocation Period.

If there are no New Shares in the Second Tranche remaining unsubscribed at the end of the Additional Allocation Period, the Discretionary Allocation Period will therefore not open and the Agent Bank will notify the Participant Entities accordingly. Likewise, promptly after the end of the Additional Allocation Period, the Company will publicly announce, via a regulatory information notice, the results of subscriptions during the Preferential Subscription Period and, as applicable, the number of additional New Shares in the Second Tranche requested in the Additional Allocation Period, results of prorating (if relevant) and the number of additional New Shares in the Second Tranche allocated.

Discretionary Allocation Period

If, following the Preferential Subscription Period and the Additional Allocation Period any New Shares in the Second Tranche remain unsubscribed, the Agent Bank will notify the Company by no later than 5:00 p.m. CET on the sixth AQS trading day following the end of the Preferential Subscription Period (which, in accordance with the envisaged timetable, is expected to take place on November 21, 2019) of the number of New Shares in the Second Tranche to be allocated during the Discretionary Allocation Period. The Discretionary Allocation Period, if any, is expected to begin at any time after the end of the Additional Allocation Period (which, according to the envisaged timetable, is expected to be November 21, 2019) and end no later than 16:00 p.m. CET on November 22, 2019. The Company may declare the Discretionary Allocation Period finished at any moment before its scheduled expiration.

The Company will communicate the final allotment of New Shares in the Discretionary Allocation Period both to investors and to the Agent Bank, which will also be notified by the participating entity indicated by each investor, no later than 9:00 a.m. CET on the seventh AQS trading day following the end of the Preferential Subscription Period (which is expected to end on November 13, 2019).

The Agent Bank shall notify the relevant participating entities so that they may communicate to investors the shares allotted to them in the Discretionary Allocation Period no later than 12:00 a.m. (noon) CET on the seventh AQS trading day following the end of the Preferential Subscription Period (which is expected to end on November 13, 2019).

In the event of LetterOne being allocated shares in the Discretionary Allocation Period, the directors which have bene appointed by LetterOne will abstain from taking part in such decision, in order to avoid any conflict of interest.

During the Discretionary Allocation Period, those persons who have the status of qualified investors in Spain, as this term is defined in Article 2(e) of the Prospectus Regulation, and those persons who have the status of qualified investors outside Spain pursuant to the applicable legislation in each country (so that complying with the relevant regulations, the subscription and payment of the New Shares in the Second Tranche do not require registration or approval of any kind) may submit proposals to the Company to subscribe for New Shares in the Second Tranche.

The Company will carry out, if appropriate, the promotion and diffusion activities it deems necessary for the purpose of achieving the subscription by potential qualified investors, national or foreign, of Shares in the Discretionary Allocation Period.

It is hereby stated that no action shall be carried out by the Company which may lead to the Company's obligation to file a Prospectus or equivalent document with the relevant authorities of a country where this Offering has the consideration of a public offer (including, but not limited to, the United States of America, Canada, South Africa, Australia and Japan).

The subscription proposals will be deemed to be firm, unconditional and irrevocable and shall include the number of New Shares in the Second Tranche that each investor is willing to subscribe at the Subscription Price.

The qualified investors interested in subscribing for New Shares in the Second Tranche during the Discretionary Allocation Period must communicate their proposals to the Company prior to 8:00 a.m. CET on the day corresponding to the end of the Discretionary Allocation Period. The Company shall determine the definitive allocation of the Discretionary Shares to subscribers on the basis of their subscription requests notified by the interested qualified investors, which shall be communicated to the Agent Bank not later than 8:00 a.m. CET on November 22, 2019.

Notwithstanding the above, the Company may agree to terminate the Discretionary Allocation Period at any time prior to its end, provided that the capital increase has been fully subscribed.

Promptly after the end of the Discretionary Allocation Period, if any, the Company will publicly announce, via a regulatory information notice, the final results of the Offering, specifying the number of New Shares taken up or allocated in each period.

If after the end of the Discretionary Allocation Period, the amount raised under the Second Tranche is below €81,445,000.40, LetterOne shall, under its Underwriting Commitment, subscribe the necessary shares, at the subscription price, so that the minimum €81,445,000.40 amount of the Second Tranche has been effectively subscribed.

For clarifying purposes, and as stated above, in the event of LetterOne being allocated shares in the Discretionary Allocation Period, the directors which have been appointed by LetterOne will abstain from taking part in such decision, in order to avoid any conflict of interest.

Methods of Subscription and Payment

New Shares subscribed by LetterOne by means of compensation of credits

On September 20, 2019 the Company and LetterOne signed a letter whereby they agreed that the PPLs, inasmuch as it was necessary for their capitalization, would automatically become due and payable on the date of their capitalization, in accordance with the terms and conditions set forth in this Prospectus.

Once the Agent Bank has notified the Company which shall in turn inform LetterOne, if applicable, of the amount of shares LetterOne has been allocated in the Additional Allocation Period or the amount of shares it must subscribe pursuant to its Underwriting Commitment, LetterOne shall inform the Company of the amount of the PPLs it must capitalize. This amount will also include the amount capitalized under the First Tranche. For the avoidance of doubt, the maximum amount to be capitalized is €490,000,000, which is the total nominal amount of the PPLs.

The Participant Entity acting on behalf of LetterOne as its custodian shall provide the Agent Bank with the data required in order to communicate to Iberclear the corresponding information for the allocation of the relevant shares related to the capitalization of the PPLs.

New Shares subscribed during the Preferential Subscription Period

Subscribers must make payment in full of the Subscription Price, comprising the nominal value and premium value, upon subscription for each New Share in the Second Tranche subscribed for during the Preferential Subscription Period. Subscribers should make payment to the Participant Entity through which they have filed their subscription orders. Applications for New Shares in the Second Tranche in exercise of Preferential Subscription Rights for which payment is not received in accordance with the foregoing shall be deemed not to have been made. Preferential Subscription Rights not exercised or sold during the Preferential Subscription Period will lapse automatically and holders will not be compensated.

If an authorized Participant Entity has not received full payment of the Subscription Price for New Shares in the Second Tranche on or before the expiration date of the Preferential Subscription Period which, in accordance with the envisaged timetable, is expected to be November 21, 2019, the related Preferential Subscription Rights will lapse. Holders of Preferential Subscription Rights that lapse will not be compensated.

The Participant Entity with whom orders for the subscription of New Shares in the Second Tranche in exercise of Preferential Subscription Rights have been placed, shall pay in an account with the Agent Bank all amounts payable with respect to such New Shares, for same-day value, such that they are received by the Company no later than 16:00 p.m. CET on the payment date, which is on November 22, 2019 (the "**Payment Date**").

If any of the Participant Entities, having paid up the amounts corresponding to these subscriptions within the aforementioned period, does not report the list of subscribers to the Agent Bank under the terms envisaged in this Prospectus, the Agent Bank will allocate the New Shares paid on behalf of the aforementioned Participant Entity to such Participant Entity, without any liability whatsoever to the Agent Bank or the Company without prejudice to any possible liability that may be incurred by the defaulting Participant Entity with regard to the holders that have timely placed their subscription orders for New Shares with such Participant Entity.

New Shares in the Second Tranche subscribed in cash during the Additional Allocation Period or the Discretionary Allocation Period

Full payment of the Subscription Price for each New Share allocated during the Additional Allocation Period or the Discretionary Allocation Period will be made by each holder of Preferential Subscription

Rights or interested qualified investor, respectively, having been allocated additional New Shares not later than 16:00 p.m. CET on the Payment Date, via the Participant Entity through which such holder of Preferential Subscription Rights or interested qualified investor solicited the additional New Shares. Applications for additional New Shares in respect of which payment is not received in accordance with the foregoing will be deemed not to have been made and will be disregarded.

Notwithstanding the above, Participant Entities may require that holders of Preferential Subscription Rights or interested qualified investor requesting additional New Shares fund in advance the Subscription Price of the additional New Shares requested by them at the time of such request. If a requesting holder of Preferential Subscription Rights or a interested qualified investor prefunds and the number of additional New Shares finally allocated to such requesting holder of Preferential Subscription Rights interested qualified investor is less than the number of additional New Shares requested and prefunded by the requesting holder or interested qualified investor, the Participant Entity will return to such holder of Preferential Subscription Rights interested qualified investor, without deduction for expenses and fees, the amount corresponding to the excess subscription monies or, as the case may be, the whole Subscription Price for any additional New Shares(if no additional New Shares are finally allocated to the relevant holder of the Preferential Subscription Rights or interested qualified investor), all in accordance with the procedures applicable to such Participant Entity.

The Participant Entities receiving requests for additional New Shares shall pay to the Agent Bank all amounts payable, for same-day value, through the channels made available by Iberclear, such that they are received by the Company in an account with the Agent Bank no later than 16:00 p.m. CET on the Payment Date.

If any of the Participant Entities that has made the payment in full of the Subscription Price subsequently fails to confirm to the Agent Bank the list of subscribers on behalf of whom such payment has been made, the Agent Bank shall allocate the New Shares subscribed to such Participant Entity, without any liability whatsoever for the Agent Bank or the Company, without prejudice to any claim the holder of Preferential Subscription Rights(s) or interested qualified investor in question may have against the defaulting Participant Entity.

Payment

Assuming the execution of the capital increase deed, including the granting of the capital increase deed and its registration with the Commercial Registry of Madrid (*escritura pública y su inscripción en el Registro Mercantil de Madrid*), takes place no later than November 27, 2019, admission of the New Shares to listing on the Spanish Stock Exchanges is, in accordance with the envisaged timetable, expected to take place on November 28, 2019, commencement of trading of the New Shares on the Spanish Stock Exchanges is, in accordance with the envisaged timetable, expected to take place on December 2, 2019.

Payments in respect of New Shares must be made by final subscribers:

- in relation to New Shares subscribed during the Preferential Subscription Period, upon subscription; and
- in relation to additional New Shares subscribed during the Additional Allocation Period or the Discretionary Allocation Period by not later than 16:00 p.m. CET on the Payment Date (or such earlier time as required by the rules of the particular Participant Entity).

Registrations, delivery, admission to trading and commencement of trading in Spain of the New Shares

Following receipt of subscription monies due and LetterOne's confirmation of the amount of the PPLs to be capitalized, the Company shall declare the share capital increase complete and proceed to the granting of the corresponding capital increase deed before a Spanish public notary for its subsequent registration with the Commercial Registry.

Registration of the capital increase with the Commercial Registry is, in accordance with the envisaged timetable, expected to take place on November 27, 2019. Following the registration, a notarial copy (*testimonio notarial*) of the capital increase deed will be delivered to the CNMV, Iberclear and the Madrid Stock Exchange, as the lead stock exchange for the listing of the Shares. New Shares issued as a result of exercising Preferential Subscription Rights and pursuant to the allocation of New Shares in the Additional Allocation Period and in the Discretionary Allocation Period will be registered with Iberclear as soon as practicable after registration of the capital increase deed with the Commercial Registry.

The Company will request verification of compliance with the requirements for admission to trading of the New Shares by the CNMV and the admission to trading on the Spanish Stock Exchanges and on the AQS (which, in accordance with the envisaged admission timetable is expected to take place on November 28, 2019). Iberclear will notify the Eligible Shareholders and investors of the book-entry references of their respective holdings of New Shares (subscribed during the Preferential Subscription Period, the Additional Allocation Period or the Discretionary Allocation Period) via the Participant Entities.

The New Shares will be registered with the Iberclear Central Registry once the capital increase public deed is registered with the Mercantile Registry. On the same day as the registration with the Iberclear Central Registry, the Participant Entities will carry out the corresponding registrations in their accounting records in favor of the investors who subscribed the New Shares.

The new shareholders will have the right to obtain the certificates of ownership corresponding to their Shares from the Participant Entities in which the New Shares are registered, in accordance with the provisions of Royal Decree 878/2015, of October 2. Participant Entities must issue these certificates prior to the end of the AQS trading day following that on which they were requested by the subscribers.

Announcement of the result of the Offering

The Company will report the results of the Preferential Subscription Period, the Additional Allocation Period and the Discretionary Allocation Period for New Shares through the publication of the related regulatory information notice (*hecho relevante*) on or around November 22, 2019.

Withdrawal and termination

No grounds for termination or revocation of the Offering that is the subject matter of this Prospectus are envisaged other than those that may arise from the application of the law or compliance with a court or administrative ruling or with that set forth below.

The terms and conditions of the Underwriting Commitment do not include grounds for unilateral termination, as it can only be terminated by mutual agreement of the Company and LetterOne.

Following the publication of the aforementioned regulatory information notice (*hecho relevante*), the Company will be entitled, at its sole discretion, to revoke and terminate the Offering. If the Offering is revoked and terminated, the monies paid by subscribers who have exercised Preferential Subscription Rights or have been allocated additional New Shares during the Additional Allocation Period would be returned to them. However, any investors who had acquired Preferential Subscription Rights from existing holders of Preferential Subscription Rights would not receive any amount paid for such Preferential Subscription Rights from the Company. Moreover, all allocations of New Shares in the Discretionary Allocation Period will be automatically cancelled if the Underwriting Commitment is terminated.

In the event of an incomplete subscription of the Offering, the Company’s liquidity position would be undermined, which could result in the Company having to procure additional financing lines to cover the unsubscribed amount of the Offering. The New Finance Arrangements allow for the Company to procure additional financing lines of up to the difference between the funds raised in the capital increase and €600 million (therefore of up to €100 million). In such an event, and taking into account the deterioration of the Company’s results in past financial years and the Company’s current credit rating (Caa2 by Moody’s and

CCC by S&P, both with negative perspective), the Company's capacity to effectively access other financing alternatives may be very limited. If that were the case, the Company believes that its capacity to access other may face a cash shortfall in the medium to long term which could affect its ability to implement its future business plan. See "*Use of Proceeds and Reasons for the Offering*"

Shareholders resident in certain unauthorized jurisdictions

No action has been taken, or will be taken, in any jurisdiction other than Spain that would permit a public offering of the Preferential Subscription Rights or the New Shares, or possession or distribution of this Prospectus or other offering or publicity materials issued in connection with this Offering, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Preferential Subscription Rights and the New Shares may not be exercised, offered or sold, directly or indirectly, and neither this Prospectus nor any other offering or publicity materials issued in connection with this Offering may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

PLAN OF DISTRIBUTION

Underwriting Commitment

On October 24, 2019, the Company entered into an underwriting commitment governed by Spanish law with LetterOne as Underwriter. By means of the underwriting commitment, LetterOne committed to subscribe up to €500,000,000 of the Offering, which includes the underwriting of a maximum effective amount (nominal plus share premium) of €81,445,000.40 of the Second Tranche to the extent that the aggregate of the First Tranche and the amount subscribed by the rest of the Company's shareholders or by those investors who acquire preferential subscription rights after the finalization of the Preferential Subscription Period, the Additional Allocation Period and the Discretionary Allocation Period is less than €500,000,000 (the "**Underwriting Commitment**").

As part of its Underwriting Commitment, the Underwriter will subscribe for any New Shares in the Second Tranche that remain unsubscribed following the end of the Preferential Subscription Period, the Additional Allocation Period or the Discretionary Allocation Period in the event the aggregate sum of the amounts subscribed and paid-up under the First Tranche and the Second Tranche (the "**Underwriting Subscription**") is less than €500,000,000. In the event the Underwriting Subscription is finally required, LetterOne will subscribe and pay-up the unsubscribed portion of the Second Tranche (up to the aforesaid aggregate amount of €500,000,000.00) as follows:

- First, up to €71,445,000.40 by means of capitalization of credits due by the Company to LetterOne under the PPLs.
- Second, up to €10,000,000.00 by means of cash contributions.

LetterOne will receive a fee of €3,868,637.519 as consideration in exchange for its Underwriting Commitment.

The terms and conditions of the Underwriting Commitment do not include grounds for unilateral termination, as it can only be terminated by mutual agreement of the Company and LetterOne.

The total amount of the Offering is €605,552,246.60, from which €418,554,999.60 are to be raised by means of capitalization of credits in the First Tranche and €186,997,247.00 are to be raised by means of cash contributions in the Second Tranche. In said Second Tranche, only up to €81,445,000.40 are underwritten, with €105,552,246.60 of the Offering not underwritten. In this regard, there is the possibility of an incomplete subscription of the Offering, something which does not require the approval of the Company's Lenders.

In the event of an incomplete subscription of the Offering, the Company's liquidity position would be undermined, which could result in the Company having to procure additional financing lines to cover the unsubscribed amount of the Offering. The New Finance Arrangements allow for the Company to procure additional financing lines of up to the difference between the funds raised in the capital increase and €600 million (therefore of up to €100 million). In such an event, and taking into account the deterioration of the Company's results in past financial years and the Company's current credit rating (Caa2 by Moody's and CCC by S&P, both with negative perspective), the Company's capacity to effectively access other financing alternatives may be very limited. If that were the case, the Company believes that its capacity to access other may face a cash shortfall in the medium to long-term which could affect its ability to implement its future business plan.

If the Offering is revoked and terminated, the monies paid by subscribers who have exercised Preferential Subscription Rights or have been allocated additional New Shares during the Additional Allocation Period would be returned to them. However, any investors who had acquired Preferential Subscription Rights from existing holders of Preferential Subscription Rights would not receive any amount paid for such Preferential Subscription Rights from the Company and would lose their investment and would not receive any compensation from the Company for the lost value of their Preferential Subscription Rights.

Moreover, all allocations of New Shares in the Discretionary Allocation Period will be automatically cancelled if the Underwriting Commitment is terminated.

Placement agreement

On October 18, 2019, the Company and Fidentiis Equities, Sociedad de Valores, S.A. (the "**Placing Entity**"), entered into a placing services agreement (the "**Placing Agreement**") whereby the Placing Entity has committed to, among other services, assist the Company in the organization of events and meetings between the Company's management and potential investors, coordinate any marketing strategy of the Offering directed at investors, and generally manage any contact and conversations with investors who may be interested in participating in the Offering.

In exchange for said services, the Company shall pay to the Placing Entity a fixed fee of €750,000, and an additional fee of €400,000 should the capital increase be fully subscribed.

The Placement Agreement may only be terminated until the execution of the notarial deed relating to the capital increase with the public notary.

SELLING AND TRANSFER RESTRICTIONS

Restrictions on the exercise of Preferential Subscription Rights and acquisition and resale of New Shares

No action has been taken, or will be taken, in any jurisdiction other than Spain that would permit a public offering of the Preferential Subscription Rights or the New Shares, or possession or distribution of this Prospectus or other offering or publicity materials issued in connection with this Offering, in any country or jurisdiction where action for that purpose is required. Accordingly, the Preferential Subscription Rights and the New Shares may not be exercised, offered or sold, directly or indirectly, and neither this Prospectus nor any other offering or publicity materials issued in connection with this Offering may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The distribution of this Prospectus and the offering, sale, exercise or transfer of the New Shares and the Preferential Subscription Rights in certain jurisdictions may be restricted by law. Thus, this Prospectus may not be used in connection with any offer or solicitation in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Other than in Spain, no action has been taken or will be taken by the Company that would permit a public offering of the New Shares and the Preferential Subscription Rights or the possession or distribution of a Prospectus in any jurisdiction where action for that purpose would be required. This Prospectus may not be used for, or in connection with, and does not constitute an offer of, or an invitation or solicitation to subscribe for or purchase, any securities in any jurisdiction in which such offer, invitation or solicitation would be unlawful. The Company require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. The Company does not accept any responsibility for any violation by any person, whether or not such person is a prospective purchaser of the New Shares and the Preferential Subscription Rights described in this Prospectus, of any of these restrictions.

In particular, and without limiting the foregoing, purchasers of the New Shares and the Preferential Subscription Rights are advised that the New Shares and the Preferential Subscription Rights have not and will not be registered under the U.S. Securities Act or any state or foreign securities laws. Accordingly, the New Shares and the Preferential Subscription Rights will be "restricted securities" as defined in Rule 144 under the U.S. Securities Act and may not be reoffered, resold or pledged or otherwise transferred in the United States, except pursuant to an effective registration statement under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act.

In addition, by subscribing for the New Shares and the Preferential Subscription Rights, each purchaser of the New Shares and the Preferential Subscription Rights shall also be deemed to have acknowledged, represented to and agreed with the Group as follows:

1. the New Shares and the Preferential Subscription Rights it will be acquiring have not been, and will not be, registered in the United States under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States or be registered or qualified for public distribution in any other jurisdiction and that, accordingly, such New Shares and the Preferential Subscription Rights will not be transferable except as permitted under various exemptions contained in the U.S. Securities Act or upon satisfaction of the registration and prospectus delivery requirements of the U.S. Securities Act, and in compliance with analogous laws of other jurisdictions;

2. (i) if within the United States, it is a "qualified institutional buyer" (as that term is defined in Rule 144A under the U.S. Securities Act) transacting in a private transaction in reliance upon an exemption from the registration requirements of the U.S. Securities Act, (ii) if outside the United States, it is acquiring the New Shares and the Preferential Subscription Rights in an offshore transaction (in accordance with Regulation S under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act and it will not acquire the New Shares and the

Preferential Subscription Rights for the account or benefit of a U.S. Person and that is also a "non-U.S. qualified offeree", (iii) if in Canada, it is purchasing, or deemed to be purchasing, the New Shares and the Preferential Subscription Rights as principal that is an accredited investor, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and is a permitted client, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and (iv) if in Australia, it is a "wholesale client" within the meaning of section 761G of the Australian Corporations Act and is purchasing the New Shares and Preferential Subscription Rights in compliance with all applicable laws, regulations and directives in Australia;

3. it will not, and it will use its reasonable efforts to procure that no person acting on its behalf, has engaged or will engage in connection with the issuance of the New Shares and the Preferential Subscription Rights in any general solicitation, advertising or other publicity or directed selling efforts, that would cause one or more registration exemptions on which the Company relies, pursuant to the U.S. Securities Act or the Prospectus Regulation, to be or become unavailable;

4. it is acquiring the New Shares and the Preferential Subscription Rights for investment purposes only, it is holding the New Shares and the Preferential Subscription Rights or any interest therein for its own account and not as a nominee for any other person and it is not acquiring the New Shares and the Preferential Subscription Rights or any interest therein with a view to, or for resale in connection with, any distribution thereof within the United States within the meaning of the U.S. Securities Act, or elsewhere in contravention of analogous laws of any state or territory of the United States or any other jurisdiction, and it is not party to any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant the New Shares and the Preferential Subscription Rights or any interest therein to any third party;

5. it understands and agrees that the New Shares and the Preferential Subscription Rights are "restricted securities" as defined in Rule 144(a)(3) under the U.S. Securities Act. Accordingly, it agrees that so long as the New Shares and the Preferential Subscription Rights are restricted securities it will only transfer such New Shares and the Preferential Subscription Rights within the United States pursuant to an effective registration statement under the U.S. Securities Act or an available exemption from registration under the U.S. Securities Act;

6. it is a sophisticated institutional or other investor and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits, risks and suitability of investing in the New Shares and the Preferential Subscription Rights, and it is experienced in investing in capital markets and it is able to bear the economic risk of investing in the New Shares and the Preferential Subscription Rights, and it has adequate means of providing for its current and contingent needs, has no need for liquidity with respect to its investment in the New Shares and the Preferential Subscription Rights, and it is able to sustain a complete loss of its investment in the New Shares and the Preferential Subscription Rights for an indefinite period of time;

7. it has or has access to all information that it believe is necessary, sufficient or appropriate in connection its acquisition of the New Shares and the Preferential Subscription Rights, and it has made an independent decision to subscribe for New Shares and the Preferential Subscription Rights and to acquire the New Shares and the Preferential Subscription Rights based on information concerning the business and financial condition of the Group and other information available to such person, which it has determined is adequate for that purpose;

8. in evaluating the Offering and in making its decision whether to subscribe for New Shares and the Preferential Subscription Rights, it has made its own investment decision regarding the New Shares and the Preferential Subscription Rights (including, without limitation, the income tax consequences of purchasing, owning or disposing of the New Shares and the Preferential Subscription Rights in light of its particular situation and tax residence(s), as well as any

consequences arising under the laws of any taxing jurisdiction) based on its own knowledge (and information it may have or which is publicly available) with respect to the Group and New Shares and the Preferential Subscription Rights;

9. (i) it is not a person to whom it is unlawful to make an invitation to subscribe for New Shares and the Preferential Subscription Rights under applicable securities laws; and (ii) its acquisition of the New Shares and the Preferential Subscription Rights is lawful under the laws of the jurisdiction of its incorporation and the jurisdiction in which it operate (if different), and that such acquisition does not contravene any law, regulation or regulatory policy applicable to it; and

10. it will comply with all applicable securities laws of any state or any other applicable jurisdiction, including, without limitation, “blue sky” laws.

INDEPENDENT AUDITORS

The interim financial statements of Distribuidora Internacional de Alimentación, S.A., as of June 30, 2019, which are included in this Prospectus, have been subject to a limited review by Ernst & Young, S.L., independent auditors, as stated in their report appearing herein. Ernst & Young, S.L. has also audited the individual balance sheet of Distribuidora Internacional de Alimentación, S.A., as of June 30, 2019, required for the share capital decrease approved by the Extraordinary General Shareholders' Meeting of the Company on October 22, 2019, which is incorporated by reference to this Prospectus.

Ernst & Young, S.L. has its address for these purposes at Calle Raimundo Fernández Villaverde, 65, Madrid (Spain), is registered in the Commercial Registry of Madrid, under Volume 9,364 general, 8,130, Section 3rd, Sheet 87,690-1,Page 68, Entry No. 1, as well as in the Official Registry of Accounting Auditors under number S0530.

The consolidated annual accounts of Distribuidora Internacional de Alimentación, S.A., as of December 31, 2018, which are included in this Prospectus and include the restatement of consolidated annual accounts as of December 31, 2017 and 2016, have been audited by KPMG Auditores, S.L., independent auditors, as stated in their report appearing herein. The audit report covering the December 31, 2018 consolidated annual accounts contains an explanatory paragraph that states that the Company's losses from operations and net capital deficiency indicates a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern.

The consolidated annual accounts of the Company, as of and for each of the years ended December 31, 2017 and 2016 have been restated from amounts previously reported, as described in Note 1.1 to the 2018 consolidated annual accounts. KPMG Auditores, S.L. has its address for these purposes at Paseo de la Castellana, 259C, Madrid (Spain), is registered in the Commercial Registry of Madrid, under Volume 11,961, Sheet 90, Section 8, Page M-188,007, Entry No. 9, as well as in the Official Registry of Accounting Auditors under number S0702.

DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection in physical form during business hours on weekdays at the Company's offices at Las Rozas de Madrid, Edificio TRIPARK, Parque Empresarial de Las Rozas, C/ Jacinto Benavente 2-A, 28232:

(a) deed of incorporation of the Company;

(b) the bylaws of the Company (which are also available on the Group's website at https://www.diacorporate.com/en/shareholders-investors/corporate-governance/bylaws-and-rules-and-regulations/);

(c) Board of Directors Regulations, General Shareholders' Meeting Regulations, Internal Code of Conduct (which are also available on the Group's website at https://www.diacorporate.com/en/shareholders-investors/general-meeting/); and

(d) Audited Consolidated Financial Statements as of and for year ended December 31, 2018 (which are also available on the Group's website at https://www.diacorporate.com/en/shareholders-investors/financial-information/).

Audited consolidated annual accounts corresponding to fiscal years ended December 31, 2016 and December 31, 2017 have been restated within annual consolidated accounts corresponding to fiscal year ended December 31, 2018, so they should be read along with them.

Limited Reviewed H1 2019 Financial Statements as of and for semester ended June 30, 2019 (which are also available on the Group's website at https://www.diacorporate.com/en/shareholders-investors/financial-information/).

(e) the certificate of the resolutions approved by the General Shareholders' Meeting and the Board of Directors of the Company in connection with the Offering.

The documents referred to in (b) to (c) above will also be available for inspection at the CNMV's premises at: Edison 4, 28006 Madrid (Spain) and Passeig de Gràcia, 19, 4ª 08007 Barcelona (Spain)

Neither the Company's website nor any of its contents forms part of or is incorporated into this Prospectus, whether by reference or otherwise, except as otherwise provided herein.

GROUP COMPANIES

The chart below indicates a list of the Group companies' as at June 30, 2019, including their (i) legal name; (ii) country of registration; (iii) registered office; and (iv) direct and indirect stake of the Company.

Company	Country of registration	Registered Office	Direct stake %	Indirect stake %
Distribuidora Internacional de Alimentación, S.A.	Spain	Las Rozas (Madrid), Parque Empresarial de Las Rozas, Edificio Tripark, calle Jacinto Benavente nº 2-A, Madrid, España	___	___
Twins Alimentación, S.A.U.	Spain		100	___
Beauty by DIA, S.A.U.	Spain		100	___
Grupo el Árbol Distribución y Supermercados, S.A.	Spain		100	___
Finandia, S.A.	Spain		50	___
DIA E-Shopping, S.L.U.	Spain		100	___
CD Supply Innovation, S.L.	Spain		50	___
Pe-Tra Servicios a la Distribución, S.L.U,	Spain		___	100
Compañía Gallega de Supermercados, S.A.	Spain		___	94.24
Red Libra Trading Services, S.L.	Spain		50	___
DIA Portugal Supermercados, S.U. Lda.	Portugal		100	___
DIA Portugal II, S.A.	Portugal		___	100
DIA Brasil Sociedade Limitada	Brazil		100	___
DBZ Administração, Gestão de Ativos e Serviços Imobiliários LTDA	Brazil		___	100
DIA América Latina Estudos, Pesquisas e Treinamentos Ltda.	Brazil		___	100
DIA Argentina S.A.	Argentina		95	5
Distribuidora Internacional S.A.	Argentina		___	100
DIA Paraguay S.A.	Paraguay		___	100
DIA World Trade	Switzerland		100	___

Company	Country of registration	Registered Office	Direct stake %	Indirect stake %
ICDC Services S.à r.l.	Switzerland		___	50
Horizon International Services S.à r.l.	Switzerland		___	25

SPANISH TRANSLATION OF THE SUMMARY

Introducción y advertencias

Este resumen debe leerse como una introducción al Folleto (el "**Folleto**"). Toda decisión de invertir en los derechos de suscripción preferente y en las nuevas acciones ordinarias (las "Nuevas Acciones") de Distribuidora Internacional de Alimentación, S.A. (la "**Sociedad**", "**DIA**" o el "**Emisor**" y, junto con sus filiales, el "**Grupo**") deberá basarse en la consideración del conjunto del Folleto por parte del inversor, incluyendo en particular los factores de riesgo, y no únicamente el resumen. Un inversor puede perder todo o parte del capital invertido.

Cuando se presente ante un tribunal una demanda sobre la información contenida en el Folleto, el inversor demandante podría, en virtud del Derecho español, tener que soportar los gastos de traducción del Folleto antes de que dé comienzo el procedimiento judicial. Conforme Derecho español, la responsabilidad civil solo se exigirá a las personas que hayan presentado el resumen, incluida cualquier traducción del mismo, pero únicamente cuando el resumen sea engañoso, inexacto o incoherente en relación con las demás partes del Folleto, o no aporte, cuando sea leído junto con las demás partes del Folleto, información fundamental para ayudar a los inversores a la a la hora de adoptar su decisión inversora en los derechos de suscripción preferente y en las Nuevas Acciones.

Una posible actualización o ajuste de la información o las manifestaciones contenidas en el Folleto como consecuencia de la materialización de cualquiera de los factores de riesgo descritos no será considerado como un error o inexactitud de la mismo, ni que dicha información sea engañosa.

El Folleto ha sido aprobado y registrado por la Comisión Nacional del Mercado de Valores ("**CNMV**") el 25 de octubre de 2019. Los inversores pueden ponerse en contacto con la CNMV a través del servicio de atención al inversor en el número de teléfono +34 900 535 015.

Información Fundamental de la Sociedad

¿Quién es el Emisor de las Nuevas Acciones?

Nombre, domicilio, forma jurídica y breve descripción

La denominación social del Emisor es Distribuidora Internacional de Alimentación, S.A. El nombre comercial del emisor es "DIA". La Sociedad está constituida en España como una sociedad anónima o S.A. conforme a la Ley de Sociedades de Capital. Tiene su domicilio social en Las Rozas (Madrid), Parque Empresarial de Las Rozas, Edificio Tripark, calle Jacinto Benavente nº 2-A, Madrid, España, y con el número de teléfono +34 91 398 54 00. La Sociedad está constituida por tiempo indefinido y su Código de Identificación Legal (CIL) es 54930063C6K2TNFL6H10. La Sociedad opera principalmente en España, Portugal, Brasil y Argentina y está sujeta a sus respectivas normativas aplicables.

DIA es la sociedad cabecera del "Grupo DIA". A 30 de junio de 2019, El Grupo estaba compuesto por 16 sociedades que están consolidadas por el método de integración global, 4 sociedades que están valoradas usando el método de participación y 1 sociedad, que está contabilizada como una operación conjunta. DIA no es una sociedad holding, ésta explota la mayor parte de las tiendas que tiene en propiedad en España de las marcas DIA Market, Maxi DIA, *DIA & Go* y *Clarel*.

DIA es uno de los líderes de la distribución de alimentación con una media de 2,97 millones de tickets diarios y más de 22 millones de miembros de su programa de fidelización por todo el mundo en 2018. El Grupo es el distribuidor de alimentación con mayor número de tiendas en el país, con mayor índice de penetración en municipios pequeños y el tercero con mayor cuota de mercado en España en 2019 (6,6%) (Fuente: Kantar Worldpanel). A 30 de junio de 2019, el Grupo operaba 6.809 tiendas en España, Portugal, Brasil y Argentina y contaba con 40.247 empleados. El Grupo está analizando su estrategia de futuro y está en proceso de elaboración de un nuevo plan de negocio que se construirá sobre seis pilares principales, los cuales son parte de un plan de transformación a 5 años. El nuevo plan de negocio se encuentra, a la fecha del presente Folleto, en proceso de elaboración por parte de la Sociedad y estará terminado antes del 31 de diciembre de 2019.

Capital social y principales accionistas

A fecha del presente Folleto, el capital social emitido de la Sociedad es de 62.245.651,30 euros, dividido en 622.456.513 acciones nominativas de una sola clase registradas mediante anotaciones en cuenta, con un valor nominal de 0,10 euros por acción. Sin embargo, la Junta General de Accionistas de la Sociedad ha aprobado la ejecución, inmediatamente antes del aumento de capital (la "**Oferta**"), de una reducción de capital por compensación de pérdidas. Tras la implementación de la reducción de capital, la Sociedad tendrá un capital social de 6.224.565,13 euros, dividido en 622.456.513 acciones, totalmente desembolsadas. Por lo tanto, asumiendo la suscripción total de la Oferta, DIA tendría un capital social de 66.779.789,79 euros, dividido en 6.677.978.979 acciones, totalmente desembolsadas.

El 5 de febrero de 2019, L1R Invest1 Holdings S.à r.l. ("**LetterOne**"), el cual es parte de la división "retail" de Letterone Investment Holdings S.A. ("**LIHS**") anunció una oferta pública de adquisición del 100% de las acciones de la Sociedad a un precio de 0,67 euros por acción (la "**OPA**"). Como consecuencia del resultado exitoso de la OPA, LetterOne es titular indirecto de 434.220.476 acciones, representativas del 69,759% del capital social de la Sociedad.

En la siguiente tabla se presenta información pública disponible con respecto a los accionistas significativos de la Sociedad a la fecha del presente Folleto:

Principal(es) accionista(s)	Derechos de voto (A)					Derechos de voto a través de instrumentos financieros (B)		Total (A+B)	
	% Directo	% Indirecto	% Total	No. total de derechos de voto directos	No. total de derechos de voto indirectos	%Total	No. total de derechos de voto a través de instrumentos financieros	%	No. de derechos de voto
Letterone Investment Holdings S.A.	0,00	69,759	69,759	0	434.220.476	0.00	0	69,759	434.220.476
Grégorie Augustin Bontoux Halley	0,00	3,398	3,398	0	21.153.674	0.00	0	3,398	21.153.674

Introducción y advertencias								
Total de derechos de voto propiedad de principal(es) accionista(s)	**0,00%**	**73,157%**	**73,157%**	**0**	**455.374.150**	**0,00**	**0**	**73,157**	**455.374.150**

LetterOne suscribirá, mediante la compensación de 418.554.999,60 euros de los Préstamos Participativos ("*PPLs*") (tal y como se definen a continuación), la totalidad del Primer Tramo (tal y como se definen a continuación). LetterOne podrá también suscribir acciones adicionales en el Periodo de Asignación Adicional del Segundo Tramo (tal y como se definen a continuación). El porcentaje máximo de capital social que LetterOne podría poseer tras la ejecución de la Oferta es un 96,65% (si ningún otro accionista suscribe las Nuevas Acciones). La Sociedad, en la fecha del presente Folleto, no tiene conocimiento de las intenciones de D. Grégoire Augustin Bontoux Halley de suscribir acciones en la Oferta.

A fecha del presente Folleto, los directivos fundamentales de la Sociedad son los siete miembros del Consejo de Administración: D. Stephan DuCharme (Presidente), D. Karl-Heinz Holland (el "**CEO**" o "**Consejero Delegado**"), D. Michael Casey, D. Christian Couvreux, D. Sergio Dias, D. Jaime García-Legaz Ponce y D. José Wahnon Levy. El actual Consejero Delegado de DIA, D. Karl-Heinz Holland, fue nombrado en mayo de 2019 y trabajó previamente en Lidl, desde 1991 hasta 2014.

A fecha del presente Folleto, el auditor de la Sociedad es Ernst & Young, S.L.

¿Cuál es la Información fundamental de la Sociedad?

Información fundamental relativa al carácter de las operaciones en curso del Emisor y de sus principales actividades.

El Grupo está organizado en unidades de negocio y cuenta con cuatro segmentos basados en la geografía: España. Portugal, Brasil y Argentina. A 30 de junio de 2019, España representaba el 60,3% de las ventas del Grupo, representando Portugal el 8,4%, Argentina el 14,2% y Brasil el 17%. En términos de consolidación, para el semestre finalizado el 30 de junio de 2019, el Grupo obtuvo unas ventas de 3.444,5 millones de euros, unas pérdidas netas de 418,7 millones de euros, un EBITDA Ajustado ("*Adjusted EBITDA*") de 55,6 millones de euros, un EBITDA consolidado de 13,5 millones de euros y unos fondos propios negativos de 566,2 millones de euros.

En la siguiente tabla se muestran las magnitudes más relevantes del EBITDA y del EBITDA Ajustado del Grupo por segmentos a 30 de junio de 2019 y 30 de junio de 2018, la cuál ha sido incluida únicamente a efectos informativos y como complemento de las medidas alternativas de rendimiento ("**MAR**") ("*APMs*") utilizadas por el Grupo de forma recurrente y descritos en el presento Folleto.

	España		**Portugal**		**Argentina**		**Brasil**		**GRUPO DIA**	
	(‘*000.000*)									
	junio 2019	**junio 2018**	**junio 2019**	**junio 2018**	**junio 2019**	**junio 2018**	**junio 2019**	**junio 2018**	**junio 2019**	**junio 2018**
Ventas	2.078,6	2.235,9	290,7	310,3	489,5	464,8	585,7	690,8	3.444,5	3.701,8
Como porcentaje de cifra de ventas	60,3%	60,4%	8,4%	8,4%	14,2%	12,6%	17,0%	18,7%	100,0%	100,0%
EBITDA ajustado.....................	18,1	149,6	3,2	12,9	5,8	14,0	(82,7)	29,5	(55,6)	206,0
EBITDA...................................	64,6	109,0	15,7	6,7	(3,5)	(1,9)	(63,3)	29,2	13,5	143,0
Como porcentaje del EBITDA total	*478,5%*	*76,2%*	*116,3%*	*4,7%*	*-25,9%*	*-1,3%*	*-468,9-%*	*20,4%*	*100,0%*	*100,0%*
Como porcentaje de las ventas	*3,1%*	*4,9%*	*5,4%*	*2,2%*	*-0,7%*	*-0,4%*	*-10,8%*	*4,2%*	*0,4%*	*3,9%*
Resultados de las actividades de explotación	(130,3)	29,7	(6,5)	(8,1)	(36,0)	(14,8)	(142,3)	8,3	(315,0)	15,1
Beneficio Neto	(226,8)	(4,7)	(8,5)	(9,1)	(19,2)	(16,9)	(164,2)	1,1	(418,7)	(29,6)

EBITDA: EBITDA Ajustado + otras partidas de tesorería

Información financiera fundamental histórica

El Folleto incluye las cuentas anuales consolidadas auditadas del Grupo y las notas correspondientes del ejercicio cerrado el 31 de diciembre de 2018 (el cual incluye la información comparada reexpresada de los ejercicios cerrados el 31 de diciembre de 2017 y 2016, según se explica a continuación) (los "**Estados Financieros Auditados de 2018**") y las cuentas revisadas y sus notas correspondientes del semestre cerrado el 30 de junio de 2019 (los "**Estados Financieros H1 de 2019 Revisados**").

La revisión por parte del Grupo de sus estimaciones de resultados para el ejercicio 2018, que se extendió, además de España, a todas las filiales extranjeras operativas (Portugal, Brasil y Argentina) y las posteriores investigaciones forenses en España y Brasil, revelaron la existencia de errores y prácticas irregulares por parte de determinados empleados y miembros del equipo directivo (incluyendo a varios de los antiguos altos directivos del Grupo), anulando los controles internos establecidos por el Grupo, lo que dio lugar a que se reexpresaran las cifras comparativas correspondientes del ejercicio económico de 2017 y 2016 que figuraban en los Estados Financieros Auditados de 2018. Las investigaciones en España y en Brasil están terminadas, y los informes finales han sido enviados a la Fiscalía Anticorrupción.

Resumen de la cuenta de resultados consolidados

CUENTA DE RESULTADOS	**H1 2019**	**H1 2018[(*1)]**	**Ejercicio 2018**	**Ejercicio 2017 reexpresado [(*2)]**	**Ejercicio 2016 reexpresado [(*2)]**
Ventas netas	3.444,5	3.701,8	7.288,8	8.217,7	8.7,262,9
Crecimiento Annual de Ventas (%	*-7,0%*	*N.A.*	*-11,3%*	*-0,5%*	*N.A.*

EBITDA	13,5	143,1	246,0	470,9	478,3
Margen EBITDA (%)	*0,4%*	*3,9%*	*3,4%*	*5,7%*	*5,8%*
EBITDA Ajustado	(55,6)	206,0	337,9	518,5	541,3
Margen EBITDA Ajustado (%)	*-1,6%*	*5,6%*	*4,6%*	*6,3%*	*6,6%*
Resultados operativos	(315,0)	15,1	(94,5)	218,0	237,6
Magen Operativo (%)	*-9,1%*	*0,4%*	*-1,3%*	*2,7%*	*2,9%*
Ganancias / Pérdidas Netas	(418,7)	(29,6)	(352,6)	101,2	128,7
Margen Neto (%)	*-12,2%*	*-0,8%*	*-4,8%*	*1,2%*	*1,6%*
Ganancias por Acción	(0,7)	(0,1)	(0,6)	0,2	0,2

Resumen de los Estados de Situación Financiera Consolidados

BALANCE DE SITUACIÓN	**H1 2019**	**Ejercicio 2018**	**Ejercicio 2017 reexpresado (*2)**	**Ejercicio 2016 reexpresado (*2)**
Total Activo	3.511,2	3.271,8	3.740,4	3.802,8
Total Patrimonio Neto y Pasivo	(566,2)	(166,1)	257,2	331,7
Deuda Financiera Neta	1.817,9	1.452,0	946,0	872,4

Resumen de los Estados de Flujos de Efectivo Consolidados

ESTADOS DE FLUJOS DE EFECTIVO	**H1 2019**	**H1 2018(*1)**	**Ejercicio 2018**	**Ejercicio 2017 reexpresado (*2)**	**Ejercicio 2016 reexpresado (*2)**
Pérdidas/beneficios antes de impuestos	(424,1)	(7,5)	(167,2)	153,3	181,5
Ajustes a las pérdidas y ganancias	502,0	135,0	413,1	298,8	302,8
Ajustes al capital circulante	(99,3)	(356,0)	(386,7)	(81,2)	342,3
Flujos de efectivo neto de/(usados en) las actividades de explotación	**(21,5)**	**(228,5)**	**(140,8)**	**370,9**	**826,6**
Pagos por inversiones en inmovilizado material	(112,3)	(183,6)	(322,7)	(262,2)	(333,4)
Otros	13,2	16,6	64,0	28,6	2,1
Flujos de efectivo netos de las actividades de inversión	**(99,0)**	**(167,0)**	**(258,7)**	**(233,6)**	**(331,3)**
Importes procedentes de deuda financiera	244,4	217,5	646,9	405,6	300,0
Otrosr	(229,7)	(44,1)	(421,7)	(607,9)	(631,3)
Flujos de efectivo neto de/(usados en) las actividades de inversión	**14,6**	**173,4**	**225,1**	**(202,3)**	**(331,3)**

(*1) La cuenta de resultados del periodo de seis meses finalizado el 30 de junio de 2019 se presenta a efectos comparativos junto con la cuenta de resultados a 30 de junio de 2018, que ha sido reexpresada. La mencionada reexpresión se debe principalmente a la hiperinflación en Argentina, así como a la consolidación de los activos y pasivos del CDSI y el impacto de las irregularidades y errores que fueron identificados en el segundo semestre de 2018. Dichas irregularidades se describen en la Nota 2.3 de los Estados Financieros Auditados de 2018. Nótese que el negocio de *Clarel* todavía se consideraba una actividad continuada a 30 de junio de 2018, por lo que no ha sido necesaria ninguna reexpresión adicional.

(*2) La cuenta de resultados consolidados, los estados de situación financiera consolidados y los estados de flujos de efectivo consolidados, de 31 de diciembre de 2017 y de 2016 ha sido presentado sobre la base de la presentación incluida en los Estados Financieros Auditados de 2018, debido al impacto de la corrección de irregularidades y errores, de los activos no corrientes mantenidos para la venta, de las actividades interrumpidas y de los cambios en los segmentos de información.

Deuda Financiera y Nuevos Acuerdos de Financiación

A 30 de junio de 2019, el Grupo tenía una deuda financiera total de 2.629,9 millones de euros. Por otro lado, a 30 de septiembre de 2019, el Grupo tenía una deuda financiera total de 2.679,9 millones de euros. Finalmente, la deuda financiera total del Grupo tras la ejecución de la Oferta, ascenderá a 2.187,7 millones de euros (todas las cifras incluyen el impacto de la deuda neta IFRS16).

El 17 de julio de 2019, DIA suscribió un acuerdo de refinanciación para modificar y refundir los acuerdos de financiación preexistentes (los cuales entraron en vigor el 31 de diciembre de 2018) con todos los acreedores sindicados de las líneas de financiación de la Sociedad por un importe total de 973,3 millones de euros (los "**Acreedores**") (los "**Nuevos Acuerdos de Financiación**"), de los cuales 902,4 millones de euros corresponden a los acuerdos de financiación preexistentes, y 70,8 millones de euros que corresponden al nuevo tramo súper senior de proveedores (el "**Tramo de Proveedores**") (que incluye 9,7 millones de euros de los acuerdos de financiación preexistentes) que se ha puesto a disposición de la Sociedad por parte de determinados Acreedores.

Bajo los términos de los Nuevos Acuerdos de Financiación, las fechas de vencimiento de las líneas de financiación son las siguientes: (i) las fechas de vencimiento de todos los tramos preexistentes de las líneas de financiación (902,4 millones de euros) fueron extendidas hasta el 31 de marzo de 2023, y (ii) el Tramo de Proveedores (70,8 millones de euros) tiene como fecha de vencimiento julio de 2020, con la posibilidad de contar con dos extensiones de un año cada una.

Las condiciones suspensivas necesarias para la eficacia de los Nuevos Acuerdos de Financiación se cumplieron antes del 17 de Julio de 2019. Aunque no hay condiciones resolutorias en los Nuevos Acuerdos de Refinanciación, hay determinadas obligaciones cuyo incumplimiento podría suponer una causa de vencimiento anticipado, La principales obligaciones son: (i) La obligación del Hive Down (tal y como se define a continuación), (ii) el covenant de liquidez mínima, (iii) el covenant de apalancamiento; (iii) los covenants de capex y costes de reestructuración, y (v) la entrega de un plan de negocio a los acreedores sindicados antes del 31 de

Introducción y advertencias

Diciembre de 2019.

Adicionalmente, el Grupo tiene pignorados prácticamente el 100% de sus activos para asegurar sus obligaciones bajo los Nuevos Acuerdos de Financiación.

Deuda financiera del Grupo

Tras la ejecución de la Oferta	Total	1 año	2 años	3 años	4 años	5 años	más de 5 años
		oct19 - sep 20	*oct20 - sep 21*	*oct21 - sep 22*	*oct22 - sep 23*	*oct23 - sep 24*	*oct 24- .....*
				(€ '000000)			
España							
Obligaciones y bonos	594,492	2,206	299,115		293,171		
Tramo Super Senior de Proveedores (Crédito Revolving - RCF)	3,153	3,153					
Créditos revolving (RCF)	146,761				146,761		
Préstamos a plazo (TL)	377,269				377,269		
Créditos - Financiación Sindicada	166,676				166,676		
Otros préstamos bancarios	22,505	15,005	7,500				
Préstamo hipotecario	0,500	0,427	0,073				
Préstamo participativo	0,000						
Acreedores por arrendamiento financiero, Garantias y otros	43,631	12,317	7,897	5,468	4,273	1,747	11,929
Total España	**1.354,986**	**33,108**	**314,585**	**5,468**	**988,150**	**1,747**	**11,929**
Lineas de Crédito	26,070	17,770	8,300	0,000	0,000	0,000	0,000
Otros préstamos bancarios	99,593	44,510	55,083				
Acreedores por arrendamiento financiero, Garantias y otros	4,779	4,335	0,213	0,034	0,032	0,034	0,131
Países	**130,442**	**66,615**	**63,596**	**0,034**	**0,032**	**0,034**	**0,131**
Deuda Financiera Total (excluyendo la deuda IFRS 16)	**1.485,428**	**99,723**	**378,181**	**5,502**	**988,182**	**1,781**	**12,060**
Otra Deuda Neta (IFRS16)	702,225	227,376	170,787	132,900	70,382	26,280	74,500
Deuda Financiera Total	**2.187,653**						

La deuda financiera del grupo tras la Oferta sólo difiere de la deuda financiera del Grupo a 30 de septiembre de 2019 en el "Préstamo Participativo" (como se indica en el cuadro anterior) concedido por LetterOne, el cual será capitalizado o repagado con los ingresos de la Oferta.

Informe de auditoría sobre la información financiera histórica

En los ejercicios de 2016 y 2017 el anterior auditor reflejó que las cuentas anuales ofrecían una imagen fiel de la Sociedad y que no se acompañaban notas explicativas de los estados financieros consolidados. No obstante lo anterior, los Estados Financieros Auditados de 2018 incluyen una incertidumbre importante en cuanto a la capacidad de DIA para continuar en funcionamiento, debido principalmente a su deteriorada situación patrimonial y financiera a 31 de Diciembre de 2018.

Para el primer semestre de 2019, el nuevo auditor de la Sociedad ha realizado una revisión limitada de los estados financieros intermedios consolidados abreviados en los cuales no hay salvedades. En esta revisión limitada, el Auditor subraya en las notas 1 y 2.4 de las notas explicativas el estatus actual de las medidas adoptadas por la Junta General de Accionistas y por el Consejo de Administración de la sociedad cabecera del Grupo, así como la valoración de dicha situación por parte de los directivos, en relación con la aplicación del principio de empresa en funcionamiento, tras considerar las importantes medidas adoptadas por el Grupo para restablecer su patrimonio y su situación financiera. En este sentido, el Consejo de Administración ha señalado en la citada nota 2.4 que las actuaciones llevadas a cabo en 2019, junto con el compromiso adquirido por el accionista mayoritario de realizar una ampliación de capital, permitirán, en última instancia, que el Grupo continúe como empresa en marcha y alcance sus objetivos a largo plazo.

Capital circulante

Aunque el capital circulante del Grupo, calculado como activo circulante menos pasivo circulante, excluidos los activos y pasivos mantenidos para la venta, es negativo a 30 de junio de 2019 por importe de 577,6 millones de euros, el Grupo considera que el capital circulante que espera generar en los próximos doce meses es suficiente para hacer frente a las obligaciones, los compromisos y las necesidades de negocio del Grupo durante dicho periodo. En este sentido, la Sociedad tiene previsto mejorar su capital circulante mediante la realización de la Oferta y su entrada en los Nuevos Acuerdos de Financiación. En particular, como se ha indicado, el Tramo de Proveedores, disponible en virtud de los Nuevos Acuerdos de Financiación, será utilizado por la Sociedad para gestionar sus necesidades de capital circulante frente a los proveedores del Grupo.

¿Cuáles son los riesgos específicos de la Sociedad?

Información fundamental sobre los principales riesgos específicos del emisor o de su sector de actividad

- Riesgo de rentabilidad y de plan de negocio. El Grupo está analizando su estrategia de futuro y está en proceso de elaboración de un nuevo plan de negocio a largo plazo que estará terminado antes del 31 de diciembre de 2019. En los resultados del primer semestre, a 30 de junio de 2019, el Grupo registró una pérdida neta atribuible de 418,7 millones de euros, en comparación con una pérdida de 29,6 millones de euros en la misma fecha en 2018, como consecuencia del fuerte impacto negativo en los beneficios derivado de la fuerte caída de las ventas del 7,0%, unos costes de liquidación de stock no recurrente por valor de 38,8 millones de euros, deterioro de los activos no corrientes por valor de 11,6 millones de euros, pérdidas por disposición de activos fijos por valor de 51,6 millones de euros, deterioro de deudores comerciales por valor de 35,8 millones de euros, gastos relacionados principalmente con la reestructuración de personal por un importe de 40,3 millones de euros, y un incremento de los gastos financieros por valor de 80,5 millones de euros. Los fondos propios consolidados totales del Grupo ascendieron a 566,2 millones de euros negativos a 30 de junio de 2019 (el total de los fondos propios consolidados del Grupo tras la Oferta, suponiendo que sea íntegramente suscrita, será negativo en 65,19 millones de euros, no obstante, los fondos propios de DIA, sociedad matriz del Grupo, asumiendo que la Oferta es íntegramente suscrita, serán positivos €327,19 millones). Por otro lado, la rentabilidad del Grupo depende del correcto diseño e implementación de la nueva estrategia de negocio del Grupo, que puede no ofrecer los beneficios esperados. En la fecha de registro del presente Folleto, el Grupo continúa desarrollando su plan de negocio a largo plazo basado en su estrategia de transformación.
- El Grupo puede incumplir las condiciones de refinanciación tras la ejecución de la Oferta, lo que daría lugar a un supuesto de incumplimiento de los Nuevos Acuerdos de Financiación y, por tanto, el Grupo podría verse incapacitado para continuar como negocio en funcionamiento. El hive down es un complejo proceso de reestructuración intragrupo que requerirá la ejecución de un número significativo de medidas y actuaciones en diferentes jurisdicciones, con la participación de terceros (tales como arrendadores, proveedores, Registros de la Propiedad y Mercantiles, autoridades fiscales, etc.) (el "**Hive Down**"). El Hive Down ha sido

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aprobado por la Junta General de Accionistas de la Sociedad celebrada el 30 de agosto de 2019. El incumplimiento por parte de la Sociedad del primer hito del Hive Down (es decir, la transmisión a determinadas filiales, propiedad indirecta de la Sociedad, no más tarde del 31 de diciembre de 2019 (i) todos los bienes inmuebles propiedad de la Sociedad en España, (ii) determinados establecimientos comerciales de la Sociedad que representan al menos el 58% del EBITDA Restringido (EBITDA tras sumar todos los importes previstos en concepto de depreciación, amortización y deterioro) y (iii) la participación de la Sociedad en sus filiales brasileña, argentinas y portuguesa, en la medida que sea viable desde el punto de vista legal, fiscal y regulatorio) o incumplir, entre otros, con sus covenants, supondría un supuesto de incumplimiento bajo los Nuevos Acuerdos de Financiación. La transmisión de activos, pasivos y contratos anterior tiene ciertas excepciones: (i) los bonos (*European Medium Term Notes*); (ii) ciertos activos, pasivos o contratos (i.e. aquellos que (a) no puedan ser transmitidos por restricciones legales o contractuales; (b) su transmisión afecte materialmente y de manera adversa al negocio de la Sociedad o de su Grupo; (c) su transmisión resulte en un coste para el Grupo (incluyendo impuestos o pérdidas de activos fiscales) superior a un importe total de 5.000.000 euros); y (iii) cualesquiera contratos de arrendamiento de inmuebles cuya cesión o transmisión permita al arrendador incrementar el alquiler o a rescindir el contrato de arrendamiento. • Podría darse una suscripción incompleta de 105.552.246,60 euros del Segundo Tramo de la Oferta, como consecuencia de lo cual la Sociedad podría enfrentarse a un déficit de tesorería a medio y largo plazo, por lo que podría ser incapaz de implementar su futuro plan de negocio. Como consecuencia de este déficit de caja, el Grupo podría tener que adquirir líneas de financiación adicionales (hasta 100 millones de euros, según lo permitido por los Nuevos Acuerdos de Financiación), pero el acceso a las líneas de financiación podría ser limitado. • El Grupo está expuesto a diversos riesgos fiscales. En particular, la sociedad matriz del Grupo en Brasil ("**DIA Brasil**") ha recibido el resultado de las inspecciones realizadas en las cuentas de 2014, que han dado como resultado una deuda actualizada de 102,295 millones de euros (445,094 millones de BRL) correspondientes a los diferentes impuestos federales indirectos (i) PIS y (ii) COFINS (ambos son contribuciones a nivel federal calculadas en base a un porcentaje sobre ventas). No obstante, según los informes elaborados por dos despachos de abogados, la Sociedad ha considerado que el riesgo de perder este recurso es remoto/posible en su mayor parte, por lo que al 30 de junio de 2019 sólo ha registrado una provisión de 1,264 millones de euros (5,500 millones de BRL). Adicionalmente, DIA Brasil ha recibido dos notificaciones de la Administración Tributaria brasileña relativas a las cuentas del ejercicio 2010, una por un importe actualizado de 16,519 millones de euros (71,874 millones de BRL) en relación con la discrepancia en el impuesto sobre la renta por descuentos a proveedores, y la otra por omisión de ingresos por circulación de bienes por un importe actualizado de 80,227 millones de euros (349,076 millones de BRL). Los asesores jurídicos externos del Grupo siguen considerando remota la probabilidad de un resultado desfavorable, por lo que la sociedad no ha realizado provisiones. • El Grupo está sujeto a riesgos asociados a sus mercados internacionales y a la volatilidad de las divisas. El Grupo opera directamente en cuatro países, España, Portugal, Brasil y Argentina, y en el semestre finalizado el 30 de junio de 2019 obtuvo el 31,2% de sus ingresos por ventas fuera de España y Portugal (14,2% de Argentina y 17,0% de Brasil). En el primer semestre de 2019, el BRL y el ARS cayeron un 4,7% y un 44,7% (Fuente: Bloomberg), respectivamente, frente al euro en comparación con el mismo periodo del año anterior. Como resultado, el Grupo sufrió un efecto negativo en ventas del 6,5% por la conversión de moneda extranjera, positivo en EBITDA del 3,3% y un 56,5% negativo en pérdidas netas. Los fondos propios sufrieron un efecto positivo por la conversión de moneda extranjera de 4,6 millones de euros y otros 8,1 millones de euros positivos por la aplicación de las IAS29 en economías con hiperinflacción para el semestre finalizado el 30 de junio de 2019. Los resultados de las operaciones del Grupo podrían verse afectados negativamente si el euro se fortaleciera frente a monedas distintas del euro y sus estrategias de protección no tuvieran éxito. • El valor del inmovilizado material, del fondo de comercio, de los activos materiales y de otros activos intangibles del Grupo puede disminuir aún más en el futuro. Durante el año 2018, el Grupo reconoció una pérdida total por el deterioro de activos no corrientes de 79,9 millones de euros, deterioro de los deudores comerciales por valor de 27,8 millones de euros, pérdidas por la disposición de activos por valor de 25,4 millones de euros y un deterioro de activos de operaciones discontinuadas por valor de 37,7 millones de euros. A 30 de junio de 2019, el Grupo registró una pérdida total por deterioro del valor de los activos no corrientes de 11,6 millones de euros, un deterioro de los deudores comerciales de 35,8 millones de euros, pérdidas por enajenación de activos fijos de 51,6 millones de euros y un deterioro del valor de los activos procedentes de operaciones interrumpidas de 4,2 millones de euros. Una disminución significativa de los flujos de efectivo futuros esperados del Grupo, un cambio significativo en los tipos de interés o un cambio adverso significativo en el clima de negocios que provoque un crecimiento más lento podría obligar al Grupo a reducir el valor del fondo de comercio y de otros activos intangibles. • Una disminución continuada de los ingresos operativos del Grupo y de los ingresos sujetos a tributación puede afectar a su capacidad para obtener el valor de sus activos por impuestos diferidos. Dado el deterioro del rendimiento financiero del Grupo durante 2018, el Grupo aplicó un deterioro de 160,3 millones de euros de activos por pérdidas fiscales trasladables con un periodo de recuperación superior a diez años y de 9,7 millones de euros de otros activos por impuestos diferidos (deterioro total de 170,5 millones de euros). Como resultado, los activos por impuestos diferidos a 31 de diciembre de 2018 ascendieron a 73,3 millones de euros, frente a los 272,3 millones de euros a 31 de diciembre de 2017. A 30 de junio de 2019, los activos por impuestos diferidos ascendían a 95,1 millones de euros. Una disminución significativa en el rendimiento financiero del Grupo, o el fracaso en la ejecución del plan de negocios futuro del Grupo, podría afectar negativamente los resultados de la evaluación del Grupo sobre la recuperabilidad de sus activos por impuestos diferidos y provocar el deterioro de estos activos. • El Grupo tendrá endeudamiento una vez finalizada la Oferta, lo que puede restringir significativamente sus operaciones. La deuda del Grupo y los covenants de los Nuevos Acuerdos de Financiación y los Bonos en circulación podrían tener consecuencias importantes para la Sociedad. El Grupo se enfrentará a vencimientos muy relevantes de su deuda a largo plazo en 2021 de 378,2 millones de euros (300 millones de euros correspondientes a los bonos 2021) y entre 2022 y septiembre de 2023, 988,2 millones de euros (correspondientes principalmente a los bonos 2023 junto con las líneas de crédito revolving, los préstamos a plazo y las diferentes líneas de financiación de los Nuevos Acuerdos de Financiación). Adicionalmente, el Grupo tiene 99,7 millones de euros de deuda con fecha de vencimiento anterior a septiembre de 2020 (principalmente, líneas de financiación bilaterales con entidades que no son parte de los Nuevos Acuerdos de Financiación, por un importe de 59,5 millones de euros). El hecho de que el Grupo no pague, prorrogue o refinancie sus vencimientos puede hacer que el Grupo tenga que hacer frente a un déficit de caja como consecuencia del cual no pueda mantener sus operaciones actuales y continuar como empresa en marcha. Debido al desempeño de la Sociedad durante el último año, la Sociedad tiene un alto ratio de apalancamiento en términos de EBITDA generado. La Sociedad se enfrenta a restricciones operativas tales como limitaciones de capital y una financiación apalancada adicional de 100 millones de euros. • El accionista principal de la Sociedad ha realizado varias operaciones vinculadas con la Sociedad, tras la adquisición de una participación mayoritaria por LetterOne como resultado de la oferta pública de adquisición de acciones de la Sociedad el 22 de mayo de 2019. La Sociedad y las siguientes sociedades del grupo LIHS han realizado las siguientes transacciones con partes vinculadas: (i) dos préstamos participativos con fines lucrativos concedidos por LetterOne a la Sociedad, por un importe de 490.000.000 euros. de capital y 2.280.000 euros de intereses a 30 de septiembre de 2019, (ii) un contrato de servicios de gestión, suscrito por L1 Retail (UK) LLP y L1 Retail (Jersey) LLP por el cual la Sociedad abona anualmente hasta un máximo de 5.000.000 de euros a las sociedades mencionadas, (iii) la Carta de Compromiso del Tramo de TL (tal y como se define a continuación), en virtud de la cual LetterOne se compromete a proporcionar (o a conseguir de otro modo su provisión por parte de terceros) 200.000.000 de euros a la Sociedad a un tipo del 7%, y (iv) el compromiso de suscripción de hasta 500.000.000 euros de la Oferta, incluyendo el aseguramiento de hasta 81.445.000,40 euros en el Segundo Tramo sujeto a las condiciones ahí establecidas, en virtud del cual la Sociedad paga una comisión de 3.868.637,519 euros. Todas estas operaciones se han aprobado tras informe emitido por la Comisión de Auditoría y Cumplimiento de la Sociedad. Asimismo, el Consejo de Administración de la Sociedad ha aprobado las citadas operaciones. Para dicha aprobación, los consejeros dominicales, que han sido nombrados por LetterOne, se han abstenido de deliberar sobre los acuerdos en cuestión y se han adherido al voto de los consejeros independientes, habiéndose aprobado estas operaciones por unanimidad siguiendo este procedimiento. La Sociedad considera que todas estas transacciones se han realizado en condiciones de mercado y de la manera en la que más se ajusta al interés social de la Sociedad. Como consecuencia de las

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operaciones mencionadas, realizadas entre la Sociedad y varias sociedades del grupo LIHS, DIA tiene cierta dependencia de su accionista mayoritario.

- Cualquier fallo, insuficiencia o ruptura en los controles internos del Grupo sobre el sistema de control interno de información financiera podría tener un efecto material adverso en el negocio, los resultados operativos, la situación financiera o las perspectivas del Grupo. En el contexto de la revisión de las perspectivas de resultados del Grupo para el ejercicio cerrado a 31 de diciembre de 2018, que reveló la existencia de prácticas contables irregulares en España y Brasil y que condujo a la reexpresión de los estados financieros del Grupo para los ejercicios cerrados a 31 de diciembre de 2017 y 2016 y a una investigación por parte de la Fiscalía Anticorrupción, estas investigaciones podrían afectar negativamente al negocio del Grupo o dar lugar al inicio de procedimientos judiciales contra el Grupo, lo que podría tener un efecto adverso importante en el negocio, los resultados de explotación, la situación financiera o las perspectivas del Grupo.
- La industria a la que pertenece el Grupo es altamente competitiva. El modelo de negocio de franquicia es altamente competitivo, tanto en España como a nivel internacional, y sigue caracterizándose por una intensa competencia de precios, una creciente fragmentación de los formatos minoristas y la entrada de competidores no tradicionales (tanto físicos como online). Conforme a las consideraciones anteriores, Una mayor competencia podría provocar una pérdida de cuota de mercado y obligar al Grupo a modificar su estrategia de crecimiento.

Información fundamental sobre las Nuevas Acciones

¿Cuáles son las principales características de las Nuevas Acciones?

Clase, divisa y tipo de valor

Nuevas Acciones en el Primer Tramo (tal y como se define a continuación) y Nuevas Acciones en el Segundo Tramo (tal y como se define a continuación) de 0,01 euros de valor nominal cada una, con Código ISIN número ES0126775040.

El Código ISIN asignado a las acciones actuales (las "**Acciones**") es ES0126775032, y las Nuevas Acciones tendrán el mismo Código ISIN que las Acciones una vez se complete la Oferta y se admitan a cotización. Las Acciones son de la misma clase y la Sociedad no tiene actualmente otra clase de acciones. Las Nuevas Acciones están denominadas en euros y tendrán el mismo rango que las Acciones, incluso en lo que se refiere al derecho a percibir dividendos aprobados por los accionistas una vez inscrita la titularidad de dichas Nuevas Acciones en los registros de anotaciones en cuenta de la Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. ("**Iberclear**"). Las Acciones otorgan a sus propietarios los derechos establecidos en los Estatutos Sociales y en la Ley de Sociedades de Capital.

Política de dividendos

Los Nuevos Acuerdos de Financiación restringen la posibilidad de la Sociedad de declarar o repartir ningún dividendo o hacer ningún otro pago o distribución sobre o con respecto a su capital social, hasta que los préstamos sindicados hayan sido amortizados en su totalidad (lo cual, conforme a los Nuevos Acuerdos de Financiación sucederá el 31 de marzo de 2023). La Sociedad únicamente podrá distribuir dividendos a sus accionistas antes de la amortización íntegra de los préstamos sindicados si obtiene el consentimiento previo de los Acreedores cuyos créditos representen más del 75% del total de los créditos. Cualquier distribución de dividendos realizada sin dicho consentimiento previo se considerará un supuesto de incumplimiento de los Nuevos Acuerdos de Financiación.

Asimismo, LetterOne comunicó en el folleto de la oferta pública de adquisición que no creía que fuera razonable que la Sociedad distribuyera dividendos en los próximos años y que esperaría hasta que los resultados derivados de la implantación de la nueva estrategia de la Sociedad fueran apreciables.

¿Dónde cotizarán las Nuevas Acciones?

Número de acciones emitidas y admisión en las Bolsas de Valores españolas

La Oferta se referirá a 6.055.522.466 Nuevas Acciones a un Precio de Subscripción de 0,10 euros por Nueva Acción (importe nominal de 0,01 euros, más prima de emisión de 0,09 euros). La Sociedad espera que las Nuevas Acciones emitidas en la Oferta comiencen a cotizar en las Bolsas de Valores de Barcelona, Bilbao, Madrid y Valencia (las "**Bolsas de Valores Españolas**") desde el, o entorno al, 29 de noviembre de 2019. La Sociedad comunicará los acontecimientos relevantes en la Oferta a través de hechos relevantes.

Las Acciones están admitidas a negociación en las Bolsas de Valores españolas y se negocian a través del Sistema de Interconexión Bursátil o Mercado Continuo de las Bolsas de Valores españolas.

Autoridad Competente

Este Folleto ha sido aprobado por la Comisión Nacional del Mercado de Valores (la "**CNMV**") el 25 de octubre de 2019. La CNMV es la autoridad competente en España en relación con el presente Folleto.

Los inversores pueden contactar con la CNMV a través de su teléfono de ayuda al inversor +34 900 535 015.

¿Cuáles son los principales riesgos asociados a las Nuevas Acciones?

No Aplica.

¿Cuáles son los riesgos esenciales específicos de las Nuevas Acciones?

Información fundamental sobre los principales riesgos específicos de las Nuevas Acciones

- El precio de mercado de las Nuevas Acciones puede descender por debajo del precio de suscripción y es posible que los accionistas no puedan vender sus Acciones y/o derechos de suscripción preferente a un precio favorable durante o después de la Oferta. La venta de un número significativo de Acciones puede afectar a su precio de negociación.
- La capacidad del Grupo para pagar dividendos a sus accionistas es incierta y puede estar restringida. En particular, los Nuevos Acuerdos de Financiación restringen la posibilidad de la Sociedad de declarar o repartir ningún hasta que los préstamos sindicados hayan sido amortizados en su totalidad (con fecha final de vencimiento el 31 de marzo de 2023). La única excepción a esta restricción se daría si la Sociedad obtuviera el consentimiento previo de los Acreedores cuyos créditos representen más del 75% del total de los créditos.
- El accionista principal de la Sociedad puede ejercer el control significativo sobre ella, y sus intereses pueden entrar en conflicto con los de otros accionistas.

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LetterOne posee Acciones representativas del 69,759% del capital social de DIA. Como consecuencia, LetterOne está en condiciones de ejercer una influencia significativa sobre la Sociedad o incluso controlarla, y sus intereses pueden entrar en conflicto con los de otros accionistas. El accionista principal forma parte de la división retail de LIHS que puede, como parte de la estrategia de inversión de LetterOne, llevar a cabo inversiones en otros negocios dentro del sector retail, ya sean competidores o no de la Sociedad. • Los accionistas que no adquieran Nuevas Acciones en la Oferta de Suscripción verán diluida su participación en el Grupo. Si algún accionista no acepta la oferta de Nuevas Acciones de la Oferta por cualquier razón, verá reducida en consecuencia su participación proporcional, sus derechos de voto y el porcentaje que sus acciones representen sobre el total del capital social del Grupo, sufriendo una dilución de su participación en el Grupo de un 90,68% (suponiendo que el asegurador o terceros suscriban íntegramente la ampliación de capital, la participación de los restantes accionistas, excluyendo a los accionistas significativos y las acciones en autocartera, ascendería al 2,48% del capital social de la Sociedad).
Información fundamental sobre la Admisión
¿Bajo qué condiciones y plazos puedo invertir en las Nuevas Acciones?

Descripción de los términos y condiciones de la emisión

LetterOne, como accionista principal de la Sociedad, otorgó dos préstamos participativos a la Sociedad. El primer préstamo participativo se concedió el 28 de mayo de 2019 por un importe de 40.000.000 euros (el "**Primer Préstamo Participativo**"). El segundo préstamo participativo de otorgó el 26 de junio de 2019 por un importe de 450.000.000 euros (el "**Segundo Préstamo Participativo**", el cual conjuntamente con el Primer Préstamo Participativo se definen como los "**PPLs**"). La fecha de amortización de ambos PPLs es el 28 de noviembre de 2019.

El 20 de septiembre de 2019, la Sociedad y LetterOne firmaron una carta por la que acordaban que los PPLs, en la medida en que fuera necesario para su capitalización, vencerían y serían pagaderos automáticamente en la fecha de su capitalización, de acuerdo con los términos y condiciones establecidos en este Folleto.

El 22 de octubre de 2019 la Junta General Extraordinaria de Accionistas de la Sociedad aprobó un acuerdo por el cual se aprobaba el aumento del capital social para aumentar los fondos propios de la Sociedad en 605.552.246,60 euros mediante la emisión de 6.055.522.466 Nuevas Acciones con un Precio de Suscripción de 0,10 euros por Nueva Acción:

(iii) Primer Tramo: aumento del capital social a realizar mediante la capitalización de los derechos de crédito que LetterOnce ostenta frente a la Sociedad bajo el Primer Préstamo Participativo, por un importe nominal de 41.855.499,96 euros y un importe efectivo de 418.554.999,60 euros, mediante la emisión y puesta en circulación de 4.185.549.996 nuevas acciones ordinarias de 0,01 euros de valor nominal cada una, con una prima de emisión de 0,09 euros por acción. La cuantía del Primer Tramo (418.554.999,60 euros) equivale a la parte proporcional del importe total del Aumento de Capital a la que LetterOne tendría derecho a suscribir teniendo en cuenta su participación actual en DIA (69,759%) si se hubiera realizado un único aumento de capital social por importe de 600.000.000 euros totalmente desembolsado en efectivo (el "**Primer Tramo**").

(iv) Segundo Tramo: aumento del capital social a realizar mediante aportaciones dinerarias, con derecho de suscripción preferente, dirigida a todos los accionistas de la Sociedad diferentes a LetterOne, esto es, los titulares del 30,241% del capital social de la Sociedad, por un importe de 18.699.724,70 euros mediante la emisión y puesta en circulación de 1.869.972.470 nuevas acciones adicionales de 0,01 euros de valor nominal, con una prima de emisión de 0,09 euros por acción (el "**Segundo Tramo**").

LetterOne ha renunciado formalmente a su derecho de suscripción preferente en el Periodo de Suscripción Preferente de este Segundo Tramo, considerando que su parte proporcional del Aumento del Capital Social estará cubierta con el Primer Tramo. Sin embargo, en caso de que el Segundo Tramo no esté íntegramente suscrito durante el Periodo de Suscripción Preferente, LetterOne podrá solicitar un máximo de 814.450.004 acciones adicionales en el Periodo de Adjudicación Adicional o en el Periodo de Adjudicación Discrecional del Segundo Tramo, lo que supondrá que su participación en el Aumento de Capital Social no podrá exceder de 5.000.000.000 acciones (o 500.000.000 euros). En caso de que LetterOne solicite acciones en el Periodo de Adjudicación Adicional o en el Periodo de Adjudicación Discrecional del Segundo Tramo, la aportación será (a) en primer lugar por capitalización de los PPLs (hasta un máximo de 71.445.000,40 euros), y (b) en segundo lugar mediante aportaciones dinerarias (hasta 10.000.000 euros).

El Primer Tramo y el Segundo Tramo se definen conjuntamente como la Oferta

Conforme a los términos y condiciones aquí establecidos, la Sociedad concede, en relación con el Segundo Tramo, derechos de suscripción transferibles a los titulares de acciones ordinarias de la Sociedad que hayan adquirido sus Acciones a más tardar el 29 de octubre de 2019 (la fecha en la que se espera la publicación en el Boletín Oficial del Registro Mercantil o "**BORME**" de la Oferta) y aparezcan como accionistas de la Sociedad en Iberclear a más tardar el 31 de octubre de 2019 a las 23:59 horas (los "**Accionistas Legitimados**"). Cada Acción propiedad de los Accionistas Legitimados (diferentes a LetterOne) da derecho a su titular a recibir 10 Derechos de Suscripción Preferente en el Segundo Tramo. El ejercicio de un Derecho de Adquisición Preferente da derecho al titular a suscribir 1 Nueva Acción a cambio del pago en efectivo de un precio de suscripción de 0.10 euros por cada Nueva Acción, que se conoce como el "**Precio de Suscripción**".

El Precio de Suscripción, que deberá pagarse en euros, es de 0,10 euros por Nueva Acción. El Precio de Suscripción representa un descuento implícito del 22,0% sobre el valor teórico del derecho de suscripción preferente (*theoretical ex-right Price* o TERP) (0,1282 euros basado en el precio de cierre de la Acción de 0,41 euros el 22 octubre de 2019 un 75,6% de descuento sobre el precio de mercado de la acción el último día de negociación anterior a la fecha de este Folleto, 79,84% de descuento sobre el precio medio de mercado de la acción durante el último trimestre y un 82,4 de descuento del precio medio de mercado de la acción durante el último año.

La Oferta, si se suscriben todas las Nuevas Acciones, dará resultado a un aumento de 6.055.522.466 Acciones emitidas. El capital social de la Sociedad aumentara de 622.456.513 Acciones a 6.677.978.979 Acciones, lo que se corresponde con un aumento del 972,84% tras la formalización de la Oferta.

LetterOne se comprometió a suscribir hasta 500.000.000 euros de la Oferta, que incluye el aseguramiento de un importe máximo (nominal más prima de emisión) de 81.445.000,40 euros del Segundo Tramo, siempre que la suma del Primer Tramo y el importe suscrito por el resto de accionistas de la Sociedad o por aquellos inversores que adquieran derechos de suscripción preferente tras la finalización del Periodo de Suscripción Preferente, el Periodo de Adjudicación Adicional y el Periodo de Adjudicación Discrecional (tal y como se define a continuación) sea inferior a 500.000.000 euros (el "**Compromiso de Aseguramiento**"). Si LetterOne adquiere Nuevas Acciones en Segundo Tramo, el Precio de Suscripción de cada Nueva Acción se satisfará (a) en primer lugar mediante una capitalización de los PPLs (hasta un máximo de 71.445.000,40 euros), y (b) en segundo lugar mediante aportaciones dinerarias (hasta 10.000.000 euros).

El 24 de octubre de 2019, la Sociedad suscribió un Compromiso de Aseguramiento, regido por la legislación española, con LetterOne como asegurador. Por otro lado, Banco Bilbao Vizcaya Argentaria, S.A., actúa como Banco Agente (el "**Banco Agente**"), respecto a las Nuevas Acciones de la Oferta.

Introducción y advertencias

LetterOne recibirá una comisión de 3.868.637,519 euros como contraprestación por el Compromiso de Aseguramiento.

Suscripción de Nuevas Acciones en el Segundo Tramo

(i) El Período de Suscripción Preferente comenzará el primer día natural siguiente a la publicación de la Oferta en el BORME y durará hasta el decimoquinto día natural posterior. Durante el Período de Suscripción Preferente, los Accionistas Legitimados (sin incluir a LetterOne) podrán vender la totalidad o parte de sus Derechos de Suscripción Preferente o, alternativamente, suscribir, total o parcialmente, Acciones Nuevas del Segundo Tramo, sin perjuicio de las restricciones aplicables a la transmisión descritas en el presente Folleto, mientras que otros inversores podrán adquirir Derechos de Suscripción Preferente en el mercado en la proporción requerida y suscribir las correspondientes Acciones Nuevas del Segundo Tramo. Tanto los Accionistas Legitimados como otros inversores que adquieran y ejerzan los Derechos de Suscripción Preferente adquiridos, en todo o en parte, podrán suscribir Acciones Nuevas adicionales durante el período de asignación adicional, que se espera que tenga lugar a más tardar el 20 de noviembre de 2019 (el "**Período de Asignación Adicional**"), tal y como se describe en el presente Folleto. Para evitar dudas, se considerará que LetterOne ha ejercido su Derecho de Suscripción Preferente suscribiendo el Primer Tramo, en la medida en que equivale al Derecho de Suscripción Preferente correspondiente a LetterOne en la Oferta.

(ii) Los Derechos de Suscripción Preferente no ejercidos dentro del Período de Suscripción Preferente expirarán sin valor. Suponiendo que las Acciones Nuevas estén totalmente suscritas, representarán aproximadamente el 972,84% del capital social emitido y desembolsado de la Sociedad en la fecha de inscripción de la reducción de capital en el Registro Mercantil de Madrid y aproximadamente el 90,68% del capital social emitido y desembolsado de la Sociedad tras la realización de la Oferta.

(iii) Las Acciones Nuevas del Segundo Tramo que no se suscriban durante el Período de Suscripción Preferente o el Período de Asignación Adicional podrán ofrecerse a Accionistas Legitimados (incluido para evitar dudas LetterOne) o a inversores cualificados que muestren interés en adquirir Acciones Nuevas del Segundo Tramo durante un período de asignación discrecional que se espera que comience en cualquier momento después de la finalización del Período de Asignación Adicional y finalice a más tardar a las 16:00 p.m. hora de Europa Central y Oriental el 21 de noviembre de 2019 (el "**Período de Asignación Discrecional**").

(iv) LetterOne tendrá derecho a suscribir Acciones Nuevas en el Segundo Tramo, ya sea en el Período de Asignación Adicional o en el Período de Asignación Discrecional, en primer lugar, mediante capitalización de los PPLs y, en segundo lugar, mediante aportaciones en efectivo.

(v) Las Acciones Nuevas del Segundo Tramo que queden sin suscribir después de dicho Período de Asignación Discrecional, conforme a los términos y limitaciones del Compromiso de Aseguramiento, serán suscritas por LetterOne como asegurador de la Oferta (el "**Asegurador**") al Precio de Suscripción.

Calendario previsto

En el siguiente resumen del calendario se enumeran algunas fechas relevantes relacionadas con la Oferta:

Hecho principal	En o en torno a
Comienzo del Periodo de Suscripción Preferente y del plazo para solicitar la asignación de Nuevas Acciones (si procede) durante el Periodo de Adjudicación Adicional[(1)]	30 de octubre de 2019
Fin del Periodo de Suscripción Preferente y del periodo para solicitar la asignación de Nuevas Acciones (si procede) durante el Periodo de Adjudicación Adicional	13 de noviembre de 2019
Periodo de Adjudicación Adicional (si procede)	21 de noviembre de 2019
Comienzo del Periodo de Adjudicación Discrecional	21 de noviembre de 2019
Fin del Periodo de Adjudicación Discrecional (si procede)	22 de noviembre de 2019
Admisión a cotización y negociación de las Nuevas Acciones por la CNMV y por las Bolsas de Valores españolas	29 de noviembre de 2019
Previsión del inicio de cotización de las Nuevas Acciones en las Bolsas de Valores españolas	2 de diciembre de 2019

Nota:

(1) La inscripción de la escritura de reducción de capital en el Registro Mercantil es una condición para el comienzo del Periodo de Suscripción Preferente y la cotización de los Derechos de Suscripción Preferente. La inscripción de la reducción de capital se comunicará al mercado mediante hecho relevante.

Gastos estimados imputados al inversor por el emisor

No aplica. La sociedad no imputará ningún gasto a ningún inversor en relación con la Oferta.

¿Por qué se ha redactado el Folleto?

Motivos de la emisión, utilización de los ingresos

La Oferta se está llevando a cabo en el contexto de una serie de medidas que el Grupo ha implementado y/o que está tratando de implementar (o, dependiendo del caso, ha comenzado a implementar).

El importe neto de la Oferta, que se espera que sea de 181,308 millones euros, se utilizará, por orden de preferencia (i) para reembolsar los PPLs otorgados por LetterOne, en el caso de que los PPLs no estén totalmente capitalizados como consecuencia de la Oferta (un máximo de 71.445 millones euros); (ii) pagar los gastos financieros por el adelanto de fondos bajo los PPLs, que a 30 de septiembre de 2019 ascendían a 2.280 millones de euros; y (iii) para financiar otros gastos corporativos destinados a la ejecución del nuevo plan de negocio del Grupo desarrollado bajo la estrategia de transformación de DIA. En el caso de una suscripción completa del Segundo Tramo por Accionistas Legitimados (diferentes a LetterOne), el importe pendiente de los PPLs (cualquier cantidad no capitalizada) será reembolsado con dichos ingresos netos. En el supuesto de que se suscribiera íntegramente el Segundo Tramo, tras la amortización íntegra de los PPLs, intereses financieros y gastos financieros y legales, la Sociedad recibiría 107,581 millones de euros en efectivo, que se destinarían principalmente a financiar el diseño y ejecución del futuro plan de negocio de la Sociedad. En el caso de que la Oferta no sea suscrita en su totalidad, pero LetterOne suscriba un importe adicional de 71,445 millones de euros en el Segundo Tramo (ya sea en el Periodo Adicional de Asignación o con parte de su Compromiso de Aseguramiento), también se capitalizará la totalidad del valor nominal de los PPLs y LetterOne aportaría otros 10 millones de euros en efectivo. El importe total de los PPLs ha sido utilizado por la Sociedad para amortizar los bonos con vencimiento en julio de 2019 y para financiar las necesidades de liquidez de la Sociedad.

Dilución

Introducción y advertencias
Una vez finalizada la Oferta, y suponiendo que (i) todas las Nuevas Acciones ofrecidas sean suscritas y emitidas, (ii) los Accionistas Legitimados opten por transferir sus Derechos de Suscripción Preferente y no utilizarlos para suscribir Nuevas Acciones, y (iii) dichos terceros utilicen los Derechos de Suscripción Preferente para suscribir las Nuevas Acciones, las participaciones en la Sociedad anteriores a la Oferta se diluirán hasta en un 90,68% como consecuencia de la Oferta.

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