22 February 2018

Audited

DIA

FY/2017

Financial summary

- Gross sales amounted to EUR10.3bn in 2017, implying 1.5% growth ex-currency. In Spain, gross sales declined by 3.8%, in line with a 3.9% space reduction carried out during the year.
- The group's LFL grew by 3.4% in 2017, up by 0.3% in Iberia. In Q4 2017, same-store sales accelerated both in Iberia and Emerging markets, with 1.1% and 8.6% growth rates respectively.
- Adjusted EBITDA amounted to EUR568.6m in 2017, 8.9% down ex-currency. This decline is due to the strong price investment in the Dia stores in Spain during the second half of 2017, which was reflected in a 16% decline in Iberia to EUR426.3m. In Emerging Markets, adjusted EBITDA increased by 18.4% to EUR142.3m (+21.4% ex-currency).
- Strict financial discipline was maintained during 2017, with capex of EUR302.6m, of which 45% in Emerging Markets (vs. 35% in 2016). Net debt was EUR891m, broadly stable versus the same period last year. The net debt to adjusted leverage ratio was 1.6x.
- The Board of Directors will propose a dividend of EUR0.18 per share. Since its listing in July 2011, DIA has allocated EUR1.05bn to shareholder remuneration.

Strategic and operating highlights

- After a challenging year for Dia Spain, the format has started out in 2018 with a much better competitive position. In 2017, DIA completed the space optimisation of the acquisitions carried out in 2014 and 2015. In 2018, DIA will resume the expansion of store selling area in Spain.
- DIA upgraded 613 stores in Iberia during 2017, twice the number that it upgraded in 2016. The newly remodelled Dia and La Plaza stores are delivering exceptional results, which allow us to be optimistic for 2018 given the more than 1,000 store upgrades planned for the year.
- Online sales amounted to EUR58m in Spain in 2017, 2.4x higher than in 2016. With a 10% share of Spanish online food retail, DIA consolidated its leading position in the market.
- Business in Argentina and Brazil continued to make outstanding progress in 2017, with steady growth in market share and profitability ratios in both countries.

Business performance (€m)	2016	2017	Change	Change (ex-FX)
Gross sales under banner	10,314	10,334	0.2%	1.5%
LFL Iberia (1)	1.0%	0.3%	-	-
LFL Emerging Markets (1) (2)	19.1%	8.6%	-	-
Adjusted EBITDA (3)	627.9	568.6	-9.4%	-8.9%
Net debt	878.3	891.3	1.5%	-
Underlying EPS	0.44€	0.36€	-19.0%	-19.0%

IFRS measures (€m)	2016	2017	Change	Change (ex-FX)
Net sales	8,669	8,621	-0.6%	0.6%
Operating income (EBIT)	309.5	247.1	-20.2%	-19.5%
Basic EPS	0.28€	0.18€	-36.9%	-38.2%

(1) Ex-calendar, (2) At local currency, (3) Adjusted by other items excluded from adjusted EBIT.

Comments by CEO Ricardo Currás

"2017 was the first year since our listing in 2011 that we have not met our financial targets. Our results were lower than the revised guidance issued in October, as the investment in prices was higher than initially anticipated. Our decision to maintain our price leadership in Spain had an impact on our margins that could not be offset by the cost-saving efforts and benefits captured by our procurement alliances. However, our customers have appreciated our new commercial initiatives and we have significantly improved our LFL sales growth in Spain, achieving positive figures in Iberia in Q4 2017. Despite the aggressive pricing policy executed, the Dia banner achieved an adjusted EBITDA margin of more than 8% in Spain, while La Plaza and Clarel continued to increase their operating margins during 2017.

With the exception of Spain, all the other countries in which DIA is present (Brazil, Argentina, and Portugal) met the targets set for the year. I would like to highlight the strong performance of our business in Latin America, where the sharp decline in inflation and weak consumer confidence slowed down sales growth. However, these challenging scenarios did not prevent DIA from gaining significant market share both in Argentina and Brazil, while these countries also improved their profitability rates.

In 2017, DIA closed the remaining non-profitable El Árbol and Clarel stores in Spain, completing the integration of the acquisitions carried out in 2014 and 2015. In parallel, DIA worked hard to significantly cut operating costs and inventories, becoming a leaner company. In the last year, customer satisfaction clearly improved in the more than 500 remodelled stores in Spain, and our franchised partners confirmed their positive opinions, with a steady improvement of the satisfaction index, and particularly in terms of business profitability.

We have started 2018 on a good note, being more price-competitive than a year ago, operating in a leaner way and with a very efficient and market-proven plan to remodel proximity stores that represent around 50% of Dia's sales in Spain. In 2018, DIA will also step up store openings in all countries and is going to speed up its e-commerce projects. This incremental sales growth, together with additional benefits coming from our procurement alliances, will be the pillars to increase the generation of cash from operations in 2018".

2018 outlook [1]

IBERIA

- The company forecasts top-line growth with positive LFL throughout the year.
- DIA expects adjusted EBITDA to grow in 2018.

EMERGING MARKETS

- The expansion of stores in Brazil and Argentina is set to accelerate in 2018.

GROUP OBJECTIVES

- Continued cost-efficiency improvement in 2018.
- Double-digit growth of Cash from Operations.
- Capex aligned with 3.5% to 4.0% over net sales long-term guidance, with growing weight of Emerging Markets.

(1) This 2018 outlook is based on the assumption of stable currencies without taking M&A transactions into account.

Like-for-like summary 2017

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017
Like-for-like					
Iberia	0.7%	-0.5%	-1.3%	-0.1%	-0.3%
Emerging markets	10.0%	10.4%	6.5%	7.3%	8.4%
TOTAL DIA	**3.9%**	**3.4%**	**1.6%**	**2.8%**	**2.9%**
Calendar effect					
Iberia	-0.1%	-1.7%	0.2%	-1.2%	-0.6%
Emerging markets	-0.1%	-0.3%	0.4%	-1.0%	-0.2%
TOTAL DIA	**-0.1%**	**-1.2%**	**0.3%**	**-1.1%**	**-0.5%**
Like-for-like (ex-calendar)					
Iberia	**0.8%**	**1.2%**	**-1.5%**	**1.1%**	**0.3%**
Emerging markets	**10.1%**	**10.7%**	**6.1%**	**8.3%**	**8.6%**
TOTAL DIA	**4.1%**	**4.6%**	**1.3%**	**3.9%**	**3.4%**

Sales Performance

Group

In 2017, gross sales under banner grew by 0.2% in Euros to EUR10.33bn. In local currency, the growth rate was 1.5%, which reflects a 1.3% negative currency effect.

In Q4 2017, gross sales under banner decreased by 3.4% to EUR2.6bn, with a 5.2% negative currency effect (a 1.8% increase ex-currency).

Ex-calendar comparable sales growth amounted to 3.4% in 2017, with a 3.9% rise in Q4 2017.

In Q4 2017 and FY 2017, all the DIA countries achieved positive comparable LFL growth rates.

Iberia

2017 gross sales under banner declined by 3.3% to EUR6.59bn, with comparable sales of 0.3% and a 3.0% negative contribution from space (both permanent and temporary closings related to remodelling). The negative sales performance was due to Spain, where gross sales under banner fell by 3.8% in 2017, in line with the reduction of store selling area. In Portugal, gross sales under banner grew by 0.6% to EUR853m.

In Q4 2017, gross sales amounted to EUR1.66bn, down by 2.9%. This decline was also due to space reduction, as "ex-calendar" LFL rose by 1.1% in the standalone quarter.

During 2017, DIA continued to make progress in its network, with the upgrade of 613 stores, doubling the 2016 figure of 307.
This store upgrade plan, apart from enhancing the customer experience, reinforces DIA's product offering with new categories.

Clarel's gross sales under banner in Iberia rose by 2.6% to EUR358m in 2017, with a weak year-end in Catalonia, where the format operates more than 650 stores.

Gross sales under banner at La Plaza stores amounted to EUR813m in 2017, down by 6.2%, which compares with an 11.6% decline in the store selling area.

Emerging Markets

In 2017, gross sales under banner grew by 7.0% in Euros to EUR3.74bn and by 10.8% ex-currency, reflecting a 3.8% negative effect from FX.

Q4 2017 gross sales in Euros decreased by 4.2% to EUR0.94bn, which reflects a 14.2% negative impact from the depreciation of the Argentinean Peso and Brazilian Real seen in the quarter.

In 2017, comparable sales amounted to 8.6% (excluding a -0.2% calendar effect), while in the last quarter it amounted to 8.3%.

Comparable sales growth in emerging markets slowed down in 2017 versus 2016 due to the significant decline in inflation seen in both Argentina and Brazil throughout the year. Food inflation continued to decline during the last quarter of 2017, both in Argentina and Brazil. In Brazil, average food deflation in Q4 2017 amounted to -5.1%. Despite this negative contributing factor, comparable sales improved notably in Brazil during the period, reaching mid-single-digit growth rates in the standalone quarter.

Gross Sales Under Banner

(€m)	2016	%	2017	%	Change	FX effect	Change (ex-FX)
Spain	5,966.6	57.9%	5,736.9	55.5%	-3.8%	0.0%	-3.8%
Portugal	848.0	8.2%	852.8	8.3%	0.6%	0.0%	0.6%
IBERIA	**6,814.6**	**66.1%**	**6,589.7**	**63.8%**	**-3.3%**	**0.0%**	**-3.3%**
Argentina	1,642.6	15.9%	1,747.6	16.9%	6.4%	-15.1%	21.5%
Brazil	1,856.5	18.0%	1,997.1	19.3%	7.6%	6.2%	1.4%
EMERGING MARKETS	**3,499.1**	**33.9%**	**3,744.7**	**36.2%**	**7.0%**	**-3.8%**	**10.8%**
TOTAL DIA	**10,313.6**	**100.0%**	**10,334.4**	**100.0%**	**0.2%**	**-1.3%**	**1.5%**

Net Sales

(€m)	2016	%	2017	%	Change	FX effect	Change (ex-FX)
Spain	5,064.5	58.4%	4,827.4	56.0%	-4.7%	0.0%	-4.7%
Portugal	681.9	7.9%	678.3	7.9%	-0.5%	0.0%	-0.5%
IBERIA	**5,746.5**	**66.3%**	**5,505.6**	**63.9%**	**-4.2%**	**0.0%**	**-4.2%**
Argentina	1,310.9	15.1%	1,391.6	16.1%	6.2%	-15.0%	21.2%
Brazil	1,611.9	18.6%	1,723.3	20.0%	6.9%	6.1%	0.8%
EMERGING MARKETS	**2,922.8**	**33.7%**	**3,114.9**	**36.1%**	**6.6%**	**-3.4%**	**10.0%**
TOTAL DIA	**8,669.3**	**100.0%**	**8,620.6**	**100.0%**	**-0.6%**	**-1.2%**	**0.6%**

Q4 2017 Results

Net sales

In Q4 2017, net sales amounted to EUR2.16bn, down by 4.2%, and up by 0.8% in local currency. Therefore, the currency depreciation in the quarter (-19.7% for the Argentinean Peso and -7.4% in the case of the Brazilian Real) had a negative impact of 5.0% on net sales growth.

Operating Results

In Q4 2017, adjusted EBITDA decreased by 30.2% in Euros to EUR137.0m, which corresponds to a 27.5% fall ex-currency. This severe decline is related to the price investment carried out in the Dia banner stores in Spain during the second half of the year, as well as the delayed results of on-going negotiations with suppliers.

The adjusted EBITDA margin narrowed by 240bps in the last quarter to 6.3% despite the positive progress seen in Emerging Markets during the period. When comparing margins, it is also important to take into account the very demanding comparison base of Q4 2016, when the company generated exceptionally good operating margins from the operations.

In Q4 2017, depreciation rose by 2.2% to EUR57.5m (5.5% increase ex-currency). Adjusted EBIT decreased by 43.3% to EUR79.4m (-40.7% ex-currency).

Other items excluded from the calculation of the adjusted EBIT went down by 37.3% in the standalone quarter to EUR16.9m. Other cash items decreased by 84% in Q4 2017 to EUR0.9m, helped by the disposal of real estate assets. Expenses related to the LTIP reflected a EUR4.3m positive figure in the standalone quarter, while other non-cash items increased by 21% to EUR20.4m.

EBIT fell by 44.7% in the last quarter of 2017 to EUR62.5m (-42.5% ex-currency).

Profits

Consolidated profit amounted to EUR27.8m in the last quarter of 2017.

Underlying net profit in Q4 2017 fell by 51.4% to EUR50.3m, 50.3% down ex-currency.

Q4 2017 Results Summary

(€m)	Q4 2016	%	Q4 2017	%	Change	FX effect	Change (ex-FX)
Net sales	**2,255.0**	**100.0%**	**2,160.4**	**100.0%**	**-4.2%**	**-5.0%**	**0.8%**
Adjusted EBITDA [1]	**196.3**	**8.7%**	**137.0**	**6.3%**	**-30.2%**	**-2.7%**	**-27.5%**
D&A	(56.3)	-2.5%	(57.5)	-2.7%	2.2%	-3.2%	5.5%
Adjusted EBIT [1]	**140.0**	**6.2%**	**79.4**	**3.7%**	**-43.3%**	**-2.6%**	**-40.7%**
Other items excluded from adjusted EBIT	(27.0)	-1.2%	(16.9)	-0.8%	-37.3%	-4.3%	-32.9%
Other cash items	(5.6)	-0.2%	(0.9)	-0.0%	-84.2%		
Long-Term Incentive Plans	(4.5)	-0.2%	4.3	0.2%	-195.8%		
Other non-cash items	(16.9)	-0.7%	(20.4)	-0.9%	20.7%		
EBIT	**113.0**	**5.0%**	**62.5**	**2.9%**	**-44.7%**	**-2.1%**	**-42.5%**
Consolidated profit	73.1	3.2%	27.8	1.3%	-61.9%	0.2%	-62.2%
Underlying net profit	**103.4**	**4.6%**	**50.3**	**2.3%**	**-51.4%**	**-1.0%**	**-50.3%**

(1) Adjusted by other items excluded from adjusted EBIT

Full-Year 2017 Results

Sales

Net sales decreased by 0.6% in Euros to EUR8.62bn (+0.6% ex-currency). Apart from the negative effect in LatAm currencies and the steady expansion of the franchised activities, the decline in net sales is mostly due to the 3.9% fall in store selling area in Spain in 2017.

Currency depreciation was reflected in a negative 1.2% effect on 2017 net sales growth. This small negative impact was the result of the combined 12.2% average depreciation of the Argentinean Peso and the 6.5% strengthening of the Brazilian Real during the year.

Operating Results

Adjusted EBITDA decreased by 9.4% in 2017 to EUR568.6m, down by 8.9% ex-currency. The decline in adjusted EBITDA was reflected in a 65bps erosion of the adjusted EBITDA margin to 6.6% as a result of the pricing policy implemented in Spain during the second half of the year.

Depreciation and amortization rose by 2.3% to EUR232m (+2.3% ex-currency), slightly above local-currency sales growth, primarily due to the remodelling process carried out in recent years.

Adjusted EBIT fell by 16.1% in Euros to EUR336.6m, with a 15.2% decrease at constant currency. Other items excluded from the calculation of adjusted EBIT declined by 2.3% in 2017 to EUR89.5m. Other cash items rose by 14.4% to EUR59.8m in the year, impacted by the higher costs related to store closures. Accrued expenses related to the Long-Term Incentive Plans became EUR4.9m positive in the year due to the lower likelihood of meeting the Minimum Operating Performance targets described in the plan. With regards to 'Other non-cash items', it rose by 40% to EUR34.5m on the back of the higher volume of write-downs related to store closures and remodelling.

EBIT fell by 20.2% to EUR247.1m (-19.5% ex-currency).

The group's net financial expenses went up by 20.6% in 2017 to EUR61m, with Emerging Markets behind most of the EUR10.4m increase in interest costs, as average financial costs in Euros declined by 12bps in 2017 to 1.26%. Total financial costs related to the company's factoring activity amounted to EUR0.2m in 2017.

Profits

Income tax in 2017 amounted to EUR55.4m, well above the EUR25.8m the company paid in corporate taxes during the year. The company's blended effective tax rate was 29.7%.

Consolidated profit declined by 31.0% to EUR131m, down by 31.8% ex-currency. Net attributable profit fell by 37% to EUR109.6m, affected by the growing volume of negative results accounted from the discontinued operations in China in 2017.

Adjusted by all the costs and revenue items excluded for the performance assessment in the year, DIA's underlying net profit amounted to EUR217.0m in 2017, 19.2% lower than last year (-19.2% ex-currency).

2017 Results

(€m)	2016	%	2017	%	Change	FX effect	Change (ex-FX)
Net sales	**8,669.2**	**100.0%**	**8,620.6**	**100.0%**	**-0.6%**	**-1.2%**	**0.6%**
Cost of goods sold & other income	(6,660.7)	-76.8%	(6,692.7)	-77.6%	0.5%	-1.2%	1.7%
Gross profit	**2,008.5**	**23.2%**	**1,927.9**	**22.4%**	**-4.0%**	**-1.0%**	**-3.0%**
Labour costs	(759.0)	-8.8%	(744.8)	-8.6%	-1.9%	-1.2%	-0.6%
Other operating expenses	(326.1)	-3.8%	(312.7)	-3.6%	-4.1%	-2.1%	-2.1%
Leased property expenses	(295.5)	-3.4%	(301.7)	-3.5%	2.1%	-0.1%	2.2%
Adjusted EBITDA (1)	**627.9**	**7.2%**	**568.6**	**6.6%**	**-9.4%**	**-0.6%**	**-8.9%**
D&A	(226.7)	-2.6%	(232.0)	-2.7%	2.3%	0.0%	2.3%
Adjusted EBIT (1)	**401.2**	**4.6%**	**336.6**	**3.9%**	**-16.1%**	**-0.9%**	**-15.2%**
Other items excluded from adj. EBIT	(91.6)	-1.1%	(89.5)	-1.0%	-2.3%	-1.6%	-0.7%
Other cash items	(52.3)	-0.6%	(59.8)	-0.7%	14.4%		
Long-Term Incentive Plans	(14.6)	-0.2%	4.9	0.1%	-133.2%		
Other non-cash items	(24.6)	-0.3%	(34.5)	-0.4%	40.1%		
EBIT	**309.5**	**3.6%**	**247.1**	**2.9%**	**-20.2%**	**-0.7%**	**-19.5%**
Net financial income/expenses	(50.6)	-0.6%	(61.0)	-0.7%	20.6%	-7.4%	28.0%
EBT	**259.0**	**3.0%**	**186.3**	**2.2%**	**-28.1%**	**0.6%**	**-28.7%**
Income taxes	(69.1)	-0.8%	(55.4)	-0.6%	-19.9%	0.2%	-20.2%
Consolidated profit	**189.9**	**2.2%**	**131.0**	**1.5%**	**-31.0%**	**0.8%**	**-31.8%**
Minorities & discontinuing operations	(15.9)	-0.2%	(21.5)	-0.2%			
Net attributable profit	**174.0**	**2.0%**	**109.6**	**1.3%**	**-37.0%**	**1.3%**	**-38.3%**
Underlying net profit	**268.5**	**3.1%**	**217.0**	**2.5%**	**-19.2%**	**0.0%**	**-19.2%**

(1) Adjusted by other items excluded from adjusted EBIT

Review by segment

Iberia

Net sales decreased by 4.2% in 2017 to EUR5.5bn, while in Q4 2017 they fell by 3.7% to EUR1.39bn. This negative performance is due to the closure of some underperforming El Arbol and Dia stores in Spain, which was reflected in a 3.9% decline in store selling area. In addition, the store upgrading activity conducted throughout the year was very intense in 2017, with 613 stores upgraded during the year (vs. 307 completed in 2016).

Regarding banners, the Dia format did not perform according to expectations, although La Plaza had a very good year and Clarel also performed well until the summer, when the format started to be affected by its high exposure to Catalonia, a region where the company operates more than 650 Clarel stores.

Adjusted EBITDA declined by 16.0% in 2017 to EUR426.3m, with EUR85.3m generated in Q4 2017. The decrease in adjusted EBITDA seen in the last two quarters was due to the competitive environment of the Spanish market and the worse-than-expected negotiation terms with suppliers. The adjusted EBITDA margin decreased by 109bps in 2017 to 7.7%, with a 406bps erosion in standalone Q4 2017 to 6.2%.

D&A decreased in Iberia for the second year in a row. Depreciation went down by 4.4% in 2017 to EUR170.5m. In the standalone Q4 2017, it declined by 1.0% to EUR42.1m.

Adjusted EBIT fell by 22.3% in 2017 to EUR255.8m, reflecting a 108bps decrease in margin over net sales to 4.6%. In Q4 2017, adjusted EBIT fell by 58.6% to EUR43.2m, reflecting a margin erosion of 414bps to 3.1%.

(€m)	Q4 2016	Q4 2017	Change
Net sales	1,439.3	1,385.5	-3.7%
Adjusted EBITDA (1)	147.1	85.3	-42.0%
Adjusted EBITDA margin	10.2%	6.2%	-406 bps
D&A	-42.5	-42.1	-1.0%
Adjusted EBIT (1)	104.6	43.2	-58.6%
Adjusted EBIT margin	7.3%	3.1%	-414 bps
(€m)	**2016**	**2017**	**Change**
Net sales	5,746.5	5,505.6	-4.2%
Adjusted EBITDA (1)	507.7	426.3	-16.0%
Adjusted EBITDA margin	8.8%	7.7%	-109 bps
D&A	-178.3	-170.5	-4.4%
Adjusted EBIT (1)	329.3	255.8	-22.3%
Adjusted EBIT margin	5.7%	4.6%	-108 bps

(1) Adjusted by other items excluded from adjusted EBIT

Emerging Markets

In 2017, net sales in Emerging Markets rose by 6.6% to EUR3.11bn, +10.0% in local currency, reflecting a negative 3.4% effect from currencies. In Q4 2017, net sales fell by 5.0% in Euros to EUR775m but went up 8.8% in local currency.

Adjusted EBITDA climbed by 18.4% in 2017 to EUR142.3m (+21.4% ex-currency), while in Q4 2017, adjusted EBITDA increased by 4.9% to EUR51.6m, +15.9% ex-currency. With these figures, the implicit adjusted EBITDA margin improved by 45bps in 2017 to 4.6%.

D&A rose by 27.1% in 2017, but only 12.2% in Q4 2017 to EUR15.4m, although ex-currency the growth rate was very similar in Q4 2017 (25.3%) and full year 2017 (27.2%). These growth rates are entirely due to the higher level of capital allocated in these markets in recent years.

In 2017, adjusted EBIT grew by 12.5% to EUR80.8m (+17.4% ex-currency). The adjusted EBIT margin improved by 14bps in 2017 to 2.6% and by 33bps to 4.7% in Q4 2017.

Last year was another challenging year for food retailers in these countries, but particularly in Brazil. Despite the tough conditions, DIA continued to expand its store network in both countries, gaining market share fast (+ 40bps in Argentina to 14.1%, and +60bps in Brazil to 7.8%). 2017 was DIA's twentieth anniversary in Argentina, a milestone that was celebrated with even more intense promotional activity and the further development of private-label products. In Brazil, the loyalty program is now fully implemented and is up and running in all regions, accounting for 84% of sales with its 7.1m DIA Club card users.

(€m)	Q4 2016	Q4 2017	Change	Change (ex-FX)
Net sales	815.7	774.9	-5.0%	8.8%
Adjusted EBITDA (1)	49.2	51.6	4.9%	15.9%
Adjusted EBITDA margin	6.0%	6.7%	63 bps	
D&A	-13.7	-15.4	12.2%	25.3%
Adjusted EBIT (1)	35.5	36.2	2.1%	12.2%
Adjusted EBIT margin	4.4%	4.7%	33 bps	
(€m)	**2016**	**2017**	**Change**	**Change (ex-FX)**
Net sales	2,922.8	3,114.9	6.6%	10.0%
Adjusted EBITDA (1)	120.2	142.3	18.4%	21.4%
Adjusted EBITDA margin	4.1%	4.6%	45 bps	
D&A	-48.4	-61.5	27.1%	27.2%
Adjusted EBIT (1)	71.8	80.8	12.5%	17.4%
Adjusted EBIT margin	2.5%	2.6%	14 bps	

(1) Adjusted by other items excluded from adjusted EBIT

Trade Working Capital, Capex, and Net Debt

Trade Working Capital

DIA's negative value of trade working capital declined by 7.3% to EUR919m, down by 2.1% ex-currency.

The value of inventories declined by 13.4% in 2017, EUR88.4m down to EUR569.6m (a 6.1% decrease ex-currency). This material reduction of stock was partly attributable to the Double E-Project in Spain, but also to the implementation of similar initiatives in the rest of the DIA countries and due to the depreciation of currencies.

Trade and other receivables increased by 34.5% in 2017, up by 43.8% ex-currency. This EUR56.9m growth in the value of debtors to EUR221.8m is explained both by the increase in trade receivables from suppliers (EUR35.4m) and the expansion of the franchised activity (EUR21.5m).

In 2017, DIA continued with its policy to provide financial support to its franchise network. The company's total net exposure to franchises after taking into account the portion of the risk that is covered with guarantees amounted to EUR127m at the end of 2017 (vs. EUR106m in the same period last year). This credit risk is extremely diversified among the 3,785 franchised stores of DIA and total of 3,197 franchisees.

The value of trade and other payables decreased by 5.7% to EUR1.71bn, up by 0.6% at constant currency. This decline is due to the limited sales growth, the challenging comparison base in 2016, and the depreciation of LatAm currencies at the end of 2017.

Non-recourse factoring from receivables from our suppliers amounted to EUR99.6m by the end of December 2017, compared with EUR88.4m at the end of December 2016.

The equivalent number of days of negative trade working capital (over COGS) decreased by 4.2 days from 53.5 in 2016 (adjusted by the discontinuation of DIA China) to 49.3 days in 2017.

(€m)	31 Dec 2016 (2)	31 Dec 2017	Change	Change (ex-FX)
Inventories (A)	658.0	569.6	-13.4%	-6.1%
Trade & other receivables (B)	164.9	221.9	34.5%	43.8%
Trade receivables with franchisees	101.2	122.7	-	-
Trade receivables with suppliers & other	63.7	99.2	-	-
Trade & other payables (C)	1,815.1	1,710.8	-5.7%	0.6%
Trade Working Capital (1)	**-992.2**	**-919.3**	**-7.3%**	**-2.1%**

(1) Trade working capital defined as (A+B-C),
(2) Figures adjusted by the discontinuation of DIA China.

Capex

DIA invested EUR302.6m in 2017, 12.4% less than in the same period last year. This value of investment was completely in line with the initial capex guidance provided in February 2017 ("Capex to continue declining in 2017") and in October 2017 ("around EUR300m").

In Iberia, capital expenditure decreased by 26.9% to EUR165m, as remodelling efforts in the most expensive transformations in La Plaza and Dia Maxi stores in Spain were significantly lower, and investment in openings more than halved during the year. In Portugal, 2017 capex was slightly lower than in 2016.

In Emerging Markets, investment increased by 15.0% in Euros (17.4% in local currency) to EUR137.6m, which represents 45.5% of the total company expenditure in 2017. Investment in fixed assets rose significantly in 2017 in both countries. The increase in capex in Argentina was related to store upgrade programmes, while in Brazil it was almost entirely due to new openings and IT.

In 2018, the company plans to invest EUR320-350m, with a very balanced split between openings and remodelling projects. For the third consecutive year, IT capex is set to grow significantly in 2018.

(€m)	2016	%	2017	%	Change	Change (ex-FX)
Iberia	225.8	65.4%	165.0	54.5%	-26.9%	-26.9%
Emerging markets	119.6	34.6%	137.6	45.5%	15.0%	17.4%
TOTAL Capex	**345.4**	**100.0%**	**302.6**	**100.0%**	**-12.4%**	**-11.5%**

Net Debt

Net debt at the end of December 2017 amounted to EUR891.3m, EUR13m higher than in the same period last year.

During 2017, the average number of treasury shares the company kept in its balance sheet barely changed (10.6m shares in 2017 vs. 9.3m shares in 2016). Regarding dividends, in July 2017 DIA paid EUR128.5m to shareholders, which was EUR6.3m more than in 2016.

As of December 2017, the ratio of net debt over the last twelve months' adjusted EBITDA was 1.6x, while DIA's estimates for the adjusted leverage ratio calculated under the S&P and Moody's methodology are 2.2x and 3.6x respectively. All these ratios imply significant scope for potential additional leverage without threatening the company's corporate investment grade rating.

In 2017, DIA obtained proceeds of EUR68.2m from asset disposals, related to a group of stores divested in the last quarter of the year.

(€m)	31 Dec 2015	31 Dec 2016	31 Dec 2017
Net debt / Adj. EBITDA	1.8x	1.4x	1.6x
Adjusted net debt / Adj. EBITDA (S&P)	2.5x	2.0x	2.2x (1)
Adjusted net debt / Adj. EBITDA (Moody's)	3.5x	3.4x	3.6x (1)
Net debt	**1,132.4**	**878.3**	**891.3**

(1) Company estimate

Balance Sheet

(€m)	31 Dec 2016	31 Dec 2017	Change
Non-current assets	2,463.2	2,362.9	-4.1%
Inventories	669.6	569.6	-14.9%
Trade & Other receivables	167.3	221.8	32.6%
Other current assets	113.9	92.0	-19.2%
Cash & Cash equivalents	364.7	340.2	-6.7%
Non-current assets held for sale	0.0	39.7	-
TOTAL ASSETS	**3,778.6**	**3,626.2**	**-4.0%**
Total equity	392.1	326.0	-16.9%
Long-term debt	1,062.3	961.9	-9.4%
Short-term debt	180.7	269.5	49.1%
Trade & Other payables	1,859.3	1,710.8	-8.0%
Provisions & Other current liabilities	284.3	292.7	3.0%
Liabilities associated with assets held for sale	0.0	65.2	-
TOTAL EQUITY & LIABILITIES	**3,778.6**	**3,626.2**	**-4.0%**

Cash Flow Statement

(€m)	2016	2017
Adjusted EBITDA	627.9	568.6
Taxes paid	-6.1	-25.8
Net change in trade working capital	257.0	-72.8
Other payables & receivables	-50.9	-107.9
(A) CASH FLOW FROM CONTINUOUS OPERATIONS	**827.9**	**362.1**
Financial investments/divestments	-24.2	-1.1
Acquisition and disposal of shares	0.0	0.0
Other financial investments/divestments	-24.2	-1.1
Divestment of assets	38.3	68.2
Capital expenditure	-345.4	-302.6
(B) CASH FLOW FROM INVESTING ACTIVITIES	**-331.3**	**-235.5**
(A+B) OPERATING FREE CASH FLOW	**496.6**	**126.6**
Equity issued	0.0	0.0
Financial results	-50.6	-61.0
Dividends	-122.2	-128.5
Shares buy-back	-19.9	0.0
Change in FX and other	-49.8	49.9
(C) CASH FLOW FROM FINANCIAL ACTIVITIES	**-242.5**	**-139.6**
Net debt at the beginning of the period	1,132.4	878.3
(A+B+C) CHANGE IN NET DEBT	**254.1**	**-13.0**
Net debt at the end of the period	**878.3**	**891.3**

(1) Adjusted by other items excluded from adjusted EBIT

Store Count

At the end of December 2017, DIA operated a total of 7,388 stores, 32 less than in the same period last year (adjusted by the discontinued operations in China).

In Iberia, the number of stores fell by 155 in 2017 to 5,343. This decline is due to the closure of 316 stores during the period, of which 238 Dia, 31 La Plaza, and 47 Clarel stores. In the case of Clarel, in Q4 2017 the company took the decision to close 33 stores.

In Spain, the number of supermarkets fell from 355 to 306 during 2017. This decrease of 49 stores was entirely due to the completion of the El Arbol to La Plaza restructuring and upgrading process.

DIA converted 51 stores into the new versions in Iberia in Q4 2017, reaching a total of 613 transformations in 2017 (of which 150 in franchised stores), doubling the 307 upgrades completed last year. This process had a temporary impact on sales volumes, as the stores were closed for several weeks while they were being converted into the new commercial models.

Clarel increased its network by 18 stores in 2017 (of which 11 in Spain and 7 in Portugal), reaching a total of 1,251 stores at the end of 2017. This format continues to add new franchisees, reaching a total of 146 stores operated under this model by the end of 2017, 39 more than a year ago. Franchised Clarel stores already represent 11.7% of the network.

In Emerging Markets, DIA operated 2,045 stores at the end of December 2017, 123 more than in the same period last year. With 65 net openings in 2017 and a total of 1,115 stores, Brazil slowed down the expansionary run rates completed in recent years, although still achieving unparalleled growth rates in store selling area in this market. Argentina saw 58 net openings in 2017, reaching a total of 930 stores. With this network expansion, DIA is on track to achieve the store targets set for 2020 both in Argentina (1,100) and Brazil (1,500).

Over the last twelve months, the number of franchised stores operated under the Dia Market and Maxi banners in Iberia increased by 33, totalling 2,069, which represents 58.5% of the total (vs. 55.8% in 2016). This ratio does not take into account the Cada Dia and Mais Perto stores (252 at the end of the year) that are operated under a FOFO franchised model in all the cases. On top of these franchised stores, the company operated another 146 Clarel stores under the COFO model, taking the total sum of franchised stores in Iberia to 2,467.

In the Emerging Markets, the number of franchised Dia stores increased by 52 to 1,153, representing 61.3% of the total. Including the Cada Dia and Mais Perto stores in the region (also operated under the FOFO model), the total number of franchised stores is 1,318 (71 more than in the same period last year), representing 64.4% of the total.

By the end of December 2017, DIA operated a total of 3,785 franchised stores and 3,603 fully integrated stores.

Number of Stores

IBERIA	31 December 2016 COCO	Franchise	TOTAL	%	31 December 2017 COCO	Franchise	TOTAL	%	Change LTM
Dia Market	938	1,935	2,873	52.3%	810	1,951	2,761	51.7%	-112
Dia Maxi	676	101	777	14.1%	655	118	773	14.5%	-4
Total Dia stores	1,614	2,036	3,650	66.4%	1,465	2,069	3,534	66.1%	-116
% of DIA banner stores	44.2%	55.8%			41.5%	58.5%			
La Plaza	355	0	355	6.5%	306	0	306	5.7%	-49
Clarel	1,126	107	1,233	22.4%	1,105	146	1,251	23.4%	18
% of Clarel stores	91.3%	8.7%			88.3%	11.7%			
Total stores	**3,095**	**2,143**	**5,238**	**95.3%**	**2,876**	**2,215**	**5,091**	**95.3%**	**-147**
Cada Dia / Mais Perto	0	260	260	4.7%	0	252	252	4.7%	-8
Total IBERIA stores	**3,095**	**2,403**	**5,498**	**100%**	**2,876**	**2,467**	**5,343**	**100%**	**-155**

EMERGING MARKETS	COCO	Franchise	TOTAL	%	COCO	Franchise	TOTAL	%	Change LTM
Dia Market	387	1,051	1,438	74.8%	393	1,102	1,495	73.1%	57
Dia Maxi	288	50	338	17.6%	334	51	385	18.8%	47
Total Dia stores	**675**	**1,101**	**1,776**	**92.4%**	**727**	**1,153**	**1,880**	**91.9%**	**104**
% of DIA banner stores	38.0%	62.0%			38.7%	61.3%			
Cada Dia / Mais Perto	0	146	146	7.6%	0	165	165	8.1%	19
Total EMERGING stores	**675**	**1,247**	**1,922**	**100%**	**727**	**1,318**	**2,045**	**100%**	**123**

DIA GROUP	COCO	Franchise	TOTAL	%	COCO	Franchise	TOTAL	%	Change LTM
Dia Market	1,325	2,986	4,311	58.1%	1,203	3,053	4,256	57.6%	-55
Dia Maxi	964	151	1,115	15.0%	989	169	1,158	15.7%	43
Total Dia stores	2,289	3,137	5,426	73.1%	2,192	3,222	5,414	73.3%	-12
% of DIA banner stores	42.2%	57.8%			40.5%	59.5%			
La Plaza	355	0	355	4.8%	306	0	306	4.1%	-49
Clarel	1,126	107	1,233	16.6%	1,105	146	1,251	16.9%	18
% of Clarel stores	91.3%	8.7%			88.3%	11.7%			
Total stores	**3,770**	**3,244**	**7,014**	**94.5%**	**3,603**	**3,368**	**6,971**	**94.4%**	**-43**
Cada Dia / Mais Perto	0	406	406	5.5%	0	417	417	5.6%	11
Total DIA GROUP stores	**3,770**	**3,650**	**7,420**	**100%**	**3,603**	**3,785**	**7,388**	**100%**	**-32**

Stores by country and operational model as of 31 December 2017

(# stores)	2016 COCO	2016 Franchise	2016 Total	2017 COCO	2017 Franchise	2017 Total	Change
Spain	2,728	2,147	4,875	2,543	2,170	4,713	-162
Portugal	367	256	623	333	297	630	7
IBERIA	**3,095**	**2,403**	**5,498**	**2,876**	**2,467**	**5,343**	**-155**
Dia	1,614	2,296	3,910	1,465	2,321	3,786	-124
Clarel	1,126	107	1,233	1,105	146	1,251	18
La Plaza	355	0	355	306	0	306	-49
Argentina	296	576	872	303	627	930	58
Brazil	379	671	1,050	424	691	1,115	65
EMERGING MARKETS	**675**	**1,247**	**1,922**	**727**	**1,318**	**2,045**	**123**
TOTAL DIA	**3,770**	**3,650**	**7,420**	**3,603**	**3,785**	**7,388**	**-32**

Store selling area by country as of 31 December 2017

(Million square meters)	2016	2017	Change
Spain	1.8764	1.8023	-3.9%
Portugal	0.2204	0.2249	2.0%
IBERIA	**2.0968**	**2.0272**	**-3.3%**
Dia	1.6199	1.5782	-2.6%
Clarel	0.1997	0.2040	2.2%
La Plaza	0.2772	0.2450	-11.6%
Argentina	0.2387	0.2513	5.3%
Brazil	0.4808	0.4896	1.8%
EMERGING MARKETS	**0.7195**	**0.7409**	**3.0%**
TOTAL DIA	**2.8163**	**2.7681**	**-1.7%**

Events Following the Close of the Period

- On February 20th 2018, DIA signed a strategic alliance with CaixaBank, structured through the purchase by CaixaBank Consumer Finance of 50% of the shares of Finandia, E.F.C., S.A. The purchase is subject to the authorization processes of the antitrust authorities.

Events and Corporate Calendar

Event	Date	Location	Status
Non-deal roadshow FY 2017 results	26 February - 1 March 2018	Europe & US	Confirmed
Non-deal roadshow FY 2017 results	6-7 March 2018	Edinburgh	Confirmed
Iberian regional Conference	12 April 2018	Geneva	Tentative
AGM 2017	**Friday, 20 April 2018**	**-**	**Tentative**
Q1 2018 earnings release	**10 May 2018**	**-**	**Confirmed**
Consumer Conference	Wednesday, 16 May 2018	London	Tentative
Non-deal roadshow Q1 2018	22-24 May 2018	Scandinavia	Tentative
Non-deal roadshow Q1 2018	5-6 June 2018	Barcelona,	Tentative
Non-deal roadshow Q1 2018	5-6 June 2018	Benelux	Tentative
Non-deal roadshow Q1 2018	12-14 June 2018	US & Canada	Tentative
Consumer Conference	14 June 2018	Paris	Tentative
Dividend distribution	**Monday, 16 July 2018**	**-**	**Tentative**
H1 2018 earnings release	**Thursday, 26 July 2018**	**-**	**Tentative**
9M 2018 earnings release	**Tuesday, 30 October 2018**	**-**	**Tentative**

Change in Currency Rates

Period	€ / Argentinean Peso	€ / Brazilian Real
Q1 2016 average	0.0629	0.2329
Q1 2017 average	0.0599	0.2987
Q1 2017 change [(1)]	**-4.8%**	**28.2%**
Q2 2016 average	0.0626	0.2431
Q2 2017 average	0.0578	0.2829
Q2 2017 change [(1)]	**-7.6%**	**16.4%**
Q3 2016 average	0.0599	0.2760
Q3 2017 average	0.0493	0.2691
Q3 2017 change [(1)]	**-17.8%**	**-2.5%**
Q4 2016 average	0.0600	0.2820
Q4 2017 average	0.0482	0.2613
Q4 2017 change [(1)]	**-19.7%**	**-7.4%**
2016 average	0.0613	0.2611
2017 average	0.0538	0.2780
2017 change [(1)]	**-12.2%**	**6.5%**

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

Definition of APMs

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

PURPOSE

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

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

CHANGES TO APMs

During the period, the company has changed the wording of some APMs to adopt the recommendations of the ESMA (European Securities and Markets Authorities). Accordingly, the former expression "Non-recurring items" has been rephrased to "Other items excluded from adjusted EBIT". In accordance with this change, the old expressions "Non-recurring cash items" and "Non-recurring non-cash items" have been also adapted to the new wording "Other cash items" and "Other non-cash items" respectively.

In 2017, the calculation of "Other cash-items" includes gains on the disposal of non-current assets due to the accounting of this item as "Other income" in the consolidated P&L accounts. This modification, introduced in full compliance with IFRS, better reflects the cash impact of "Other items excluded from adjusted EBIT".

- Gross sales under banner: Total turnover value obtained in stores, including indirect taxes (sales receipt value) in all the company's stores, both owned and franchised.

NET SALES TO GROSS SALES UNDER BANNER RECONCILIATION

(€m)	2016	2017	Change
Net sales	8,669.3	8,620.6	-0.6%
VAT and other	1,644.4	1,713.8	4.2%
GROSS SALES UNDER BANNER	**10,313.6**	**10,334.4**	**0.2%**

- LFL sales growth under banner: Growth rate of gross sales under banner at constant currency of the stores that have been operating for more than thirteen months under the same business conditions.

- Other items excluded from adjusted EBIT: Volume of costs and revenues the company isolates in the management accounts to gain a better understanding of the underlying performance of the core business during the period. Items usually excluded from adjusted EBIT are classified between "Other cash items" (Expenses relating to acquisitions, expenses for restructuring and efficiency projects, expenses relate to the transfer of own stores to franchises, and gains on disposal of assets), "Expenses related to share-based payments transactions" and "Other non-cash items" (Losses on write-down of fixed assets, impairment of fixed assets and amortization related to the closing of stores).

OTHER ITEMS EXCLUDED FROM ADJUSTED EBIT

(€m)	2016	2017	Change
Other cash items	52.3	59.8	14.4%
Expenses relating to acquisitions	14.5	26.0	79.2%
Expenses for restructuring and efficiency projects	25.6	52.3	104.5%
Expenses related to the transfer of own stores to franchises	28.7	12.7	-55.7%
Gains on disposal of assets	(16.5)	(31.2)	89.7%
Expenses related to share-based payments transactions	14.6	-4.9	-133.2%
Other non-cash items	24.6	34.5	40.1%
Losses on write-down of fixed assets	10.8	17.7	64.0%
Impairment of fixed assets	13.3	13.3	0.3%
Amortization related to the closing of stores	0.6	3.5	502.2%
OTHER ITEMS EXCLUDED FROM ADJUSTED EBIT	**91.6**	**89.5**	**-2.3%**

- Adjusted EBITDA: Operating profit after adding back depreciation and amortization (including amortization related to the closing of stores and impairment of fixed assets), losses on write down of fixed assets, "Other cash items" and "Expenses related to share-based payments transactions".

OPERATING PROFIT TO ADJUSTED EBITDA RECONCILIATION

(€m)	2016	2017	Change
Operating profit (EBIT)	309.5	247.1	-20.2%
Depreciation & Amortization	226.7	232.0	2.3%
Amortization related to the closing of stores	0.6	3.5	502.2%
Impairment of fixed assets	13.3	13.3	0.3%
Losses on write-down of fixed assets	10.8	17.7	64.0%
Gross operating profit (EBITDA)	**560.9**	**513.6**	**-8.4%**
Other cash ítems	52.3	59.8	14.4%
Expenses related to share-based payments transactions	14.6	-4.9	-133.2%
ADJUSTED EBITDA	**627.9**	**568.6**	**-9.4%**

- Adjusted EBIT: Operating profit after adding back "Other cash items", "Expenses related to share-based payments transactions" and "Other non-cash items".

OPERATING PROFIT TO ADJUSTED EBIT RECONCILIATION

(€m)	2016	2017	Change
Operating profit (EBIT)	309.5	247.1	-20.2%
Other cash items	52.3	59.8	14.4%
Expenses relating to share based payments transactions	14.6	-4.9	-133.2%
Other non-cash items	24.6	34.5	40.1%
ADJUSTED EBIT	**401.2**	**336.6**	**-16.1%**

- Underlying net profit: Net income calculated on net profit attributable to the parent company, adjusted by "Other items excluded from adjusted EBIT", "Items excluded from financial income and expenses", "Items excluded from income tax" and "Losses net of taxes of discontinued operations".

NET PROFIT TO UNDERLYING NET PROFIT RECONCILIATION

(€m)	2016	2017	Change
Net attributable profit	174.0	109.6	-37.0%
Other items excluded from adjusted EBIT	91.6	89.5	-2.3%
Items excluded from financial income and expenses	2.1	9.0	334.9%
Items excluded from income tax	-15.2	-12.5	-17.4%
Losses net of taxes of discontinued operations	15.9	21.5	34.9%
UNDERLYING NET PROFIT	**268.5**	**217.0**	**-19.2%**

- Basic EPS: Fraction of the company's profit calculated as net attributable profit divided by the weighted average number of shares.

BASIC EARNINGS PER SHARE RECONCILIATION

(€m)	2016	2017	Change
Net attributable profit (EURm)	174.0	109.6	-37.0%
Weighted average number of shares (million)	613.18	611.89	-0.2%
Average number of treasury shares (million)	9.28	10.57	14.0%
BASIC EARNINGS PER SHARE (Euro)	**0.28**	**0.18**	**-36.9%**

- Underlying EPS: Fraction of the company's profit calculated as underlying net profit divided by the weighted average number of shares.

UNDERLYING EARNINGS PER SHARE RECONCILIATION

(€m)	2016	2017	Change
Underlying net profit (EURm)	268.5	217.0	-19.2%
Weighted average number of shares (million)	613.18	611.89	-0.2%
Average number of treasury shares (million)	9.28	10.57	14.0%
UNDERLYING EARNINGS PER SHARE (Euro)	**0.44**	**0.36**	**-19.0%**

- Net financial debt: Overall financial situation of the company that results by subtracting the total value of company's short-term, long-term financial debt, other financial liabilities from the total value of its cash, cash equivalents, and other liquid assets. All the information necessary to calculate the company's net debt is included in the balance sheet.

NET FINANCIAL DEBT RECONCILIATION

(€m)	2016	2017	Change
Long-term debt	1,062.3	961.9	-9.4%
Short-term debt	180.7	269.5	49.1%
Cash & Cash equivalents	-364.7	-340.2	-6.7%
NET FINANCIAL DEBT	**878.3**	**891.3**	**1.5%**

- Cash from operations: Adjusted EBITDA less "Other cash items", less Capex excluding acquisitions. This internally calculated cash flow measure is included as one of the key financial metrics of the long-term incentive plan for the company's top management.

CASH FROM OPERATIONS RECONCILIATION

(€m)	2016	2017	Change
Adjusted EBITDA	627.9(1)	568.6	-9.4%
Other cash items	52.3(2)	59.8	14.3%
Capex (excluding acquisitions)	340.2(3)	301.8	-11.3%
CASH FROM OPERATIONS	**235.4**	**207.0**	**-12.1%**

(1) EUR2.8m adjustment from DIA China discontinuation.
(2) EUR20.7m adjustment from DIA China and gains on disposal of fixed assets.
(3) EUR5.2m adjustment from DIA China discontinuation.

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