8 February 2019

Audited

DIA

FY/2018

Highlights

- In 2018, gross sales under banner fell by 14.9% to EUR9.39bn (0.9% down ex-currency).
- According to the Company's new definition of LFL (adjusted by inflation in Argentina, among others), the group's LFL was -3.6% in 2018, versus -4.9% in 2017.
- Excluding IAS29 and the discontinuation of Clarel, the adjusted EBITDA was EUR385m, at the upper end of the range of the EUR350-400m guidance provided on 15 October 2018.
- Net debt amounted to EUR1,452m by end-2018, which compares with EUR945m in the same period last year. This EUR506m increase was namely due to the EUR259m decrease in trade working capital related to the lower payment periods with suppliers.
- The company's consolidated balance sheet shows negative equity of EUR166m by the end of 2018 (EUR99m negative in the parent company). The BOD has approved a refinancing plan that includes a EUR600m capital increase and the divestment of some non-core assets.
- DIA has decided to open Employment Regulation Proceedings in DIA and TWINS companies in Spain. This process is initiated to enhance and strengthen the future sustainability of the DIA Group and may affect up to a total of 2,100 employees.

P&L summary (€m)	**2017**	**2018**	**Change**	**Change (ex-FX)**
Net sales	8,217.5	7,288.7	-11.3%	7.4%
Operating income (EBIT)	218.0	-94.5	-	-
Net attributable profit	101.2	-352.6	-	-

Information in this document

- All figures in this document are expressed with 'Clarel' and 'Max Descuento' classified as discontinued operations.
- Unless otherwise stated, 2018 figures include the effects of the application of IAS29 ("Financial reporting in hyperinflationary economies"), which apply to Argentinean accounts. This implementation had a negative impact of EUR94.3m on net sales and EUR36.3m on adjusted EBITDA.
- As communicated on 28 December 2018, the Company conducted an impairment test of its assets that resulted in a total goodwill impairment of EUR49.8m and a EUR68.2m deterioration in the value of fixed assets. As regards to "Deferred tax assets", the analysis resulted in a total impairment of EUR170m.
- The figures corresponding to 2017 have been re-expressed as anticipated in the Significant Events communicated by the company on 15 October, 22 October, and 31 December 2018. All the details of the re-expression of the 2017 financial reporting are included in the 2018 Annual Accounts.

Comments by CEO, Borja de la Cierva

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

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

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

Full-year 2018 Results

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

(1) Adjusted by 'Other cash items'

In 2018, the DIA Group's net sales decreased by 11.3% to EUR7.29bn, but were up by 7.4% in local currency. This sales performance reflected an 18.7% negative effect from currencies in the period, due to the 40.3% depreciation of the Argentinean Peso and 16.2% for the Brazilian Real in 2018.

Gross profit amounted to EUR1.56bn, 11.5% down in the year, reflecting only a 10bps increase due to the slight decline in the weight of franchised stores and sales during the period.

Operating expenses decreased by 1.9% in the year thanks to the tight control of labour costs (5.9% down in the period) while other expenses grew by 4.6% and rents went up by 1.2% due to the continued process of 'sale and leaseback' carried out over a small volume of stores in 2018.

After the application of IAS29 related to the hyperinflationary Argentinean accounts, adjusted EBITDA declined by 34.8% in EUR337.9m, down by 32.3% ex-currency. The application of this accounting standard had a negative effect of EUR36.3m on the adjusted EBITDA reported in the full-year 2018.

With regards to Clarel, the recent discontinuation of this business unit in Spain and Portugal had a EUR11.3m negative impact on adjusted EBITDA. Accordingly, the company's adjusted EBITDA in 2018 net of these negative effects would have reached EUR385.4m, in the upper part of the range of the EUR350-400m guidance provided by the company on 15 October 2018.

The decline in adjusted EBITDA was reflected in a 170bps erosion of the adjusted EBITDA margin to 4.6%.

Other cash items

(€m)	2017	2018	Change
Expenses relating to store remodellings	18.0	18.6	0.6
Expenses relating to transfer of own stores to franchises	10.8	10.4	-0.4
Expenses relating to store closings	31.3	25.7	-5.6
Expenses relating to warehouse closings	1.7	1.1	-0.6
Expenses for efficiency projects and severance payments	20.2	34.6	14.4
o/w HQ restructuring	*5.7*	*15.5*	*9.8*
o/w Warehouses restructuring	*2.7*	*4.9*	*2.3*
o/w Stores restructuring	*11.8*	*14.2*	*2.4*
Other special expenses	1.7	28.4	26.7
o/w Impact from transportation strike in Brazil	*0.0*	*7.9*	*7.9*
o/w Advisory fees	*0.0*	*18.2*	*18.2*
o/w Other projects	*1.7*	*2.3*	*0.6*
Gains on disposal of assets	-31.2	-28.1	3.1
Expenses related to share-based payments transactions	-4.9	1.1	5.9
Other cash items	**47.5**	**91.9**	**44.3**

Depreciation and amortisation increased by 5.1% to EUR235.2m, but rose by 23.0% ex-currency due to the revaluation of assets in Argentina in accordance with the application of IAS29 for hyperinflationary economies.

The material decline of adjusted EBITDA together with the strong increase in "Other cash items' (from EUR47.5m to EUR91.9m in 2018) and impairment of fixed assets (from EUR12.1m to EUR79.9 in 2018) is reflected in a substantial decline of the Company's operating profit (EBIT), which turns into a negative value of EUR94.5m in 2018, compared with a positive amount of EUR218m in 2017.

In 2018, the group's net financial expenses, adjusted by IAS29, rose by 59.3% to EUR84.9m. These higher financial charges are mostly due to the bigger average volume of net debt during the year as well as the rise in interest costs, particularly in Argentina, where funding costs increased by more than 26 percentage points versus the same period last year. Conversely, the application of IAS29 had a positive EUR67.5m impact on the group's net financial results.

Income taxes amounted to EUR16.4m, while the impairment of DTA's carried out translated into a EUR170.5m tax asset impairment.

The discontinuation of 'Clarel' and 'Max Descuento' operations had an impact of EUR15.7m on profits related to the business activities and EUR38.0m due to the impairment of its assets.

With all these numbers, the net attributable loss amounted to EUR352.6m in 2018 (versus EUR101.2m profit in 2017), while underlying net profit decreased by 74% from EUR191.3m to EUR49.7m in 2018.

Information by country

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

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

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

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

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

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

The Company has changed its segment reporting providing relevant information of each of the countries in which it operates. This new segmentation comes as a result of the changes carried out in the top management teams, and to align the reporting with internal organisation and information.

The reinforced commitment with transparency has yielded in the publication (for the first time in these full-year 2018 figures) of a full disclosure of like-for-like, adjusted EBITDA, operating profit (EBIT) and Capex by country. Finally, information about the new methodology to calculate comparable sales growth rates is included in the 'Definition of APMs' section of this document.

Gross sales in Spain declined by 2.4% in 2018 to EUR5.15bn, while net sales went down by 3.6% in the same period to EUR4.28bn. This negative performance was due to the negative 2.3% comparable sales and almost stable performance of average space during the period. By format, La Plaza, and the Dia&Go stores increased sales, but the other stores declined in terms of volumes, particularly those operated in suburban locations. Adjusted EBITDA generated in the country decreased by 27.6% to EUR251m, reflecting a 190bps erosion in margins to 5.9%. Online gross sales under banner increased by 37.4% in 2018 to EUR76.7m, which represents 1.5% of total gross sales in Spain.

With regards to Portugal, gross sales went down by 3.1% in 2018 to EUR808m, while net sales decreased by 5.2% during the same period to EUR629m. This negative performance was related to the negative 5.0% comparable sales and the closing of 27 net stores, which contracted average space by 1.5% in 2018. Adjusted EBITDA went down by 28.7% to EUR30.1m, a 140bps loss in margins to 4.8%.

In Argentina, gross sales decreased by 38.8% to EUR1.79bn (3% up ex-currency). Net sales fell by 30.3% to EUR0.97bn after applying IAS29, 23.5% down ex-IAS29. 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 2018. Volume comparable sales growth declined by 2.8% but clearly outperformed the market, as reflected in the continued increase of market share. Additionally, store selling area grew by 5.5% thanks to the 49 net openings completed during the year. Adjusted EBITDA in 2018 was EUR2.8m after the EUR36.3m impact from the application of IAS29. Isolating this accounting effect, the comparable figure of adjusted EBITDA would have been EUR39m in 2018, 33.8% down versus 2017 (+13.7% ex-currency), reflecting a 60bps decline in the adjusted EBITDA margin to 3.7%.

In 2018, DIA's operations in Brazil were impacted by several exceptional external and internal factors that are unlikely to be seen in the years ahead. In this scenario, gross sales under banner decreased by 17.9% to EUR1.64bn, 1.8% down ex-currency. Comparable sales during the year were down by 8.1%, a poor figure even after taking into account the deflationary scenario seen in the country at the start of the year, the truck transport strike, and other commercial local issues. Despite this tough business context and weak sales performance, the company managed to minimise the decline in adjusted EBITDA margin during the year, which declined by 30bps, from 4.1% to 3.8%.

Balance Sheet

(€m)	31 Dec 2017 [1]	31 Dec 2018	Change
Non-current assets	2,466.7	2,072.4	-16.0%
Inventories	609.0	531.7	-12.7%
Trade & Other receivables	198.8	192.3	1.7%
Other current assets	79.7	66.9	-25.3%
Cash & Cash equivalents	346.5	239.8	-30.8%
Non-current assets held for sale	39.6	168.7	326.1%
TOTAL ASSETS	**3,740.4**	**3,271.8**	**-12.5%**

Total equity	257.2	-166.1	-164.6%
Long-term debt	961.9	919.1	-4.5%
Short-term debt	330.0	772.4	134.0%
Trade & Other payables	1,785.2	1,442.5	-19.2%
Provisions & Other current liabilities	353.9	280.8	-20.6%
Liabilities associated with assets held for sale	52.1	23.1	-55.7%
TOTAL EQUITY & LIABILITIES	**3,740.4**	**3,271.8**	**-12.5%**

As a consequence of the EUR352.6m net losses reported in 2018, the company's consolidated equity turned into a negative figure of EUR166.1m by the end of 2018, with EUR99m negative equity in the parent company.

In the context of the refinancing agreements recently signed by the Company with its lenders, there is a commitment to recapitalise through a capital increase of at least EUR600m fully underwritten by Morgan Stanley & Co that is subject to certain conditions precedent and the disposal of some non-core assets related to the businesses of Household and Personal Care products and Cash & Carry (Clarel and Max Descuento).

Trade Working Capital

(€m)	31 Dec 2017	31 Dec 2018 (2)	Change	Change (ex-FX)
Inventories (A)	609.0	531.7	-12.7%	3.0%
Trade & other receivables (B)	198.8	192.3	-3.3%	5.7%
Trade receivables with franchisees	103.5	111.1	7.3%	
Trade receivables with suppliers & other	95.3	81.2	-14.8%	
Trade & other payables (C)	1,785.2	1,442.5	-19.2%	-8.0%
Trade Working Capital (1)	**-977.4**	**-718.6**	**-26.5%**	**-17.6%**

(1) Trade working capital defined as (A+B-C). (2) Figures adjusted by the discontinuation of Clarel and Max Descuento.

DIA's negative Trade Working Capital declined by 26.5% to EUR718.6m, down by 17.6% ex-currency. This EUR259m decrease in the value of negative trade working capital is completely exceptional and attributable to: 1) the declining volume of sales; 2) the shorter payment period to suppliers during the last months of the year linked to the tough financial situation of the company; 3) the strong depreciation of currencies in Argentina and Brazil; and 4) the shorter average payment periods to suppliers in Argentina due to the growing inflation.

The value of inventories declined by 12.7% in 2018, EUR77.3m down to EUR531.7m. Currency depreciation had a 15.7% negative impact, as the value of inventories increased by 3% ex-currency. The discontinuation of Clarel and Max Descuento had a EUR76.7m impact on the value of stocks.

Trade and other receivables decreased by 3.3% in 2018 to EUR192.3m, 5.7% up ex-currency. This EUR6.5m decline in the value of debtors is due to the decrease in trade receivables with franchisees and from suppliers.

The value of trade and other payables decreased by 19.2%, from EUR1,785m to EUR1,442bn. This sharp decline of EUR343m relates to challenging business conditions faced by the company in Q4 2018 which resulted in substantially lower than average payment days to suppliers. In constant currency, the decline in trade payables would have been 8.0%, which implies an 11.2% negative effect from currencies.

Non-recourse factoring from receivables from our suppliers amounted to EUR126.4m by the end of December 2018, compared with EUR99.6m at the end 2017.

By the end of 2018, the company provided confirming operations for a total EUR199.9m, which compares with EUR367.3m in the same period of last year, which implies EUR167.4m reduction in the confirming facilities.

According to the evolution of trade working capital in 2018, the number of days of negative trade working capital (over COGS) declined by 9.6 days in 2018, down to 45.1 days from 54.7 days in 2017 (figure recalculated according to the company's current consolidation perimeter).

Capex

(€m)	2017	%	2018	%	Change	Change (ex-FX)
Spain	156.9	50.6%	207.0	65.6%	31.9%	31.9%
Portugal	24.4	7.9%	20.3	6.4%	-17.1%	-17.1%
Argentina	53.5	17.3%	29.7	9.4%	-44.6%	27.6%
Brazil	90.9	29.3%	58.5	18.5%	-35.6%	-23.1%
TOTAL Capex	**326.5**	**100.0%**	**315.3**	**100.0%**	**-3.4%**	**11.9%**

DIA invested EUR315.3m in 2018, EUR11.2m less than in the same period last year. Excluding the currency effect, capex would have risen by 11.9% in 2018 (a 3.4% decrease in Euros).

During 2018, the company opened 336 stores and remodelled 1,140 stores. This higher value of investment was namely related to the very dynamic remodelling activity in Spain, where capital expenditure almost doubled in 2018 compared to 2017. On the other hand, investment in openings and on-going maintenance activities declined in all the countries.

Net Debt

(€m)	31 Dec 2016	31 Dec 2017	31 Dec 2018
Net debt / Adjusted EBITDA	1.6x	1.8x	3.8x
Adjusted EBITDA	562.2	518.5	385.4 (1)
Net debt	**872.3**	**945.4**	**1,451.6**

(1) Adjusted by IAS29 and the discontinuation of Clarel.

Net debt at the end of December 2018 amounted to EUR1,452m, EUR506m higher than in the same period last year. The strong growth in net debt during the period was namely due to the deterioration in trade working capital (EUR259m) and a 35% decline in adjusted EBITDA (down by EUR181m vs. 2017). During 2018, DIA obtained proceeds of EUR93.9m from asset disposals related to a group of stores divested during the period, which compares with EUR68.2m collected in 2017. With this net debt amount, and adjusting EBITDA from IAS29 and Clarel discontinuation, the financial leverage ratio was 3.8x.

The tentative new application of IFRS16 in 2019 would increase the Company's consolidated net debt by EUR675-700m.

Elsewhere, the Group expects net pretax profit to fall by around EUR6m in 2019 as a result of the adoption of the new regulation. In addition, EBIT is also expected to rise by between EUR265m and EUR280m, with an increase in asset amortisation for right of use and interest on the lease liability.

Change in Net Debt

(€m)	2018
Adjusted EBITDA [(1)]	337.9
Other cash items	-91.9
Net change in trade working capital	-274.1
Net change in other payables & receivables	-42.6
Corporate taxes paid	-18.8
Net change in working capital of discontinued operations	-51.3
(A) CASH FLOW FROM OPERATIONS	**-140.8**
Capital expenditure paid	-343.8
Divestment of assets	93.9
Other investment activities	2.3
Cash flow from discontinued operations	-11.1
(B) CASH FLOW FROM INVESTING ACTIVITIES	**-258.7**
(A+B) OPERATING FREE CASH FLOW	**-399.4**
Financial results	-86.3
Dividends paid	-110.3
Change in FX and other	89.9
(C) CASH FLOW FROM FINANCIAL ACTIVITIES	**-106.7**
Net debt at the beginning of the period	945.4
(A+B+C) CHANGE IN NET DEBT	**-506.1**
Net debt at the end of the period	**1,451.6**

(1) Adjusted by 'Other items'

Store Count

At the end of December 2018, DIA operated a total of 6,157 stores, 56 more than during the same period last year, with 336 openings and 280 closures. This final number excludes the 35 stores of 'Max Descuento' and 1,271 Clarel' in Spain and Portugal, as they have recently been categorised as discontinued operations.

In 2018, the number of stores declined by 23 in Spain (from 3,497 to 3,474), after the opening of 62 new stores and the closure of 85 stores. 2018 was particularly busy in terms of store upgrading, totalling 976 remodellings during the year, of which 75 corresponded to the new convenience format Dia&Go. 2018 was also special in terms of franchised activity, as the company transferred 109 net stores back to owned from franchised operations. This change is due to the new company policy to seek higher-quality franchise partners to provide customers with a better shopping experience. This policy will continue during 2019 and should be reflected in another material number of transfers from franchised to owned stores. With regards to store selling area, by the end of 2018, total space increased by 0.5% compared with the same period last year.

In Portugal, the number of stores declined by 27 in 2018, versus 559 to 532. This fall was due to the closure of 15 Dia stores and 12 Mais Perto stores. In terms of remodelling activity, DIA upgraded 44 stores, ending 2018 with 40 new convenience stores operated under the banner Minipreço Express. The number of franchised stores increased from 297 to 309, which represents 53.1% of the store network in the country. By the end of 2018, the total store selling area decreased by 1.5% versus the same period last year.

Argentina ended 2018 with 979 stores in operation, 49 more than in the same period last year, totalling 94 openings and 45 closures during 2018. With regards to franchised activity, a total of 24 net stores were transferred during the period, to a total of 681 franchised stores at the end of 2018, which represents 69.6% of the store network in the country. By the end of 2018, the total store selling area increased by 5.5% versus the same period last year.

In Brazil, the company opened 157 stores during the year, but closed 100, almost all of them franchised. The total number of stores rose by 57 from 1,115 to 1,172, of which 58.5% franchised. By the end of 2018, the total store selling area went up by 3.9% versus the same period last year.

Summary of stores

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

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

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

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

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

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

Store selling area by country as of 31 December 2018

	31 December 2017	31 December 2018	
(Million square meters)	Total	Total	Change
Spain	1.5737	1.5820	0.5%
Dia stores	1.3642	1.3648	0.0%
La Plaza stores	0.2095	0.2172	3.7%
Portugal	0.2139	0.2107	-1.5%
Argentina	0.2513	0.2652	5.5%
Brazil	0.4896	0.5088	3.9%
TOTAL DIA	**2.5285**	**2.5667**	**1.5%**

Events Following the Close of the Period

- On January 2nd 2019, credit "Facility B" has been increased by 4.533 thousand Euros to proceed with the cancellation of an Equity Swap.
- On January 21st 2019, a banking entity has exercised its right to adhere to the Financing Agreement, increasing the "Facility A" by EUR4.4m, the "Facility B" by EUR8.5m and increasing the available amount of confirming by EUR15.6m. During January 2019 the maturities of certain bilateral loans in Brazil amounting to EUR67.5m, whose maturities were January 2019, were extended and the following were established; May 31st 2019 (EUR22.3m), July 2nd 2019 (EUR22.7m) and July 24th 2019 (EUR22.5m).
- On February 6th, 2019, the main creditors notified the Company their indicative support for an extension of the final maturity date of their current financing lines that will remain after the capital increase, for an amount of EUR765m until March 2023.
- On January 29th 2019, the result of the inspection performance in Brazil corresponding to year 2014 was known and amounted to EUR97.0m. The Company will appeal on court considering that there are sufficient arguments to obtain a favorable result.
- On January 30th 2019, the 2019-2023 Business Plan was approved by the Board of Directors.
- On February 1st 2019 the Company made effective its adhesion to the international trading platform Horizon International Services.
- On February 5th 2019 LetterOne Investment Holdings, S.A., main shareholder with 29.001% of the capital, announced its intention to formulate a voluntary tender offer. They also informed that will give further details in the next month following the publication of the announcement.
- On February 8th 2019 the Company announced to open Employment Regulation Proceedings in Spain, as part of the rationalization process carried out

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Corporate Calendar

Event	Date/s	Location/s	Status
Non Deal FY 2018 roadshow	8, 11-15 February 2019	Madrid London New York	Confirmed
Q1 2019 results	Thursday 9 May 2019	-	Tentative
H1 2019 results	Wednesday 31 July 2019	-	Tentative
9M 2019 results	Wednesday 30 October 2019	-	Tentative

Change in Currency Rates

Period	€ / Argentinean Peso	€ / Brazilian Real
Q1 2017 average	0.0599	0.2987
Q1 2018 average	0.0414	0.2507
Q1 2018 change (1)	**-30.9%**	**-16.1%**
Q2 2017 average	0.0578	0.2828
Q2 2018 average	0.0361	0.2329
Q2 2018 change (1)	**-37.5%**	**-17.6%**
Q3 2017 average	0.0493	0.2691
Q3 2018 average	0.0276	0.2181
Q3 2018 change (1)	**-44.0%**	**-19.0%**
Q4 2017 average	0.0484	0.2613
Q4 2018 average	0.0236	0.2301
Q4 2018 change (1)	**-51.2%**	**-12.0%**
FY 2017 average	0.0538	0.2780
FY 2018 average	0.0322	0.2329
FY 2018 change (1)	**-40.3%**	**-16.2%**

(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

Since the communication of full-year 2017 results, the company 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". 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.

As from 2017 full-year reporting, 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".

- 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)	2017	2018	Change
Net sales	8,234.9	7,288.7	-11.5%
VAT and other	2,805.9	2,101.5	-25.1%
GROSS SALES UNDER BANNER	**11,040.7**	**9,390.2**	**-14.9%**

- 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 conditions. To be more conservative in applying this definition, LFL figures reported in this document exclude from the comparison base of calculation only those stores that have been closed for significant remodelling activities or severely impacted by external objective reasons. Additionally, the new LFL figures corresponding to Argentina have been deflated using internal inflation to reflect volume LFL, avoiding hyperinflationary misleading nominal calculation.

  According to all these changes, the group's LFL would have been +3.7% instead of -3.6% in the full year 2018 (0.3% vs -2.3% new in Spain, -3.9% vs -5.0% new in Portugal, 24.8% vs -2.8% new in Argentina and -5.2% vs -8.1% new in Brazil).

- 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".

OPERATING PROFIT TO ADJUSTED EBITDA RECONCILIATION

(€m)	2017	2018	Change
Operating profit (EBIT)	218.0	-94.5	-143.4%
Depreciation & Amortization	220.4	232.6	5.5%
Losses on write-off of fixed assets	17.2	25.4	47.6%
Impairment of fixed assets	12.1	79.9	563.1%
Amortization related to the closing of stores	3.3	2.6	-22.2%
Gross operating profit (EBITDA)	**470.9**	**246.0**	**-47.8%**
Other cash items	47.5	91.9	93.3%
ADJUSTED EBITDA	**518.5**	**337.9**	**-34.8%**

- Underlying net profit: Net income calculated on net profit attributable to the parent company, adjusted by "Other items", "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)	2017	2018	Change
Net attributable profit	101.2	-352.6	
Other cash items	47.5	91.9	93.3%
Impairment and write offs	32.6	107.9	231.4%
Items excluded from financial income and expenses	9.1	12.9	42.0%
Items excluded from income tax	-10.5	135.9	
Losses net of taxes of discontinued operations	11.5	53.7	367.5%
UNDERLYING NET PROFIT	**191.3**	**49.7**	**-74.0%**

- 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

	2017	2018	Change
Net attributable profit (EURm)	101.2	-352.6	
Weighted average number of shares (million)	611.89	612.18	0.0%
Average number of treasury shares (million)	10.57	10.28	-2.8%
BASIC EARNINGS PER SHARE (Euro)	**0.17**	**-0.58**	

- 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

	2017	2018	Change
Underlying net profit (EURm)	191.3	49.7	-74.0%
Weighted average number of shares (million)	611.89	612.18	0.0%
Average number of treasury shares (million)	10.57	10.28	-2.8%
UNDERLYING EARNINGS PER SHARE (Euro)	**0.31**	**0.08**	**-74.0%**

- 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)	2017	2018	Change
Long-term debt	961.9	919.1	-4.5%
Short-term debt	330.0	772.4	134.0%
Cash & Cash equivalents	-346.5	-239.8	-30.8%
NET FINANCIAL DEBT	**945.4**	**1,451.6**	**53.5%**

2017 and 2018 re-expressed figures

The Company presents the main quarterly profit and loss accounts corresponding to 2017 and 2018 after being re-expressed. For additional disclosure, please refer to the Annual Accounts 2018.

2017 RE-EXPRESSED FIGURES

(€m)	Q1 2017	H1 2017	9M 2017	FY 2017
Net sales	2,005.3	4,089.4	6,157.6	8,217.5
Adjusted EBITDA	98.1	228.4	370.6	518.5
EBIT	31.1	72.4	136.3	218.0

2018 RE-EXPRESSED FIGURES

(€m)	Q1 2018	H1 2018	9M 2018	FY 2018
Net sales	1,794.7	3,661.2	5,274.9	7,288.7
Adjusted EBITDA	86.4	199.6	254.9	337.9
EBIT	8.2	34.8	-12.1	-94.5

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