

# 2019

## 2019 Highlights

The Company has been operating in a highly disrupted and volatile business, financial and corporate context which, despite having a positive final resolution at mid-year, has nevertheless taken a substantial toll and affected the operating performance during the year.

The sequence of relevant facts in 2019:

- 20 May 2019, the public tender offer proposed by LetterOne was successfully completed and an agreement in principle with the syndicate lenders was announced. LetterOne became the controlling shareholder with 69.76% of the share capital of DIA.
- 21 May 2019 a new Board of Directors and CEO were appointed.
- 25 June 2019 a new financing agreement with the syndicated facility lenders was reached, and it became effective on 18 July 2019.
- 19 July 2019 the Company entered into participating loans with LetterOne totalling EUR 490m, which were fully funded.
- 22 July 2019 the Company fully repaid EUR 306m Medium Term Notes on maturity.
- 22 October 2019 the Extraordinary Shareholders' Meeting approved a Share Capital Increase in the Company for EUR 606m.
- 20 November 2019 the Capital Increase settled, leaving the new share capital of the Company at EUR 66,779,789.79 (divided into 6,677,978,979 shares of EUR 0.01 of nominal value each). LetterOne increased its participation to 74.82%.

## The Recapitalization

The Company successfully achieved its viable long-term capital structure after refinancing EUR 900m of existing syndicated facilities, together with EUR 271m new money raised through the new debt facilities and the proceeds coming from the EUR 606m capital increase completed in November.

## The Transformation

The transformation of DIA into a profitable modern proximity retailer consists of:

- Investing in capabilities to drive the transformation: world-class specialists in food retail, building an efficient organisation and developing best-in-class operating standards.
- Rebuilding DIA's culture and trust, fostering long-term relationship with all key stakeholders, and creating a new performance-based culture and principles-oriented leadership.
- Transforming DIA's Customer Value Proposition based on a new assortment, improving the fresh offer and private brand, adapting pricing and promotions, investing in the network of stores and re-inventing the franchise model

In advance of the transformation, a series of decisions have been taken with the objective of cleaning the bad legacy from the past. Those measures have included: (i) sizable headcount reduction initiatives (mostly in Brazil and Spain) to improve productivity, (ii) the closure of 861 unprofitable stores with permanent negative contribution, (iii) transferring poorly-run franchised stores to wholly-owned (COFO to COCO) affecting 385 stores, (iv) an assortment optimization initiative to achieve a manageable minimum common offer among the formats and improve operations, (v) the discontinuation of non-core activities (i.e.: e-shopping, Bahia masterfranchise or Mini Preço in Brazil) to reduce complexity and improve efficiency and focus, and (vi) the recognition of accruals, losses, impairments or write-offs in connection with certain receivables, investments, tax credits, risks and liabilities.

A key task also developed and well advanced has been to build the new team. More than 80 new professionals, top international retailers, joined the management team in all levels (CEO-1, CEO-2, etc.) and across all relevant functional areas of the Company (commercial, operations, logistics, etc.) adding food retail expertise and capabilities and complementing the existing talents. The company also promoted to leading positions internal talents forming a winning team. The new team has been fully engaged in diagnosing issues, setting action plans, and developing the roadmap to achieve the transformation targets.

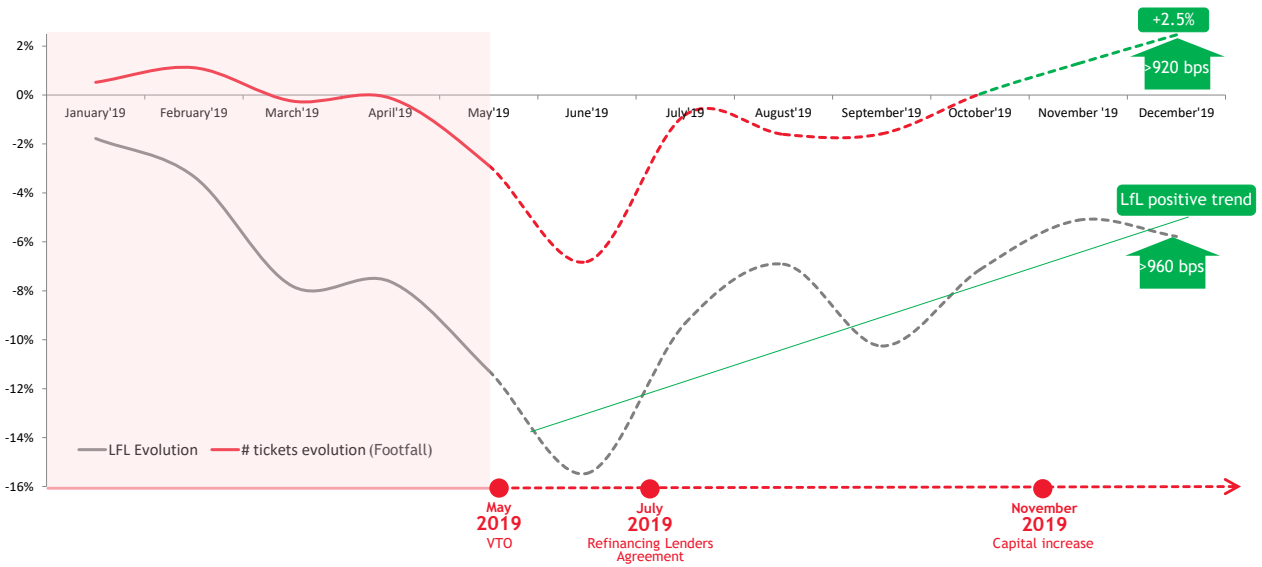
Among the transformation pillars, several initiatives were already well developed in Spain: (i) improvements in the fresh offer focusing in quality, presentation, freshness and pricing, (ii) new franchise model has been developed and tested after a big effort to sanitise the network of poorly-run stores, and (iii) the operational excellence initiative started with the deployment of optimised in-store processes and improved logistics in order to satisfy shorter service levels for fruits & vegetables.

## Early Signs of Recovery

The stabilization, recapitalization and early transformation activity described above has implied a formidable effort in a very short time. The disruption in the first half of the year and the actions linked to the preparation for transforming DIA have caused an unavoidable significant negative impact in the 2019 P&L. In order to facilitate the understanding of 2019 performance, all the related restructuring and one-off items that had to be charged to the income statement in the year (most of which are non-cash) have been properly disclaimed in this document.

The early signs of the transformation become visible through the Like-for-like Sales. In 2019 LfL went down by 7.6%, but the footfall (Tickets LfL) remained largely unchanged (-0.7%), which proves the formidable resilience of our customer base and the fundamental strength of the proximity format of DIA. The trend at the end of the year showed a clear recovery in footfall, growing at positive rates consistently every month in the Q4. Since the all-time lows reached in

June, both footfall and LfL Sales grew by over 920 bps and 960 bps respectively until 2019 year-end.



The full recovery of positive LfL sales will take longer, as our customers will discover an enhanced and attractive customer value proposition (CVP) that will drive them to increase substantially their average basket.

We believe that the fundamental strengths of DIA are intact and that with our leading team, execution discipline and customer focus, we are just at the beginning of an exciting transformation journey.

## Group Performance<sup>1</sup>

Financial summary (€m)	FY 2018	FY 2019	Change (%)	Change (% ex-FX)
Net Sales	7,576.0	6,870.5	-9.3%	-2.2%
Adjusted EBITDA (ex one-offs)	376.2	34.1		
Operating losses (EBIT)	(142.6)	(580.2)		
Net attributable losses	(352.6)	(790.5)		

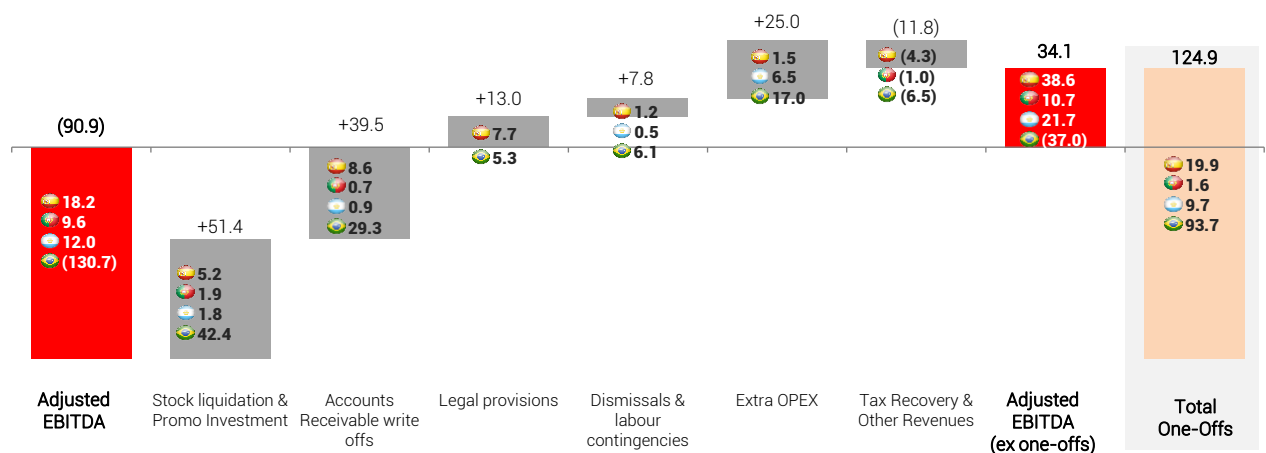
(\*) 2018 figures include Clarel as a continued activity.

- During 2019, Gross Sales Under Banner fell by 19.5% to EUR 8.7bn (9.2% down ex-currency with a strong FX negative impact of 10.3%). Comparable (Like-for-Like) sales decreased 7.6% for the Group compared to a negative 3.5% in the same period of 2018, showing a negative trend and the sharp deterioration caused by the out-of-stock levels in our warehouses and stores resulting from the business disruption context suffered during 2019.
- Net attributable loss amounted EUR 790.5m, compared to the EUR 352.6m losses shown in the same period of 2018, as a result of the strongly negative earnings related to the sharp sales decline and also to the exceptional one-off effects registered in the period in connection with the different measures implemented to set the right basis for the long-term turnaround of the Company, which will translate into visible positive effects on sales and profitability only in the medium to long-term, as explained further in this report. Also, a detailed risk and recoverability analysis has resulted in the recognition of previously not addressed write-offs, losses, and provisions for risks associated to the business.
- The main items affecting the Group's negative performance in 2019, include:
  1. The **sharp sales deterioration** caused by the extraordinary out-of-stock levels and business disruption context described above.
  2. The **closure of poorly-performing stores** which has affected a total of 861 stores during 2019 (mostly in Spain and Brazil), which ultimately translated into: lower sales, the write-off of related assets, an increase in Opex due to the expenses related to the handover of the leases and the recognition of provisions in respect of doubtful accounts receivables from related franchisees. These closings will have a positive impact derived from the elimination of their negative margin contribution.
  3. A strong **de-franchising process** aimed at improving the quality of our franchisee network, which has affected a total of 385 stores during 2019 (mostly in Spain and Brazil), resulting in higher labor and Opex expenses, and the recognition of additional provisions on related accounts receivables.

<sup>1</sup> The Company has decided to keep its Clarel business and strengthen it with the new appointment of a new CEO and a dedicated management team who will work on reformulating its customer value proposition. Accordingly, the financial information provided and the comparable data for 2018 includes Clarel fully consolidated as continued operations.

4. An initial **commercial assortment rationalization** process carried out, in all regions resulting in a meaningful reduction in SKUs, seeking greater simplification, productivity improvement and best value-for-money proposition for customers. This initiative led to the recognition of significant losses (especially in Brazil) related to the corresponding stock liquidation (impacting negatively Cost of Goods Sold).
5. The impact of some **logistic improvement initiatives** implying the **closing of warehouses** to seek greater efficiency, which translated in the short-term into higher logistic costs, additional write-offs of assets and provisions for committed lease payments to the owners.
6. **The increased focus on our core business**, which led to decisions/actions (i.e.: the closing of the operations in Bahia and Mini Preço in Brazil, or the discontinuation of the non-food e-commerce activities in Spain through e-Shopping) which have increased the restructuring costs and the losses on impairment of assets.
7. Other substantial **extraordinary and one-off items** such as:
  - o The **Collective Dismissal** process 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.
  - 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 Shareholders' Meeting (including financial and corporate advice, auditors, forensic services, legal advice and strategy consultants), impacting Restructuring Costs and Financial Results.
  - o The **repurchase by DIA of the 50% of Finandia** due to change of control which triggered the recognition of losses impacting in Financial Results and Operating Results.
8. The recognition of **additional accruals in connection with certain legal and tax risks and liabilities** identified that needed to be provisioned, and write offs and others.

The following chart shows the **one-off impacts included in Adjusted EBITDA**, totaling EUR (124.9)m, which are mainly concentrated in Brazil (EUR 93.7m) and Spain (EUR 19.9m). The largest impacts in Adjusted EBITDA relate to stock liquidation efforts and to accounts receivable write-offs.



## FY 2019 Results

(EUR m)	FY 2018 <sup>(*)</sup>	(%)	FY 2019	(%)	Change (%)	Change (% ex-FX)
<b>Net Sales</b>	<b>7,576.0</b>	<b>100.0%</b>	<b>6,870.5</b>	<b>100.0%</b>	<b>-9.3%</b>	<b>-2.2%</b>
Cost of goods sold & other income	(5,909.0)	-78.0%	(5,552.0)	-80.8%	-6.0%	1.9%
<b>Gross Profit</b>	<b>1,667.0</b>	<b>22.0%</b>	<b>1,318.5</b>	<b>19.2%</b>	<b>-20.9%</b>	<b>-16.7%</b>
Labour costs	(703.1)	-9.3%	(741.0)	-10.8%	5.4%	10.6%
Other operating expenses	(319.8)	-4.2%	(362.0)	-5.3%	13.2%	24.6%
Leased property expenses	(304.2)	-4.0%	(18.8)	-0.3%	-93.8%	-92.8%
Restructuring costs	(130.7)	-1.7%	(131.1)	-1.9%	0.3%	0.3%
<b>EBITDA</b>	<b>209.2</b>	<b>2.8%</b>	<b>65.6</b>	<b>1.0%</b>	<b>-68.6%</b>	<b>-12.5%</b>
D&A	(245.8)	-3.2%	(518.4)	-7.5%	110.9%	
Impairment of non-current assets	(117.6)	-1.6%	(57.5)	-0.8%	-51.1%	
Write-offs	11.6	0.2%	(70.0)	-1.0%	-702.3%	
<b>EBIT</b>	<b>(142.6)</b>	<b>-1.9%</b>	<b>(580.2)</b>	<b>-8.4%</b>	<b>307.0%</b>	
Net financial results	(17.1)	-0.2%	(96.7)	-1.4%	464.5%	
<b>EBT</b>	<b>(159.7)</b>	<b>-2.1%</b>	<b>(677.0)</b>	<b>-9.9%</b>	<b>323.9%</b>	
Corporate Taxes	(188.4)	-2.5%	(91.7)	-1.3%	-51.3%	
<b>Consolidated Profit</b>	<b>(348.0)</b>	<b>-4.6%</b>	<b>(768.6)</b>	<b>-11.2%</b>	<b>120.8%</b>	
Discontinuing operations	(4.5)	-0.1%	(21.8)	-0.3%	381.6%	
<b>Net attributable profit</b>	<b>(352.6)</b>	<b>-4.7%</b>	<b>(790.5)</b>	<b>-11.5%</b>	<b>124.2%</b>	

(\*) 2018 figures include Clarel as a continued activity

During 2019, the DIA Group's Net Sales decreased by 9.3% to EUR 6.9bn, but were down only by 2.2% in local currency. This sales performance reflected a 7.1% negative effect from currencies due to the 40.8% and 2.7% depreciation of the Argentinean Peso and Brazilian Real, respectively, in the period.

Comparable Sales (Like-for-Like) in 2019 was negative at -7.6%, but driven by a -0.7% in the number of tickets and a -7.0% decline in the average basket, showing the strong resilience of our customer base despite the difficult context of the Company.

The monthly evolution of Like-for-Like (see table attached) shows two different phases, with the first one characterized by a progressive and accelerating deterioration during the first six months of the year (peaking in June with -15.5% driven by the negative impact caused by the uncertainty surrounding the Company's financial situation and the supplier tightening resulting from it), and the second one showing a gradual recovery of the business from July to December, which is especially noteworthy considering that it is happening despite having discontinued in 2019 certain commercial practices which were used in 2018 to unsustainably boost sales (like the Day-without-VAT promotions in Spain, or the wholesale sales and the push sales to franchisees made in Brazil).

LFL(*)	Jan	Feb	Mar	Apr	May	Jun
DIA Group	-1.6%	-3.2%	-7.7%	-7.5%	-11.1%	-15.5%
LFL(*)	Jul	Aug	Sept	Oct	Nov	Dec
DIA Group	-9.1%	-6.9%	-10.0%	-7.1%	-5.1%	-5.8%

(\*) includes Clarel

Gross Profit (as a percentage of Net Sales) decreased in 2019 to 19.2% (versus positive 22.0% in 2018) reflecting principally the negative impact of the stock liquidation initiatives referred to above, write-off of receivables related to franchisees, and also some erosion caused by the supplier tightening.

Adjusted EBITDA<sup>2</sup> amounted to negative EUR 90.9m in 2019, compared to the EUR 376.2m in the same period last year, as a result of the negative earnings impact related to the sales decline and to the exceptional one-off effects of EUR -124.9m registered in the period mainly related to stock liquidation and write-off of accounts receivables in Spain and Brazil. Also, the Company has adopted a new more conservative definition of Adjusted EBITDA in 2019 which does not exclude certain cost items.

EBITDA in 2019 fell to EUR 65.6m compared to positive EUR 209.2m in the same period of previous year. In addition to the negative operational impacts already described above, the negative impact from one-off restructuring items of EUR -131.1m, additional Impairment of EUR -57.5m were more than offset by the sizeable EUR 321.4m positive effect resulting from the application of IFRS 16.

The following table includes the EBITDA to Adjusted EBITDA reconciliation in 2018 and 2019:

EBITDA to Adjusted EBITDA reconciliation (EUR m)	FY 2018 <sup>(*)</sup>	FY 2019	Change
<b>EBITDA</b>	<b>209.2</b>	<b>65.6</b>	<b>(143.6)</b>
<b>Restructuring costs</b>	<b>130.7</b>	<b>131.1</b>	<b>0.4</b>
Store remodelling	22.4	0.0	(22.4)
COCO to COFO transfers	12.3	0.0	(12.3)
Store closings	30.4	13.4	(17.0)
DC closings	1.1	24.2	23.1
Efficiency projects & severance packages	35.1	62.9	27.8
Advisory fees & other special items	28.5	30.6	2.1
LTIP share based payments	1.0	0.0	(1.0)
<b>IFRS16 lease effect</b>	<b>0.0</b>	<b>(321.4)</b>	<b>(321.4)</b>
<b>IAS 29 hyperinflation effect</b>	<b>36.3</b>	<b>33.9</b>	<b>(2.4)</b>
<b>Adjusted EBITDA</b>	<b>376.2</b>	<b>(90.9)</b>	<b>(467.0)</b>

(\*) 2018 figures include Clarel as a continued activity

The Restructuring Costs in 2019 are primarily resulting from: (i) the EUR 62.9m provision accrued for the total estimated costs related to the Collective Dismissal approved in Spain and dismissals in other countries, and (ii) the EUR 30.6m of exceptional one-off fees related to: financial and corporate advice, auditors, forensic services, legal advice, strategy consultants, and the

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

preparation of the EUR 600m capital increase presented at the Annual Shareholders' Meeting celebrated in March, and (iii) the EUR 37.6m related to the committed lease payments and other costs incurred in connection with the exceptional closing of stores and warehouses executed in the period.

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

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

Depreciation and amortisation almost doubled during 2019 (from EUR 245.8m to EUR 518.4m) due to the new application of IFRS 16.

<b>Financial results (EUR m)</b>	<b>FY 2018<sup>(*)</sup></b>	<b>FY 2019</b>	<b>Change</b>
Finance income	5.2	38.3	33.1
Interest expense	-48.7	-65.6	(16.9)
Other financial expenses	-17.2	-33.9	(16.7)
Refinancing costs	-11.9	-8.3	3.6
FX differences	-7.3	-14.3	(7.0)
IFRS16 related financial costs	-2.0	-70.8	(68.8)
Gains from net monetary position (IAS 29)	67.5	63.7	(3.8)
Change in Fair Value of Financial instruments	-1.6	0.0	1.6
Results from financial instruments	0.0	-6.0	(6.0)
P&L from companies accounted under equity method	-1.2	0.2	1.4
<b>NET FINANCIAL RESULTS</b>	<b>(17.1)</b>	<b>(96.7)</b>	<b>(79.6)</b>

(\*) 2018 figures include Clarel as a continued activity

In terms of financial results, in 2019, the Group's net financial expenses amounted to EUR 96.7m, which compares with EUR 17.1m expenses the previous year. This EUR 79.6m increase is firstly due to the new application of IFRS 16 in 2019, which had a EUR 68.8m impact on the financial results.

Financial income increased EUR 33.1m (from EUR 5.2m to EUR 38.3m) mainly due to the activation related to ICMS tax in Brazil and other taxes and deposits delivered as of guarantees of contingent liabilities.

Other financial expenses include bank credit and credit interest rates in Argentina linked to revenues and other financial expenses linked to the update of some financial liabilities in Brazil.

The Net Attributable Loss totalled to EUR 784.5m in 2019 (versus a EUR 352.6m loss in the re-expressed 2018 accounts).



## Information by country

<b>DIA GROUP (EUR m)</b>	<b>2018</b>	<b>%</b>	<b>2019</b>	<b>%</b>	<b>Change</b>	<b>Change (ex-FX)</b>
Gross sales under banner	10,772.5		8,675.3		-19.5%	-9.2%
Like-for-like sales growth	-3.5%		-7.6%			
Net sales	7,576.0	100.0%	6,870.5	100.0%	-9.3%	-2.2%
Adjusted EBITDA ex one-offs	376.2	5.0%	34.1	0.5%	-90.9%	

<b>SPAIN (EUR m)</b>	<b>2018<sup>(*)</sup></b>	<b>%</b>	<b>2019</b>	<b>%</b>	<b>Change</b>
Gross sales under banner	5,491.3		5,023.0		-8.5%
Like-for-like sales growth	-2.1%		-6.4%		
Net sales	4,551.4	60.1%	4,177.2	60.8%	-8.2%
Adjusted EBITDA ex one-offs	252.4	5.5%	38.6	0.9%	-84.7%

<b>PORTUGAL (EUR m)</b>	<b>2018<sup>(*)</sup></b>	<b>%</b>	<b>2019</b>	<b>%</b>	<b>Change</b>
Gross sales under banner	828.0		767.9		-7.3%
Like-for-like sales growth	-4.4%		-4.6%		
Net sales	644.9	8.5%	593.9	8.6%	-7.9%
Adjusted EBITDA ex one-offs	30.7	4.8%	10.7	1.8%	-65.1%

<b>ARGENTINA (EUR m)</b>	<b>2018</b>	<b>%</b>	<b>2019</b>	<b>%</b>	<b>Change</b>	<b>Change (ex-FX)</b>
Gross sales under banner	2,813.5		1,540.5		-45.2%	-7.5%
Like-for-like sales growth	-2.8%		-10.2%			
Net sales	970.6	12.8%	917.3	13.4%	-5.5%	47.2%
Adjusted EBITDA ex one-offs	39.0	4.0%	21.7	2.4%	-44.4%	

<b>BRAZIL (EUR m)</b>	<b>2018</b>	<b>%</b>	<b>2019</b>	<b>%</b>	<b>Change</b>	<b>Change (ex-FX)</b>
Gross sales under banner	1,639.6		1,344.0		-18.0%	-15.6%
Like-for-like sales growth	-8.1%		-8.8%			
Net sales	1,409.1	18.6%	1,182.1	17.2%	-16.1%	-14.1%
Adjusted EBITDA ex one-offs	54.0	3.8%	(37.0)	-3.1%	-168.5%	

(\*) 2018 figures include Clarel as a continued activity

Gross Sales Under Banner in Spain declined by 8.5% in 2019 to EUR 5.0bn, while Net Sales were down 8.2% during the period to EUR 4.18bn, very affected by the out of stock situation, the negative media environment around the Company and the decrease in the number of stores. This negative performance was driven by the negative -6.4% Comparable Sales, while the store selling area during the period was reduced 9.3%.

The Adjusted EBITDA ex one-offs generated in the country decreased by 84.7% to EUR 38.6m, reflecting 460bps margin erosion to 0.9%, strongly impacted by one-off impacts amounting to EUR -19.9m.

With regards to Portugal, Gross Sales Under Banner contracted by 7.3% in 2019 to EUR 767.9m, while Net Sales decreased by 7.9% during the same period to EUR 593.9m. This negative performance was due to the negative Comparable Sales of 4.6% and the contraction of the commercial space by 5.3%. Adjusted EBITDA ex one-offs went down by 65.1% to EUR 10.7m, a 300bps margin erosion to 1.8%.

In Argentina, Gross Sales Under Banner declined by 45.2% (in local currency) to EUR 1,540.5m and by 7.5% in constant currency. Net Sales decreased by 5.5% to EUR 917.3m after applying IAS 29, but down 11.6% before IAS 29 (up 47.2% in constant currency), affected by the challenging macroeconomic environment and the sharp decline in private consumption related to the high inflation and the severe currency depreciation, Business in local currency performed relatively well in 2019. The volume of Comparable Sales declined by 10.2%. Adjusted EBITDA ex one-offs in 2019 was EUR 21.7m, reflecting a 160bps decline in the Adjusted EBITDA ex on-offs margin to 2.4%.

In Brazil, Gross Sales Under Banner fell by 18.0% to EUR 1,344.0 (-15.6% in local currency) with Comparable Sales down by 8.8%. The Adjusted EBITDA ex one-offs of the period declined to EUR -37.0m highly impacted by one-off adjustments of EUR -93.7m, related mainly to stock liquidation and accounts receivables write-offs associated to the de-franchising process. The actions taken by the Company in Brazil to improve its operations and the commercial proposition, and to clean-up the store network and the legacy, have enabled a substantial recovery with Like-for-Like Sales reaching levels of -9.3% in December after reporting an all-time low level in June of -29.1%.

## Balance Sheet

(EUR m)	2018 <sup>(*)</sup>	2019
Non-current assets	2,159.1	2,448.2
Inventories	597.4	496.5
Trade & Other receivables	193.5	111.0
Other current assets	66.9	100.2
Cash & Cash equivalents	239.8	163.6
Non-current assets held for sale	15.1	
<b>TOTAL ASSETS</b>	<b>3,271.8</b>	<b>3,319.4</b>
Total equity	(166.1)	(350.5)
Long-term debt	920.4	1,865.7
Short-term debt	775.6	325.5
Trade & Other payables	1,448.9	1,215.4
Provisions & Other liabilities	293.0	262.0
Liabilities associated with assets held for sale	0.0	1.3
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>3,271.8</b>	<b>3,319.4</b>

(\*) 2018 figures include Clarel as a continued activity

The application in 2019 of the new IFRS 16 has resulted in an incremental impact of EUR 705.4m on the Company's consolidated balance sheet (mostly in the Non-Current Assets, and the Long & Short-term Debt captions).

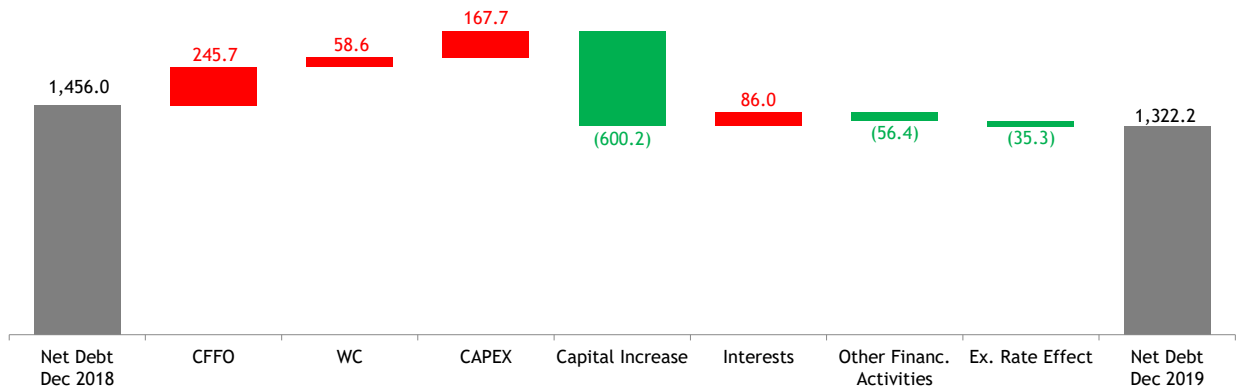
At 31 December 2019, the shareholders' equity balance in the individual financial statements of the Parent Company (which are those used for the purpose of computing the legal dissolution or capital increase obligation) amount to EUR 222.7m, thereby providing a sufficient equity buffer.

NET DEBT (EUR m)	2018 <sup>(*)</sup>	2019
Net Financial Debt	1,456.1	1,322.2
Other Net Debt (IFRS 16)	0.0	705.4
<b>Total Net Debt</b>	<b>1,456.0</b>	<b>2,027.7</b>

(\*) 2018 figures include Clarel as a continued activity

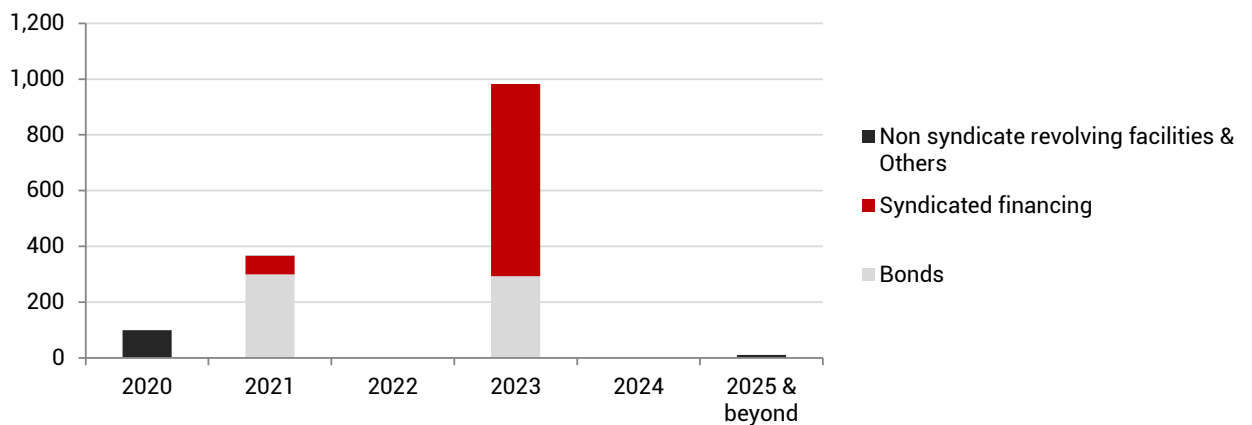
Total Net Debt at the end of 2019 amounted to EUR 2,027.7m, of which EUR 705.4m corresponded to the application of the new accounting standard IFRS 16. Therefore, Net Financial Debt was EUR 1,322.2 at the end of 2019, EUR 133.8 m less than at year-end 2018.

Conciliation of Net debt from December 2018 to December 2019 is as follows:



- The Debt maturity profile has been significantly enhanced after the long-term refinancing agreement signed and the bond repayment in July. We highlight the following maturities: (i) Non-Syndicated Revolving Facilities & Others: EUR 96.1m by 2020, EUR 0.5m by 2021 and EUR 10.7 from 2025 onwards, (ii) Bonds: EUR 299.3m in April 2021 and EUR 293.7m in April 2023, and (iii) syndicated financing: EUR 3.5m by 2020, EUR 66.7m by 2021 and EUR 688.6m in 2023.

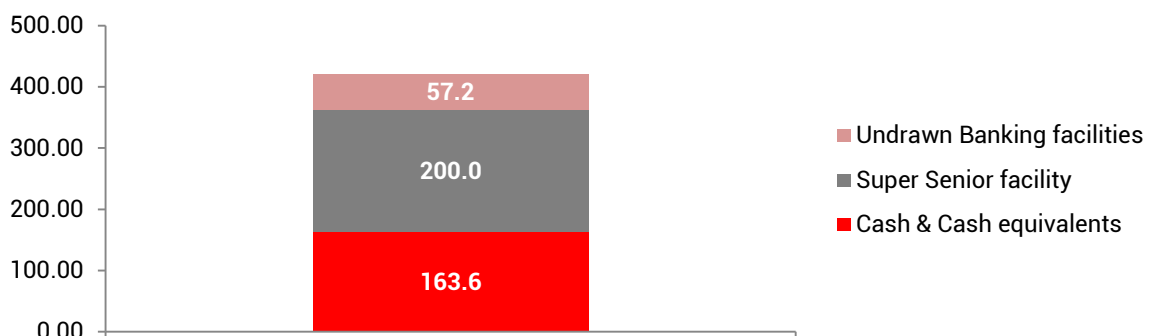
**Actual Gross Debt Maturity Profile as of 31 December 2019 (€1.460m disposed)**



(\*) Not including lease payments (IFRS 16)

**Available Liquidity**

- At 31<sup>st</sup> December 2019, the Company had €420.8 million of liquidity available as detailed below:



## Trade Working Capital

(EUR m)	2018 <sup>(*)</sup>	2019	Change
<i>Non-recourse factoring</i>	126.5	14.1	(112.3)
Inventories (A)	597.4	496.5	(100.8)
Trade & Other receivables (B)	193.5	111.0	(82.5)
Trade & Other payables (C)	1,448.9	1,215.4	(233.5)
<b>Trade Working Capital <sup>(1)</sup></b>	<b>-658.1</b>	<b>-608.0</b>	<b>50.1</b>

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

(\*) 2018 figures include Clarel as a continued activity

From December 2018 to December 2019, DIA's negative Trade Working Capital declined by 7.6% to EUR 608.0m. This EUR 50.1m 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.
- II. The shorter payment period to suppliers in 2019, linked to the financial disruption occurred in the first half of the year.
- III. The lower volume of commercial financing (non-recourse factoring).
- IV. Continued depreciation of currencies in Argentina in 2019.

The value of inventories declined by 16.9% versus December 2018, EUR 100.8m down to EUR 496.5m due to a more efficient management of stock in stores and distribution centres and the stock liquidation measures activated by the Company, as part of the stock optimization process.

Trade and other receivables decreased by 42.6% compared to year-end 2018. This EUR 82.5m decline in the value of debtors is due to the declining volume of activity with franchisees.

The value of Trade & Other Payables decreased by 16.1%, from EUR 1.5bn to EUR 1.2bn. This decline of EUR 233.5 relates to stock liquidation strategy and the decrease on the volume of sales (and therefore in the volume of purchases), that have taken place in 2019.

Non-Recourse Factoring from receivables from our suppliers amounted to EUR 14.1m by the end of the year, having a material impact in the evolution of Trade Working Capital figures, which compares with EUR 126.5m at the end of 2018.

As of December 2019, Confirming increased to EUR 250.3mn compared to EUR 199.9mn as of December 2018.

## Capex

(EUR m)	2018 <sup>(*)</sup>	%	2019	%	Change (%)
Spain	207.0	65.6%	33.8	36.3%	-83.7%
Portugal	20.3	6.4%	9.2	9.9%	-54.4%
Argentina	29.7	9.4%	9.4	10.1%	-68.2%
Brazil	58.5	18.5%	40.5	43.6%	-30.7%
<b>TOTAL Capex</b>	<b>315.3</b>	<b>100.0%</b>	<b>93.0</b>	<b>100.0%</b>	<b>-70.5%</b>

(\*) 2018 figures include Clarel as a continued activity

DIA decreased its investment activity to EUR 93.0m in 2019 (of which c. 56.8% were related to on-going and maintenance investments), EUR 222.3m less than in the same period in 2018 (a 70.5% decrease), which reflects the Company's tight control with respect to new investments.

## Store Count

At the end of 2019, DIA operated a total of 6,626 stores, 812 less than at the end of the same period 2018, accumulating 49 new openings and 861 closures in the period.

The number of stores was reduced by 448 in Spain (from 4,684 to 4,236), after the opening of 10 new stores and the closure of 458<sup>3</sup> stores during 2019 (of which 101 were Cada DIA, 327 DIA, 22 Clarel and 8 La Plaza). 2019 was also special in terms of franchised activity, as the Company transferred 255 net stores back to Owned from franchise operations. This change is due to the new Company policy to seek higher-quality franchise partners to provide customers with a better shopping experience.

In Portugal, the total number of stores declined by 27 stores in the period, from 603 to 576. The net number of stores transferred from owned to franchised was 25, and 29 stores were closed.

Argentina ended 2019 with 934 stores in operation, 45 less than in December 2018, totalling 8 openings and 53 closures during the period. With regards to franchised activity, a total of 30 net stores were transferred to Owned during the period.

In Brazil, the Company has presence in 3 regions (Sao Paulo, Belo Horizonte and Porto Alegre), it closed 321 stores (including operations in Bahia) in the period and opened 29 points of sale. The total number of stores was reduced by 292 net stores, from 1,172 to 880.

<sup>3</sup> During 2019 the Company closed 34 stores of Cash Carry.

## Summary of Stores

31 Dec 2019

<b>DIA GROUP</b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>
Total stores 31 December 2018 <sup>(*)</sup>	3,693	3,745	7,438
New openings	31	18	49
Owned to franchised net transfers	385	-385	0
Closings	-384	-477	-861
<b>Total DIA GROUP stores as of 31 Dec 2019</b>	<b>3,725</b>	<b>2,901</b>	<b>6,626</b>

<b>SPAIN</b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>
Total stores 31 December 2018 <sup>(*)</sup>	2,615	2,069	4,684
New openings	4	6	10
Owned to franchised net transfers	255	-255	0
Closings	-303	-155	-458
<b>Total DIA SPAIN stores as of 31 Dec 2019</b>	<b>2,571</b>	<b>1,665</b>	<b>4,236</b>

<b>PORTUGAL</b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>
Total stores 31 December 2018 <sup>(*)</sup>	294	309	603
New openings	0	2	2
Owned to franchised net transfers	25	-25	0
Closings	-21	-8	-29
<b>Total DIA PORTUGAL stores as of 31 Dec 2019</b>	<b>298</b>	<b>278</b>	<b>576</b>

<b>ARGENTINA</b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>
Total stores 31 December 2018	298	681	979
New openings	8	0	8
Owned to franchised net transfers	30	-30	0
Closings	-13	-40	-53
<b>Total DIA ARGENTINA stores as of 31 Dec 2019</b>	<b>323</b>	<b>611</b>	<b>934</b>

<b>BRAZIL</b>	<b>Owned</b>	<b>Franchised</b>	<b>TOTAL</b>
Total stores 31 December 2018	486	686	1,172
New openings	19	10	29
Owned to franchised net transfers	75	-75	0
Closings	-47	-274	-321
<b>Total DIA BRAZIL stores as of 31 Dec 2019</b>	<b>533</b>	<b>347</b>	<b>880</b>

(\*) 2018 figures include Clarel as a continued activity

## Events Following the Close of the Period

- As of 17 February 2020, DIA Group has appointed Marcelo Maia as Executive Chairman for DIA Brazil.
- As of 11 February 2020, DIA Group has appointed Ricardo Álvarez as new CEO for DIA Spain.
- As of 15 January 2020, the Board of Directors approved the appointment by co-optation of Ms. Basola Vallés Cerezuela as Independent Director of the Company. Additionally, with effect as of 14 January 2020, Mr. Michael Casey has resigned from his position as member of the Board of Directors of the Company and, therefore, also as member of the Finance and Capital Structure Committee.
- The implementation of the "Hive-Down Transaction", as requested by the syndicated lenders, has started as of 1 January 2020. This transaction implies to initiate a complex sequential process of several transactions and legal steps during the first months of 2020 for the transfer of the Company's main business units to certain subsidiaries which will be directly or indirectly owned by several intermediate Luxembourg companies, wholly-owned, directly or indirectly by DIA.

## Change in Currency Rates

Period	€ / Argentinean Peso	€ / Brazilian Real
FY 2018 average	0.0321	0.2329
FY 2019 average	0.0190	0.2267
<b>FY 2019 change <sup>(1)</sup></b>	<b>-40.8%</b>	<b>-2.7%</b>

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



## Definition of APMs

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

### PURPOSE

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

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

### CHANGES TO APMs

The Adjusted EBITDA definition has been updated in 2019 to:

- I. Exclude the effect of IAS 29 and IFRS 16, and,
  - II. Include as Ordinary Operational Expenses or Revenues –to be more conservative – those related to store remodellings and closings, long-term incentive programs (LTIP), and write-offs of account receivables related to franchisees.
- **Gross Sales Under Banner:** Total Turnover Value obtained in stores, including indirect taxes (sales receipt value) in all the Company's stores, both owned and franchised.

<b>NET SALES TO GROSS SALES UNDER BANNER RECONCILIATION (EUR m)</b>	<b>FY 2018<sup>(*)</sup></b>	<b>FY 2019</b>	<b>Change (%)</b>
Net Sales	7,576.0	6,870.5	-9.3%
VAT and other	3,196.5	1,804.8	-43.5%
<b>GROSS SALES UNDER BANNER</b>	<b>10,772.5</b>	<b>8,675.3</b>	<b>-19.5%</b>

(\*) 2018 figures include Clarel as a continued activity

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

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

<b>EBIT TO ADJUSTED EBITDA RECONCILIATION (EUR m)</b>	<b>2018<sup>(*)</sup></b>	<b>2019</b>	<b>Change</b>
Operating Profit (EBIT)	(142.6)	(580.2)	(437.7)
Depreciation & Amortization	245.8	518.4	272.6
Losses on write-off of fixed assets	(11.6)	70.0	81.6
Impairment of fixed assets	117.6	57.5	(60.1)
<b>Gross Operating Profit (EBITDA)</b>	<b>209.2</b>	<b>65.6</b>	<b>(143.6)</b>
Restructuring costs	130.7	131.1	0.4
IFRS16 lease effect	0.0	(321.4)	(321.4)
IAS 29 hyperinflation effect	36.3	33.9	(2.4)
<b>ADJUSTED EBITDA</b>	<b>376.2</b>	<b>(90.9)</b>	<b>(467.0)</b>

(\*) 2018 figures include Clarel as a continued activity

- **Net Financial Debt:** Is the result of subtracting from the total value of the Company's short-term and long-term debt, the total value of its cash, cash equivalents, and other liquid assets and the debt related effect from the application of IFRS 16. All the information necessary to calculate the Company's net debt is included in the balance sheet.

<b>NET DEBT RECONCILIATION (EUR m)</b>	<b>2018<sup>(*)</sup></b>	<b>2019</b>	<b>Change</b>
Long-Term debt	920.4	1,377.5	457.2
Short-Term debt	775.6	108.3	(667.3)
Cash & Cash equivalents	239.8	163.6	(76.3)
<b>TOTAL NET DEBT</b>	<b>1,456.0</b>	<b>1,322.2</b>	<b>(133.8)</b>
IFRS16 lease debt effect	0.0	705.4	705.4
<b>NET FINANCIAL DEBT</b>	<b>1,456.0</b>	<b>2,027.7</b>	<b>571.6</b>

(\*) 2018 figures include Clarel as a continued activity

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